



Office of Fiscal Analysis

FY 26 BUDGET PROJECTIONS

May 28, 2026

NEW BUDGET POLICIES SHAPE FY 26 OPERATING RESULTS & PENSIONS DEPOSITS

The Office of Fiscal Analysis projects an operating surplus of \$329.8 million within the General Fund and an operating surplus of \$30.0 million in the Special Transportation Fund. The Budget Reserve Fund is projected to increase by \$150.9 million to \$4,477.4 million in FY 27. As a result of FY 26 projected operating results, additional deposits of \$1,133.3 million will be made to reduce long-term pensions debt. PA 26-68, the FY 27 Revised Budget, was [signed into law](#) on May 26th and enacts a number of policies affecting the fiscal outcomes in FY 26.

See the **Appendix** on pages 3 and 4 of this statement for a detailed explanation of the various changes.

General Fund

Various policy changes in the FY 27 Revised Budget improve the FY 26 bottom line of the General Fund by \$374.8 million net of all changes.

Special Transportation Fund

A transfer of excess revenues from FY 26 to FY 27, in the amount of \$100 million, reduces the projected FY 26 surplus but provides additional resources to the future, considering a projected operating deficit in FY 28.

Overview

In Millions of Dollars

General Fund	Budget ¹	May Estimate	Difference from Budget
Revenues	24,514.7	25,096.3	581.7
Expenditures	24,205.8	24,766.5	560.7
Surplus/(Deficit)	308.9	329.8	21.0
Special Transportation Fund			
Revenues	2,309.1	2,294.9	(14.2)
Expenditures	2,279.2	2,264.9	(14.3)
Surplus/(Deficit)	29.8	30.0	0.2

¹ 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.

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	(422.8)
+ Federal Grants	(98.0)
+ Net Revenue	710.2
Revenue Subtotal	581.7
Expenditure Changes	
+ Agency Deficiencies	(72.9)
+ Net Lapses	(487.8)
Expenditure Subtotal	(560.7)
= Surplus/(Deficit)	329.8
Budget Reserve Fund Balance Summary	
Current Balance @ 18.0%	4,326.5
+ Volatility Adjustment	1,284.2
+ Pension Debt Reduction	(1,133.3)
= Budget Reserve Fund Balance	4,477.4

Special Transportation Fund Summary

In Millions of Dollars

Summary	FY 26
Budgeted Surplus	29.8
Revenue Changes	
+ Sales and Use Tax	14.9
+ Oil Companies	66.1
+ Net Revenue	(95.2)
Revenue Subtotal	(14.2)
Expenditures	
+ Agency Deficiencies	0.0
+ Net Lapses	14.3
Expenditure Subtotal	14.3
= Surplus/(Deficit)	30.0
STF Balance Summary	
Current Balance @ 18.0%	412.4
+ Surplus/(Deficit)	30.0
+ Reduce Long-term Debt	(8.6)
= Fund Balance	433.8

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)

Appendix - FY 26 Impact of the FY 27 Revised Budget

Provisions within [PA 26-86](#), the FY 27 Revised Budget, as amended by [PA 26-76](#), *An Act Concerning the Failure to File...*, significantly alter the projected FY 26 operating results of the General and Special Transportation funds, the FY 27 deposit into the Budget Reserve Fund, and the volatility adjustment transfer amount available to reduce long-term pensions debt.

Impact of New Budget Policies

In Millions of Dollars

Fund	Unadjusted Projection	Adjusted Projection	Difference
General Fund	(45.0)	329.8	374.8
Special Transportation Fund	130.0	30.0	(100.0)
Volatility Adjustment Transfer	(2,097.9)	(1,284.2)	813.7
Budget Reserve Fund deposit	238.6	150.9	(87.7)
Pensions deposit	1,859.3	1,133.3 ¹	(726.0)
Net Total	-	-	-

Several policy adjustments (listed in the FY 26 policy details table below) impact the FY 26 General Fund with a net positive impact of \$374.8 million. Absent these adjustments, the General Fund would have been projected to close FY 26 with an operating deficit of \$45.0 million.²

In the Special Transportation Fund (STF), a transfer of \$100 million in revenue from FY 26 to FY 27 reduces the projected, year-end FY 26 surplus of the STF while preserving excess revenue for the future. (The STF is projected to run a significant operating deficit in FY 28.)

The Budget Reserve Fund is set to increase from \$4,326.5 million (FY 26) to \$4,477.4 million in FY 27, per the FY 27 Revised Budget, with a \$150.9 million deposit occurring later this calendar year. The adjusted deposit amount is lower than anticipated in the FY 26 - FY 27 biennial budget partially because it reflects the policy decision in the FY 27 Revised Budget to shift \$963.3 million from the General Fund to the newly established (off-budget) Hospital Supplemental Payments Account in FY 27. (The Budget Reserve Fund is capped at 18.0% of the total net General Fund appropriation.)

The FY 27 Revised Budget temporarily increases the volatility cap by \$813.7 million in FY 26, thus making available that revenue as a resource to support the various purposes listed in the FY 26 policy details table below. Due to this policy, the projected FY 27 additional deposits into the pensions funds are reduced by \$726.0 million. The associated foregone annual savings (beginning in FY 29) to the Actuarially Determined Employer Contribution (ADEC) because of this reduced deposit is estimated to be \$62.2 million.³

¹ Annual (beginning in FY 29) ADEC savings from the pensions deposit are estimated to be \$97.1 million.

² April consensus revenue estimates include a [negative adjustment of \\$71.9 million](#) in the federal grants revenue category, which plays a pivotal role in determining the projected (unadjusted to reflect the FY 27 Revised Budget) deficit of \$45.0 million.

³ Without this change, the ADEC savings annually beginning in FY 29 associated with the pensions deposits would have been \$159.3 million.

FY 26 Policy Details of the FY 27 Revised Budget

In Millions of Dollars

General Fund	
Increase the volatility cap - Sec. 256	813.7
<i>Authorize additional spending for supplemental education grants - Secs. 390-391</i>	<i>(162.2)</i>
<i>Authorize additional spending for charter, magnet, and vocational agriculture schools - Secs. 390-391</i>	<i>(17.8)</i>
<i>Authorize additional spending for State Dept. of Education's administrative costs to assist local boards of education and to distribute grants - Sec. 390(a)(6)</i>	<i>(3.0)</i>
<i>Authorize additional spending for municipal grants to be distributed per the Mashantucket Pequot and Mohegan Fund formula - Sec. 464</i>	<i>(100.0)</i>
Adjust the FY 26 - FY 27 revenue transfer - Sec. 258	<i>(233.7)</i>
Subtotal Related to the Volatility Cap Increase	297.0
Update the General Fund subsidy of the Municipal Revenue Sharing Fund - Sec. 260	13.1
Adjust the FY 26 - FY 27 revenue transfer - Sec. 257	130.0
Suspend the transfer to the Housing Trust Fund - Sec. 261	33.6
Suspend scheduled transfer from the Probate Court Administration Fund - Sec. 10	<i>(24.0)</i>
Transfer to the new Federal Cuts Response Fund - Sec. 259	<i>(50.0)</i>
Subtotal Other Revenue-Related Adjustments	102.7
New carry forward authorizations - Secs. 13-51; 481-483	<i>(24.9)</i>
TOTAL GENERAL FUND	374.8
Special Transportation Fund	
Adjust the FY 26 - FY 27 revenue transfer - Sec. 276	<i>(100.0)</i>
TOTAL SPECIAL TRANSPORTATION FUND	<i>(100.0)</i>

Update on State Funding Related to Offsetting Federal Policies

Special Act 25-1, as amended by Special Act 26-1 and the FY 27 Revised Budget, provides \$550.0 million in separate funding generally to offset various federal policies.⁴ Allocations of the funding are proposed by the Governor and subject to limited legislative review prior to implementation. To date, approximately \$275.2 million has been allocated to fulfill various purposes. The spending authority for these funds has been exempted from the spending cap and expires June 30, 2027. While the Governor has chosen to implement these allocations via the General Fund, the net effect on the FY 26 operating results of the General Fund is zero, as additional spending is offset by additional revenue transferred from the separate funds. (The Budget Reserve Fund was used initially but now a separate Federal Cuts Response Fund is in place.)

⁴ Revenues to support the funding have been diverted from the volatile revenue category which otherwise would have been used to reduce long-term pensions debt.