



Office of Fiscal Analysis

FY 26 BUDGET PROJECTIONS

February 25, 2026

BUDGET ON TRACK TO YIELD \$1.6 BILLION FOR PENSIONS DEBT

The Office of Fiscal Analysis projects operating surpluses within the General and Special Transportation funds of \$19.2 millionⁱ and \$60.9 millionⁱⁱ, respectively. Relative to [last month's projection](#), the projected operating surplus in the General Fund has decreased by \$7.2 million and the projected operating surplus in the Special Transportation Fund (STF) has increased by \$4.0 million.

Budget Reserve Fund and Pensions Deposits - Projected

[Special Act 26-1](#), *An Act Establishing the Federal Cuts Response Fund*, extends the authority to spend down the \$500 million appropriation provided by [Special Act 25-1](#), *An Act...Appropriating Funds to Address Reductions in Federal Funding*. The \$330.8 million unallocated balance of the \$500 million appropriation thus no longer will be available to reduce pension fund debt in FY 27. The Volatility Adjustment Transfer remains unadjusted since the [January statement](#) and is projected to be approximately \$1,810.4 million.ⁱⁱⁱ An estimated \$238.6 million of the Volatility Adjustment Transfer would be needed to maintain the Budget Reserve Fund at the 18.0% cap relative to FY 27 net General Fund appropriations (as enacted in June 2025). With the additional \$238.6 million deposit, the Budget Reserve Fund balance would increase to \$4,565.1 million in FY 27. The remaining \$1,571.8 million would be used to reduce pension funds debt.

General Fund

Expenditure projections for the Adjudicated Claims line item are revised upwards by \$11.4 million in this statement, reflecting ongoing spending trends. Various other relatively minor updates to expenditure projections yield a downward revision of \$2.9 million (net). Revenue projections remain stable overall, with one technical update of \$1.3 million to the Transfers revenue category. Collections trends in key tax

categories will become more apparent in the upcoming two months.

Overview

In Millions of Dollars

General Fund	Budget	February Estimate	Difference from Budget
Revenues	24,345.4	24,466.3	120.9
Expenditures	24,036.6	24,447.1	410.6
Surplus/(Deficit)	308.9	19.2	(289.7)
Special Transportation Fund			
Revenues	2,309.1	2,335.3	26.3
Expenditures	2,279.2	2,274.4	(4.8)
Surplus/(Deficit)	29.8	60.9	31.1

Special Transportation Fund

The Special Transportation Fund (STF) estimated surplus has been revised upward by \$4 million. Revenue projections have increased by \$10 million to reflect a higher-than-expected quarterly payment from the oil companies tax. Expenditure projections have increased by \$6 million driven primarily by a \$6 million increase for Department of Transportation expenses, including for costs related to the winter storm season. Other changes reflect minor offsetting adjustments to Department of Motor Vehicles Personal Services and STF fringe costs, both based on trends.

General Fund Summary

In Millions of Dollars

Summary	FY 26
Budgeted Balance	308.9
Revenue Changes	
+ Withholding	216.2
+ Sales and Use	176.1
+ Corporations	(277.8)
+ Federal Grants	(26.1)
+ SA 25-1, NSS	167.9
+ Net Revenue	(135.4)
Revenue Subtotal	120.9
Expenditure Changes	
+ Agency Deficiencies	(249.7)
+ SA 25-1, NSS	(167.9)
+ Net Lapses	7.0
Expenditure Subtotal	(410.6)
= Surplus/(Deficit)	19.2
Budget Reserve Fund Balance Summary	
Current Balance @ 18.0%	4,326.5
+ Volatility Adjustment	1,810.4
+ Pension Debt Reduction	(1,571.8)
= Budget Reserve Fund Balance	4,565.1

Special Transportation Fund Summary

In Millions of Dollars

Summary	FY 26
Budgeted Surplus	29.8
Revenue Changes	
+ Sales and Use Tax	19.9
+ Oil Companies	8.6
+ Net Revenue	(2.2)
Revenue Subtotal	26.3
Expenditures	
+ Agency Deficiencies	(13.4)
+ Net Lapses	18.2
Expenditure Subtotal	4.8
= Surplus/(Deficit)	60.9
STF Balance Summary	
Current Balance @ 18.0%	412.4
+ Surplus/(Deficit)	60.9
+ Reduce Long-term Debt	(40.4)
= Fund Balance	432.9

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)

ⁱ Pursuant to [Public Act 25-93](#), *An Act Increasing Resources for Students, Schools and Special Education*, the entirety of the projected FY 26 operating surplus in the General Fund will be transferred to the Early Childhood Education Endowment Fund.

ⁱⁱ Pursuant to [Public Act 25-168](#), *An Act Concerning the State Budget...*, the cumulative fund balance of the Special Transportation Fund (STF) is capped at 18.0% of net STF appropriations. Any year-end surplus above the cap is deemed appropriated to pay off STF-related debt. An estimated \$40.4 million of the projected \$60.9 million operating surplus (FY 26) in the STF is expected to be used to pay off STF-related debt, with the remaining \$20.5 million to be used to increase the cumulative fund balance to \$432.9 million in FY 27, assuming the net STF appropriations total enacted in PA 25-168, which would maintain the 18.0% cap.

ⁱⁱⁱ The Volatility Adjustment Transfer represents the difference between projected or year-end actual revenue in the designated volatile category (estimates and finals portion of the personal income tax + pass-through entity tax) and the Volatility Cap which limits the amount of these revenues available to the General Fund budget. At year-end, the Volatility Adjustment Transfer is used to maintain the Budget Reserve Fund at the 18.0% cap with any excess used to reduce long-term (primarily pensions) debt.