Section VI. Out Year Projections

GENERAL FUND

The General Fund is projected to have positive balances, after the enactment of the FY 26 and FY 27 Biennial Budget, in the three fiscal years following FY 27.

Factoring in both the revenue and expenditure changes that were enacted in the FY 26 and FY 27 Biennial Budget results in an improvement in the General Fund balance of $427.4 million in FY 28, $748.2 million in FY 29, and $1.2 billion in FY 30. (see **Table 6.1** for details).

Figure 6.1 General Fund Projected Deficits
In Millions of Dollars

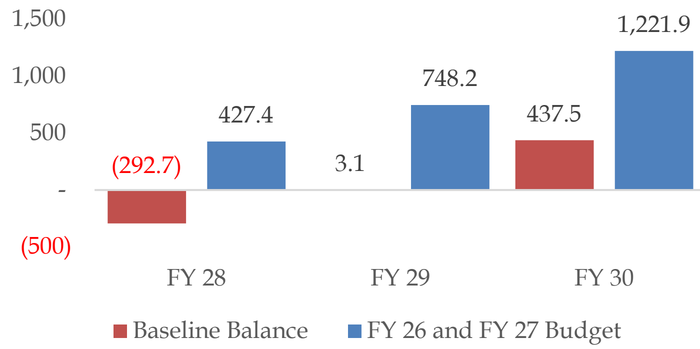

Table 6.1 Projected Budget Policy Impacts to General Fund Balance
In Millions of Dollars

Description	FY 28	FY 29	FY 30
Baseline Balance	**(292.7)**	**3.1**	**437.5**
Revenue Adjustments Total	**1,401.1**	**1,426.1**	**1,465.4**
Adjust Volatility Cap Threshold	662.3	693.6	723.1
Adjust the Hospital Tax Rebase	400.0	425.0	450.0
Match on Hospital Supplemental Payments	110.6	127.3	144.1
Corporation Tax Changes	171.5	123.5	91.5
All Other	56.7	56.7	56.7
Appropriations Adjustments Total	**681.0**	**681.0**	**681.0**
Rollout FY 27 Budget Policies	585.0	585.0	585.0
Debt Service	60.0	60.0	60.0
Phaseout of Carryforward (RSA)	36.0	36.0	36.0
Budget Adjustments Total	**720.1**	**745.1**	**784.4**
Budget Balance	**427.4**	**748.2**	**1,221.9**

Revenue

The FY 26 and FY 27 Biennial Budget includes various policy changes that increase revenue by over $1.4 billion annually in FY 28 - FY 30. The most significant changes include: (1) adjusting the threshold of the volatility cap, (2) adjusting the Hospital Tax base, (3) an increase in federal revenue from enhancing supplemental payments to hospitals, and (4) modifications to the Corporation Business Tax. Greater details about these policy changes can be found in **Part 1, Section IV. Major Policy Changes.**

Appropriations

The FY 26 and FY 27 Biennial Budget includes $585 million in policy changes that "roll forward" and are incorporated into the base estimates for FY 28 – FY 30. Greater details about these policy changes can be found in **Part 1, Section IV. Major Policy Changes.** In addition, the budget delays a change in bond premium use, which will require an additional $60 million in debt service appropriations beginning in FY 28. Lastly, FY 28 - FY 30 appropriations estimates are adjusted by $36 million per year to reflect the one-time use of carryforward funding in FY 27 to pay for costs related to anticipated wage and salary contract costs funded through the Reserve for Salary Adjustment (RSA) account administered by the Office of Policy and Management.

SPECIAL TRANSPORTATION FUND

The budget results in STF operating surpluses in FY 26 and FY 27 followed by deficits in each of the out years, which are anticipated to deplete the fund's reserves by the end of FY 29, as reflected in **Table 6.2** below. It is anticipated that future legislative action will be needed to maintain the STF's solvency beyond the biennium.

Table 6.2 Special Transportation Fund Projections
In Millions of Dollars

Description	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Starting Balance	971.9	437.5	440.1	464.4	238.2	(55.4)
Anticipated Expenditures	2,192.8	2,279.2	2,405.2	2,561.4	2,658.4	2,752.7
Revenue	2,185.3	2,309.1	2,436.7	2,338.5	2,364.8	2,392.2
Operating Surplus/(Deficit)	**(7.5)**	**29.8**	**31.5**	**(222.9)**	**(293.6)**	**(360.5)**
STF Debt Paydown	(526.9)	(27.3)	(7.2)	(3.4)	-	-
Ending Balance	**437.5**	**440.1**	**464.4**	**238.2**	**(55.4)**	**(415.9)**
Debt Service Ratio	2.5	2.5	2.4	2.1	2.0	1.8
STO Issuance	1,000	1,300	1,400	1,400	1,400	1,400

In the out years (FY 28 – FY 30) average annual expenditure growth is projected to be 4.6% compared to negative revenue growth of -0.6%. On the expenditure side, growth is driven by debt service costs resulting from DOT's capital program, which has grown notably in recent years due to additional federal resources (and required state match) and relatively higher levels of inflation in the construction industry. On the revenue side, the notable decline occurs in FY 28 (-4%) due to the non-recurrence of certain one-time revenue policies in the biennium, specifically the transfer of $140 million in FY 25 revenue to the biennium. Absent those one-time actions, growth in STF revenues is expected to remain sluggish as vehicles become more fuel efficient and oil prices are projected to remain near recent lows.

Major Policies Affecting Transportation

STF 18% Surplus Cap Mechanism Made Permanent

The budget act makes permanent the provision that, as of the closing of the books for each fiscal year, any amounts of the STF's cumulative fund balance above 18% of current year appropriations are deemed appropriated for use by the Treasurer to pay-down STF-supported debt. This policy results in long-term debt service savings due primarily to the substantial paydown in FY 25. Future paydowns are anticipated to be modest given the large initial paydown and negative trends in the fund overall.

Inter-year Revenue Transfers Support Balance

The budget act transfers $140 million in FY 25 revenue into the biennium ($17 million into FY 26 and $123 million into FY 27). This action provides the necessary positive balance in the biennium without impacting the longer-term solvency of the fund.