



Office of Fiscal Analysis

SYNOPSIS OF GOVERNOR'S BUDGET PLAN

The Governor proposes to increase FY 27 appropriations by \$85.1 million, raising the FY 27 growth rate across all appropriated funds from 5.4% to 5.7% over the original FY 26 appropriation. The Governor's proposal uses nearly all the spending cap room available in the original FY 27 budget and new cap room generated as the personal income growth factor is updated from 5.4% to 5.9%. The Governor's recommended FY 27 revised budget proposal is \$1.1 million under the spending cap. The Governor's recommended FY 27 revised budget proposal remains in balance, as illustrated in the table below.

Summary of Governor's Recommended FY 27 Budget

In Millions of Dollars

| Components | General Fund | | | Special Transportation Fund | | | All Appropriated Funds | | |
|------------------------|--------------|---------|--------------|-----------------------------|--------|-------------|------------------------|---------|--------------|
| | Budget | Change | Revised | Budget | Change | Revised | Budget | Change | Revised |
| Revenue | 25,913.7 | (117.9) | 25,795.8 | 2,436.7 | (6.1) | 2,430.6 | 29,233.8 | (145.0) | 29,088.8 |
| Appropriations | 25,361.9 | 107.7 | 25,469.6 | 2,405.2 | (12.2) | 2,393.0 | 28,635.1 | 85.1 | 28,720.2 |
| Balance | 551.8 | | 326.2 | 31.5 | | 37.6 | 598.7 | | 368.6 |
| Balance w/ Revenue Cap | 227.9 | | 3.8 | 1.0 | | 7.2 | | | |

Appropriations - All Funds

The Governor's proposed FY 27 changes (+ \$85.1 million total) grouped by type of adjustment reflect:

- 1) expanded (new) funding of + \$70.2 million;
- 2) reductions (cuts) of - \$32.7 million;
- 3) technical updates, including to maintain current services, of + \$47 million; and
- 4) reallocations of + \$0.6 million.

Notable FY 27 programmatic or organizational changes proposed by the Governor include to:

- 1) provide new funding of \$12.5 million within the State Department of Education to fund free school breakfast and eliminate reduced-price lunch charges;
- 2) reduce funding for various legislatively-directed grants by \$15.7 million in total across several agencies;
- 3) re-establish the Public Utilities Regulatory Authority (PURA) as an independent agency;
- 4) eliminate the Office of Health Strategy and redistribute its functions to other existing state agencies; and
- 5) reduce bus fares for students and offer free bus passes for veterans by providing \$3.5 million in total to the departments of transportation and veterans' affairs.

The net change in the number of authorized, permanent full-time positions is + 133, due to various programmatic and organizational adjustments.

Major Revenue Changes Impacting the General Fund

Volatility Cap and Tax Rebates

The Governor proposes to raise the FY 26 volatility cap threshold by \$500 million and credit that amount to FY 27 to fund a tax rebate. The tax rebate of \$200 - \$400 benefits certain full-year CT residents who filed a personal income tax return for tax year 2024. This is estimated to impact 1.6 million taxpayers.

The proposal to divert FY 26 volatility funds precludes savings to the state's actuarially determined employer contribution for the state employees and teachers' pension systems by approximately \$41.5 million annually beginning in FY 28, amortized over 25 years.

Hospital Tax

The Governor proposes to reduce the total hospital tax due to ensure compliance with P.L. 119-21 and maintain the hospital supplemental payment appropriation at the original FY 27 appropriation level.

Hospital Tax and Payments to Hospitals - in millions

| | Original FY 27 | Change | Gov FY 27 |
|---------------------------------------|-------------------|---------|--------------|
| Hospital Provider Tax | 375.0 | (275.0) | 100.0 |
| Supplemental Payments | 140.0 | - | 140.0 |
| Federal Medicaid Revenue ¹ | 93.8 | (1.4) | 92.4 |

¹ Technical Change assumed in the Jan 2026 Consensus

Occupational License Applications & Renewal Fees

As in his FY 26 - FY 27 Biennial Budget proposal, the Governor proposes to eliminate application and renewal fees for select professions. Fees range from \$65 to \$375, depending on the license, impacting over 160,000 workers. The annual General Fund revenue loss is \$21.2 million (FY 27 partial year revenue loss is \$15.9 million as the changes would take effect on 10/1/26).

As background, sections 415-433 of PA 25-168, *the FY 26 & FY 27 Budget Act*, eliminated application fees for select healthcare and educational professions. Additionally, renewal fees for paramedic and initial educator licenses were eliminated, affecting nearly 20,000 workers, and the annual General Fund revenue loss was estimated to be \$3.8 million.

Research & Experimentation, Bonus Depreciation Changes Impacting the Corporation Business Tax

The Governor proposes to partially decouple from federal law, recently enacted via P.L. 119-21, which allows immediate expensing for domestic R&E expenditures rather than over five years. The related General Fund revenue gain in FY 27 is \$66.8 million, with corresponding revenue losses over the subsequent three fiscal years, due to a timing shift.

Federal P.L. 119-21 also allows the immediate expensing of certain depreciable qualified production property (QPP) instead of up to 39 years. The Governor proposes to decouple entirely from this federal law, impacting revenue beginning in FY 28.

FY 26 (Current Fiscal Year) Proposed Changes

The Governor's proposal provides deficiency appropriations of \$70 million to line items in the General Fund and \$8.4 million to line items in the Special Transportation Fund. Corresponding reductions are made to various other line items to offset the proposed deficiency appropriations. Notably, the total amount of the proposed deficiency appropriation to the General Fund is significantly less than recently projected by either the Office of Policy and Management or the Office of Fiscal Analysis.

The Governor's proposal adjusts scheduled transfers to increase the General Fund's bottom-line revenue by \$43.1 million.

Bonding

The Governor's capital budget proposes authorizing an additional \$308.1 million of General Obligation bonds, an increase from the \$3,627.7 million authorized under current law for FY 27 to a new total of \$3,935.8 million. The Governor's proposal results in being at 82.1% of the debt limit, approximately \$2,877.7 million below the 90% threshold.

The proposed authorizations include several increases to existing authorizations, such as: 1) an additional \$150 million for Windham Technical High School (increasing the existing authorization from \$113.7 million to \$263.7 million); 2) \$35 million more for the renovation of the Office of the Chief Medical Examiner; and 3) \$32 million more for the state's data center.

Other

The Governor proposes a continuation of funds to mitigate federal funding reductions. [Special Act 25-1 of the November Special Session](#) temporarily appropriated \$500 million from the Budget Reserve Fund to the Office of Policy and Management until February 4, 2026. The Governor's proposal transfers the remaining funding of \$330.8 million to the newly established Federal Cuts Response Fund until the close of FY 27.

This document is intended to provide a summary of the Governor's Revised FY 27 Budget for the Committees of Appropriations and Finance, Revenue and Bonding as background in advance of the Office of Policy and Management's budget presentation. We have highlighted major areas of interest rather than provide a full-scale comprehensive analysis. Such an analysis will be undertaken by both Committees with the assistance of OFA staff in the coming weeks.