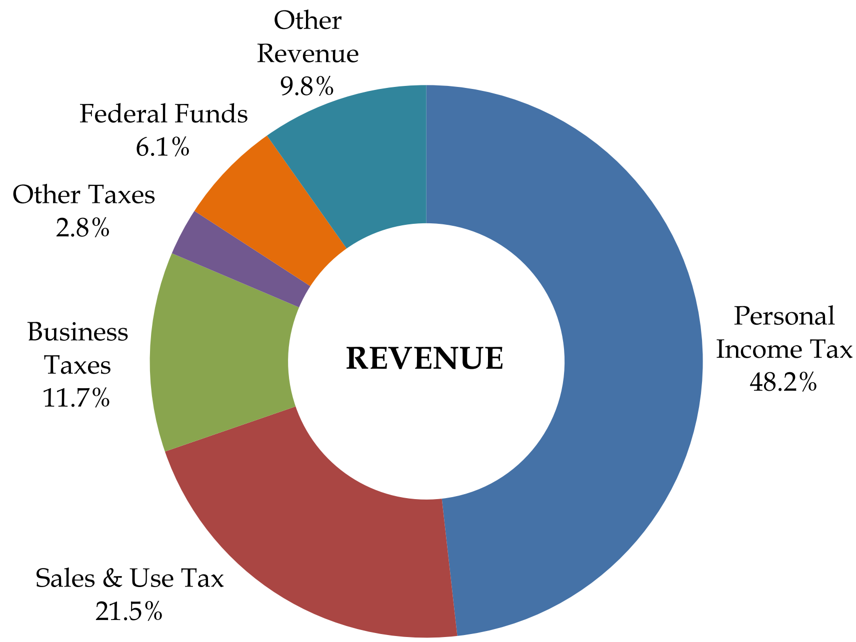
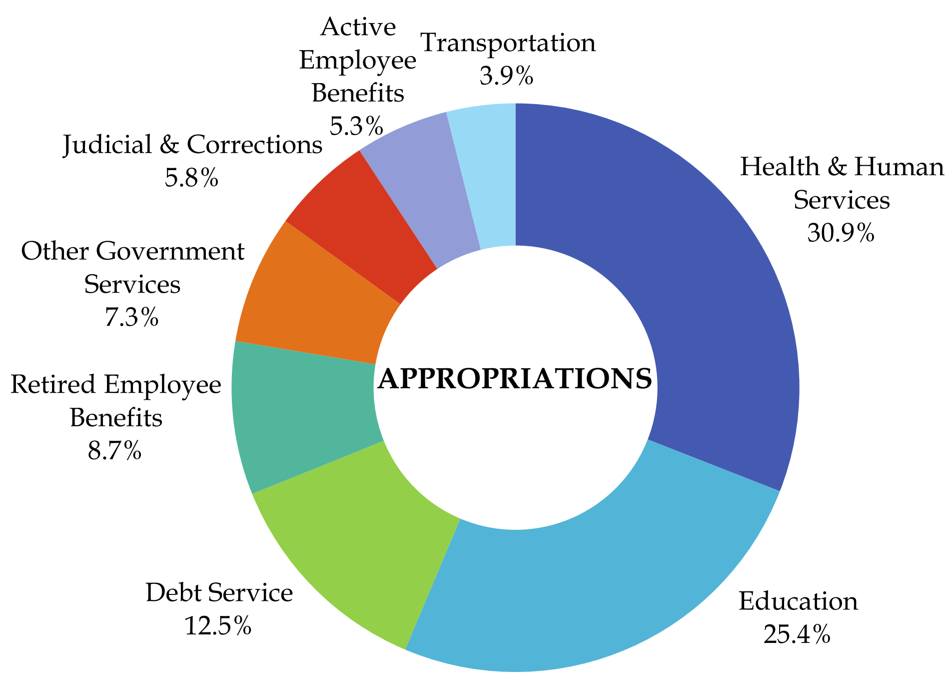
Budgeted FY 26 Gross Revenue and Appropriations[1,2,3]

All Appropriated Funds





[1]Across all appropriated funds, FY 26 includes: (1) $30.8 billion in gross revenue, or net $27.5 billion after accounting for an estimated $3.3 billion in negative revenue adjustments including refunds and volatility cap transfers; and (2) $27.3 billion in gross appropriations, or a net $27.2 billion after accounting for $106.2 million in budgeted lapses.
[2]Percentages may not sum to 100% due to rounding.
[3]**Appendices H** and **I** provide additional details on these categories. For appropriations, whole agencies are categorized according to their primary purpose with a few exceptions: Debt Service, Active Employee Benefits and Retired Employee Benefits, which are generally budgeted for centrally, are reflected as separate categories (e.g. "Transportation" is only a subset of total Special Transportation Fund appropriations).

Office of Fiscal Analysis

EXECUTIVE SUMMARY

Budget Overview

The 2025 legislative session began with negative balances for all appropriated funds of -$763.6 million in FY 26 and -$950.4 million in FY 27 which consists of the negative beginning balances (-$430.4 million in FY 26 and -$596.0 million in FY 27) and the reserve for the revenue cap (-$333.2 million in FY 26 and -$354.4 million in FY 27).

PA 25-168, the FY 26 and FY 27 biennial budget, and PA 25-174, the bond act, enacted appropriations and revenue changes that eliminated the negative balances across all funds. The projected shortfall for FY 26 was principally eliminated by adjusting the volatility cap threshold and the projected shortfall in FY 27 was eliminated through: (1) adjusting the volatility cap threshold, (2) rebasing the hospital user fee, (3) corporation business tax changes, (4) transferring General Fund revenue between FY 26 and FY 27. The FY 27 budget required greater amount of revenue changes because the budget increased overall appropriations by $505.5 million over FY 26.

FY 26 and FY 27 Budget Balance

All Appropriated Funds – In Millions of Dollars

Budget	FY 26	FY 27
Revenue Estimates[1]	27,199.2	28,879.3
Net Appropriation	27,180.5	28,635.1
BALANCE	**18.7**	**244.2**

[1]Revenue estimates reflect available revenue after factoring in adjustments for the revenue cap.

The FY 26 growth rate for all appropriated funds is 4.6% over the FY 25 appropriation. The FY 27 growth rate for all appropriated funds is 5.3% over the FY 26 appropriation.

The budget is under the spending cap by $0.7 million in FY 26 and $69.8 million in FY 27.

Revenue Highlights

The most significant changes impacting revenue included in the budget:

- three policies adjusting the corporation tax which results in a total revenue gain of $189.4 million in FY 26 and $171.5 million in FY 27
  1) Extends the 10% corporate surcharge for 3 income years through income year 2028;
  2) Eliminates the combined unitary reporting $2.5 million aggregate maximum tax i.e., cap;
  3) Eliminates provision allowing certain corporations to claim 100% Net Operating Loss.
- Increases by $375 million the total amount of hospital tax due to the state, from $820 million to $1,195 million beginning in FY 27. The budget "rebases" the tax by requiring the base year on which the hospital provider tax is calculated to be tied to an applicable (and updated) federal fiscal year, rather than FY 16. Net inpatient revenues are taxed at 6% and the tax on outpatient revenues is calculated from the total tax due ($1,195 million in FY 27) minus total tax collections on net inpatient revenue.
- Increases Medicaid supplemental payments to hospitals by $210 million in FY 27, yielding an increase of $140.7 million in federal grants revenue in FY 27 as a partial match to the budgeted increase in state expenditures.
- Raises the volatility cap to provide additional General Fund revenue: $150 million in FY 25; and $600 million in FY 26. Allowable projected growth (at a rate of 5.3%) from FY 26 to FY 27 increases the amount to $632.2 million

and to $723.1 million (projected) in FY 30.

Appropriations Highlights

The most significant policy changes impacting appropriations include that the budget provides funding of:

- $50 million in FY 26 and $126 million in FY 27 to OPM for private providers. The budget also provides an additional $30 million in FY 27 for non-DDS private providers.
- $74.8 million in FY 26 and $89.6 million in FY 27 for special education, including Excess Cost, a new Special Education and Expansion Development (SEED) grant, various other new grants, and new positions related to special education.
- $95.2 million in FY 26 and $95.4 million in FY 27 to fully fund ECS grants to underfunded towns, beginning in FY 26, and to hold harmless towns from losses for the biennium.
- $107.8 million in FY 26 and $100.3 million in FY 27 is provided across all constituent units to partially offset the loss of one-time ARPA and carryforward funding and to reflect inflation.
- $34 million and $66.1 million in FY 26 and FY 27, respectively, to support increases for DDS group home providers.
- $14.3 million in FY 26 and $46.65 million in FY 27 within DSS to support increases for nursing homes and intermediate care facilities for individuals with intellectual disabilities (ICFs).
- $15.4 million in FY 26 and $45 million in FY 27 to reflect phasing in rate increases for various Medicaid providers, including specific increases for FQHCs. Additional funding is provided to increase birth to three rates ($2.9 million in FY 27), chronic disease hospitals ($400,000 in FY 26 and FY 27), and home health medication administration rates ($300,000 in FY 26 and FY 27).
- $210 million in FY 27 to increase Hospital Supplemental Payments through two policies related to: (1) changes in the hospital provider tax, and (2) lower hospital rates for state employees and non-Medicare retirees paid by the Office of the State Comptroller.

Capital Budget

Bond authorizations across General Obligation, Special Tax Obligation, and Clean Water Revenue bond types are increased by a net $4.51 billion in FY 26 and $5.14 billion in FY 27.

The Out Years

The General Fund is projected to have a positive balance in each year from FY 28 through FY 30. Policies enacted in the biennial budget have a net positive impact on out year balances, as compared to the baseline estimates by over $700 million per year.