



Connecticut's Fiscal Guardrails Overview

Connecticut operates under a set of financial rules known as **fiscal guardrails**, designed to limit spending, borrowing, and the use of volatile revenue sources. While these policies aim to promote fiscal responsibility, they also affect the state's ability to invest in critical programs and services. During this uncertain federal funding landscape—when federal policies on taxes, spending, and social programs remain in flux—state lawmakers must navigate fiscal constraints while ensuring essential investments in education, healthcare, and economic mobility.

Spending Cap

- **What it does:** Limits how much the state can spend by restricting the legislature's authority to make appropriations.
- **Why it matters:** Ensures long-term financial stability but can also prevent necessary investments in areas like education, healthcare, and workforce development—especially when revenue is available.

Bond Cap

- **What it does:** Limits how much the state can borrow for capital projects, such as infrastructure, schools, and public services.
- **Why it matters:** Helps control debt but can slow down or prevent investments in critical infrastructure and economic development projects.

Revenue Cap

- **What it does:** Limits the amount of projected revenue that lawmakers can allocate from the state budget.
- **Why it matters:** Restricts the use of available funds, which can result in an artificial budget shortfall, even when the state has sufficient revenue to address pressing needs.

Volatility Cap

- **What it does:** Limits how much revenue from volatile sources (e.g., stock market gains) can be used for state spending.
- **Why it matters:** Helps protect against budget shortfalls during economic downturns but also limits the ability to use surplus funds for urgent investments when the economy is strong.



The Danbury Collective



Balancing Fiscal Responsibility and Community Investment Flexibility in an Uncertain Federal Climate

With ongoing debates over federal tax policy, potential budget cuts to social programs, and shifting priorities in Washington, Connecticut must strike a balance between fiscal discipline and the ability to respond to evolving needs. While the guardrails provide financial stability, they must not prevent the state from investing in critical programs that support children, families, economic and educational mobility, and public health, especially in times of federal uncertainty.