



# Office of Fiscal Analysis

FY 26 BUDGET PROJECTIONS

March 25, 2026

## GENERAL FUND **DEFICIT** EMERGES AS VOLATILE REVENUES REMAIN ON TRACK TO YIELD \$1.5 BILLION FOR PENSIONS DEBT

The Office of Fiscal Analysis projects an operating **deficit of \$29.8 million** within the General Fund and an operating surplus of \$82.2 million in the Special Transportation Fund.<sup>i</sup> Relative to [last month's projection](#), the projected operating result in the General Fund has deteriorated by \$49 million and the projected operating surplus in the Special Transportation Fund (STF) has increased by \$21.3 million.

### General Fund

Revenue projections are revised downward by \$70 million (net) in total, with the largest single revision being a downward adjustment of \$75 million to the corporation tax. This negative adjustment reflects ongoing weakness in collections within the corporation tax [first recognized](#) in March-April of 2025 and attributable at least in part to federal and state policies.

Expenditure projections improve by \$21 million (net) in total based on various updates to reflect ongoing spending patterns.

### Overview

In Millions of Dollars

General Fund	Budget <sup>1</sup>	March Estimate	Difference from Budget
Revenues	24,514.7	24,396.3	(118.4)
Expenditures	24,205.8	24,426.1	220.3
<b>Surplus/(Deficit)</b>	<b>308.9</b>	<b>(29.8)</b>	<b>(338.7)</b>
<b>Special Transportation Fund</b>			
Revenues	2,309.1	2,350.3	41.2
Expenditures	2,279.2	2,268.1	(11.1)
<b>Surplus/(Deficit)</b>	<b>29.8</b>	<b>82.2</b>	<b>52.3</b>

<sup>1</sup> General Fund budget amount adjusted to reflect the additional \$169.2 million provided via Special Act 25-1, as amended by Special Act 26-1.

### Budget Reserve Fund and Pensions Deposits - Projected

The Volatility Adjustment Transfer remains unadjusted since the [January statement](#) and is projected to be approximately \$1,810.4 million.<sup>ii</sup> 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) in addition to an offset to the projected FY 26 deficit of \$29.8 million. With the additional net deposit of \$238.6 million, the Budget Reserve Fund balance would increase to \$4,565.1 million in FY 27. The remaining \$1,542 million of volatility funds would be used to reduce pension funds debt. As always, collections of the estimated and finals portion of the personal income tax in April will play a pivotal role in determining the amount of volatility adjustment transfer funds available.

### Special Transportation Fund

The Special Transportation Fund (STF) estimated surplus has been revised upward by \$21.3 million relative to last month.

Oil companies tax revenue is revised upward by \$15 million following a sharp rise in prices this month, which have approached \$100 per barrel after averaging approximately \$65 per barrel through the first eight months of the fiscal year. Given its close relationship to prices, oil companies tax revenues are historically volatile and it is likely that further revisions will be made as forecasts change and new

collections data become available. It should also be noted that CGS Sec. 12-587 exempts from this tax the amount of gross earnings derived from wholesale gasoline more than \$3.00 per gallon, which is roughly where current prices sit. Therefore, increases in oil prices beyond the \$90-\$100 per barrel range are unlikely to generate additional STF revenue.

Expenditures are revised downward by \$6.3 million this month, which reflects savings of \$6 million for the Department of Transportation (DOT) and \$0.5 million for Department of Motor Vehicles staffing. These are partly offset by a \$0.2 million increase in STF fringe projections based on trends. The DOT savings this month is primarily in its Rail Operations account and is due to revised billing projections from Metro North Railroad.

**General Fund Summary**

In Millions of Dollars

Summary	FY 26
<b>Budgeted Balance</b>	<b>308.9</b>
<b>Revenue Changes</b>	
+ Withholding	216.2
+ Sales and Use	176.1
+ Corporations	(352.8)
+ Federal Grants	(26.1)
+ Net Revenue	(131.8)
<b>Revenue Subtotal</b>	<b>(118.4)</b>
<b>Expenditure Changes</b>	
+ Agency Deficiencies	(241.1)
+ Net Lapses	20.8
<b>Expenditure Subtotal</b>	<b>(220.3)</b>
<b>= Surplus/(Deficit)</b>	<b>(29.8)</b>
<b>Budget Reserve Fund Balance Summary</b>	
Current Balance @ 18.0%	4,326.5
+ Volatility Adjustment	1,810.4
+ Offset Current Projected Deficit	(29.8)
+ Pension Debt Reduction	(1,542)
<b>= Budget Reserve Fund Balance</b>	<b>4,565.1</b>

**Special Transportation Fund Summary**

In Millions of Dollars

Summary	FY 26
<b>Budgeted Surplus</b>	<b>29.8</b>
<b>Revenue Changes</b>	
+ Sales and Use Tax	19.9
+ Oil Companies	23.6
+ Net Revenue	(2.3)
<b>Revenue Subtotal</b>	<b>41.2</b>
<b>Expenditures</b>	
+Agency Deficiencies	(7.6)
+Net Lapses	18.7
<b>Expenditure Subtotal</b>	<b>11.1</b>
<b>= Surplus/(Deficit)</b>	<b>82.2</b>
<b>STF Balance Summary</b>	
Current Balance @ 18.0%	412.4
+ Surplus/(Deficit)	82.2
+ Reduce Long-term Debt	(61.7)
<b>= Fund Balance</b>	<b>432.9</b>

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)

<sup>i</sup> 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 \$61.7 million of the projected \$82.2 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.

<sup>ii</sup> 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.