

OFA

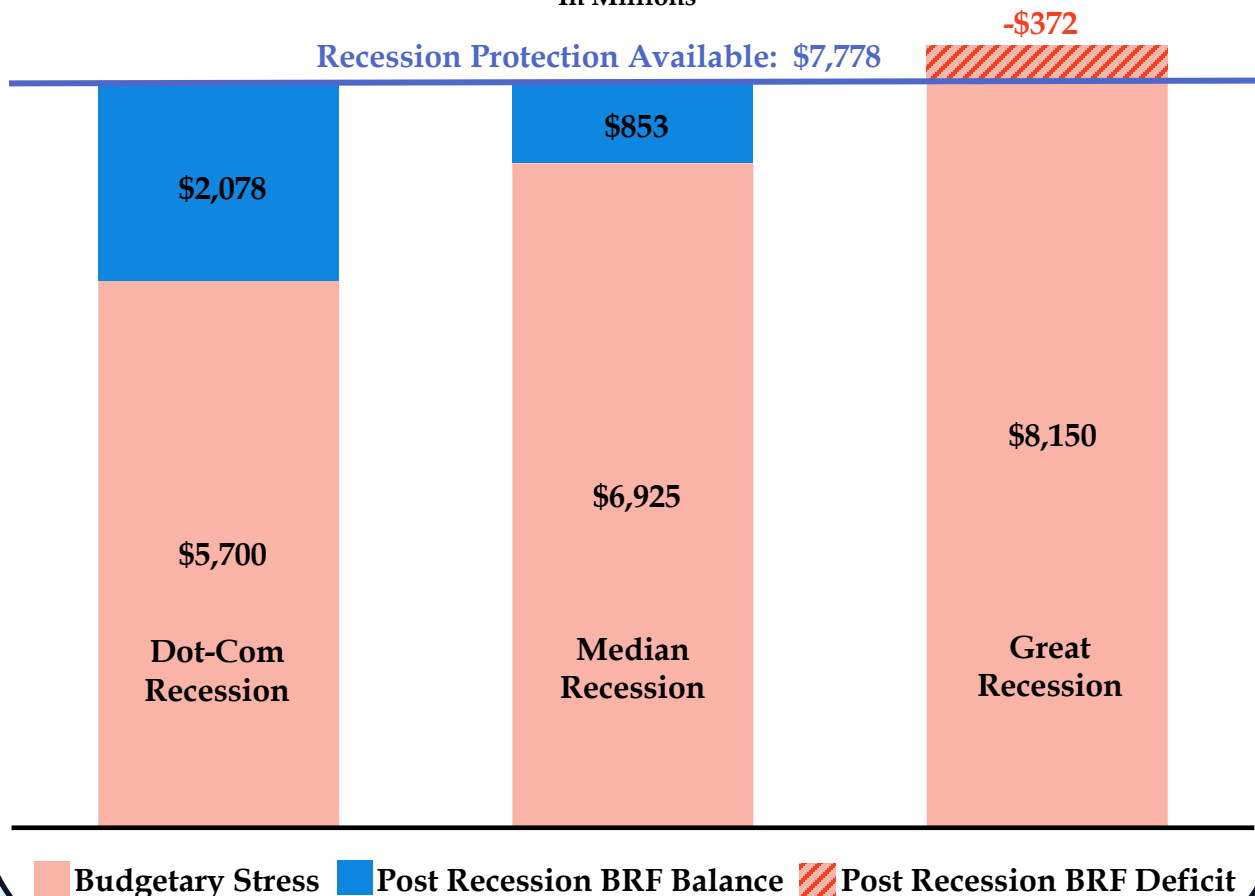
FISCAL ACCOUNTABILITY REPORT

FY 26 – FY 30

Recession Stress Test

In Millions

Recession Protection Available: \$7,778



OFA STAFF

Neil Ayers, Director

Michael Murphy, Section Chief

<u>Eric Michael Gray</u> , Principal Analyst	Bonding, School Construction, Debt Service, State Treasurer
<u>William Lederman</u> , Principal Analyst	Income Tax Modeling & Projections, State Personnel Data, Budget Information System, Administrative Services, Collective Bargaining, FAC
<u>Patrick Mellon</u> , Associate Analyst	Transportation, Motor Vehicles, Emergency Services & Public Protection
<u>Claudia Rodriguez</u> , Associate Analyst	Labor, Paid Family Medical Leave Insurance, Unemployment, Unclaimed Property/Escheats, Common Cash Pool, Debt Service. Bonding
<u>Chris Wetzel</u> , Principal Analyst	Tax Policy & Revenue Analysis, Spending Cap, Revenue Services
<u>Evelyn Wisnieski</u> , Principal Analyst	Sales Tax, Health Provider Tax, Economic Development, Tourism Fund

Phoenix Ronan, Section Chief

<u>Sarah Bourne</u> , Principal Analyst	Agriculture/Agricultural Experiment Station, Consumer Counsel, Energy & Environmental Protection, PURA, Siting Council
<u>Mike Ericson</u> , Principal Analyst	Consumer Protection, Legislative Management, Comm. on Women, Children, Seniors, Equity & Opportunity, Auditors, Attorney General
<u>Brianna Pollard</u> , Associate Analyst	Criminal Justice, Public Defender, Probate Court, Housing
<u>Ryan Proto</u> , Analyst II	Correction, Judicial, Military Department

Janelle Stevens, Section Chief

<u>Ariana Barrenechea</u> , Associate Analyst	Insurance, Office of the Healthcare Advocate, Office of Behavioral Health Advocate, Budget Information System, Banking
<u>Nicholas Benvenuto</u> , Analyst I	Public Health, Chief Medical Examiner, Children and Families
<u>Dan Dilworth</u> , Principal Analyst	Board of Regents for Higher Education, Office of Higher Education, CT Technical Education & Career System, State Library, UConn, UConn Health Center
<u>Candace Fehr</u> , Analyst II	ECS, Education
<u>Taylor Morris</u> , Analyst II	Secretary of the State, Ethics, Elections Enforcement, Freedom of Information, Office of Governmental Accountability, Governor's Office, Lieutenant Governor's Office, Comm. On Human Rights & Opportunities

Rob Wysock, Section Chief

<u>Lindsey Donston</u> , Associate Analyst	Social Services, Early Childhood, Developmental Services
<u>Lauren Goulet</u> , Associate Analyst	Office of Policy & Management, Municipal Grants, PILOT
<u>Nicolette Niedzwiecki</u> , Associate Analyst	State Comptroller, State Employee Fringe Benefits, Teachers' Retirement Board
<u>Jacob Phillips</u> , Analyst II	Veterans' Affairs, Health Strategy, Aging & Disability Services, Municipal Finance, Soldiers' Sailors' and Marines' Fund, Workers' Compensation Commission
<u>Emily Shepard</u> , Principal Analyst	Social Services, Mental Health and Addiction Services, Psychiatric Security Review Board

Administrative Staff

Rose Kubran, Administrative Assistant III

Tracey Otero, Administrative Assistant V/Fiscal Note Coordinator

Legislative Office Building, Room 5200, Hartford, CT 06106
Phone: (860) 240-0200 E-Mail: ofa@cga.ct.gov; Web: www.cga.ct.gov/ofa

TABLE OF CONTENTS

Section I. Executive Summary	4
Section II. General Fund - Current Biennium	6
Section III. General Fund - FY 28 to FY 30 Projections	12
Section IV. Budget Reserve Fund & Recessionary Stress Test.....	19
Section V. Economic Trends	22
Section VI. General Obligation Bonding.....	30
Section VII. Special Transportation Fund	34
Section VIII. Tax Expenditure Estimates	38
Appendix A. Consensus Revenues.....	40
Appendix B. Other Appropriated Funds.....	42
Appendix C. Municipal Aid	46
Appendix D. Detail on FY 26 Agency Deficiencies and Lapses	50
Appendix E. Methodologies, Assumptions, and Sources	55

NOTE:

Numbers in tables and charts may not sum due to rounding.

Section I. Executive Summary

OFA is statutorily required to produce the Fiscal Accountability Report (FAR) every November (CGS Sec. 2-36b). The report must include, among other things, an update on the expected balances for the current biennium and projections for the next three fiscal years, using consensus revenue estimates. PA 25-140 newly requires FAR to: (1) incorporate material and likely changes to non-fixed cost expenditures, instead of limiting the report to changes in fixed costs; and (2) assess the state's preparedness for a recession. This report excludes legislative action taken during the November 2025 special session.

Surpluses in Current Biennium: FY 26 and FY 27

OFA projects General Fund (GF) surpluses of \$95.2 million in FY 26 and \$312.4 million in FY 27. These surpluses are lower than originally budgeted by \$213.7 million and \$239.4 million, respectively. The decline is due to deficiencies in several areas, including state employee (active and retired) health, Medicaid, and caseload and other cost pressures among various agencies. The November consensus: (1) revised upward several revenue streams: the withholding portion of the income tax, estimated and final (E&F)/passthrough entities (which will transfer to the Budget Reserve Fund), and sales and use; and (2) lowered estimates for the corporation business tax and federal grants. The revenue changes have a net positive effect which minimally offsets the biennium's expenditure deficiencies. All General Fund operating surpluses will flow to the Early Childhood Education Endowment Fund beginning in FY 26.

Positive Balances in Out Years: FY 28 – FY 30

OFA projects positive, modest General Fund balances in FY 28 (\$62.6 million), FY 29 (\$21.7 million), and FY 30 (\$101.9 million). Projections are positive despite a structural imbalance in FY 28 and FY 29, with annualized expenditure growth (3%) outpacing revenue growth (2.8%). Most expenditure growth is in fixed costs. These projections incorporate: (1) anticipated changes to fixed and non-fixed costs; (2) the known impacts of U.S. PL 119-21 (HR 1) while uncertain effects are not included; and (3) the expiration after FY 27 of GF transfers to two other appropriated funds, positively impacting the GF while negatively affecting the other funds. Additionally, if a portion of surplus funds is redirected for other uses as allowed by legislation passed during the November 2025 special session, it will impact required contributions to the pensions systems beginning in FY 27.

Budget Reserve Fund (BRF) Remains at Cap, Supporting State's Ability to Handle a Potential Recession

The BRF is anticipated to remain at the cap through this report's projection period (FY 26 – FY 30). A recessionary stress test indicates that the BRF would be likely to retain a positive balance through a recession on the scale of either the dot-com recession or a recession midway between the strength of the dot-com and Great recessions. The BRF would be insufficient to cover a downturn on the scale of the Great Recession.

More Retirement System Debt is Paid Down

Statute requires that any revenue exceeding the volatility cap is deposited into the BRF, dedicated to reducing long-term debt, or both. The volatility deposit is projected to exceed \$1

billion annually in FY 26 through FY 28 and \$700 million in both FY 29 and FY 30. Nearly all these revenues will be dedicated to reducing long-term debt in the State Employees Retirement System (SERS) and Teachers' Retirement System (TRS).

Special Transportation Fund (STF)

OFA projects modest operating surpluses of \$62.4 million and \$29.1 million for FY 26 and FY 27, respectively, followed by increasingly large deficits beginning in FY 28. These projections reflect a structural issue in the STF where expenditures are growing at a notably higher rate than revenues. Absent legislative action, these out year deficits are anticipated to lead to fund insolvency in FY 30.

Other Appropriated Funds

The 10 other appropriated funds will collectively have an annual operating deficit beginning in FY 28. A primary reason is that two funds' receipt of General Fund transfers – the Municipal Revenue Sharing Fund and the Cannabis Regulatory Fund – are only authorized through FY 27.

Table 1.1 Financial Summary by Fund: Projected Annual Operating Balances

In Millions of Dollars

Fund	FY 26	FY 27	FY 28	FY 29	FY 30
General Fund (GF)					
November Consensus Revenue	24,356.8	25,960.3	26,589.0	27,311.2	28,167.5
Expenditures	24,261.7	25,647.9	26,526.4	27,289.5	28,065.6
GF BALANCE	95.2	312.4	62.6	21.7	101.9
Special Transportation Fund (STF)					
November Consensus Revenue	2,328.8	2,428.2	2,348.1	2,387.7	2,428.3
Expenditures	2,266.4	2,399.1	2,528.4	2,642.8	2,761.1
STF BALANCE	62.4	29.1	(180.3)	(255.1)	(332.8)
Other Appropriated Funds					
Revenue and Transfers	884.4	884.8	797.1	809.7	822.5
Expenditures	857.7	866.5	866.5	866.5	866.5
OTHER APPROP. FUNDS BALANCE¹	26.7	18.2	(69.5)	(56.9)	(44.1)
All Appropriated Funds					
Revenue	27,570.0	29,273.3	29,734.2	30,508.6	31,418.3
Expenditures	27,385.8	28,913.5	29,912.4	30,789.9	31,693.2
ALL APPROP. FUNDS BALANCE	184.2	359.7	(187.2)	(290.3)	(274.9)

¹As nonlapsing funds, certain other appropriated funds will support expenditures with positive fund balances (which are not shown in this table), while others, such as the Cannabis Regulatory Fund and Municipal Revenue Sharing Fund, do not have sufficient revenue identified to fund anticipated out year expenditures. See Appendix B for details.

Section II. General Fund - Current Biennium

PA 25-168, the FY 26 and FY 27 Budget, was adopted with budgeted balances of \$308.9 million in FY 26 and \$551.8 million in FY 27. November 2025 consensus revenue and revised expenditure projections result in balance decreases of \$213.7 million in FY 26 and \$239.4 million in FY 27. The declines are primarily due to expenditure projections that exceed net appropriations by \$225.1 million in FY 26 and \$285.9 million in FY 27.

Current FY 26 projections estimate an operating surplus of \$95.2 million. The projected surplus represents 0.4% of General Fund appropriations.

Table 2.1 shows that the FY 26 decline from the budgeted balance to the projected operating surplus is mainly the result of expenditure projections exceeding net budgeted appropriations by \$225.1 million as noted above, due to account deficiencies. This is partially offset by a revenue increase of \$11.4 million.

FY 26 consensus revenue adjustments also include a nearly \$1.1 billion increase in revenues subject to the volatility cap. This increase has no impact on the FY 26 General Fund balance. These funds will primarily be used to reduce long-term pensions debt.

Table 2.1 November Updates to FY 26 General Fund Estimates

In Millions of Dollars

Summary	FY 26
Budgeted Balance	308.9
Revenue	
Budgeted	24,345.4
Consensus Adjustment	
E/F & PET	1,080.0
Volatility Adjustment Transfer	(1,080.0)
Withholding	216.2
Sales and Use	109.1
Corporations	(257.8)
Federal Grants	(17.4)
All Other Revenue (net)	(38.7)
Subtotal	11.4
Expenditures	
Budgeted	24,036.6
Lapses	74.0
Deficiencies	(267.9)
Technical	(31.2)
Subtotal	(225.1)
SURPLUS/(DEFICIT)	95.2

FY 26 REVENUE

The November consensus net revenue estimates increased total General Fund projections by \$11.4 million in FY 26. Major adjustments by revenue type are discussed below.

Income Taxes. Both the withholding and estimated and final (E&F) payments portions of the personal income tax have been revised upward (by \$216.2 million and \$754.7 million, respectively) relative to budget estimates, with strong equity market performance buoying expectations for withheld bonuses and capital gains. Projections of the passthrough entity tax also are adjusted upward (by \$325.3 million) to reflect ongoing collections trends. Due to a projected nearly \$1.1 billion volatility cap transfer, only the withholding adjustment affects the General Fund (with the remainder going to the Budget Reserve Fund and used to reduce long-term – primarily pensions - debt).

Sales and Use Tax. The sales and use tax has been revised upward by \$109.1 million from budget to reflect stronger collections to date than projected in the April 2025 consensus. Consumer spending overall has remained resilient over the past year. High-income households have increased spending and represent an increasingly larger portion of the consumer market (see **Section V** for further discussion). But decreasing [consumer sentiment](#) and other economic

uncertainties are putting negative pressure on consumer spending in low- and middle-income households. The projected growth rate for sales tax in FY 26 is 2.0% (lower than the current 3.0% inflation) in total for sales tax collections across all funds to reflect these economic trends.

Corporation Tax. The corporation business tax projection has been reduced by \$257.8 million to reflect general weakness in collections (-\$120.9 million) and the impact of a first-year research & experimental expenditure expensing provision in U.S. PL 119-21 (HR 1) to which Connecticut law conforms (-\$136.9 million). The relative weakness in corporate tax collections is not unique to Connecticut as both regional peer states and the federal government have experienced negative growth in this revenue stream (e.g., federal corporate tax revenues are down 14% year-over-year through September 2025).

Federal Grants. The downward shift from budget in FY 26 (-\$17.4 million) primarily reflects updated estimates related to Medicaid revenue as well as a decrease in Build America Bond (BAB) federal interest subsidy payments and updated WIA appropriations.

All other net adjustments total a decrease of \$38.7 million and include the following notable items:

- An increase of \$33.8 million to **refunds of taxes** (negative revenue impact) to reflect a recent surge in passthrough entity tax refunds;
- A net \$900,000 decrease in various tax categories to reflect current trends, including: **health provider** (-\$25.9 million), **public service companies** (+\$25.3 million), **cigarettes** (-\$11 million), **insurance companies** (+\$10 million), **admissions & dues** (+\$3.6 million), and **alcoholic beverages** (-\$2.9 million); and
- An increase of \$8.4 million in the **real estate conveyance tax** to reflect recent home price and sale trends, \$3.6 million of which is transferred to the Housing Trust Fund per CGS Sec. 12-494(d).¹
- All other net adjustments totaling -\$12.4 million reflect updated trends in various non-tax revenue streams.

FY 26 EXPENDITURES

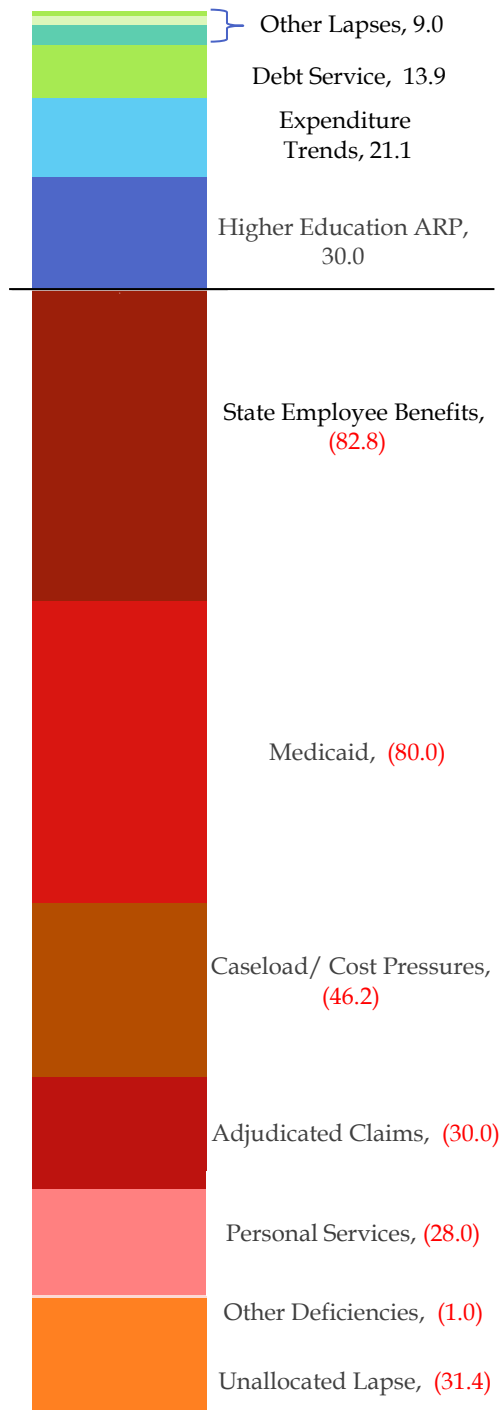
PA 25-168 authorized FY 26 net General Fund appropriations of \$24 billion. FY 26 expenditures are projected to exceed net appropriations by \$225.1 million. This is due to deficiencies of \$267.9 million and net negative

Table 2.2 FY 26 Expenditure Projections
In Millions of Dollars

Expenditures	FY 26
Budgeted	24,036.6
Lapses	74.0
Deficiencies	(267.9)
Technical/Unallocated Lapses	
Unallocated Lapses	(31.4)
Other	0.2
Technical Subtotal	(31.2)
NET LAPSE/(DEFICIENCY)	(225.1)

¹ Statute requires that the Comptroller transfer, from the General Fund to the Housing Trust Fund, any real estate conveyance tax revenue in excess of \$300 million in FY 26. Beginning in FY 27, the \$300 million threshold is adjusted annually for inflation.

Figure 2.1 FY 26 General Fund
Lapses and Deficiencies
In Millions of Dollars



technical adjustments of \$31.2 million, partially offset by \$74 million in lapses, as displayed in **Table 2.2** and detailed in **Figure 2.1**.²

Deficiencies

State Employee Benefits

There are projected deficiencies totaling \$82.8 million across two Office of the State Comptroller (OSC) – Fringe Benefits accounts: State Employee Health Service Cost (\$48.4 million) and Retired State Employees Health Service Cost (\$34.4 million). Active and retired state employee health service costs are primarily driven by plan performance, population, and the impact to premiums resulting from the federal Inflation Reduction Act. Total costs per member per month for active and non-Medicare retirees have increased 8.4% year-over-year for medical services and 13.7% for pharmacy.

Medicaid

Medicaid is projected to have a deficiency of \$80 million. The deficiency is primarily driven by higher than budgeted hospital and pharmacy costs, as well as increased costs for Covered CT enrollees due to the anticipated expiration of enhanced federal subsidies.

Caseload/Cost Pressures

Deficiencies of \$46.2 million across accounts in 11 agencies are the result of a variety of caseload increases and other cost pressures.

Approximately \$26 million (56.3%) of these deficiencies are in accounts within the Department of Correction (DOC) and the Department of Housing (DOH). DOC has deficiencies totaling \$14.6 million across its Other Expenses and Inmate Medical Services accounts due to increased costs for utilities, food, pharmaceutical and medical supplies, and other goods. DOH has a deficiency of \$11.4 million within its Housing/Homeless Services account. The deficiency is due to increase rents associated with the Rental Assistance Program and to an unbudgeted program for cold weather services.

An additional \$13.2 million (28.5%) of these deficiencies occur within the Department of Social Services and the State Department of Education. The Department of Social Services has deficiencies totaling

\$6.6 million across: Old Age Assistance (\$3.4 million); Connecticut Home Care Program (\$2 million); Aid to the Disabled (\$1 million); and Aid to the Blind (\$150,000). The State Department of Education has deficiencies totaling \$6.6 million primarily across Magnet Schools (\$5.5 million) and Other Expenses (\$1.1 million).

Adjudicated Claims

There is a projected deficiency of \$30 million within the Office of the State Comptroller - Adjudicated Claims account. No FY 26 appropriation was made for this account. Approximately \$9.7 million has been expended through October 27th.

Personal Services

There are \$28 million in projected Personal Services deficiencies across five agencies. This includes the: Judicial Department (\$12.3 million); Department of Correction (\$7.6 million); Department of Mental Health and Addiction Services (\$5 million); Department of Emergency Services and Public Protection (\$2.5 million); and the Division of Criminal Justice (\$600,000). These deficiencies are due to increased overtime costs, and other non-budgeted expenditures.

Technical

Unallocated Lapse

Sec. 13 of PA 25-168 establishes bottom-line General Fund budgeted lapses in FY 26 totaling \$94.2 million across the executive and judicial branches. Of this amount, \$31.4 million has yet to be identified.

Lapses

Higher Education ARP

A lapse of \$30 million is projected in the Office of the State Comptroller – Fringe Benefits Higher Education Alternative Retirement Program (ARP) account. This is due to an accounting change related to the restructuring of higher education fringe benefits pursuant to PA 23-204.

Expenditure Trends

Lapses of \$21.1 million are projected across accounts in four agencies due to lower than anticipated caseload and expenditure trends. This is primarily due to lapses of \$17.9 million across three accounts within the Department of Social Services. These are: Temporary Family Assistance (\$14 million); State Administered General Assistance (\$2.3 million); and HUSKY B (\$1.6 million).

Debt Service

Approximately \$13.9 million is anticipated to lapse due to lower than budgeted debt service costs. The lapse is driven by several factors. These include: (1) changes to issuance amounts and timing; (2) revised repayment schedules for several outstanding debts; and (3) updated market information from recent bond sales.

State Employee and Teachers' Retirement Fringe Benefits

Lapses totaling \$5.4 million are attributable to various state employee fringe benefits and teachers' retirement system accounts.

² The categories displayed in Figure 2.2 do not add up to the net total deficiency of \$225.1 million because the Distribution to Other Funds amount is not included.

Of this amount, \$4.5 million is due to lapses in five state employee fringe benefits accounts: (1) \$2 million for Employers' Social Security Tax; (2) \$1 million for Other Post Employment Benefits; (3) \$1 million for the SERS Defined Contribution Match; (4) \$300,000 for Insurance – Group Life; and (5) \$200,000 for Pensions and Retirements – Other Statutory.

Personal Services

There are projected Personal Services lapses totaling \$2.4 million across six agency accounts due to turnover and delays in filling positions. This includes the Secretary of the State (\$850,000), Division of Public Defender Services (\$400,000), Department of Economic and Community Development (\$300,000), Department of Revenue Services (\$300,000), the Department of Correction – Board of Pardons and Paroles (\$300,000), and the Office of the Attorney General (\$250,000).

FY 27 UPDATE

There is a projected operating surplus of \$312.4 million in FY 27, which is a decrease of \$239.4 million from the FY 27 budgeted balance of \$551.8 million. This decrease is due to: (1) expenditure projections exceeding net budgeted appropriations by \$285.9 million, partially offset by (2) upward revenue adjustments of \$46.6 million. **Table 2.3** provides more detail.

Table 2.3 FY 26 and FY 27 Updates to Balance

In Millions of Dollars

Updates	FY 26	FY 27
Budget Balance	308.9	551.8
November Consensus Revenue Adjustments		
Withholding	216.2	218.9
Estimates and Finals	754.7	442.2
Sales and Use	109.1	111.8
Corporations	(257.8)	(175.2)
Inheritance and Estate	-	(55.5)
Pass-Through Entity Tax	325.3	195.3
Federal Grants	(17.4)	(96.8)
Volatility Adjustment Transfer	(1,080.0)	(610.5)
All Other Revenue (net)	(38.7)	16.4
Revenue Adjustments Subtotal	11.4	46.6
Expenditure Adjustments	(225.1)	(285.9)
BALANCE	95.2	312.4

The above-described FY 26 expenditure trends generally continue into FY 27 and contribute to expenditure projections outpacing net FY 27 appropriations by \$285.9 million (an increase of \$60.8 million over FY 26).

November consensus revenue reflects a net increase of \$46.6 million from the FY 27 budget, as shown in Table 2.3. The FY 27 adjustments include the continuation of the trends identified for FY 26 in the withholding, sales and use, and corporation taxes as discussed above.

However, negative growth (compared to FY 26) is anticipated in both estimates and finals (E&F) and the passthrough entity tax (PET) under the assumption that equity markets will experience a pullback sometime in the 2026 calendar year which will lead to muted capital gains realizations. Despite this, both categories are still expected to exceed budgeted projections due to strength in the collections base.

Additionally, FY 27 estimates incorporate a technical \$55.5 million downward adjustment to inheritance & estate tax projections to reflect Connecticut's conformity to an increase in the federal estate tax threshold included in U.S. PL 119-21 (HR 1).

The change in federal grants in FY 27 compared to budget is due to: (1) a decrease in the federal share of SNAP administrative expenditures required under U.S. PL 119-21 (\$31.7 million); (2) lower than anticipated Hospital Supplemental Payments and corresponding revenue (\$46.9 million); and (3) a continuation of the adjustments made in FY 26.

BUDGET RESERVE FUND

The Budget Reserve Fund (BRF) is projected to grow by \$221.5 million in FY 26 and \$238.6 million in FY 27. In addition, \$1,987.4 million in FY 26 and \$1,571.8 million in FY 27 are expected to be dedicated to reducing long-term debt. **Table 2.4** below shows the projected allocations as well as the BRF balances. For more information about the BRF in the out years, please see **Section IV**.

Table 2.4 Projected BRF Balances

In Millions of Dollars

Projected Budget Reserve Fund Adjustments	FY 26	FY 27
Budget Reserve Fund Balance – Prior Fiscal Year	4,105.1	4,326.6
Volatility Deposit – Prior Fiscal Year	2,098.7	1,810.4
General Fund Surplus		
Prior Fiscal Year	410.2	95.2
Set Aside for the ECEE Fund per PA 25-93 ¹	(300.0)	(95.2)
Unappropriated Surplus	110.2	0.0
Total Available for Deposit	2,208.9	1,810.4
Uses of Available Funds		
Deposit to Maintain the BRF at 18.00% Maximum	221.5	238.6
Dedicate Remaining Funds to Reduce Long-Term Debt	1,987.4	1,571.8
Budget Reserve Fund Balance	4,326.6	4,565.2
Balance Relative to General Fund Net Appropriations	18.0%	18.0%

¹ The Early Childhood Education Endowment (ECEE) Fund is to receive \$300 million of the FY 25 General Fund surplus and the entirety of projected surpluses in FY 26 and beyond, provided that the Budget Reserve Fund is otherwise at the 18.00% maximum, under PA 25-93.

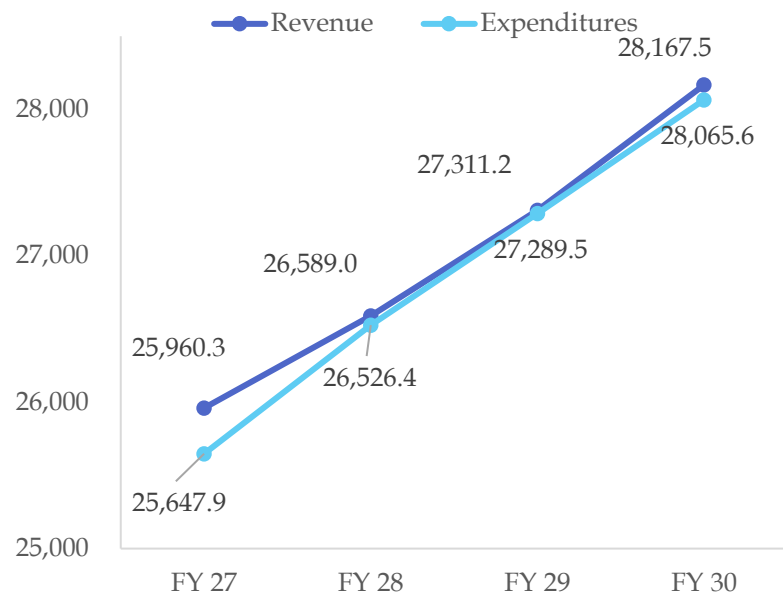
Section III. General Fund - FY 28 to FY 30 Projections

GENERAL FUND BALANCE IN THE OUT YEARS

Positive General Fund balances are projected from FY 27 to FY 30 because revenue will remain higher than expenditures. Expenditure growth includes increases to both fixed costs and non-fixed costs as the report's required methodology was changed this year to allow for non-fixed cost growth to better reflect anticipated out-year balances.

Figure 3.1 presents the FY 27 through FY 30 General Fund projections of revenue and expenditures. The projections include increases in non-fixed costs but do not include potential changes in federal law and potential transfers that are not in statute beyond FY 27 (see the "Other Fiscal Pressures" subsection for additional detail).

Figure 3.1 Revenue and Expenditures
In Millions of Dollars



There is a \$312.4 million General Fund projected balance in FY 27, with positive balances of \$21.7 million to \$101.9 million in the out years. Expenditures (fixed and non-fixed) are anticipated to grow at an average of \$805.9 million per year and revenue at an average of \$735.7 million per year. While expenditures are growing faster on average, total revenue is higher than total expenditures each year which leads to positive General Fund balances in each of the out years.

The increase in revenue in the out years is primarily driven by the largest two tax categories, withholding and sales tax. For expenditures, entitlements are driving fixed-cost growth while wage increases (SEBAC and private providers) are the largest contributor to non-fixed cost growth.

Table 3.1 General Fund Out Year Balances

In Millions of Dollars

Fund	FY 27	FY 28		FY 29		FY 30	
		Change	Total	Change	Total	Change	Total
Nov. Consensus Revenue	25,960.3	628.7	26,589.0	722.2	27,311.2	856.3	28,167.5
Expenditures	25,647.9	878.6	26,526.4	763.0	27,289.5	776.1	28,065.6
Fixed Cost	13,595.6	573.6	14,169.2	480.9	14,650.2	481.7	15,131.9
Non-fixed Cost	12,052.3	304.9	12,357.2	282.1	12,639.3	294.4	12,933.7
BALANCE	312.4	(249.9)	62.6	(40.8)	21.7	80.2	101.9

Table 3.1 presents General Fund projections for FY 27 through FY 30. The projections account for November 2025 consensus revenue estimates and FY 26 changes to fixed-cost and non-fixed cost expenditure estimates based on current trends.

REVENUE ADJUSTMENTS

The net FY 28 revenue adjustments increase the balance of the General Fund by a total of \$628.7 million within that fiscal year. Policies and technical adjustments decrease the balance by \$115.7 million and total growth increases it by \$744.4 million. **Table 3.2** below highlights the major FY 28 revenue adjustments with descriptions of those items following.

Table 3.2 Major Components of the FY 28 General Fund Revenue Adjustment

In Millions of Dollars

Components	FY 28
Credit FY 26 General Fund revenues to FY 27	(244.0)
Adjust transfer to other appropriated funds	100.5
Rebase hospital tax	25.0
Phase out capital base method	(13.6)
All other policies (net)	(2.7)
Total Policy	(134.8)
Reflect impact of HR1 provision for qualified production facilities	(103.6)
Reflect impact of HR1 provision for research and experimental expenditures expensing	23.0
All other technical (net)	99.7
Total Technical	19.1
Total Policy + Technical	(115.7)
Revenue Growth	744.4
TOTAL Revenue	628.7

Revenue Policies

Credit FY 26 General Fund revenues to FY 27

A one-time credit of \$244 million in surplus FY 26 revenues was transferred into FY 27 in the biennial budget, which will be unavailable to balance future budgets.

Adjust transfer to other appropriated funds

The FY 26 and FY 27 Budget provided supplemental transfers for the following funds in the biennium only. This adjustment reflects the scheduled expiration of those transfers which results in a revenue gain of \$100.5 million in FY 28 to the General Fund.

- Municipal Revenue Sharing Fund: \$90 million
- Cannabis Regulatory Fund: \$10.5 million

Rebase hospital tax

PA 25-168, the FY 26 and FY 27 Budget, increases the total hospital tax due by \$375 million in FY 26 and an additional \$25 million in FY 27 and each year thereafter.

The law requires the base year for net patient revenues on which the hospital provider tax is calculated to be tied to an applicable federal fiscal year, rather than FY 16 as under previous law. The law also applies at a 6% tax rate on inpatient revenues while the net outpatient tax rate will be determined by calculating the total tax due for the hospital industry minus the total tax imposed on inpatient revenue.

Phase out capital base method

In accordance with CGS Sec. 12-219(a)(1), the tax rate under the capital base method of corporation business tax is reduced annually until it is eliminated altogether beginning with the 2028 income year. This results in a revenue loss of \$13.6 million in FY 28.

Revenue Technical

Reflect impact of HR 1 provision for qualified production facilities

U.S. PL 119-21 (HR 1) establishes accelerated expensing ("bonus depreciation") for certain qualified production facilities to which Connecticut's tax code conforms. This results in a revenue loss of \$103.6 million in FY 28.

Reflect impact of HR 1 provision for research and experimental expenditures expensing

As noted in **Section II** earlier, U.S. PL 119-21 (HR 1) includes a provision that accelerates the expensing of research and experimental costs under the corporation business tax. While this results in a revenue loss initially, revenue gains occur over the subsequent four years as costs are fully expensed in one year rather than spread out over five. The impact is a revenue gain of \$23 million in FY 28.

Revenue Growth

Revenue growth in the out years ranges from 2.7% to 3.0% annually based on economic growth. A detailed breakout of growth amounts is included in **Table 3.3**.

Table 3.3 Major Components of the FY 28 to FY 30 General Fund Revenue Adjustment
In Millions of Dollars

Source	FY 28	FY 29	FY 30
Personal Income	610.0	613.3	647.5
Sales Tax	134.2	136.9	140.3
Business Taxes	51.2	51.9	51.6
Other Revenue	22.6	(5.9)	25.6
Refunds	(73.6)	(77.0)	(79.7)
TOTAL GROWTH	744.4	719.2	785.3
PERCENT GROWTH %	3.0%	2.7%	2.9%

STRUCTURAL BALANCE

Table 3.4 presents the General Fund structural balance projections for the out years, comparing revenue growth to expenditure growth. The revenue growth shown is prior to considering any previously enacted policy changes that are scheduled to be phased in and technical adjustments (shown in Table 3.3 above). The average annual growth in revenue during this period is \$749.6 million compared to an annual average of \$805.9 million for expenditures. This results in a negative structural balance of -\$134.2 million in FY 28 and -\$43.8 million in FY 29, and a small positive structural balance of \$9.2 million in FY 30.

Table 3.4 General Fund Structural Balance

In Millions of Dollars

Category	FY 28	FY 29	FY 30	TOTAL	Average Growth	Annualized Growth %
Revenue Growth	744.4	719.2	785.3	2,248.9	749.6	2.8%
Expenditure Growth	878.6	763.0	776.1	2,417.8	805.9	3.0%
BALANCE	(134.2)	(43.8)	9.2	(168.9)	(56.3)	

EXPENDITURES

Expenditures are growing \$763 million to \$878.5 million per year in the out years as shown in **Table 3.5** below. Most expenditure growth is in fixed costs, which are growing at an annual average of 3.6% compared to 2.4% for non-fixed costs. Fixed cost growth increases \$480.9 million to \$573.6 million annually, averaging \$512 million per year, while non-fixed cost growth increases \$282.1 million to \$304.9 million annually.³

Table 3.5 General Fund Out Year Expenditure Growth

In Millions of Dollars

Expenditure Growth	FY 28	FY 29	FY 30
Fixed Cost Growth	573.6	480.9	481.7
Non-fixed Cost Growth	304.9	282.1	294.4
TOTAL	878.5	763.0	776.1

FIXED COST EXPENDITURES

General Fund fixed costs are statutorily defined⁴ and organized into the following expenditure categories, listed below in order of overall magnitude:

1. Entitlements (e.g., Medicaid and other programs)
2. Debt Service
3. State Employees' Retirement and Retiree Health Care
4. Teachers' Retirement and Retiree Health Care
5. Hospital Supplemental Payments
6. Adjudicated Claims

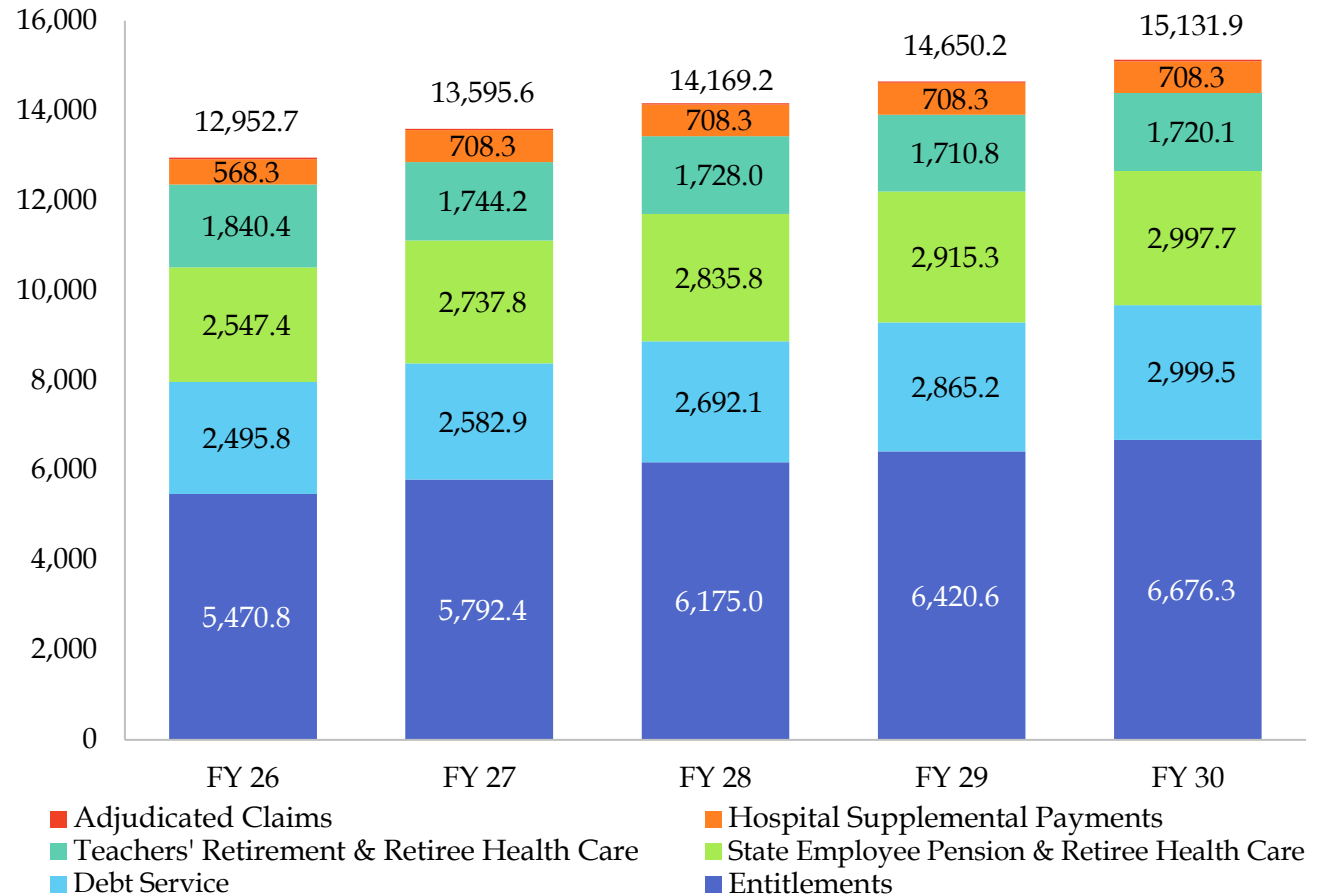
Figure 3.2 shows the fixed cost expenditure projections by category from FY 26 to FY 30. Total fixed costs are anticipated to grow from \$12.95 billion in FY 26 to \$15.13 billion in FY 30, an increase of \$2.18 billion. Fixed costs make up 53.4% of General Fund expenditures in FY 26, and this share is projected to rise slightly to 53.9% by FY 30.

³For additional detail, click [here](#) for a report which shows SID-level expenditure projections for the biennium and out years.

⁴ CGS Sec. 2-36b(b)

Figure 3.2 General Fund Fixed Cost Expenditure Projections

In Millions of Dollars



Average annual growth in fixed cost expenditures for this period is 4.0%. Of the fixed cost categories, entitlements have the largest dollar change (\$1.21 billion) from FY 26 through FY 30, while adjudicated claims are not projected to change.

Hospital supplemental payments are projected to increase by \$140 million from FY 26 to FY 27 (24.6%) due to a policy change pursuant to PA 25-168, the FY 26 and FY 27 Budget, and are not projected to change in the out years.

The average annual growth in entitlements of 5.1% is primarily driven by Medicaid, which makes up approximately 70% of the category, followed by Community Residential Services representing 17% of all entitlements. Medicaid grows by approximately \$240.5 million (6%) between FY 27 and FY 28, \$203.5 million (4.8%) between FY 28 and FY 29, and \$212.6 million (4.8%) between FY 29 and FY 30. This level of growth is anticipated to capture adjustments for caseload and associated utilization as well as policy adjustments impacting the out years.

Overall General Fund debt service costs are projected to increase by approximately 4.7% annually from FY 26 to FY 30. Growth in debt service costs is primarily driven by bond use, which is discussed in **Section VI**.

Teachers' retirement and retiree health care costs decrease an average 1.7% over this period due to anticipated additional deposits into the pension system, which lower the state's actuarially determined employer contribution (ADEC) by paying down the system's unfunded actuarially accrued liability. These reductions are partially offset by rising retiree health care costs primarily from the state's share returning to the statutory one-third of the cost of the base plan, from one-fourth in FY 26.⁵

State employee pension and retiree health care costs are anticipated to increase 4.2% from FY 26 through FY 30 despite an anticipated deposit into the pension system from an accumulated excess in the Budget Reserve Fund. State retiree health care costs are anticipated to grow by an average 11.4% during this period associated with premium increases driven by plan performance, population, and impacts from the federal Inflation Reduction Act.

Additional pension information can be found on OFA's [website](#).

NON-FIXED COST EXPENDITURES

Non-fixed costs include all expenditures which are not statutorily listed as fixed costs (e.g. employee wages, active employee fringe benefits, operating costs for state agencies, municipal aid, etc.).

Table 3.6 General Fund Out Years Non-Fixed Cost Growth – Change from Prior Years

In Millions of Dollars

Category	FY 28	FY 29	FY 30
SEBAC	153.2	122.0	126.8
Private Providers	74.0	76.0	79.0
Fringe Benefits	61.6	66.5	71.6
Other (Net)	16.2	17.7	17.1
TOTAL	304.9	282.1	294.4

Table 3.6 shows projected non-fixed cost growth from FY 28 to FY 30, net of any decreases in non-fixed costs. The three largest drivers of non-fixed cost growth are in the Office of Policy and Management (OPM) Reserve for Salary Adjustments (RSA) account, the OPM Private Providers account, and Office of the State Comptroller (OSC) fringe benefit account for current state employees, described below. The remaining non-fixed cost growth is spread across various agencies and is minimal, representing less than \$20 million per year.

1. OPM RSA account is increasing \$126.8 million to \$153.2 million per year due to increased costs associated with anticipated SEBAC agreements.
2. OPM Private Providers account is increasing \$74 million to \$79 million per year due to inflationary increases required by PA 25-151.
3. OSC fringe benefit account is increasing \$61.6 million to \$71.6 million per year due to increases in active state employee health service costs.

⁵ CGS Sec. 10-183t(a)

OTHER FISCAL PRESSURES

Multiple fiscal pressures outside of the current projections will affect budgets in the out years, as described below. Additionally, a full federal budget for the current fiscal year has not been adopted.

1. **U.S. PL 119-21 (HR 1):** The federal 2025 Budget Reconciliation Law requires various changes to health care and nutrition assistance policy. These changes primarily impact eligibility for and the administration of Medicaid and SNAP. The majority of the provisions and their associated impact on the state budget are not captured in these projections due to uncertainty while states await additional federal guidance. Many components of the law are not effective until 1/1/27 and beyond, including Medicaid work requirements, more frequent eligibility determinations, and cost sharing. The state may also be required to cover a percentage of SNAP benefits beginning in FY 28, which are currently fully federally funded. That General Fund cost is dependent on the state's FY 25 or FY 26 SNAP payment error rate.

Notably, revenue projections do reflect the required decrease in the federal share of SNAP administrative costs, beginning in FY 27, as described in **Section II**.

2. **Municipal Revenue Sharing Fund (MRSF) Transfer:** There are transfers from the GF to the MRSF in FY 26 and FY 27 of \$101 million and \$90 million, respectively. No transfers from the GF are in place for the out years, but it is expected that transfers of approximately \$100 million will be necessary to maintain the current funding level for municipal grants that are paid out of the MRSF. The following grants are paid out of the MRSF: (1) Tiered PILOT, (2) Motor Vehicle Tax Reimbursement, and (3) Supplemental Revenue Sharing.
3. **Cannabis Regulatory Fund (CRF) Transfer:** The CRF does not have a dedicated revenue source, relying solely on a transfer from the General Fund. There are transfers from the GF to the CRF in FY 26 and FY 27 of \$10.3 million and \$10.5 million, respectively. No transfer is in place for the out years, and it is expected that a transfer of approximately \$10.5 million per year is necessary to fund current expenditures.
4. **Additional Deposits into Pension System Revision:** The report assumes the FY 25 volatility deposit (and part of the operating surplus) in excess of the Budget Reserve Fund's 18% cap will be used to pay down outstanding pension obligations. However, if a portion of these funds is redirected for other uses as allowed by legislation passed during the November 2025 special session (HB 8003), it will impact required contributions to the state employee retirement system (SERS) and teachers' retirement system (TRS) beginning in FY 27.

Section IV. Budget Reserve Fund & Recessionary Stress Test

Reflecting FY 25 results, in FY 26 the Budget Reserve Fund (BRF) has remained at the statutory cap of 18% relative to General Fund (GF) net appropriations. It is anticipated that the BRF will remain at the cap through the projection period of this report (through FY 30). The BRF's projected level of funding supports the state's capacity to withstand the budgetary stress of a potential recession which is reflected in the results of the recessionary stress test below.

Table 4.1 below shows what the balance of the BRF would be in the out years based on the following assumptions:

1. No unappropriated surplus or deficit is estimated in FY 28 to FY 30 for illustrative purposes under the assumption a balanced budget will be adopted in those years;
2. Volatility cap transfers from November consensus revenue estimates; and
3. Appropriations growth in FY 27 to FY 30 equal to the estimated cost increases in those years, resulting in an increased BRF cap.

Table 4.1 Projected BRF Balances
In Millions of Dollars

Projected Budget Reserve Fund Adjustments	FY 26	FY 27	FY 28	FY 29	FY 30
Budget Reserve Fund Balance – Prior Fiscal Year	4,105.1	4,326.6	4,565.2	4,766.7	4,897.3
Volatility Deposit – Prior Fiscal Year	2,098.7	1,810.4	1,233.2	853.7	714.3
General Fund Surplus					
Prior Fiscal Year	410.2	95.2	-	-	-
Set Aside for the ECEE Fund per PA 25-93 ¹	(300.0)	(95.2)	-	-	-
Unappropriated Surplus	110.2	-	-	-	-
Total Available for Deposit	2,208.9	1,810.4	1,233.2	853.7	714.3
Uses of Available Funds					
Deposit to Maintain the BRF at 18.0% Maximum	221.5	238.6	201.5	130.6	132.6
Dedicate Remaining Funds to Reduce Long-Term Debt	1,987.4	1,571.8	1,031.7	723.1	581.7
Budget Reserve Fund Balance	4,326.6	4,565.2	4,766.7	4,897.3	5,029.9
Balance Relative to General Fund Net Appropriations	18.0%	18.0%	18.0%	18.0%	18.0%

¹ The Early Childhood Education Endowment (ECEE) Fund is to receive \$300 million of the FY 25 General Fund surplus under PA 25-93 and the entirety of projected surpluses in FY 26 and beyond, provided that the Budget Reserve Fund is otherwise at the 18.00% maximum.

BUDGET RESERVE FUND CAP CALCULATION

After the close of the fiscal year, revenue exceeding the volatility cap is deposited into the Budget Reserve Fund or dedicated to reducing long-term debt (with the State Treasurer determining the division of funds between the state employees' and teachers' retirement systems). The distribution is prescribed by the BRF cap, based on the BRF balance relative to GF net appropriations, as described below.

1. **Below 15%:** The BRF retains all funds until the fund balance has reached 15% of General Fund appropriations.

2. **Between 15% and 18%:** If the BRF is between 15% to 18% of General Fund appropriations, then an equal (50/50) distribution of funds exceeding the 15% threshold is made to the BRF and to reduce long-term debts.
3. **Above 18%:** Any funds exceeding the 18% threshold are used to reduce long-term debts.

RECESSIONARY STRESS TEST

The Office of Fiscal Analysis (OFA) has developed a methodology for performing a recessionary stress test to estimate the state's preparedness in the event of a recession. The stress test provides an analysis of how well the Budget Reserve Fund (BRF), the volatility cap, and the estimated balances protect the state against recession. **Table 4.2** below contains the amounts of protection each component provides over the biennium.

Table 4.2 Recession Protection
In Millions of Dollars

Components	FY 26 & FY 27 Biennium
Budget Reserve Fund	4,326.6
Volatility Cap	3,043.6
Estimated Balances	407.6
Total Recession Protection	7,777.8

To estimate the potential budgetary stress of a recession, we use three different recession scenarios: the 2002 dot-com recession, the 2008 Great Recession, and an example median recession between the 2002 and 2008 recessions. The stress test covers the two years of the FY 26 and FY 27 biennium.

The stress test results, shown in **Table 4.3** and **Figure 4.1**, represent the amount of balance left in the BRF after the two-year impact of the estimated recession scenarios. Please note recessions may cause significant budgetary stress beyond the immediate two-year impact which are not covered in this test. Budgetary stress is primarily a result of revenue declining during a recession but also include costs associated with existing government expenditures. Other key considerations and assumptions are discussed below.

Figure 4.1 Stress Test Results by Recession Scenario
In Millions of Dollars

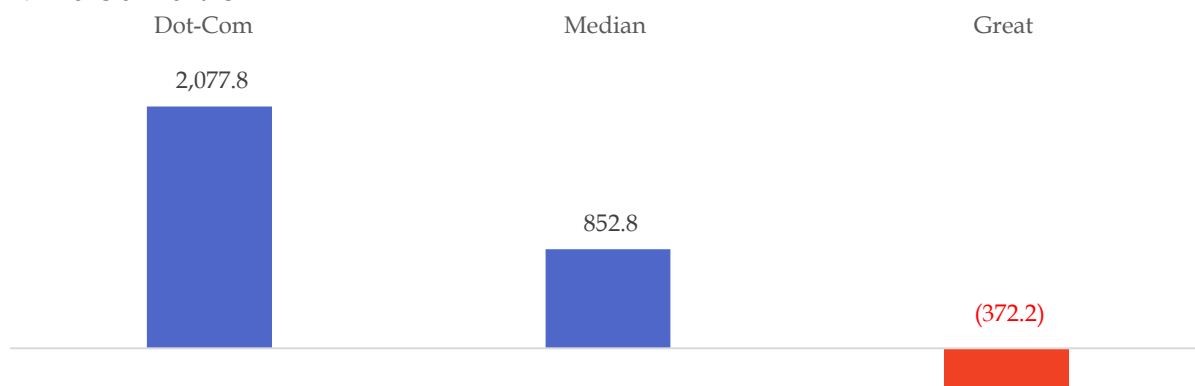


Table 4.3 Stress Test

In Millions of Dollars

Stress Test Results	Dot-Com Recession	Median Recession	Great Recession
Recession Protection (from Table 4.2)	7,777.8	7,777.8	7,777.8
Budgetary Stress from Recession	5,700.0	6,925.0	8,150.0
Results: Funds Remaining in Budget Reserve Fund	2,077.8	852.8	(372.2)

Key Considerations and Assumptions of Variables

There are many aspects of a recession that may be worth considering outside the scope of this analysis. In addition, there are major variables and assumptions being made that may significantly alter the stress of a recession, which are explained below.

Federal Response

The analysis does not include any federal response to the recession. In the past, the federal government has provided aid to states in various ways which may significantly lower the overall stress of a recession. Typically, the larger the recession, the more help the federal government has provided. This analysis also does not make any assumptions about potential changes from the federal government that could reduce overall aid.

Developing Recession Scenarios

The recession scenarios are based on an estimate of revenue that is lost compared to the prior year as well as forgone revenue growth which is no longer realized due to the recession. The scenarios include a relatively moderate amount of expenditure growth (\$500 million per year) within a recession. During any budget year, there may be expenditure growth pressure, which is not covered by this analysis.

Time Frame of Analysis & Long-term Structural Impact of Recessions

The stress test only covers a two-year period of a recession where revenues are assumed to decline significantly from the prior year and then remain relatively low in the second year. The third and fourth years of a recession may also result in significant budgetary stress which is outside the scope of this stress test. Recessions typically create long-term structural issues which may require long-term solutions beyond the capacity of the BRF and caps. Larger caps and balances in the BRF may help provide the state more time to find solutions to these structural issues, but they do not fix them in the long term.

Managing Caps During Crisis

The caps are subject to provisions in statute that place limits on how they can be changed. The stress test analysis assumes that the caps are either turned off or effectively turned off during the two years of the analysis. In addition, the caps may cause additional budgetary stress in the third and fourth years if they are unable to be turned off.

Foundation of Estimates

The estimates are based on November 2025 consensus, FY 26 estimated expenditures within this report, and the FY 26 and FY 27 biennial budget.

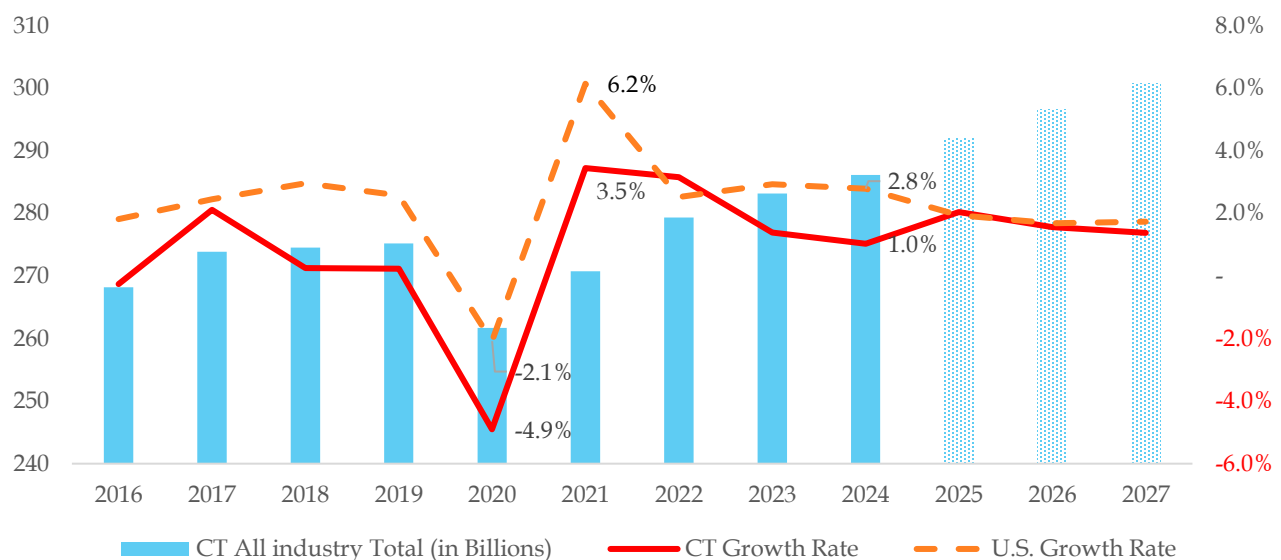
Section V. Economic Trends

- The state's economy continues to modestly grow, and given the slowdown in the U.S. economy, it is expected to align more closely with national growth levels over the next few years despite a history of lagging the nation.
- Connecticut's labor market is stable but there are many long-term challenges, such as modest job growth, reliance on a few key industries, and a shrinking labor force (aging population and out-migration).
- Inflation is sticky and remains above the Federal Reserve's target of 2%.
- Consumer spending remains resilient despite economic uncertainty, mainly driven by high-income household consumption.
- Connecticut's housing market remains tight with affordability a continuing issue, mainly due to low inventory levels and relatively high demand.

GROSS STATE PRODUCT

Connecticut's real gross state product (GSP), a measure of the total value of all goods and services produced in a year, reached \$286.2 billion in 2024 and is projected to rise to \$292 billion in 2025, a 2.1% increase, according to Moody's Analytics. Historically, the state's economic growth rate has lagged the nation. However, the Bureau of Economic Analysis reports Connecticut's GSP grew at an annualized rate of 4.6% in the second quarter of 2025, outpacing the U.S. rate of 3.8%, suggesting that state's growth is aligning closer with the nation, as illustrated by **Figure 5.1** (narrowing gap between the two growth rates).

Figure 5.1 Connecticut Real Gross State Product (In Billions of Chained 2017 Dollars)



Sources: U.S. Bureau of Economic Analysis and Moody's Analytics Forecast

This shift occurs in a context of modest job growth (as explained in the "Labor Market" subsection below), implying output gains may be linked to productivity improvements. Artificial Intelligence (AI) is one area that may be boosting productivity in certain industries such as finance, manufacturing and technology, based on a survey of Connecticut businesses. **Table 5.1** shows that Connecticut's economic structure is heavily reliant on the Finance, Insurance, Real Estate, Rental, and Leasing industry, which constitutes the largest share of GSP at 25.3% in 2024.

Table 5.1 Connecticut Gross State Product by Sector

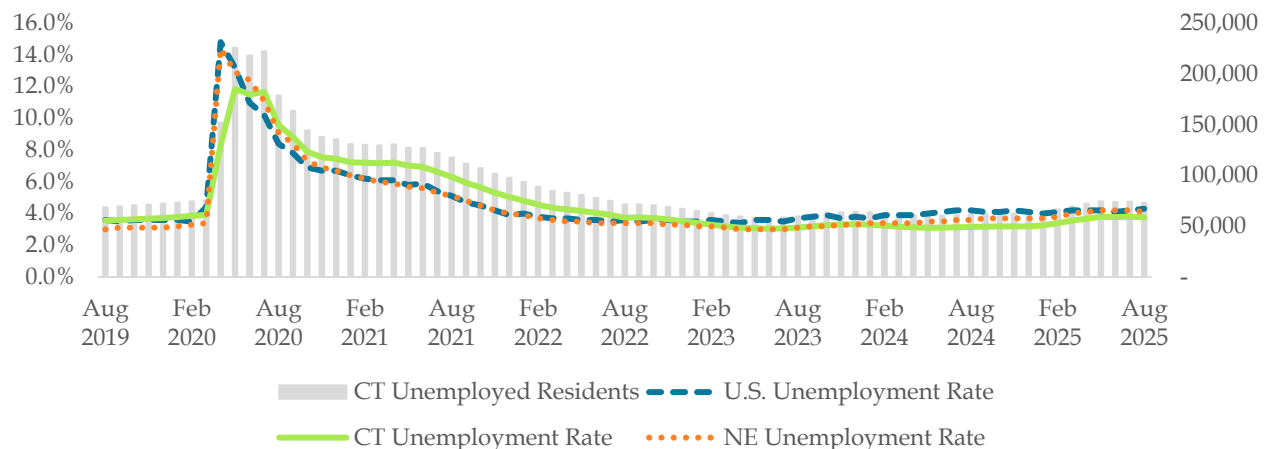
Industry	2024
Finance, insurance, real estate, rental, and leasing	25.3%
Professional and business services	14.2%
Manufacturing	11.9%
Educational services, health care, and social assistance	11.4%
Government and government enterprises	8.9%
Information	6.8%
Retail trade	6.0%
Wholesale trade	4.6%
Arts, entertainment, recreation, accommodation, and food services	3.2%
Other ¹	7.8%
TOTAL	100.0%

¹Includes construction; transportation and warehousing; other services; utilities; agriculture, forestry, fishing, and hunting; and mining, quarrying, and oil gas extraction. Percentages may not total 100% due to rounding.
Source: U.S. Bureau of Economic Analysis; OFA calculations

LABOR MARKET

Unemployment and Labor Force

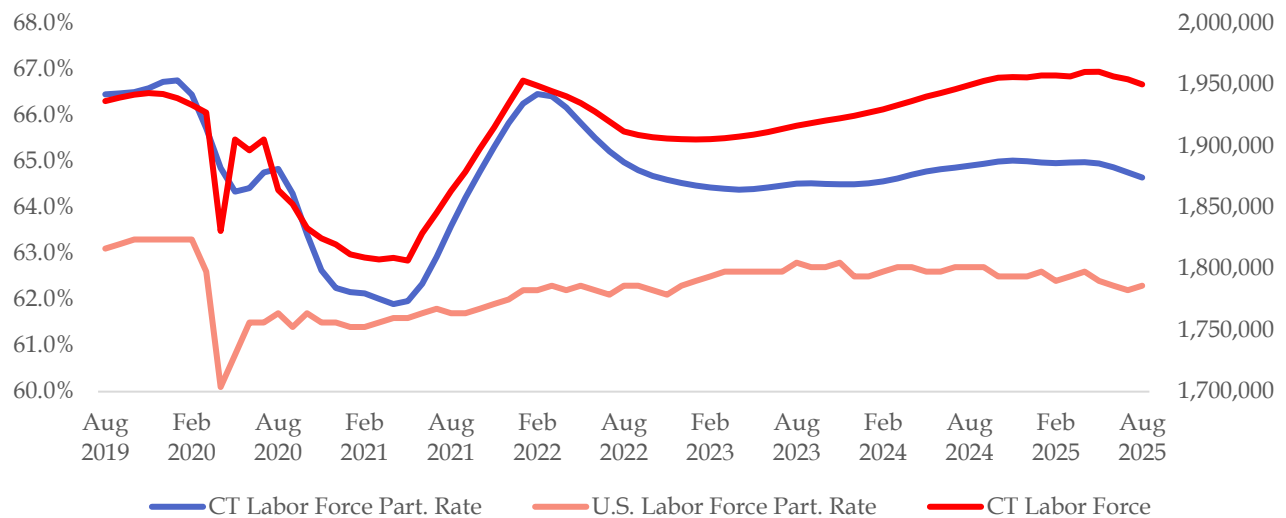
Connecticut's unemployment rate, at 3.8% in August 2025, remains stable and favorable compared to New England (4.1%) and national (4.3%) averages (see **Figure 5.2**). However, a closer look reveals two important caveats. First, the rate has risen by 0.6 percentage points since August 2024 (when it was 3.2%), reflecting a slowdown in job creation and an increase of 11,800 unemployed residents (currently estimated at 73,300). Second, the state's labor force has been declining for most of the current year, as shown in **Figure 5.3**. This decline in active workers could be artificially keeping the official unemployment rate low, potentially masking the true labor market situation in the state.

Figure 5.2 Unemployment Rates and Unemployed Residents (Seasonally Adjusted)

Sources: U.S. Bureau of Labor Statistics and CT Department of Labor (DOL)

Prior to the pandemic, the state's labor force participation rate hovered above 66%. During the pandemic this rate declined, hitting its lowest level of 61.9% in April 2021. While the rate initially rebounded (66.5% in February 2022), it has recently stalled and shown a slight decline, settling near 64.6% as of August 2025. This trend, illustrated in **Figure 5.3**, reflects long-term demographic shifts and signals a potential challenge for businesses that face skills shortages and difficulty filling open positions.

Figure 5.3 Labor Force Participation Rates and CT Labor Force (Seasonally Adjusted)

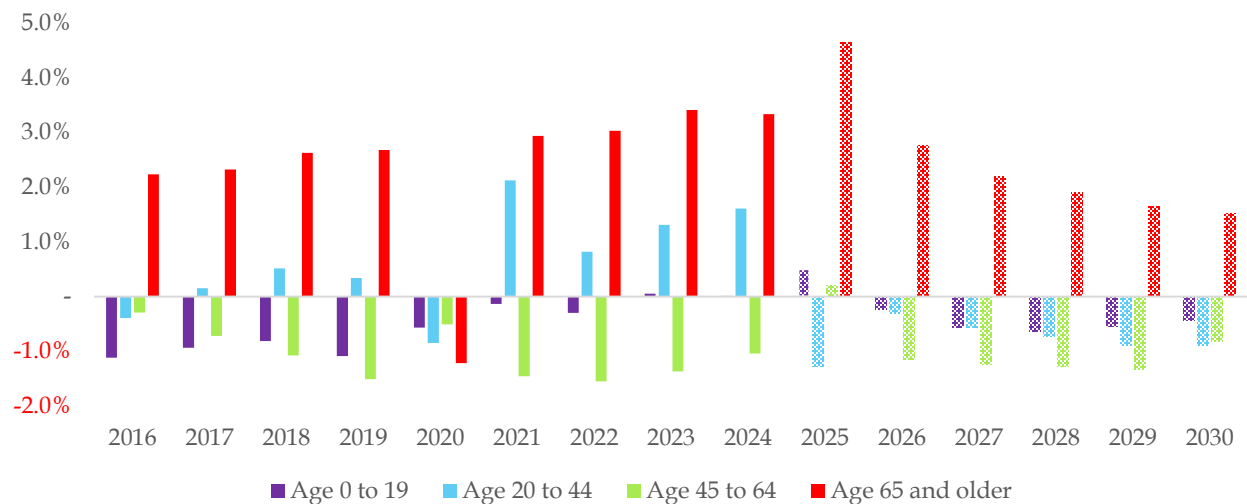


Sources: U.S. Bureau of Labor Statistics and Moody's Analytics

Older Demographic Profile

As shown in **Figure 5.4**, Connecticut's population over 65 continues to rise faster than all other age groups. As a large share of experienced workers enters retirement, the overall percentage of the population in the labor force (i.e., working or seeking work) declines.

Figure 5.4 Connecticut Annual Population Growth by Age Cohort

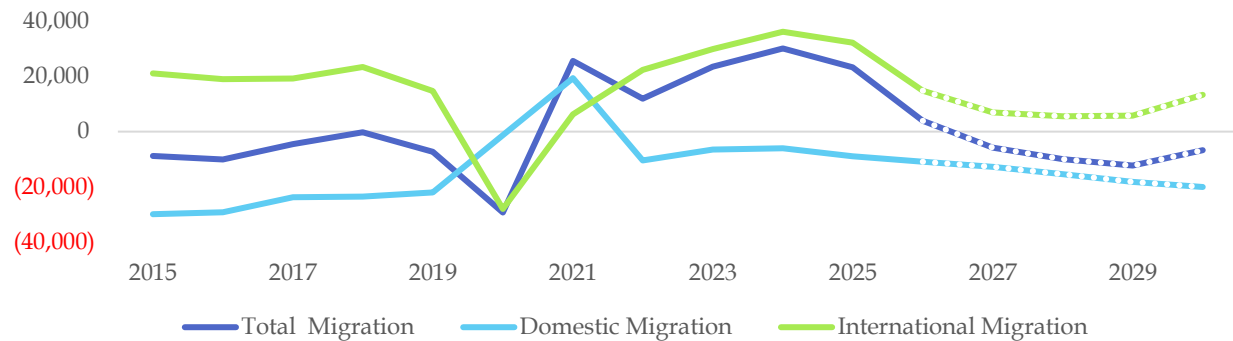


Source: U.S. Census Bureau, Moody's Analytics Forecast; OFA calculations

Out-Migration

Historically, international migration has partially offset negative domestic migration levels (see **Figure 5.5**). However, it is projected that international migration will decline over the next few years, bringing total net migration to negative levels. Given that residents migrating out of the state are usually working-age adults, this negatively affects the state's long-term labor force.

Figure 5.5 Connecticut Population Migration per Calendar Year

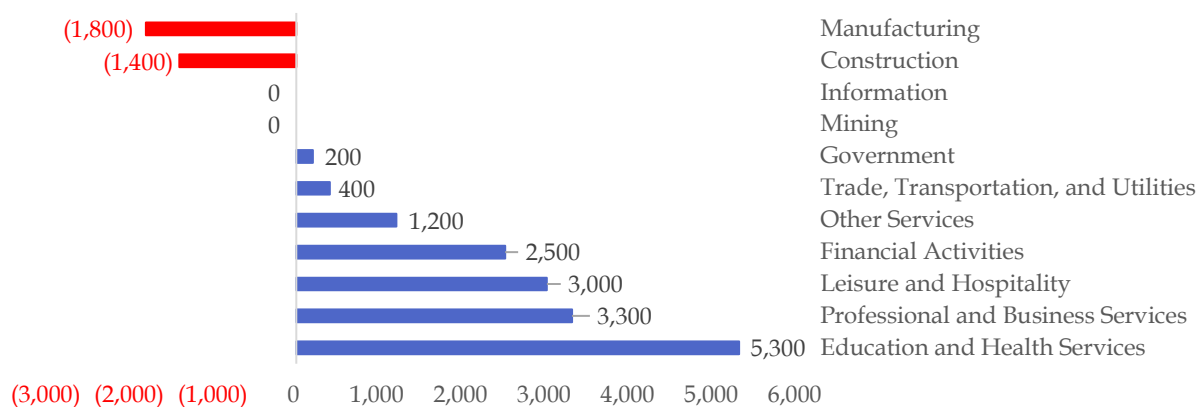


Source: U.S. Census Bureau, Moody's Analytics Forecast

Employment Levels and Job Openings

Connecticut's total nonfarm employment saw a growth of 12,700 jobs, or a 0.7% increase, between August 2024 and August 2025. Though overall jobs continue to modestly grow, this number is heavily reliant on a few key industries that offset losses mainly in manufacturing and construction, which suggests a significant slowdown in hiring. In fact, job growth over the year was only 7,400 when excluding the Education and Health Services super sector (**Figure 5.6**). This is a widespread trend across the country according to the U.S. Bureau of Labor Statistics.

Figure 5.6 Employment Changes by Industry, from August 2024 to August 2025 (Seasonally Adjusted)



Source: CT DOL Current Employment Survey; OFA calculations

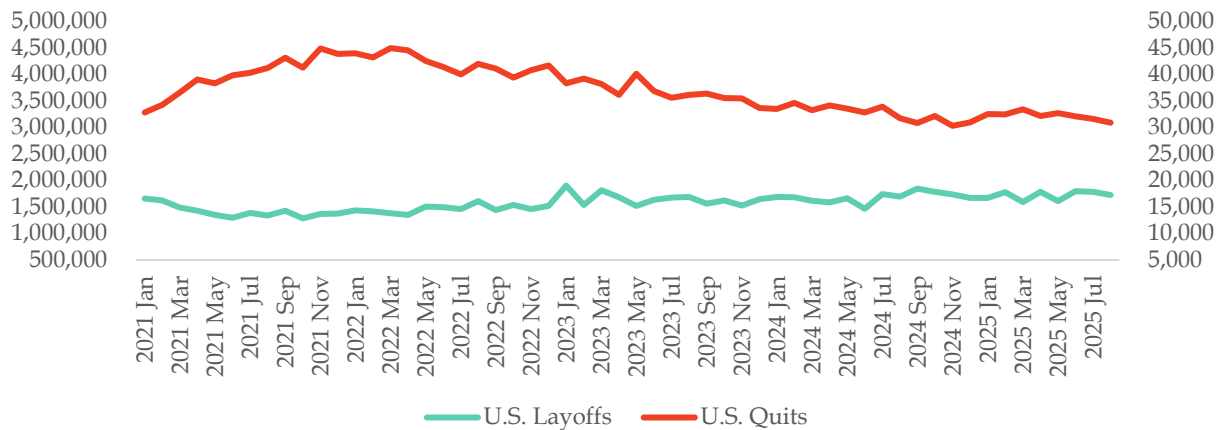
The number of job postings (81,821) continues to be higher than pre-pandemic levels with Health Care and Social Assistance leading at 16,715.⁶

⁶ CT DOL Analysis of The Conference Board Help Wanted Online Data Series (HWOL).

Quits and Layoffs Trends

As the national economy remains uncertain due to shifts in trade, policy decisions, and sticky inflation, employers continue to be reluctant to initiate layoffs, while the number of workers voluntarily quitting their jobs continues to decline. This pattern is depicted in **Figure 5.7**, where the steady decline in quits contrasts sharply with relatively stable layoffs, suggesting the labor market is cooling without triggering widespread job losses yet. A recession would lead to widespread layoffs, which would further contribute to an economic downturn.

Figure 5.7 U.S. Quits and Layoffs Activity (Monthly)



Source: Job Openings and Labor Turnover Survey by the U.S. Bureau of Labor Statistics

Wage Growth

U.S. real weekly and hourly wages (adjusted for inflation) shows trends are somewhat back to pre-pandemic levels. After the sharp surge around 2020 and early 2021, real wages were overwhelmed by high inflation levels in 2022 and 2023, which caused real earnings to turn negative for an extended period. This was reflected in a drop in purchasing power. After this contraction, by late 2023 and into 2024 and 2025, both real weekly and hourly earnings measures recovered (**Figure 5.8**).

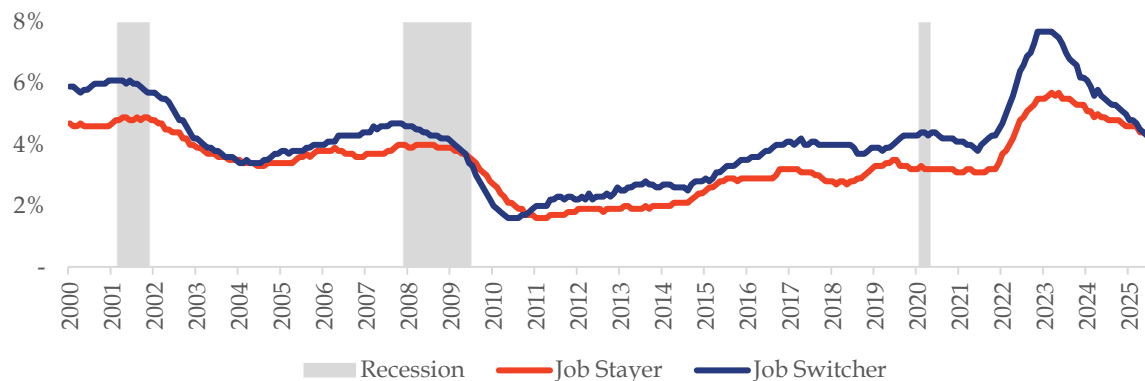
Figure 5.8 U.S. Real Weekly and Hourly Average Earnings (All Employees, Private Sector, Seasonally Adjusted)



Source: [Bureau of Labor Statistics, TED: The Economics Daily, "Real average weekly earnings up 1.5 percent from May 2024 to May 2025, June 16, 2025.](#)

Data shows that wage growth for job stayers has surpassed wage growth for job switchers. Historically, wage growth for job switchers has been higher than for job stayers, as workers typically secure higher pay by moving between employers (see **Figure 5.9**). The current conversion points to weakness in the labor market, which has historically coincided with economic downturns, such as the years after the 2000 dot-com recession and 2008 Great Recession.

Figure 5.9 Wage Growth of Job Switchers vs Job Stayers



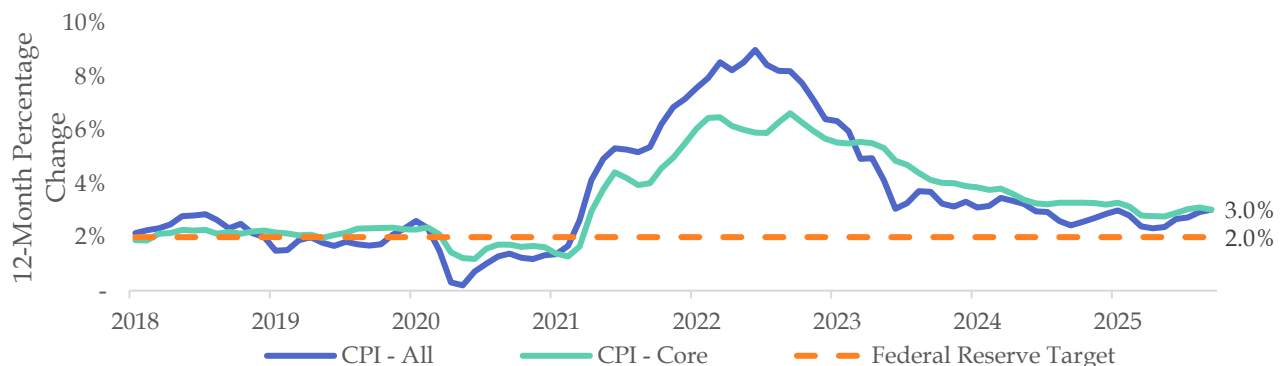
Source: Wage Growth Tracker, Federal Reserve Bank of Atlanta

INFLATION

The latest data from the U.S. Bureau of Labor Statistics shows the Consumer Price Index (CPI) hitting 3% this past September. This figure marks a rebound, returning to the same level last recorded in January 2025 after reaching its lowest point in the preceding months at 2.3% in April 2025. Meanwhile, the core CPI rate, which excludes food and energy, saw a slight decrease, dropping from 3.1% in August to 3.0% in September (see **Figure 5.10**).

The rate remains above the Federal Reserve's target of 2%. Despite this, the Federal Reserve voted to cut rates at both the September and October meetings due to growing weakness in the labor market. While the rate cuts may ease labor market weakness, they may also increase the inflation rate over time.

Figure 5.10 Consumer Price Indices for All Urban Consumers – Annual Growth (Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis

CONSUMER SPENDING

Consumer spending has remained resilient despite various economic uncertainties. All household income levels continue to spend at a higher rate than prior to the pandemic, even when adjusting for inflation. According to research from the Federal Reserve, shown in **Figure 5.11**, the highest income households (\$100k+) spent 17% more in 2024 than compared to 2018, whereas the lowest income level households (\$0-\$59k) spent 8% more.

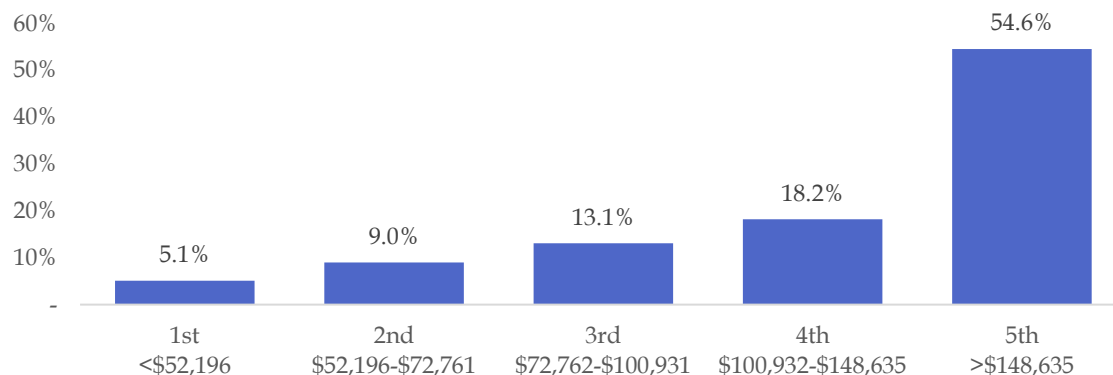
Figure 5.11 Growth of Average Retail Spending Overall by Household Income (Seasonally and Inflation Adjusted)



Source: Hacıoğlu Hoke, Sinem, Leo Feler, and Jack Chylak (2024). "[A Better Way of Understanding the US Consumer: Decomposing Retail Sales by Household Income](#)," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, October 11, 2024.

Notably, there is a divergence in the consumer base where the top 10% of income households in the U.S. represent nearly 50% of total consumption in the U.S., according to an analysis by [Moody's Analytics](#). Looking at Connecticut, the top 20% income households have over 50% of the state's total disposable income, which contributes to a large share in consumer spending (**Figure 5.12**).

Figure 5.12 Connecticut Disposable Personal Income Share by Income Quintile (2023)



Source: U.S. Bureau of Economic Analysis

But there are risks that could erode the current level of growth. Factors such as deteriorating [consumer sentiment](#), upticks in [credit card delinquencies](#), and [student loan delinquencies](#) will have an impact, especially on lower and middle income households. A drop in the stock markets or a decrease in growth in high wages would also dampen spending for highest income households.

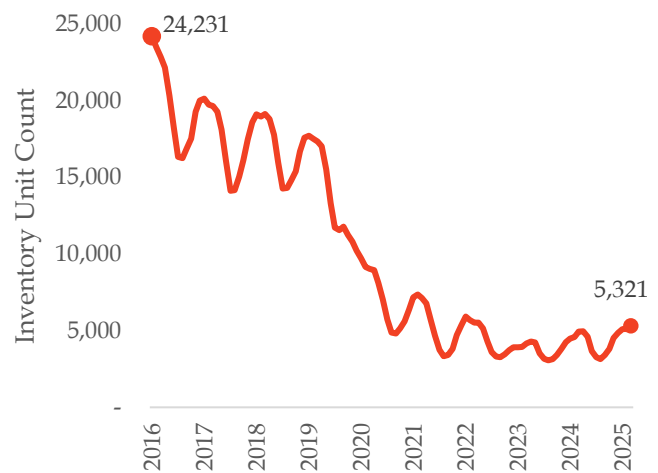
HOUSING

Connecticut's house prices continue to rise as active inventories remain low. Though the number of active single family and condo/townhome listings was 5,321 in September 2025, a 7.4% increase from a year earlier, listings are nearly 80% below 2016 levels. **Figure 5.13** shows the active housing inventory trends over the last 10 years.

Low housing inventory combined with sustained buyer activity has resulted in a continual increase in prices across the state since 2020, as shown in **Figure 5.14**. An increase in housing supply could help to subdue elevated sales prices.

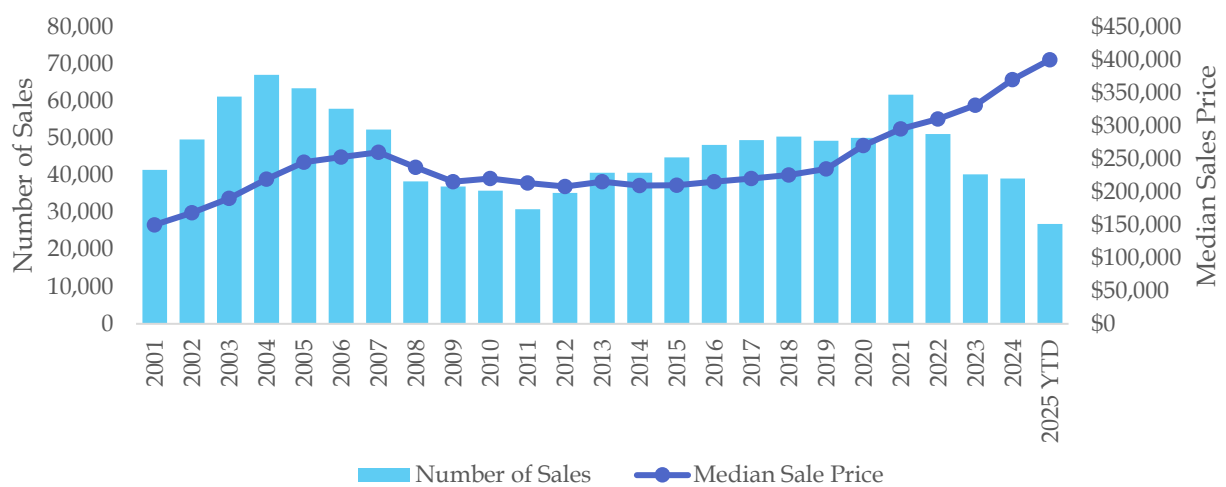
Mortgage rates have recently begun to decline, currently at 6.2% as of October, but this offers limited encouragement. As previously discussed in the [2024 Fiscal Accountability Report](#), the vast majority (nearly 80%) of existing mortgages are below the current rate, creating a strong financial disincentive for owners to put their homes on the market. Additionally, any potential sellers may decline to do so in order to avoid entering the already tight housing market.

Figure 5.13 Active Housing Inventory Count



Source: Realtor.com as retrieved from FRED, Federal Reserve Bank of St. Louis

Figure 5.14 Connecticut Single Family (1-4 Unit) Home Sales & Median Sale Price



Source: Warren Group; [CHFA Housing Needs Assessment Dashboard](#)

Section VI. General Obligation Bonding

Bonding is a financing mechanism in which long-term borrowing is used to pay for capital projects and/or other programs not funded by appropriations. Statute requires OFA to project bond authorizations, allocations, and issuances, along with their impact on debt service, for future years. Projections for General Obligation (GO) bonds are provided in **Table 6.1**.

Table 6.1 Estimates of GO Bonds
In Millions of Dollars

Description	FY 26	FY 27	FY 28	FY 29	FY 30
Authorizations	3,443.6	3,551.7	3,062.8	3,060.9	2,997.0
Allocations	2,471.9	2,545.8	2,628.0	2,691.6	2,754.1
Issuance	2,100.0	2,200.0	2,200.0	2,150.0	2,101.9
Debt Service	2,495.8	2,582.9	2,692.1	2,865.2	2,999.5

The GO projections in **Table 6.1** are based on the following assumptions:

- Authorizations include net effective authorizations for FY 26 and FY 27 as of July 1, 2025, and \$2.6 billion of new authorizations annually beginning in FY 28, along with existing authorizations becoming effective in those years.
- Allocations assume use of 95% of the projected allocation cap each year.
 - Approximately \$2.5 billion is projected in FY 26 (\$1.1 billion allocated to date).
- Issuances assume a \$1.9 billion issuance for FY 26 and \$2.0 billion of issuance in each of FY 27 through FY 30 for GO bonds, plus issuances for the UConn 2000 program.
- Debt service is based on outstanding debt and projected new borrowing at market rates.

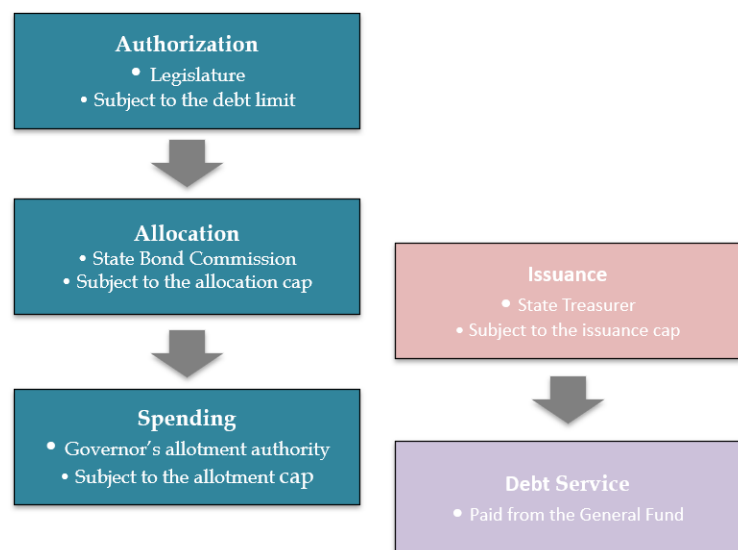
THE BOND PROCESS

Using bond funds for capital projects and/or programs involves several steps overseen by the legislature, State Bond Commission, Governor, and State Treasurer.⁷

Figure 6.1 provides an overview of the process.

The various steps in the bond process can be broken into two sub-groups: Bond Use and Financing.

Figure 6.1 The Bond Process



⁷ The statutory debt limit as well as the allocation, issuance, and allotment caps are subject to a bond covenant.

Bond Use

Authorizations

Bond authorizations are restricted by the state's statutory debt limit, which prohibits the legislature from authorizing General Fund-supported debt that exceeds 1.6 times the estimated net General Fund tax receipts in a given fiscal year. Additional capacity for new bond authorizations is typically created through a combination of paying off existing debt and General Fund tax receipts increases. The FY 26 debt limit is \$34.7 billion based on the revenue estimates adopted by the Finance, Revenue and Bonding (FRB) Committee in June 2025, as required by statute.

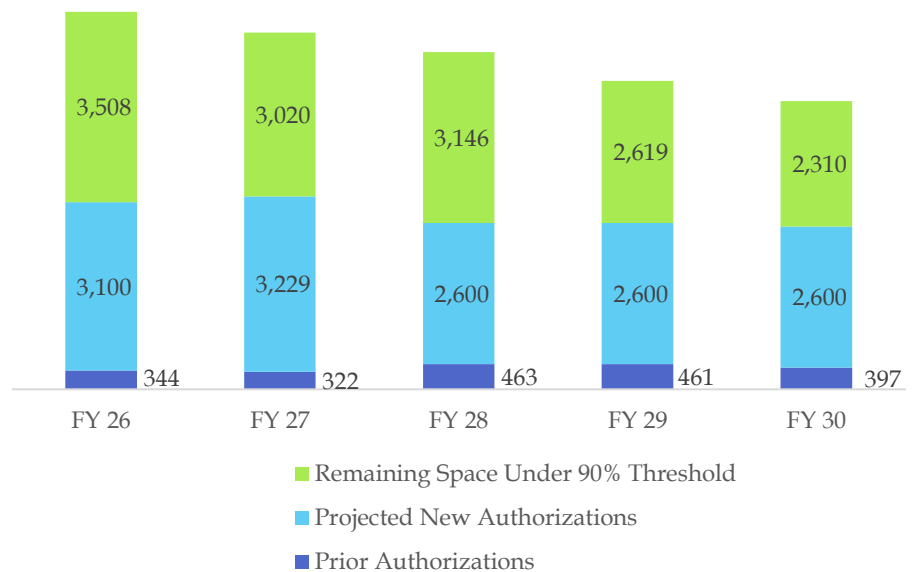
Exceeding the Statutory Debt Limit and the 90% Threshold

While remaining within 100% of the statutory debt limit is necessary for the state to issue bonds, the 90% threshold of the limit has long been the determining factor for new legislative bond authorizations. Statute requires the Governor to propose reductions and cancellations to previously authorized debt whenever the Treasurer certifies that the state has exceeded 90% of the statutory debt limit, making it impractical to adopt a bill that would place the state above the 90% threshold. The 90% threshold for FY 26 is \$31.2 billion.

Bonding Capacity

Figure 6.2 shows prior authorizations becoming effective in future years, projected new authorizations, and remaining space under the 90% threshold.

Figure 6.2 Projected Bond Authorizations*
In Millions of Dollars



As of the start of FY 26, net indebtedness was \$27.7 billion, or 79.9% of the debt limit, and the remaining space under the 90% threshold was \$3.5 billion. Using

authorizations under current law and FRB adopted revenue, net indebtedness in FY 27 is projected to be 81.7% of the debt limit.

Projected authorizations for FY 28 through FY 30 assume \$2.6 billion of new authorizations added to prior authorizations under current law becoming effective in those years. Using November consensus revenues, the state is projected to remain at least \$2.3 billion under the 90% threshold of the debt limit.

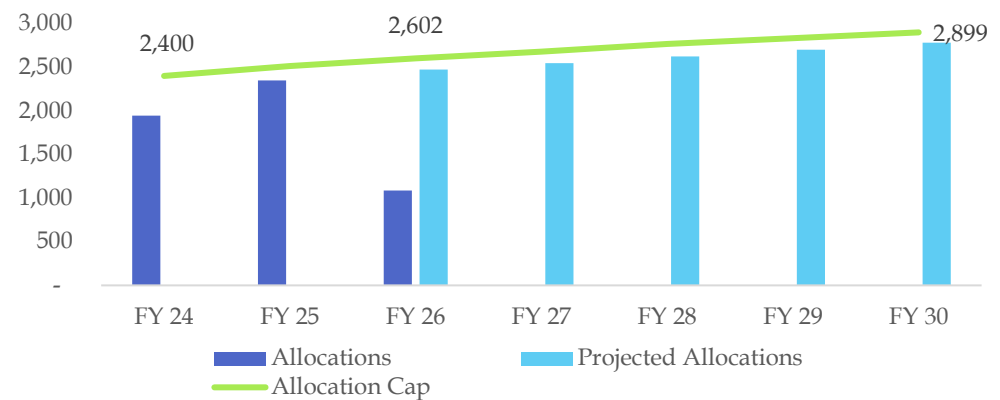
*Debt limit estimates are based on FRB adopted revenues for FY 26 and FY 27 and November 2025 consensus revenues thereafter

Allocations

The State Bond Commission, led by the Governor, allocates bond funds to finance specific projects and purposes from the pool of available authorizations. The allocation cap, which is annually adjusted

based on inflation, limits the amount of GO bonds the Bond Commission may allocate in each fiscal year.⁸ In FY 25, \$2.3 billion was allocated, which represented 93% of the \$2.5 billion limit for that year. This was an increase from FY 24 where allocations totaled 81% of the \$2.4 billion limit for FY 24.

Figure 6.3 GO Bond Allocations, Projected Allocations, and Cap by Fiscal Year
In Millions of Dollars



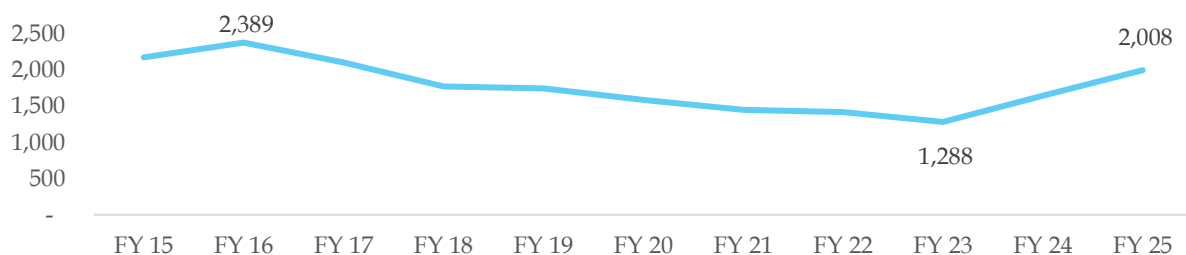
* FY 26 allocations are through November 1, 2025

For FY 26, the cap is just over \$2.6 billion. Through October 2025, roughly \$1.1 billion (41.8% of the annual limit) has been allocated. **Figure 6.3** shows actual allocations from FY 24 and FY 25 and allocations through November 1 for FY 26, along with projected allocations and annual caps for FY 26 through FY 30.

Bond Spending

After reaching a peak of nearly \$2.4 billion in FY 16, bond spending declined to just under \$1.3 billion in FY 23. Spending has grown since FY 23, exceeding \$2 billion in FY 25. **Figure 6.4** shows GO bond spending from FY 15 through FY 25.

Figure 6.4 GO Bond Project Spending by Fiscal Year
In Millions of Dollars



⁸ PA 23-1 set the allocation cap at \$2.4 billion and requires that the cap be adjusted annually for inflation based on the change in the Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumers for the preceding calendar year, less food and energy. The cap is projected to increase to roughly \$2.9 billion in FY 30.

Bond Financing

Issuance

Bonds are issued by the State Treasurer based on expected need and past spending trends. Historically, issuances have closely tracked spending patterns over the long term. **Figure 6.5** shows GO bond issuance amounts and spending since FY 15 to illustrate this relationship.

As with GO bond spending, there was an overall downward trend in GO bond issuance from FY 17 through FY 23.

Issuances have increased since FY 23, with new issuances projected to exceed \$2 billion in FY 26 and beyond.

Figure 6.5 GO Bond Issuance and Spending by Fiscal Year
In Millions of Dollars



New issuances have been subject to an annual limit since FY 19, with bonds issued for the UConn 2000 program exempt from the issuance cap. The cap was reset to \$2.4 billion in FY 24 to have the issuance cap match the level of the allocation cap. As with the allocation cap, the limit is adjusted each year based on inflation.

Debt Service

Debt repayment requirements are part of the state's contract with bondholders, which are agreed to when bonds are first issued. Debt service is deemed appropriated and excluded from the spending cap.

Debt service projections are based on current outstanding debt and repayment requirements, along with projected issuance of new debt. These projections are discussed as part of fixed cost expenditures in **Section III**.

Section VII. Special Transportation Fund

The fiscal outlook for the Special Transportation Fund (STF) is mixed. OFA projects modest operating surpluses of \$62.4 million and \$29.1 million for FY 26 and FY 27, respectively, followed by increasingly large deficits beginning in FY 28. These projections reflect a structural issue in the STF, specifically a growing disparity between rising costs, both fixed and non-fixed, and stagnating revenues. Near term surpluses partly mask this underlying issue as one-time revenue actions (inter-year transfers) prop up the fund in the FY 26 and FY 27 biennium without alleviating out year pressures. Absent legislative action, these out year deficits are anticipated to lead to fund insolvency in FY 30. See **Table 7.1** below for full projections.

Table 7.1 STF Projections
In Millions of Dollars

Components	FY 26	FY 27	FY 28	FY 29	FY 30
Expenditures					
Debt Service	885.9	987.3	1,065.1	1,126.4	1,188.9
Other ¹	1,380.5	1,411.9	1,463.3	1,516.4	1,572.2
TOTAL EXP.	2,266.4	2,399.1	2,528.4	2,642.8	2,761.1
Revenue²					
Sales and Use Taxes	1,011.8	1,036.5	1,061.8	1,087.6	1,113.9
Fuel Taxes	796.6	769.1	786.2	795.7	807.1
Other	520.4	622.6	500.1	504.4	507.3
TOTAL REV.	2,328.8	2,428.2	2,348.1	2,387.7	2,428.3
Operating Balance					
Surplus/ (Deficit)	62.4	29.1	(180.3)	(255.1)	(332.8)
STF Surplus Transfer ³	(59.6)	(39.7)	-	-	-
Year End Cumulative Balance	472.6	462.0	281.7	26.6	(306.2)
Debt Service Ratio	2.6	2.5	2.2	2.1	2.0

¹Other expenditures include operating expenses for the Departments of Transportation (DOT) and Motor Vehicles (DMV), associated fringe benefit costs, and other minor accounts.

²Sales and use taxes include the 0.5 percentage point of the general sales tax, the sales and use tax on motor vehicles, and the sales tax on casual motor vehicle sales collected by DMV. Fuel taxes include gasoline and diesel as well as the oil companies tax (which is primarily derived from sales of gasoline). Other revenues include: fees on motor vehicle registrations, licenses, permits and related items; highway use tax; interest income; refunds; and statutory transfers.

³PA 25-168 extends and makes permanent a provision capping year-end STF cumulative balances. It requires that any year-end balance above 18% of current year appropriations be transferred to pay down STF-supported debt.

EXPENDITURE HIGHLIGHTS

In FY 26, STF expenditures are projected to be \$12.8 million less than budgeted as shown in **Table 7.2**. Projected lapses are anticipated to exceed the budgeted bottom-line lapse target of \$12 million for the STF. Highlights are described below.

Debt Service: \$28.7 million lapse

A \$28.7 million lapse is projected for STF debt service, driven by changes to issuance timing and updated market information from recent bond sales. Additional information on debt service costs for FY 26 and beyond is expected after the pending December 2025 bond issuance and anticipated use of surplus STF cumulative balance (\$59.6 million) to pay off a portion of outstanding debt.

Personal Services in DOT and DMV: \$4 million lapse

A lapse of \$4 million is projected in the Personal Services accounts for DOT (\$3 million) and DMV (\$1 million) due to vacant, funded positions. Currently, there are approximately 296 vacant positions at DOT and 113 at DMV. Although lapses are again expected, it is worth noting that both agencies have made progress in filling vacancies.

Fringe Benefits: \$8 million deficiency

A deficiency of \$8 million is projected in various fringe benefit accounts, partly offset by a lapse of \$0.1 million. Shortfalls are anticipated in the following: (1) \$7.7 million in the State Employees Health Service Costs; and (2) \$333,000 in Employers Social Security Tax. These are partially offset by lapses in the following: (1) \$60,000 in Insurance – Group Life; and (2) \$50,000 million in Other Post Employment Benefits.

Table 7.2 FY 26 STF November Estimates
In Millions of Dollars

Summary	FY 26
Budgeted Surplus	29.8
Revenue	
Budgeted	2,309.1
Changes in November	
Sales and Use Tax	19.0
All Other (net)	0.8
Net Changes from Budget	19.8
Expenditures	
Budgeted	2,279.2
Lapses	20.8
Deficiencies	(8.0)
Net Changes from Budget	12.8
ESTIMATED SURPLUS	62.4

REVENUE HIGHLIGHTS

In FY 26, STF revenues are projected to be \$19.8 million more than budgeted, as shown in **Table 7.2**. The most significant change is an upward revision to sales and use tax collections of \$19 million. Other notable changes include an upward adjustment to interest income partly offset by downward adjustments to motor vehicle registration fees, sales tax collections on casual motor vehicle sales, and other minor changes based on collection trends to date.

GROWTH DISPARITY AND LONG-TERM TRENDS

Despite surpluses in the FY 26 and FY 27 biennium, the STF continues to face a structural disparity between growing costs and stagnating revenues. Over the long run, expenditures (and debt service in particular) are expected to grow at a higher rate than revenues. From FY 26 through FY 30, the compound annual growth rate (CAGR) for expenditures is projected at 4% (6.8% for debt service) compared to revenue growth of 1.8%. This disparity is even greater when looking only at the out years. See **Table 7.3** below for growth rates.

Table 7.3 STF Projected Growth Rates

Growth Rates ¹	FY 26	FY 27	FY 28	FY 29	FY 30	FY 26 - FY 30 CAGR
Expenditures	(0.1%)	5.8%	5.3%	4.5%	4.4%	4.0%
Debt Service	3.1%	11.4%	7.9%	5.8%	5.5%	6.8%
All Other	(2.1%)	2.2%	3.6%	3.6%	3.6%	2.2%
Revenue	4.9%	4.3%	(3.3%)	1.7%	1.7%	1.8%
Sales and Use	2.3%	2.6%	2.6%	2.6%	2.6%	2.6%
All Other	6.5%	5.3%	(6.9%)	1.1%	1.1%	1.4%

¹Annual growth from prior year is shown, except for the annualized FY 26 - FY 30 rate.

Revenues

STF revenues are not expected to be sufficient to support the fund over the long run. Most growth is expected to come from the sales and use tax which has become the largest revenue source for the fund and has provided the bulk of fund revenue growth since its introduction in FY 16. Given the growth disparity identified in **Table 7.3** and projected operating deficits, sales and use tax growth will no longer be enough to support long-term fund solvency.

Conversely, fuel tax growth is projected to be nearly flat through FY 30 as vehicles become more fuel efficient and oil prices remain below the post-COVID highs experienced in FY 22. The state is also pursuing longer-term goals that are potentially at odds with growth in these revenue sources (though these goals have other policy aims), including strategies to increase the adoption of electric vehicles and reduce vehicle miles traveled. Fuel taxes, which were once the backbone of STF revenues, will continue to support a smaller share of expenses as these trends continue.

Expenditures

Expenditure growth is expected in both fixed and non-fixed costs. The major fixed cost item is debt service, which is expected to grow an average of 6.8% annually through FY 30. Debt service is heavily dependent on assumptions for future bond issuances which themselves have historically been adjusted in response to available revenues. Reducing future issuances from the current projections shown in **Table 7.4** below would decrease debt service payments and the resultant growth rate, which would mitigate projected operating deficits. However, given outstanding debt from prior bond issuances and obligations for future projects, it is unlikely that debt service growth can be limited to match revenue growth.

On the non-fixed side, expenditure growth is driven by two DOT accounts, Bus Operations and Rail Operations, which are both projected to have out year growth rates of approximately 5%. These accounts fund the operating subsidy (gross operating costs minus fare revenue) for the state's public transportation services and comprise over half of non-fixed costs in the STF. Actual expense growth will depend on several factors such as service or fare changes, ridership levels, federal funding, financial decisions made by service providers (e.g., Metro-North, Amtrak, CTtransit), and overall inflationary pressures specific to public transportation.

TRANSPORTATION BONDING

Statute requires OFA to project special tax obligation (STO) bond authorizations, allocations, and issuances, along with their impact on debt service, for future years. The projections for STO bonds are provided in **Table 7.4**.

Table 7.4 Estimates of STO Bond Fund Use
In Millions of Dollars

FY	Debt Service	Authorization	Allocation	Issuance
26	885.7	1,574.7	1,600	1,300
27	987.3	1,581	1,600	1,200
28	1,065.1	1,600	1,600	1,100
29	1,126.4	1,600	1,600	1,100
30	1,188.9	1,600	1,600	1,100

STO bond authorizations for FY 26 (\$1,574.7 million) and FY 27 (\$1,581 million) were adopted in PA 25-174. Authorizations and allocations are each projected to level out near \$1.6 billion starting in FY 26, though changes to the availability of federal funds would likely impact STO bond use, as discussed further below. Issuances are anticipated to be \$1.3 billion in FY 26, followed by \$1.2 billion in FY 27 and \$1.1 billion annually thereafter. Authorizations and allocations of STO bonds are often needed in advance of larger projects in order to enter into contracts and secure federal reimbursements. It can be years before the funds are spent, leading to a lag between increases in authorizations and increases in bond issuance.

Debt Service Ratio

Transportation bonds are issued with a requirement that revenues in the STF must be at least twice the annual debt service needs. Current estimates show the revenue-to-debt service ratio falling from 2.6 for FY 26 to 2.0 for FY 30, as shown in **Table 7.1**. Debt service ratios approaching the 2.0 minimum in the out years are often addressed in future budgets, either by increasing revenues, by limiting future debt service, or a combination thereof. The level of issuance after FY 26 can be adjusted from current projections for several reasons, including as a response to long-term debt service ratio decline, the availability of increased federal funds, and the cash flow needs for ongoing transportation projects.

Federal Funding

Federal transportation funding is an important corollary to state transportation spending because virtually all federal dollars require a state match (typically 20% for formula grants and upwards of 50% or more for competitive grants). Federal funding levels have historically been provided through multi-year authorization bills and the current authorization, which is part of the five-year Bipartisan Infrastructure Law (U.S. PL 117-58), expires on September 30, 2026. Decisions made at the federal level on the next transportation authorization law, including the overall funding amounts as well as the mix of formula vs. competitive grants, will impact future capital spending at the state level and represent a source of uncertainty in our projections.

Section VIII. Tax Expenditure Estimates

State law sets various tax expenditures in the form of exemptions, credits, and deductions which total an estimated \$10.3 billion in FY 26. This amount is equal to approximately 39% of the total projected FY 26 revenues of the General and Special Transportation funds. The majority of tax expenditures are in sales and use tax and motor fuels tax (approximately 56% and 24%, respectively). The table below reflects OFA's estimated total tax expenditures for FY 26 through FY 30.⁹

Table 8.1 Summary of Major Identifiable State Tax Expenditure Estimates

In Millions of Dollars

Category	FY 26	FY 27	FY 28	FY 29	FY 30
Personal Income Tax	888.9	923.8	941.5	955.9	973.5
Sales and Use Tax	5,711.2	5,856.3	6,003.9	6,154.9	6,309.6
Corporation and Insurance Taxes	536.3	536.3	538.3	539.7	541.0
Petroleum Companies Gross Earnings Tax	520.6	483.2	520.9	543.8	569.8
Motor Fuels and Motor Carrier Road Taxes	2,438.6	2,408.6	2,383.9	2,365.7	2,347.6
All Other Taxes	204.0	206.1	208.1	212.2	216.4
TOTAL	10,299.6	10,414.3	10,596.6	10,772.3	10,957.9

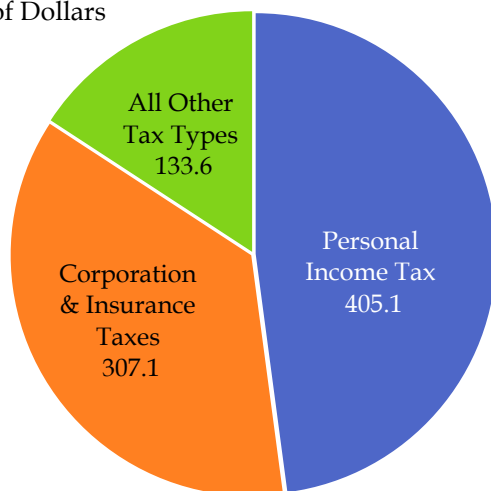
¹Includes estimated identifiable revenue reductions of \$100,000 or more.

TAX CREDITS

Tax credits are estimated to be \$845.8 million in FY 26, or 8.2% of all projected FY 26 tax expenditures. The remaining \$9.5 billion in FY 26 total tax expenditures includes all exemptions and deductions. A breakout of credits by tax type is provided in **Figure 8.1**.

Figure 8.1 FY 26 Tax Credit Estimates by Revenue Type

In Millions of Dollars



Types of Tax Expenditures

A **credit** directly reduces a taxpayer's tax liability. An **exemption** excludes specified transactions from a tax (e.g., food products are exempted from sales tax). A **deduction** reduces a taxpayer's taxable income by the amount of a specific transaction (e.g., contributions to a CHET education account reduce taxable income).

⁹For more information, please see the [Connecticut Tax Expenditure Report](#), Office of Fiscal Analysis (February 2024). Please note that this Fiscal Accountability Report includes updated estimates on certain expenditures where necessary. The next tax expenditures report will be released in February 2026.

SALES AND USE TAX EXPENDITURES

Sales and use tax expenditures represent approximately 56% of all identifiable tax expenditures and are estimated to be \$5.7 billion in FY 26.

Table 8.2 below details the categories of sales and use tax expenditures available and the value of each category. Consumer goods consist of approximately 41% of all total sales and use tax expenditures, more than any other category. **Figure 8.2** provides a list of significant individual sales tax expenditures with their estimated revenue losses for FY 26. Government organizations make up the single largest type of these expenditures at \$1.5 billion estimated for FY 26.

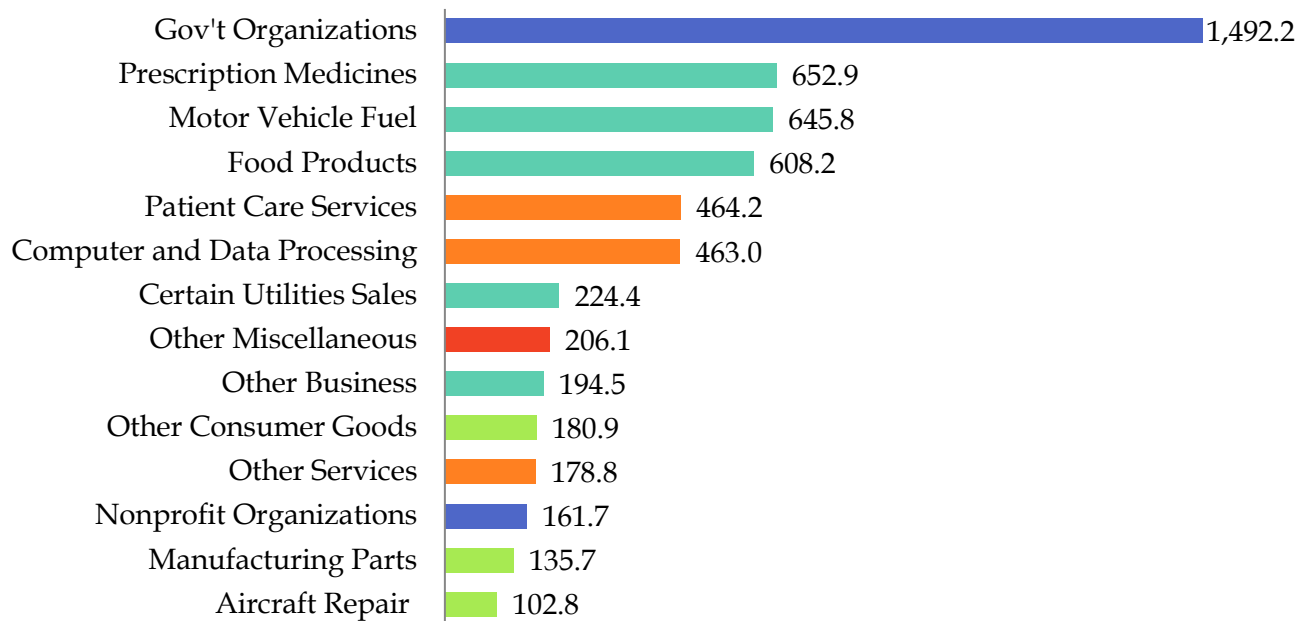
Table 8.2 Sales and Use Tax Expenditures by Category

In Millions of Dollars

Category	FY 26	% of Total
Consumer Goods	2,312.1	40.5%
Business Exemptions	433.1	7.6%
Service Exemptions	1,106.0	19.4%
Government and Nonprofit Organizations	1,654.0	29.0%
Miscellaneous	206.1	3.6%
TOTAL	5,711.2	100.0%

Figure 8.2 FY 26 Major Sales and Use Tax Expenditures

In Millions of Dollars



Appendix A. Consensus Revenues

Revenue Estimates for FY 26 - FY 30

In Millions of Dollars

Fund/Component	FY 26	FY 27	FY 28	FY 29	FY 30
General Fund					
Taxes					
Personal Income Tax - Withholding	9,503.4	9,864	10,203.6	10,540.8	10,920.6
Personal Income Tax - Estimates and Finals	4,098.4	3,876.9	3,702.4	3,754.3	3,848.1
Sales & Use	5,212.2	5,342.1	5,475.2	5,612.1	5,752.4
Corporation	1,401.7	1,481.1	1,430	1,444.6	1,466.8
Pass-through Entity Tax	2,440.6	2,365.6	2,427.4	2,517.2	2,617.9
Public Service	344.7	347.5	350.4	353.4	356.3
Inheritance & Estate	176	180.2	184.3	188.9	193.6
Insurance Companies	333.9	338.7	343.9	349.1	354.3
Cigarettes	217.1	203.8	192	179.9	168.8
Real Estate Conveyance	303.6	307.7	312.7	317.4	322.1
Alcoholic Beverages	76.2	76.6	76.9	77.2	77.5
Admissions & Dues	43.3	43.8	44.2	44.6	45.1
Health Provider Tax	891	1,313.9	1,340.6	1,367.3	1,394.1
Miscellaneous	21.9	21.3	21.8	19.7	20
Total - Taxes	25,064.0	25,763.2	26,105.4	26,766.5	27,537.6
Refund of Taxes	(2,000.6)	(2,060.8)	(2,134.2)	(2,210.2)	(2,288.9)
Earned Income Tax Credit	(235.4)	(240.5)	(245.8)	(251.9)	(258.2)
R&D Credit Exchange	(9.8)	(10.1)	(10.3)	(10.5)	(10.7)
Total - Taxes Less Refunds	22,818.2	23,451.8	23,715.1	24,293.9	24,979.8
Other Revenue					
Transfers - Special Revenue	362.5	371.7	381.6	388.9	396.3
Indian Gaming Payments	344.6	360.1	370.9	380.2	389.7
Licenses, Permits, Fees	371.9	340.2	378.5	347.5	386.0
Sales of Commodities	17.6	18.0	18.4	18.8	19.2
Rents, Fines, Escheats	228.1	223.3	227.8	232.3	237.0
Investment Income	273.8	225.2	219.9	197.8	196.0
Miscellaneous	194.1	194.1	199.1	204.2	209.5
Refund of Payments	(106.2)	(108.9)	(111.6)	(114.3)	(117.1)
Total - Other Revenue	1,686.4	1,623.7	1,684.6	1,655.4	1,716.6
Other Sources					
Federal Grants	1,835.8	1,938.5	2,008.4	2,043.2	2,080.7
Transfer from Tobacco Fund	91.8	90.2	88.8	87.3	85.8
Transfers from/ (To) Other Funds	(261.4)	89.3	(54.2)	(54.3)	(54.3)
Transfers to BRF - Volatility Adjustment	(1,810.4)	(1,233.2)	(853.7)	(714.3)	(641.1)
Transfer to Housing Trust Fund	(3.6)	-	-	-	-
Total - Other Sources	(147.8)	884.8	1,189.3	1,361.9	1,471.1
TOTAL - GENERAL FUND	24,356.8	25,960.3	26,589.0	27,311.2	28,167.5

Special Transportation Fund (STF)					
Taxes					
Motor Fuels Tax	504.2	498.2	493.5	489.8	486.1
Oil Companies Tax	292.4	270.9	292.7	305.9	321.0
Sales & Use Tax	898.1	921.7	945.8	970.4	995.6
Sales Tax - DMV	113.7	114.8	116.0	117.2	118.3
Highway Use	60.8	61.7	62.6	63.6	64.5
Refunds of Taxes	(14.3)	(10.6)	(11.0)	(11.5)	(12.0)
Total - Taxes Less Refunds	1,854.9	1,856.7	1,899.6	1,935.4	1,973.5
Other Sources					
Motor Vehicle Receipts	269.1	275.4	276.7	278.1	279.4
Licenses, Permits, Fees	139.7	141.1	142.5	143.9	145.4
Interest Income	64.5	48.6	46.0	47.1	47.0
Federal Grants	-	-	-	-	-
Transfers From/(To) Other Funds	11.5	117.5	(5.5)	(5.5)	(5.5)
Refunds of Payments	(10.9)	(11.1)	(11.2)	(11.3)	(11.5)
Total Other Revenues	473.9	571.5	448.5	452.3	454.8
TOTAL - STF	2,328.8	2,428.2	2,348.1	2,387.7	2,428.3

Appendix B. Other Appropriated Funds

Fund	FY 25 Actual	FY 26 Projected	FY 27 Projected	FY 28 Projected	FY 29 Projected	FY 30 Projected
Banking Fund						
Beginning Balance	55,604,596	68,844,189	79,342,650	84,746,760	90,150,870	95,554,980
Revenue	43,023,838	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000
Expenditures	(29,784,245)	(31,501,539)	(36,595,890)	(36,595,890)	(36,595,890)	(36,595,890)
Transfers	-	-	-	-	-	-
Ending Balance	68,844,189	79,342,650	84,746,760	90,150,870	95,554,980	100,959,090
Cannabis Prevention and Recovery Services Fund						
Beginning Balance	3,083,679	5,457,606	7,692,338	10,227,070	13,061,802	16,196,534
Revenue	5,676,571	5,600,000	5,900,000	6,200,000	6,500,000	6,800,000
Expenditures	(3,302,644)	(3,365,268)	(3,365,268)	(3,365,268)	(3,365,268)	(3,365,268)
Transfers	-	-	-	-	-	-
Ending Balance	5,457,606	7,692,338	10,227,070	13,061,802	16,196,534	19,631,266
Cannabis Regulatory Fund						
Beginning Balance	2,841,818	5,470,708	6,780,443	8,290,178	(700,087)	(9,690,352)
Revenue	-	-	-	-	-	-
Expenditures	(7,671,109)	(8,990,265)	(8,990,265)	(8,990,265)	(8,990,265)	(8,990,265)
Transfers ¹	10,300,000	10,300,000	10,500,000	-	-	-
Ending Balance	5,470,708	6,780,443	8,290,178	(700,087)	(9,690,352)	(18,680,617)
Cannabis Social Equity and Innovation Fund²						
Beginning Balance	18,610,386	-	-	-	-	-
Revenue	17,123,770	-	-	-	-	-
Expenditures	(1,861,961)	-	-	-	-	-
Transfers	34,658,668	-	-	-	-	-
Ending Balance	68,530,863	-	-	-	-	-
Consumer Counsel and Public Utility Control Fund						
Beginning Balance	20,231,355	17,924,223	16,830,940	15,737,658	14,644,375	13,551,093
Revenue	36,141,868	36,141,868	36,141,868	36,141,868	36,141,868	36,141,868
Expenditures	(38,449,000)	(37,235,150)	(37,235,150)	(37,235,150)	(37,235,150)	(37,235,150)
Transfers	-	-	-	-	-	-
Ending Balance	17,924,223	16,830,940	15,737,658	14,644,375	13,551,093	12,457,811
Criminal Injuries Compensation Fund						
Beginning Balance	3,835,329	4,115,969	4,165,969	4,215,969	4,265,969	4,315,969
Revenue	2,437,016	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Expenditures	(2,156,377)	(2,150,000)	(2,150,000)	(2,150,000)	(2,150,000)	(2,150,000)
Transfers	-	-	-	-	-	-
Ending Balance	4,115,969	4,165,969	4,215,969	4,265,969	4,315,969	4,365,969
Insurance Fund						
Beginning Balance	23,936,386	34,484,727	38,736,010	38,801,038	38,801,038	38,801,038
Revenue	114,106,634	121,579,195	120,174,578	120,109,550	120,109,550	120,109,550
Expenditures	(103,558,293)	(117,327,912)	(120,109,550)	(120,109,550)	(120,109,550)	(120,109,550)
Transfers	-	-	-	-	-	-

Fund	FY 25 Actual	FY 26 Projected	FY 27 Projected	FY 28 Projected	FY 29 Projected	FY 30 Projected
Ending Balance	34,484,727	38,736,010	38,801,038	38,801,038	38,801,038	38,801,038
Mashantucket Pequot and Mohegan Fund						
Beginning Balance	339,084	367,587	367,587	367,587	367,587	367,587
Revenue	-	-	-	-	-	-
Expenditures	(52,513,292)	(52,541,796)	(52,541,796)	(52,541,796)	(52,541,796)	(52,541,796)
Transfers	52,541,796	52,541,796	52,541,796	52,541,796	52,541,796	52,541,796
Ending Balance	367,587	367,587	367,587	367,587	367,587	367,587
Municipal Revenue Sharing Fund³						
Beginning Balance	(19,456,977)	(13,327,216)	(2,636,890)	8,653,436	(58,356,238)	(113,565,912)
Revenue	459,300,000	469,100,000	480,700,000	492,400,000	504,200,000	516,300,000
Expenditures	(558,070,238)	(559,409,674)	(559,409,674)	(559,409,674)	(559,409,674)	(559,409,674)
Transfers	104,900,000	101,000,000	90,000,000	-	-	-
Ending Balance	(13,327,216)	(2,636,890)	8,653,436	(58,356,238)	(113,565,912)	(156,675,586)
Tourism Fund						
Beginning Balance	5,821,397	7,494,252	6,209,750	4,600,248	3,390,746	2,681,244
Revenue	16,553,498	16,600,000	17,100,000	17,500,000	18,000,000	18,400,000
Expenditures	(16,180,643)	(17,884,502)	(18,709,502)	(18,709,502)	(18,709,502)	(18,709,502)
Transfers	1,300,000	-	-	-	-	-
Ending Balance	7,494,252	6,209,750	4,600,248	3,390,746	2,681,244	2,371,742
Workers' Compensation Fund						
Beginning Balance	17,668,240	18,628,158	18,640,175	18,703,050	19,265,925	19,828,800
Revenue	24,819,679	27,300,000	27,500,000	28,000,000	28,000,000	28,000,000
Expenditures	(23,859,761)	(27,287,983)	(27,437,125)	(27,437,125)	(27,437,125)	(27,437,125)
Transfers	-	-	-	-	-	-
Ending Balance	18,628,158	18,640,175	18,703,050	19,265,925	19,828,800	20,391,675
TOTALS⁴						
Beginning Balance	132,515,292	149,460,204	176,128,973	194,342,995	124,891,988	68,040,982
Revenue	719,182,873	720,521,063	731,716,446	744,551,418	757,151,418	769,951,418
Expenditures	(837,407,563)	(857,694,089)	(866,544,220)	(866,544,220)	(866,544,220)	(866,544,220)
Transfers	203,700,464	163,841,796	153,041,796	52,541,796	52,541,796	52,541,796
TOTAL ENDING BALANCE	217,991,066	176,128,973	194,342,995	124,891,988	68,040,982	23,989,976

¹The Cannabis Regulatory Fund does not have a dedicated revenue source and relies on a transfer from the General Fund.

The transfer is included in the biennial budget bill (i.e. section 39 of PA 25-168) and provides funding for only the upcoming two fiscal years. Future transfers will need to be enacted to provide funding in FY 28 and beyond.

²PA 25-168, the FY 26 and FY 27 Budget, eliminated the Cannabis Social Equity and Innovation Fund and transferred the FY 25 ending balance to the non-appropriated "social equity and innovation account."

³The Municipal Revenue Sharing Fund, does not have sufficient revenue projected under current law to fund anticipated out year expenditures. The sales tax revenue deposited into the Municipal Revenue Sharing Fund clears the negative balance at the beginning of each fiscal year and the grants from this fund are required to be paid out prior to the close of the fiscal year. This leaves the fund in a deficit at the end of several fiscal years if the combined transfer from the General Fund and sales tax revenue diversion do not cover the balance of the grants paid out of this fund.

⁴The beginning balance of FY 26 does not match the ending balance of FY 25 due to the elimination of the Cannabis Social Equity and Innovation Fund under PA 25-168. The Act transfers the ending FY 25 balance of the Fund to the social equity and innovation (non-appropriated) account beginning in FY 26.

REVENUE ASSUMPTIONS

Banking Fund

This fund receives revenue from statutorily defined license fees and assessments, which are determined based on the projected expenses of the Department of Banking plus a reserve for contingencies. Revenue is anticipated to remain constant at approximately \$42 million annually.

Cannabis Prevention and Recovery Services Fund

This fund is supported by 25% of revenue collected from the cannabis excise tax. Retail sales began in January 2023, making FY 24 the first full year for this market. Revenues are projected to maintain FY 25 levels in collections in FY 26 and to grow 5% annually thereafter as the market matures.

Cannabis Regulatory Fund

The FY 26 and FY 27 Budget provides transfers from the General Fund (GF) in FY 26 and FY 27 only, to support this fund.

Cannabis Social Equity and Innovation Fund

This fund was supported by 60% of revenue collected from the cannabis excise tax in FY 25. PA 25-168 eliminates the Social Equity and Innovation Fund beginning in FY 26 and instead re-established the social equity and innovation account as a non-appropriated account. Under the Act, the same portion of cannabis excise tax collections will be deposited into the social equity and innovation account as were to be deposited into the Fund under prior law.

Consumer Counsel/Department of Public Utility Control Fund

There is no assumed growth from fees and assessments in the out years, as the fund has experienced variation in year-to-year revenue. Recent annual revenue changes have ranged from -4.0% to 24.7%. The fund's revenue will increase or decrease in response to regulatory costs.

Criminal Injuries Compensation Fund

Annual revenue from criminal fines, which are set by statute, has historically been approximately \$2 million to \$3 million. The fund's revenue is anticipated to remain flat.

Insurance Fund

The Insurance Department annually assesses insurers, HMOs, and certain third-party administrators to cover the Insurance Fund's costs, with one assessment adjusted by the amount of the fund balance at the close of the fiscal year. Revenue is anticipated to remain stable through FY 30 at approximately \$120 million.

Mashantucket Pequot and Mohegan Fund

Out year projections assume a General Fund transfer to the Mashantucket Pequot and Mohegan Fund equal to the FY 26 and FY 27 annual appropriation of \$52,541,796. Pursuant to PA 14-217, General Fund transfers to this fund are equal to the amount appropriated for the fund's grants in a given fiscal year.

Municipal Revenue Sharing Fund

This fund receives a transfer of 0.5 percentage points of the 6.35% sales tax revenue from the General Fund (GF) every year, and a transfer from the GF in FY 25 through FY 27. The sales tax

transfer assumes growth rates of 2.0% for FY 26 and an average growth of 2.5% for FY 27 to FY 30. A General Fund transfer amount is not statutorily authorized beyond FY 27. The MRSF provides funding for the following grants: (1) Tiered PILOT, (2) Motor Vehicle Tax Reimbursement, and (3) Supplemental Revenue Sharing.

Tourism Fund

Revenue from 10% of room occupancy tax collections supports this fund. Revenues are projected to grow at an average rate of 2.1% annually from FY 26 to FY 30.

Workers' Compensation Fund

The State Treasurer assesses private insurance companies and self-insured employers to cover the projected annual expenses of the Workers' Compensation Commission and Department of Aging and Disability Services (Rehabilitative Services). Revenue is based on a statutorily defined assessment formula and is expected to remain constant at \$28 million in the out years.

Appendix C. Municipal Aid

Overview

Municipal aid¹⁰ is estimated to total \$4.2 billion in FY 26, a \$200 million (5%) increase from FY 25 actual expenditures to FY 26 appropriated expenditures. In FY 27, municipal aid is projected to increase slightly to \$4.3 billion.

The most significant drivers of the increase in FY 26 are the following:

- **Supplemental Revenue Sharing Grant:** \$11.3 million
 - Approximately \$6.16 million of this increase corresponds with a decrease in the Tiered PILOT grant. This is associated with Sections 189-190 in PA 25-174, the FY 26 and FY 27 bond bill, that moves four statutory payments from the Tiered PILOT grant to the Supplemental Revenue Sharing Grant.
- **Town Aid Road:** \$20 million
- **Municipal Grants-in-Aid:** \$59 million
- **Education Funding:** \$125.9 million

Education funding included in the municipal aid table will grow by an estimated \$125.9 million in FY 26 and \$180 million in FY 27 over FY 25 actual expenditures. In FY 26, the growth includes \$95.2 million within ECS, primarily due to reaching full funding for towns that had been previously underfunded, and \$30 million for the new Special Education and Expansion Development (SEED) grant. Additionally, funding in FY 27 provides \$21.9 million for various new education grants: High Quality Special Ed Incentives, High Dosage Tutoring, and the Learner Engagement and Attendance Program (LEAP). In the out years, ECS funding will be reduced following scheduled reductions for towns considered overfunded by the formula.

Municipal aid continues to represent a large portion of General Fund expenditures. Appropriated municipal aid from the General Fund is estimated to total 17.7% of FY 26 General Fund appropriations. When including \$1.8 billion in state assistance from the Teachers' Retirement System (TRS), this figure increases to \$6.1 billion or 25.3% of the General Fund.

Municipal Aid Funding (FY 25 Actual – FY 30 Estimated)

Grant or Account	FY 25 Actual	FY 26 Appropriated	FY 27 Appropriated	FY 28 Estimated	FY 29 Estimated	FY 30 Estimated
Appropriated Property Tax Relief and General Aid						
Tiered PILOT	347,131,950	345,980,314	345,980,314	345,980,314	345,980,314	345,980,314
Motor Vehicle Tax Grant	136,277,725	127,496,890	127,496,890	127,496,890	127,496,890	127,496,890
Supplemental Revenue Sharing Grant ¹	74,672,468	85,932,470	85,932,470	85,932,470	85,932,470	85,932,470
Mashantucket Pequot and Mohegan Grant	52,513,292	52,541,796	52,541,796	52,541,796	52,541,796	52,541,796

¹⁰ "Municipal Aid" refers to all grants included in the table in this section, less TRS totals. TRS is included in the table to illustrate other payments made by the state on behalf of municipalities.

Grant or Account	FY 25 Actual	FY 26 Appropriated	FY 27 Appropriated	FY 28 Estimated	FY 29 Estimated	FY 30 Estimated
Disability Exemption	364,713	364,713	364,713	364,713	364,713	364,713
Distressed Municipalities ²	-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Elderly Freeze Program	3,500	4,000	4,000	4,000	4,000	4,000
Property Tax Relief for Veterans	1,529,599	2,708,107	2,708,107	2,708,107	2,708,107	2,708,107
Municipal Restructuring	-	300,000	300,000	300,000	300,000	300,000
Municipal Restructuring - Debt Service	46,518,776	45,404,138	47,058,347	43,107,394	42,064,906	39,667,544
Subtotal	659,012,023	662,232,428	663,886,637	659,935,684	658,893,196	656,495,834
ECS and Other Education Aid						
Education Equalization Grants (ECS)	2,361,568,857	2,456,768,109	2,456,935,081	2,447,470,238	2,438,895,903	2,430,323,626
Magnet Schools ^{3,5}	270,082,816	322,925,940	344,345,603	354,426,640	354,843,460	355,260,280
Excess Cost - Student Based ⁴	221,119,782	221,119,782	221,119,782	221,119,782	221,119,782	221,119,782
Education Finance Reform ^{3,5}	69,695,962	-	-	-	-	-
Sheff Transportation ³	66,701,459	77,661,541	80,326,212	80,326,212	80,326,212	80,326,212
Open Choice Program ³	31,058,756	31,472,503	31,472,503	32,256,656	32,655,956	32,655,956
Priority School Districts	30,818,778	30,818,778	30,818,778	30,818,778	30,818,778	30,818,778
Adult Education	23,011,210	21,694,983	25,953,382	25,953,382	25,953,382	25,953,382
Vocational Agriculture ⁵	18,824,200	26,295,732	26,295,732	26,333,711	26,333,711	26,333,711
Non Sheff Transportation ³	14,453,806	14,275,787	14,275,787	14,275,787	14,275,787	14,275,787
Commissioner's Network	9,816,696	9,869,398	9,869,398	9,869,398	9,869,398	9,869,398
Family Resource Centers	6,317,398	6,352,710	7,000,000	7,000,000	7,000,000	7,000,000
After School Programs	5,693,487	5,750,695	5,750,695	5,750,695	5,750,695	5,750,695
Health Foods Initiative	4,151,463	4,151,463	4,151,463	4,151,463	4,151,463	4,151,463
Bilingual Education	3,808,410	3,832,260	3,832,260	3,832,260	3,832,260	3,832,260

Grant or Account	FY 25 Actual	FY 26 Appropriated	FY 27 Appropriated	FY 28 Estimated	FY 29 Estimated	FY 30 Estimated
Health and Welfare Services Pupils Private Schools	3,438,415	3,438,415	6,447,702	6,447,702	6,447,702	6,447,702
School Accountability	3,411,639	3,412,207	3,412,207	3,412,207	3,412,207	3,412,207
Extended School Hours	2,919,646	2,919,883	2,919,883	2,919,883	2,919,883	2,919,883
Child Nutrition State Match	2,354,000	2,354,000	2,354,000	2,354,000	2,354,000	2,354,000
School Breakfast	2,158,900	2,158,900	2,158,900	2,158,900	2,158,900	2,158,900
Primary Mental Health	318,783	335,288	335,288	335,288	335,288	335,288
Special Education and Expansion Development (SEED)	-	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
High Quality Special Ed Incentives	-	-	9,900,000	9,900,000	9,900,000	9,900,000
High Dosage Tutoring Grants ⁶	-	-	5,000,000	5,000,000	5,000,000	5,000,000
Learner Engagement and Attendance Program (LEAP) ⁶	-	-	7,000,000	7,000,000	7,000,000	7,000,000
Subtotal	3,151,724,463	3,277,608,374	3,331,674,656	3,333,112,982	3,325,354,767	3,317,199,310
Various Other Grants						
Youth Service Bureau	2,712,030	2,733,240	2,733,240	2,733,240	2,733,240	2,733,240
Youth Service Bureau Enhancement	1,118,661	1,115,161	1,115,161	1,115,161	1,115,161	1,115,161
Housing/Homeless Services - Municipality	637,088	692,651	692,651	692,651	692,651	692,651
Local and District Departments of Health	7,210,900	6,509,802	8,213,916	8,213,916	8,213,916	8,213,916
School Based Health Clinics	12,458,761	13,540,721	14,400,721	14,400,721	14,400,721	14,400,721
Teen Pregnancy Prevention - Municipality	98,281	98,281	98,281	98,281	98,281	98,281
Connecticard Payments	703,638	703,638	703,638	703,638	703,638	703,638
Subtotal	24,939,358	25,393,494	27,957,608	27,957,608	27,957,608	27,957,608

Grant or Account	FY 25 Actual	FY 26 Appropriated	FY 27 Appropriated	FY 28 Estimated	FY 29 Estimated	FY 30 Estimated
Major Bonding and Other Funding Sources						
LoCIP	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Town Aid Road ⁷	60,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Municipal Grants-in-Aid	91,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Distressed Municipalities ²	8,247,962	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Subtotal	204,247,962	282,000,000	282,000,000	282,000,000	282,000,000	282,000,000
TOTAL - Less TRS	4,039,923,806	4,247,234,296	4,305,518,901	4,303,006,274	4,294,205,571	4,283,652,752
Teachers' Retirement System (TRS)						
Retirement Contributions	1,601,407,000	-	-	-	-	-
Retirement Contributions - Normal Cost	-	293,618,465	299,800,000	335,619,000	343,338,000	351,235,000
Retirement Contributions - UAL ⁸	-	1,511,502,535	1,405,300,000	1,341,328,000	1,315,009,000	1,315,009,000
Retirees Health Service Cost	25,609,860	29,507,250	44,356,000	42,710,000	44,080,000	45,480,000
Municipal Retiree Health Insurance Cost	7,890,848	6,630,000	8,840,000	8,344,000	8,344,000	8,344,000
Subtotal	1,634,907,707	1,841,258,250	1,758,296,000	1,728,001,000	1,710,771,000	1,720,068,000
GRAND TOTAL	5,674,831,514	6,088,492,546	6,063,814,901	6,031,007,274	6,004,976,571	6,003,720,752

¹This assumes earmarks to various towns for FY 26 and FY 27 will be included in the out years.

²A \$1.5 million appropriation for the Distressed Municipalities grant in FY 25 was held back and instead \$1.24 million remaining from previous bond funds, in addition to \$7 million of new bond funds, was used to pay out the Distressed Municipalities grant in FY 25.

³Significant funding from these accounts is provided to Regional Educational Service Centers.

⁴The Excess Cost FY 25 amount includes the additional \$40 million authorized by SA 25-1.

⁵PA 23-204, the FY 24 and FY 25 Budget, established the Education Finance Reform account to provide supplemental funding totaling \$150 million in FY 25 to major state education grants. The funding was used to carry out increases that were already in statute for Education Cost Sharing (ECS) and state Charter Schools, and to implement new methods of funding for a few other programs. The funding was: (1) \$73.7 million for ECS, which appears in the ECS row above, (2) \$51.3 million for Magnet Schools, (3) \$2.2 million for state Charter Schools, (4) \$7.8 million for Vocational Agriculture, and (5) \$8.5 million for other education initiatives. After FY 25, funding for these programs is provided within their respective accounts and the Education Finance Reform account is not funded.

⁶Funding for the High Dosage Tutoring and LEAP programs was previously provided through federal COVID-19 funding.

⁷Town Aid Road (TAR) was appropriated in FY 25 through the Department of Motor Vehicles and funded via the Special Transportation Fund. Beginning in FY 26 it is funded via a bond allocation.

⁸PA 25-168, the FY 26 and FY 27 Budget, appropriated an additional \$150 million towards the unfunded liability portion of the actuarially determined employer contribution for TRS in FY 26.

Appendix D. Detail on FY 26 Agency Deficiencies and Lapses

GENERAL FUND DEFICIENCIES

Agency	Account	Deficiency \$
General Fund		
Department of Social Services	Various	68.7 million

A projected deficiency of \$68.7 million reflects the impact of shortfalls in several accounts totaling \$86.6 million that are partially offset by lapses totaling \$17.9 million. The Medicaid shortfall (\$80 million) is primarily driven by higher than budgeted hospital and pharmacy costs, as well as increased costs for Covered CT enrollees due to the anticipated expiration of enhanced federal subsidies. The shortfalls in Old Age Assistance (\$3.4 million), Aid to the Disabled (\$1 million), Aid to the Blind (\$150,000), and the Connecticut Home Care Program (\$2 million) reflect higher costs per case than originally budgeted. The lapses in Temporary Family Assistance (\$14 million) State Administered General Assistance (\$2.3 million) and HUSKY B (\$1.6 million) are primarily due to lower than budgeted caseload levels.

Office of the State Comptroller - Fringe Benefits	Various	48.3 million
--	----------------	---------------------

A projected \$48.3 million deficiency is due to shortfalls in two accounts which are partially offset by lapses. The anticipated deficiencies are: (1) \$48.4 million in the State Employee Health Service Costs; and (2) \$34.4 million in Retired State Employees Health Service Costs. These deficiencies are partially offset by lapses in the following accounts: \$30 million in Higher Education Alternative Retirement (ARP); \$2 million in Employers Social Security Tax; \$1 million in Other Post Employment Benefits; \$1 million in SERS Defined Contribution Match; \$300,000 in Insurance - Group Life; and \$200,000 in Pensions and Retirements - Other Statutory.

Office of the State Comptroller	Adjudicated Claims	30 million
--	---------------------------	-------------------

There is a projected deficiency of \$30 million. No FY 26 appropriation was made for this account. Through October 27, approximately \$9.7 million has been expended. There are several potential claims against the state awaiting action.

Department of Correction	Various	18.9 million
---------------------------------	----------------	---------------------

A projected net deficiency of \$18.9 million reflects line-item deficiencies of \$8.6 million in Other Expenses, \$7.6 million in Personal Services, and \$6 million in Inmate Medical Services, which are partially offset by projected lapses of \$3 million in Community Support Services and \$300,000 in Board of Pardons and Paroles.

The department continues to see upward trends in costs for utilities, food, pharmaceutical and medical supplies, and other consumables, which drives the deficiencies in Inmate Medical Services and Other Expenses. The Personal Services deficiency is primarily due to overtime expenses trending 19% higher than the prior fiscal year over the same period.

Additionally, FY 25 shortfalls in these accounts were not fully annualized by the FY 26 and FY 27 Budget.

This agency has an Other Expenses holdback of \$320,000 that contributes to the agency deficiency.

Judicial Department	Personal Services	12.3 million
----------------------------	--------------------------	---------------------

There is a projected deficiency of \$12.3 million in Personal Services. This deficiency is primarily due to wage agreements for annual increases and cost of living adjustments that were not included in the FY 26 and FY 27 Budget.

This agency has a Personal Services holdback of \$1,871,496 that contributes to the agency deficiency.

Department of Housing	Housing/Homeless Services	11.4 million
------------------------------	----------------------------------	---------------------

A projected deficiency of \$11.4 million reflects the impact of a shortfall in the Housing/Homeless Services account due to (1) increased rents associated with the Rental Assistance Program (RAP) (\$6.9 million) and (2) an unbudgeted program for cold weather services (\$4.5 million).

Total expenditures have increased significantly in recent years. In FY 25, expenditures in this account totaled approximately \$106 million. Expenditures were \$98 million in FY 24, \$91.5 million in FY 23, and \$80.5 million in FY 22.

Department of Mental Health and Addiction Services	Various	6.8 million
---	----------------	--------------------

A projected deficiency of \$6.8 million reflects shortfalls in various accounts. The Personal Services shortfall (\$5 million) is the result of higher than budgeted staff and overtime costs. The Behavioral Health Medications shortfall (\$1 million) reflects continued increased utilization and costs while the shortfall in Housing Supports and Services (\$800,000) is due to higher than budgeted needs for assistance. A lapse of \$15,598 reflects the termination of the Katie Blair House contract, as requested by the entity.

This agency has a Personal Services holdback of \$500,000 that contributes to the agency deficiency.

State Department of Education	Various	6.6 million
--------------------------------------	----------------	--------------------

A projected deficiency of \$6.6 million comprises deficiencies of \$5,530,000 in the Magnet Schools account, \$1,075,000 in the Other Expenses account, and \$37,979 in the Vocational Agriculture account. The Magnet Schools deficiency is due to projected enrollment levels. The Other Expenses deficiency is due to additional funding needed for the Bridgeport bus service agreement. The Vocational Agriculture deficiency is based on finalized school year 2024-25 enrollment data, which is used for the FY 26 grants.

The agency has an Other Expenses holdback of \$1,202,100 that contributes to the agency deficiency.

Connecticut Technical Education and Career System	Other Expenses	2.9 million
--	-----------------------	--------------------

A deficiency of \$2.9 million is projected in the Other Expenses account due to higher than budgeted expenditures. CTECS' special education and utilities expenditures have increased significantly in recent years.

Department of Emergency Services and Public Protection	Personal Services	2.5 million
---	--------------------------	--------------------

The projected deficiency in the Personal Services account of \$2.5 million is due to higher than anticipated expenditures in both overtime and non-overtime costs. While year-over-year staffing levels are stable, the FY 26 and FY 27 Budget reduced funding in this account to reflect anticipated savings from various efficiency strategies. These savings are not yet materializing and a deficiency is expected.

This agency has a Personal Services holdback of \$200,000 that contributes to the agency deficiency.

Office of Early Childhood	Birth to Three	1 million
----------------------------------	-----------------------	------------------

A projected \$1 million deficiency in the Birth to Three account is due to higher than anticipated caseload projections. For reference, the FY 26 projected direct service hours is 518,658 compared to actual hours of 511,810 in FY 25.

Division of Criminal Justice	Various	700,000
-------------------------------------	----------------	----------------

A projected deficiency of \$700,000 reflects the impact of shortfalls in Personal Services and Witness Protection. The Personal Services deficiency (\$600,000) is due to an assigned holdback. The Witness Protection shortfall (\$100,000) is due to increased costs. In FY 25, about \$315,000 was spent from this account while the FY 26 appropriation to this account is \$200,000.

This agency has a Personal Services holdback of \$3.5 million that contributes to the agency deficiency.

Department of Veterans' Affairs	Other Expenses	500,000
--	-----------------------	----------------

There is a projected deficiency of \$500,000 in the Other Expenses account due to rising costs related to the agency's skilled nursing facility. Some of these costs were offset in the past by the department's Institutional General Welfare Fund (IGW); however, the IGW has exhausted its balance in recent years and cannot cover as many costs as it had previously.

Department of Labor	Other Expenses	500,000
----------------------------	-----------------------	----------------

There is a projected deficiency of \$500,000 in the Other Expenses account, which is primarily due to anticipated overhead and IT consultant cost increases.

GENERAL FUND LAPSES

Agency	Account	Lapse \$
General Fund		
Office of the Treasurer – Debt Service	Various	13.9 million

Approximately \$13.9 million is anticipated to lapse due to lower than budgeted debt service costs. The lapse is driven by several factors. These include: (1) changes to issuance amounts and timing; (2) revised repayment schedules for several outstanding debts; and (3) updated market information from recent bond sales.

Secretary of the State	Various	950,000
-------------------------------	----------------	----------------

There is projected lapse of \$950,000 across the Personal Services (\$850,000) and Other Expenses (\$100,000) accounts. The lapse is largely due to delays in the hiring process. The Secretary of the State's office currently has 15 vacant positions.

Teachers' Retirement Board	Various	915,000
-----------------------------------	----------------	----------------

A projected \$915,000 lapse is due to lower than anticipated expenditures in several accounts.

Department of Economic and Community Development	Various	415,000
---	----------------	----------------

There is a projected lapse of \$415,000 across four accounts. These include Personal Services (\$300,000), Office of Military Affairs (\$10,000) and Manufacturing Growth Initiative (\$5,000) which reflect lower-than-budgeted trending based on historical and year-to-date expenditures. In addition, \$100,000 from the Various Grants account is anticipated to lapse as it does not have a grant designation.

Division of Public Defender Services	Various	400,000
---	----------------	----------------

There is a projected lapse of \$400,000 in Personal Services. The agency has experienced hiring delays for new translator positions. It is anticipated these positions will be filled halfway through FY 26.

There is also a projected lapse of \$200,000 in the Assigned Counsel account due to projected caseload.

These lapses are partially offset by a shortfall of \$200,000 in the Expert Witnesses account due to the caseload increase associated with the eligibility increase which occurred in FY 25. Increases were provided to Assigned Counsel and to Personal Services, however no increase was provided in this account.

Department of Revenue Services	Personal Services	300,000
---------------------------------------	--------------------------	----------------

A lapse of \$300,000 is projected in Personal Services due to current and projected vacancies and anticipated hiring patterns (i.e., turnover).

Office of the Attorney General	Personal Services	250,000
---------------------------------------	--------------------------	----------------

A lapse of \$250,000 is projected in the Personal Services account due to delays in filling vacancies, retirements, turnover, and attrition.

SPECIAL TRANSPORTATION FUND DEFICIENCIES

Agency	Account	Deficiency \$
Special Transportation Fund		
Office of the State Comptroller - Fringe Benefits	Various	7.9 million

A projected \$7.9 million deficiency is due to shortfalls in two accounts which are partially offset by lapses. The anticipated deficiencies are: (1) \$7.7 million in the State Employee Health Service Costs; and (2) \$333,000 in Employers Social Security Tax. These deficiencies are partially offset by lapses in the following accounts: (1) \$60,000 in Insurance - Group Life; and (2) \$50,000 million in Other Post Employment Benefits.

SPECIAL TRANSPORTATION FUND LAPSES

Agency	Account	Lapse \$
Special Transportation Fund		
Office of the Treasurer - Debt Service	Debt Service	28.7 million

A lapse totaling \$28.7 million is projected for Special Transportation Fund debt service. The lapse is driven by changes to issuance timing and updated market information from recent bond sales.

Department of Transportation	Personal Services	3 million
-------------------------------------	--------------------------	------------------

The projected lapse in the Personal Services account of \$3 million is due to approximately 296 vacant positions.

Department of Motor Vehicles	Personal Services	1 million
-------------------------------------	--------------------------	------------------

The projected lapse in the Personal Services account of \$1 million is due to approximately 113 vacant positions.

Appendix E. Methodologies, Assumptions, and Sources

METHODOLOGY

CGS Sec. 2-36b requires the Office of Fiscal Analysis (OFA) to estimate, for the out years, any changes to current year expenditures due to fixed cost drivers. Additionally, PA 25-140 requires, beginning in FY 26, the report to include likely and material non-fixed cost growth.

This methodology compares the statutorily required annual consensus revenue estimates with the previous year's expenditures plus the annual projected growth in fixed costs and certain non-fixed cost accounts. Non-fixed cost growth is included in expenditure estimates and, similar to fixed costs, described within **Section III**. See below for a list of key assumptions used to develop cost projections through FY 30. Expenditure estimates for all accounts are available on the OFA website.

Categories of Non-Fixed and Fixed Costs

For this report, OFA examined all expenditure accounts to identify the array of both fixed and non-fixed costs. The table below shows the categories of expenditures that compose fixed costs, as well as major areas of non-fixed costs that make up a significant portion of expenditure growth.

Non-Fixed Costs with Growth	Fixed Costs
Reserve for Salary Adjustment	Entitlements
Education	Debt Service
Wages and Active Employee Fringe Benefits ¹	State Employees' Retirement and Retiree Health Care
Private Providers	Teachers' Retirement and Retiree Health Care
Housing	Early Childhood
Public Safety and Criminal Justice	Hospital Supplemental Payments

¹Excluding retirement benefits.

See **Section III** for a discussion of fixed and non-fixed cost growth in the out years.

FIXED COST ASSUMPTIONS

For the fixed cost items, OFA utilized the compound annual growth rate (CAGR) method to determine growth. Fixed cost projections are aligned with the Office of Policy and Management (OPM), while non-fixed growth is determined independently by OFA. The following assumptions were used to develop fixed cost projections.

Department of Children and Families (DCF)

No Nexus Special Education

Expenditures are projected to remain flat as residential treatment special education placements are anticipated to continue at their current level in the out years.

Board and Care for Children – Adoption

Expenditures are projected to remain flat as adoption caseloads are anticipated to continue at their current level in the out years.

Board and Care for Children – Foster

Expenditures are projected to increase by 2% annually in the out years, in parallel with foster care caseload growth.

Board and Care for Children – Short-term and Residential

Expenditures are projected to remain flat as residential caseloads are anticipated to continue at their current level in the out years.

Individualized Family Supports

This wraparound-services, flex-spending account is projected to increase by 0.08% annually in the out years based on recent trends.

Department of Mental Health and Addiction Services***Behavioral Health Recovery Services***

Formerly named General Assistance Managed Care, adjustments reflect growth based on recent trends.

Medicaid Adult Rehabilitation Option

Expenditures are flat funded based on trends in recent years.

Department of Social Services***Medicaid***

Reflects annual growth to accommodate cost and caseload requirements, increases for nursing homes and ICFs per the union agreement, increases for FQHCs based on recent policy changes, as well as inflationary adjustments per PA 25-151.

HUSKY B

Reflects adjustments for cost and caseload growth and the associated state share of costs.

Temporary Family Assistance, State Administered General Assistance

Reflect level funding based on recent trends.

Old Age Assistance, Aid to the Blind, Aid to Disabled, Connecticut Home Care Program

Reflect adjustments for cost and caseload requirements based on recent expenditure trends.

Hospital Supplemental Payments

While the hospital settlement agreement dictates payments through FY 26, estimates assume continued funding in the out years, as well as increased payments to reflect recent policy changes beginning in FY 27.

Department of Developmental Services (DDS)***Community Residential Services***

Reflects new and annualized caseload growth for DDS community placements, which include individuals aging out of services provided by DCF and local education agencies, long-term care residents (Money Follows the Person), and Southbury Training School residents.

Employment Opportunities and Day Services

Reflects adjustments for cost and caseload requirements.

Office of Early Childhood***Birth to Three***

Projections reflect adjustments for cost and caseload requirements.

Care4Kids TANF/CCDF

Projections reflect cost and caseload adjustments. This account only reflects the state's share of costs due to the net appropriation of the account.

State Comptroller – Fringe Benefits***State Employee Retirement System (SERS)***

Reflects actuarial projections of the unfunded actuarially accrued liability payment (UAAL) and the normal cost based on assumptions in the June 30, 2024, SERS valuation. Projections assume: (1) level dollar amortization methodology, (2) a 6.9% discount rate, and (3) amortization of UAAL over the remaining 22 years for the statutory base.

Projections for the impact of additional deposits into SERS are based on information supplied by the state's actuary, Cavanaugh MacDonald, internal OFA revenue projections, and using modeling software of the SERS plan. The actuarially determined employer contribution (ADEC) payments reflect the savings from an anticipated additional deposit of \$1.09 billion in 2025 resulting from a General Fund operating surplus and excess revenue generated through the volatility cap.

Higher Education Alternative Retirement System (ARP)

Reflects lower expenditures compared to appropriations in the biennium resulting from a change in accounting from gross to net budgeting. Out year projections assume a 2.5% growth rate.

Pensions & Retirements - Other Statutory

Assumes an average growth rate of 2.9% in the out years based on historical expenditures.

Judges and Compensation Commissioners' Retirement System

Reflects projections of the actuarially determined employer contribution (ADEC) based on the revised amortization methodology beginning July 1, 2024, pursuant to PA 24-81 Section 80. The system moved from a fixed date amortization method to a fifteen-year layered approach, resulting in lower ADEC payment projections. PA 24-81 Section 81 requires a revised valuation establishing the updated ADEC to be completed to reflect this change.

Retired State Employees Health Service Cost

Reflects a \$446 million expenditure increase from FY 26 to FY 30 based on projected changes in medical, dental, and pharmacy trends for non-Medicare covered retirees and dependents, and projections for the Medicare Advantage Plan for Medicare covered retirees and dependents.

Teachers' Retirement Board***Teachers' Retirement System (TRS)***

Reflects actuarial projections of the unfunded actuarially accrued liability payment (UAAL), and the normal cost based on assumptions in the June 30, 2025, TRS valuation. Projections assume: (1) level-dollar amortization methodology, (2) a 6.9% assumed rate of investment return, and (3) the amortization of the UAAL over the remaining 23 years for the statutory base.

Projections for the impact of additional deposits into TRS are based on information supplied by the state's actuary, Cavanaugh MacDonald, internal OFA revenue projections, and using modeling software of the TRS plan. The actuarially determined employer contribution (ADEC) payments reflect the savings from an additional appropriation towards the UAAL of \$150 million in FY 26 pursuant to Section 40 of PA 25-168, and an anticipated additional deposit of \$894 million in 2025 from a General Fund operating surplus and revenue generated in excess of the volatility cap.

Retiree Health Service Cost

Reflects a \$16.2 million expenditure increase from FY 26 to FY 30 to account for the increased state share of medical costs and projected premium and membership trends. The state share of the basic plan premium cost is returning to one-third in FY 27, from one-fourth in FY 26, as provided by statute.

Municipal Retiree Health Insurance Costs

Reflects the state share of the municipal subsidy, one-fourth in FY 26 and one-third in all other years, which assumes flat growth in both the statutory municipal subsidy and participation.

State Treasurer***Debt service***

Reflects outstanding debt payments plus projected new issuances using market interest rates.

Debt limit

Reflects consensus net tax revenues, except as noted.

Annual Limits on Bond Usage

The allocation and issuance bond caps reflect statutorily required adjustments, as per the Bureau of Labor Statistics Consumer Price Index (CPI) Less Food and Energy. Projected adjustments to those bond caps reflect estimated annual growth in the CPI.

NON-FIXED COST ASSUMPTIONS

Non-fixed costs include all expenditures which are not statutorily listed as fixed costs (e.g. employee wages, active employee fringe benefits, operating costs for state agencies, municipal aid, etc.). The two largest drivers of non-fixed cost growth are in the Office of the State Comptroller (OSC) and the Reserve for Salary Adjustments (RSA) account.

FY 26 Reserve for Salary Adjustment

FY 26 is the last year of the current agreement between the State of Connecticut and the State Employees Bargaining Agency Coalition (SEBAC). The FY 26 and FY 27 Biennial Budget included adjustments to the Reserve for Salary Adjustment (RSA) account within the Office of Policy and Management (OPM). This report's expenditure estimates include similar adjustments within RSA in the General and Transportation Funds to account for potential future agreements.

State Comptroller – Fringe Benefits***State Employees Health Service Cost***

Reflects a 7.8% growth rate in the out years based on projected changes in medical, dental, and pharmacy trends for active employees and their dependents.

Office of Policy and Management***Private Providers***

Reflects annual inflationary adjustments of 3.3%, per PA 25-151.

Department of Education***Education Equalization Grants (ECS)***

Adjustments reflect current law requirements, including reductions beginning in FY 28 for towns considered overfunded by the formula.

Personal Services

Adjustment includes funding for one FTE beginning in FY 28 pursuant to PA 25-67 Section 9.

Charter Schools

Adjustments reflect approved seat growth for Edmonds Cofield in New Haven and Stamford Big Picture, schools which opened in fall 2025.

Open Choice Program

Adjustments reflect funding for 50 additional Sheff seats annually based on Sheff settlement enrollment targets.

Magnet Schools

Adjustments reflect funding for 55 additional Sheff seats in FY 27 and 30 additional Sheff seats annually thereafter based on Sheff settlement enrollment targets.

Department of Housing***Housing/Homeless Services***

Adjustments reflect an estimated annual growth of about 6.4% in the cost associated with the Rental Assistance Program (RAP). The adjustments assume that the number of households served and the income of those households will remain flat as housing costs increase.

Department of Motor Vehicles***Other Expenses***

Adjustments reflect growth of 2.5% to accommodate anticipated requirements.

Department of Transportation***Other Expenses***

Adjustments reflect growth of 2.5% for anticipated requirements for highway maintenance supplies and related expenses.

Bus Operations

Adjustments reflect growth of 5% for likely expense growth for the current level of bus public transportation services.

Rail Operations

Adjustments reflect growth of 5% for likely expense growth for the current level of rail public transportation services.

Department of Emergency Services and Public Protection***Other Expenses***

Adjustments reflect growth of 2% for anticipated requirements.

Fleet Purchase

Adjustments reflect growth of 2.5% for costs associated with the agency's fleet.

Department of Correction***Other Expenses***

Adjustments reflect average annual growth of 4.4% in the Clothing & Footwear account and 3.2% in the Electricity account, consistent with historical increases and assuming the inmate population remains constant.

Inmate Medical Services

Adjustments reflect average annual growth of 4.5% in the Medical Services, Medical Supplies and Drugs & Pharmaceutical accounts, consistent with historical increases and assuming the inmate population remains constant.

TAX EXPENDITURE SOURCES, METHODOLOGIES, AND ASSUMPTIONS

The Department of Revenue Services (DRS) is the primary source for data on tax expenditures. However, if DRS does not have information available, other viable sources are utilized. Such sources include federal agencies (such as the Census Bureau and the Energy Information Administration), other Connecticut state agencies outside of DRS, and state agencies from other U.S. states.

To provide estimates for the current fiscal year and the out years, collected data was analyzed and grown on an individual basis, holding constant all other tax provisions. Certain tax expenditures have no growth in the out years or follow a historical trending pattern. In other cases, a variety of sources are utilized when applicable. These include, but are not limited to:

1. Growth rates, calculated with Consensus Revenue estimates;
2. Economic indicator projections provided by Moody's Analytics;
3. CPI growth rates reported by the Bureau of Labor Statistics; and
4. Federal Open Market Committee statements.