Office of Fiscal Analysis

FY 26 BUDGET PROJECTIONS June 25, 2026

YEAR-END SURPLUSES ANTICIPATED

The Office of Fiscal Analysis projects operating surpluses within the General and Special Transportation funds of $440.2 million[i] and $18.6 million, respectively. Relative to last month's projection, the projected operating result in the General Fund has improved by $110.3 million and the projected operating surplus in the Special Transportation Fund (STF) has decreased by $11.5 million.

Due to the FY 26 projected operating results: (1) the Budget Reserve Fund is set to increase by $150.9 million to $4,477.4 million in FY 27, thereby maintaining the 18.0% cap relative to the amount of net total General Fund FY 27 appropriations; and (2) additional deposits of $1,183.3 million will be made to reduce long-term pensions debt.

General Fund

Projected revenues improve by $99.1 million in total, net of various updates. Projected corporation tax revenues improve by $40 million relative to last month as quarterly collections received in June beat expectations. The improved results in June could reflect decisions by taxpayers to postpone the initial impact of certain state tax increases enacted in the FY 26 – FY 27 biennial budget.[ii] Overall, corporation tax FY 26 revenues are still projected to close the fiscal year $382.8 million, or 23.1%, lower than budgeted. Year-over-year, corporation tax revenues in FY 26 are projected to have declined by $125.9 million, or 9%, from FY 25. Moderate growth of 1% is anticipated in FY 27.

Overview
In Millions of Dollars

General Fund	Budget[1]	June Estimate	Difference from Budget
Revenues	24,514.7	25,195.4	680.8
Expenditures	24,205.8	24,755.3	549.5
Surplus/(Deficit)	**308.9**	**440.2**	**131.3**
Special Transportation Fund			
Revenues	2,309.1	2,289.1	(20.0)
Expenditures	2,279.2	2,270.5	(8.7)
Surplus/(Deficit)	**29.8**	**18.6**	**(11.3)**

[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.

Projected inheritance and estate revenues are revised upwards by $22 million to reflect collections trends in this relatively fitful revenue stream, which is projected to close FY 26 at 44.9% over budget. Real estate conveyance collections continue to exceed expectations, with projections increasing by another $10 million (upward revisions to the revenue stream in FY 26 now total $48.4 million). All other adjustments to revenue projections this month amount to $27.1 million (net) in total.

Projected expenditures are revised downward by $11.2 million total, net of various updates. The largest single adjustment is a downward revision of $23.3 million to projected expenditures for adjudicated claims in the Office of the State Comptroller. All other adjustments to expenditure projections this month total $12.1 million.

Special Transportation Fund

The Special Transportation Fund estimated operating surplus is $18.6 million, which is a reduction of $11.5 million relative to last month. The anticipated year-end cumulative fund balance is $430.9 million, or 17.9% of FY 27 net appropriations. Since this is under the 18% excess threshold, we estimate that no funds will be made available from the year-end balance to pay down debt.[iii] Moderate uncertainty remains in this year's results, particularly with the fourth quarter Oil Companies tax payment which is due at the end of July.

This month's $11.5 million surplus reduction reflects a net decrease in revenues of $5.8 million and a net increase in expenditures of $5.7 million. Revenues declined due to an $8.6 million downward adjustment to motor vehicle receipts and licenses, permits, fees due to weak collections this month, partly offset by an increase of $2.8 million across all other sources. Expenditure increases are due to a $7 million increase in debt service, partly offset by reductions in Personal Services at the Department of Motor Vehicles and fund-wide fringe costs based on trends.

General Fund Summary

In Millions of Dollars

Summary	FY 26
Budgeted Balance	**308.9**
Revenue Changes	
+ Withholding	191.2
+ Sales and Use	176.1
+ Corporations	(382.8)
+ Federal Grants	(98.0)
+ Net Revenue	794.3
Revenue Subtotal	**680.8**
Expenditure Changes	
+ Agency Deficiencies	(49.6)
+ Net Lapses	(499.9)
Expenditure Subtotal	**(549.5)**
= Surplus/(Deficit)	**440.2**
Budget Reserve Fund Balance Summary	
Current Balance @ 18.0%	4,326.5
+ Volatility Adjustment	1,334.2
+ Pension Debt Reduction	(1,183.3)
= 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	(101.0)
Revenue Subtotal	**(20.0)**
Expenditures	
+Agency Deficiencies	-
+Net Lapses	8.7
Expenditure Subtotal	**8.7**
= Surplus/(Deficit)[iv]	**18.6**
STF Balance Summary	
Current Balance @ 18.0%	412.4
+ Surplus/ (Deficit)	18.6
+ Reduce Long-term Debt	-
= Fund Balance	**430.9**

For further information, please see the links below:

Revenue Details Table

Expenditure Details Table

Budget Status Page

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.[v] Allocations of the funding are proposed by the Governor and subject to limited legislative review prior to implementation. Approximately $283.7 million has been allocated (to date) to fulfill various purposes, leaving $266.3 million available. 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 separate funds.

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[i] Pursuant to PA 25-93, *An Act Increasing Resources for Students, Schools and Special Education*, the entirety of the projected operating surplus in the General Fund as recognized by the Office of Policy and Management (OPM) in June, shall be transferred to the Early Childhood Education Endowment Fund provided that the Budget Reserve Fund is projected to be funded at its maximum of 18.0% in the subsequent fiscal year. Accordingly, OPM has indicated an operating surplus of $411.7 million.

[ii] The FY 26 – FY 27 Biennial Budget contained three policies increasing corporation tax revenues by an estimated $171.5 million in total in FY 27: (1) extending the 10% corporate surcharge for three income years through income year 2028; (2) eliminating the combined unitary reporting $2.5 million aggregate maximum tax i.e., cap; and (3) eliminating a provision allowing certain corporations to claim 100% Net Operating Loss. The latter two policies apply to the 2025 income year and thereafter.

[iii] Pursuant to PA 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 18.0% cap is deemed appropriated to pay off STF-related debt.

[iv] Amounts may appear not to sum due to a rounding effect.

[v] 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.