

December 4, 2025



CONNECTICUT GENERAL ASSEMBLY
Office of Fiscal Analysis

FISCAL ACCOUNTABILITY REPORT

OFA DIRECTOR
Neil Ayers

November Special Session

- SA 25-1 transferred \$500 million from the FY 25 volatility funds to the Budget Reserve Fund.
- This precludes a reduction of \$41.5 million to the FY 27 SERS/TRS ADEC.
- Outyear impact will depend on the disposition of the extra \$500 million in the Budget Reserve Fund.

Updates to FAR Methodology

PA 25-140

Incorporates material and likely changes to non-fixed cost expenditures

Assesses the state's preparedness for a recession

Structure of the Fiscal Accountability Report

**General Fund (GF)
FY 26 & FY 27 Update**

GF: Out Years FY 28 – FY 30

**Budget Reserve Fund &
Recession Stress Test**

Economic Trends

Bonding

Special Transportation Fund

Tax Expenditures

November Updates to FY 26 GF 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 Expenditure Adjustments

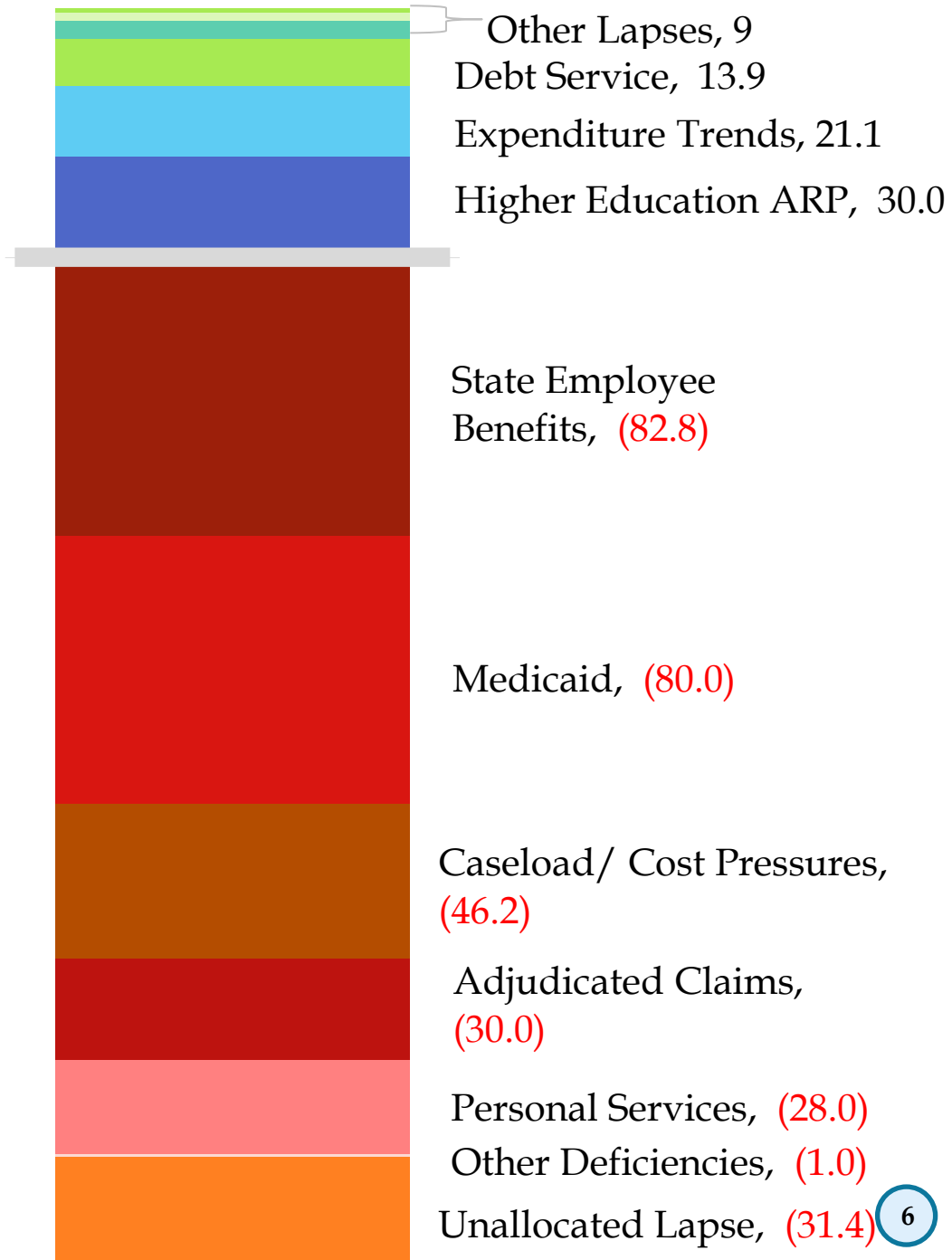
In Millions of Dollars

**NET
TOTAL**
(225.1)

Lapses
74.0

Deficiencies
(267.9)

Net Technical
(31.2)



FY 26 & FY 27 Updates to Balance

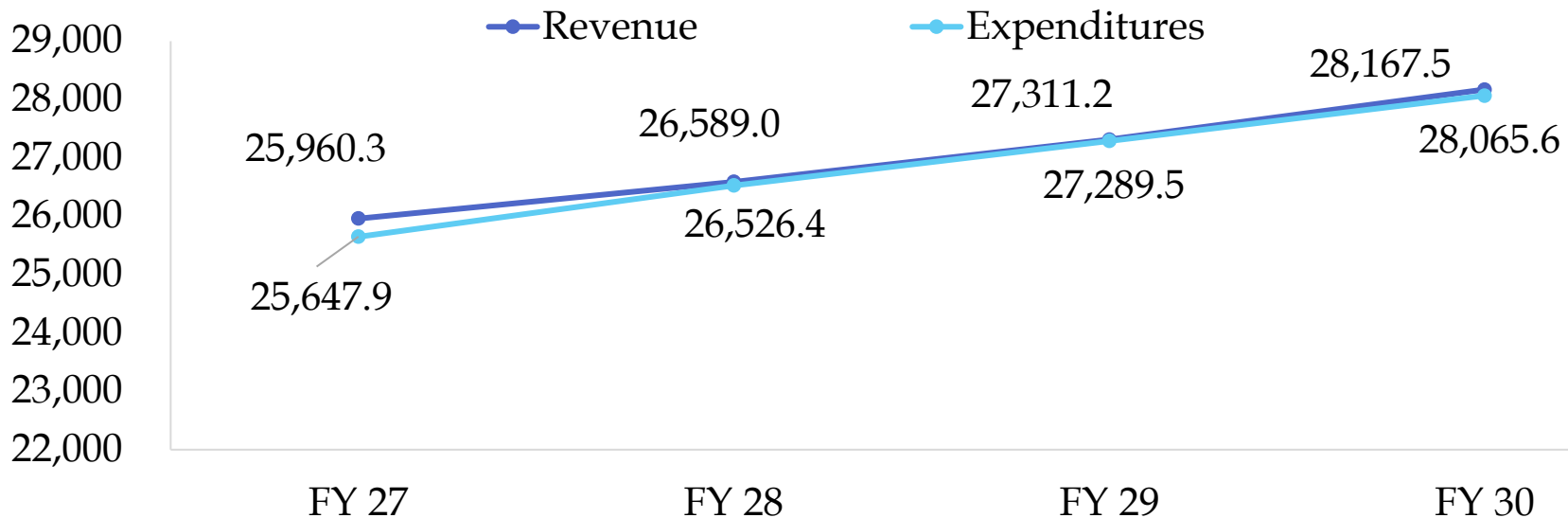
In Millions of Dollars

Updates	FY 26	FY 27
Budget Balance	308.9	551.8
November Consensus Revenue Adjustments		
E/F & PET	1,080.0	637.5
Volatility Adjustment Transfer	(1,080.0)	(610.5)
Withholding	216.2	218.9
Sales and Use	109.1	111.8
Corporations	(257.8)	(175.2)
Inheritance & Estate	0.0	(55.5)
Federal Grants	(17.4)	(96.8)
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

Out Year Projections

In Millions of Dollars

General Fund	FY 27	FY 28		FY 29		FY 30	
		Change	Total	Change	Total	Change	Total
November 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



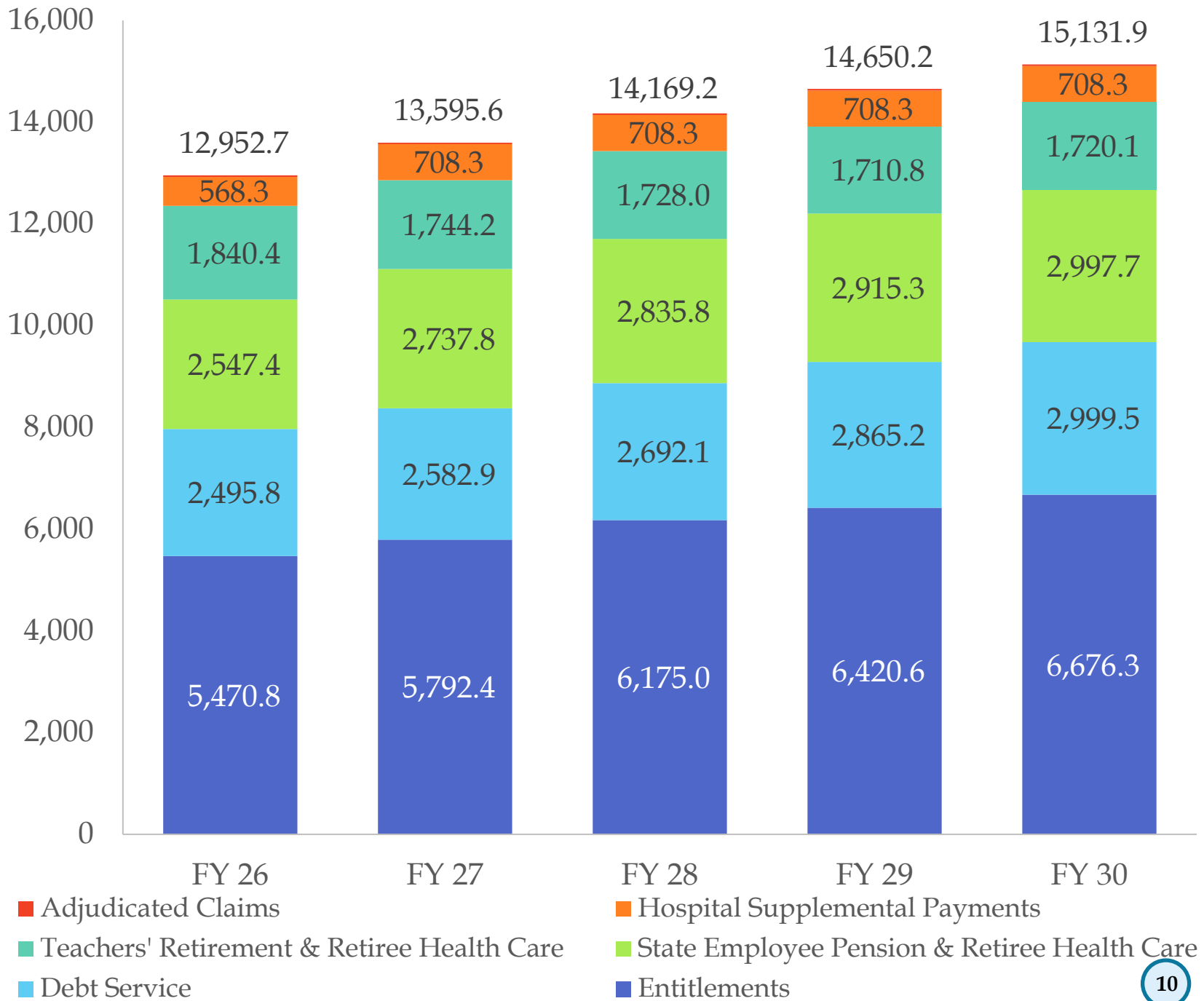
Out Year Revenue Growth

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%

Fixed Cost Expenditures

In Millions of Dollars



Non-fixed Cost Growth

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	66.4	71.6
Other (Net)	16.2	17.7	17.1
TOTAL	304.9	282.1	294.4

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)	

Multiple fiscal pressures outside of the current projections will affect budgets in the out years.

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 affect eligibility for and the administration of Medicaid and SNAP. Most impacts are uncertain.

MRSF Transfer

While no transfers to the Municipal Revenue Sharing Fund (MRSF) from the General Fund are in place for the out years, it is expected that a transfer of approximately \$100 million annually will be necessary to maintain the current funding level of municipal grants paid from MRSF.

CRF Transfer

The Cannabis Regulatory Fund (CRF) does not have a dedicated revenue source, relying solely on a transfer from the General Fund. No transfer is in place for the out years, and it is expected that a transfer of approximately \$10.5 million annually is necessary to fund current expenditures.

Additional Deposits into Pension System Revision

If a portion of excess funds is redirected for uses other than paying down outstanding pension obligations as allowed by legislation passed during the November 2025 special session, it will impact the required contributions to SERS and TRS beginning in FY 27.

Projected Budget Reserve Fund (BRF) Balances

In Millions of Dollars

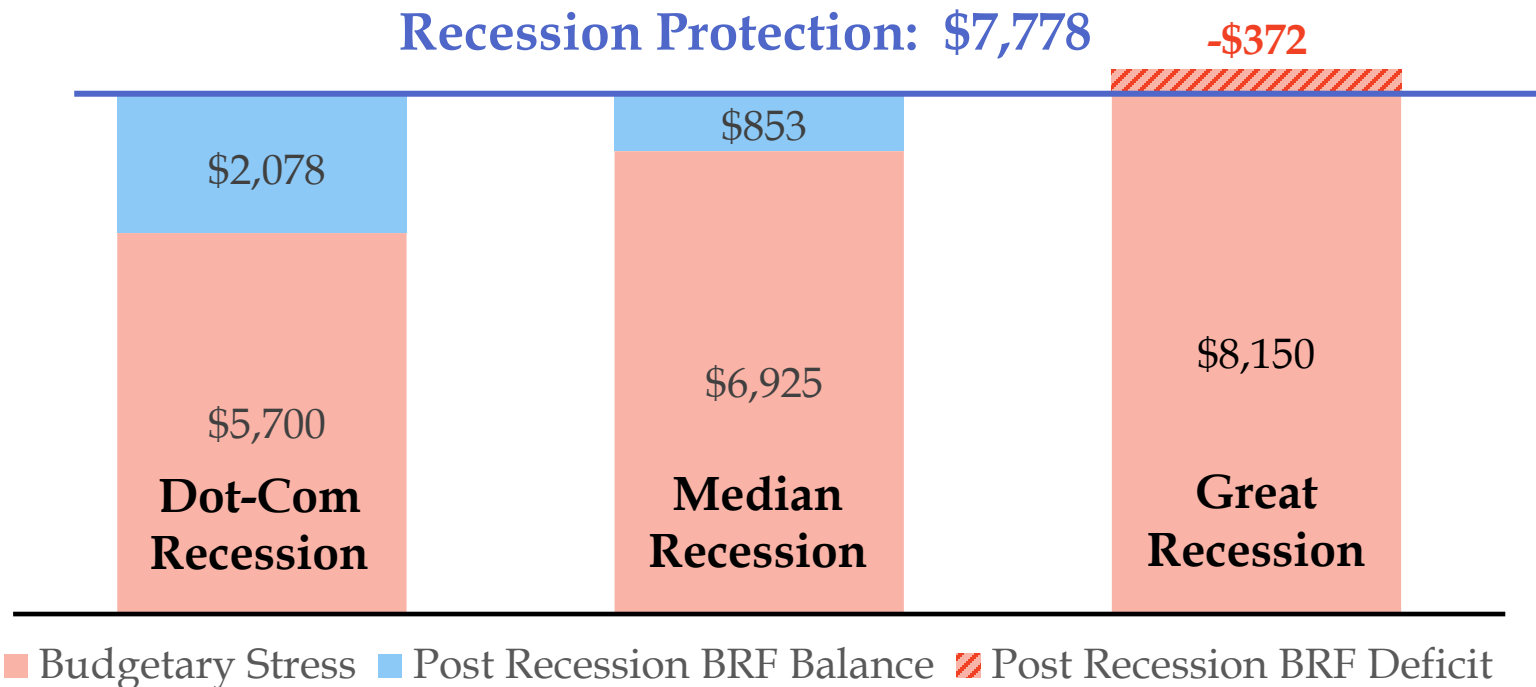
Projected Budget Reserve Fund Adjustments	FY 26	FY 27	FY 28	FY 29	FY 30
Budget Reserve Fund Balance – Prior Fiscal Year	4,105.1	4,326.6	4,565.2	4,766.7	4,897.3
Volatility Deposit – Prior Fiscal Year	2,098.7	1,810.4	1,233.2	853.7	714.3
General Fund Surplus					
Prior Fiscal Year	410.2	95.2	-	-	-
Set Aside 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%

¹The 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.

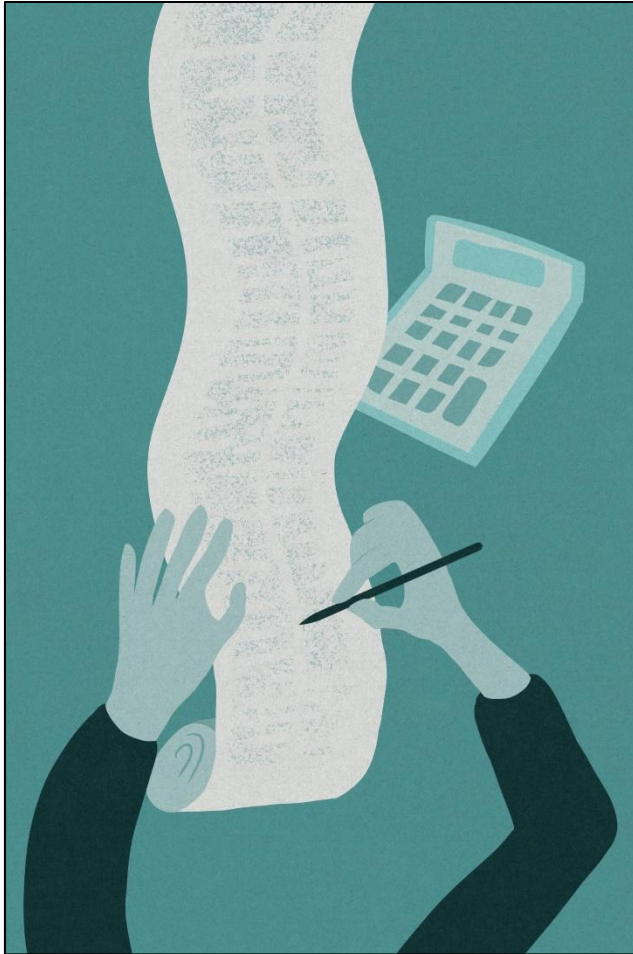
Recession Protection and Stress Test

In Millions

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



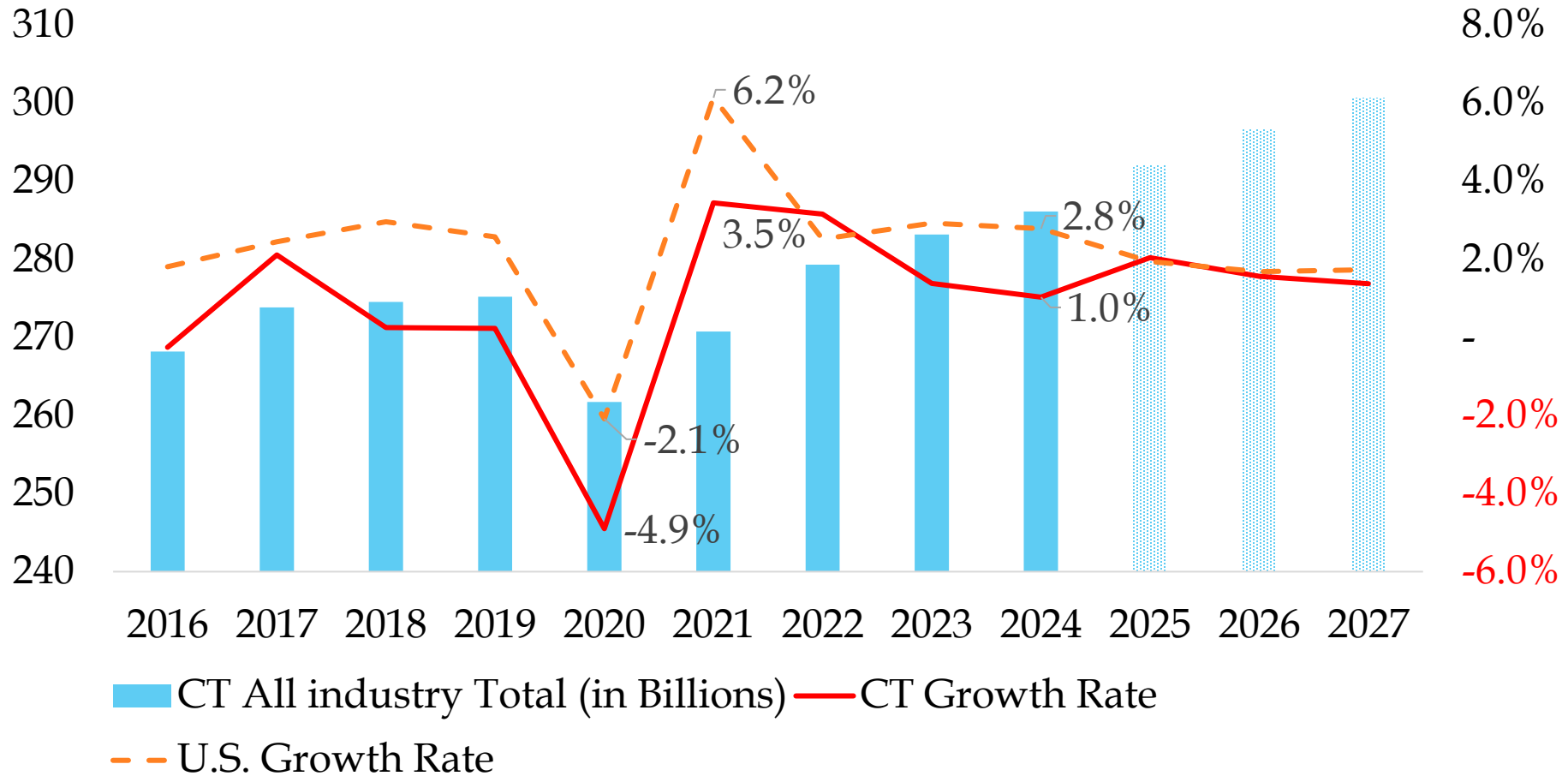
Economic Trends



- CT Gross State Product
- Labor Market Trends
- Employment Changes by Industry
- Inflation
- Retail Sales and Disposable Income
- Housing Inventory

CT Real Gross State Product

In Billions of Dollars

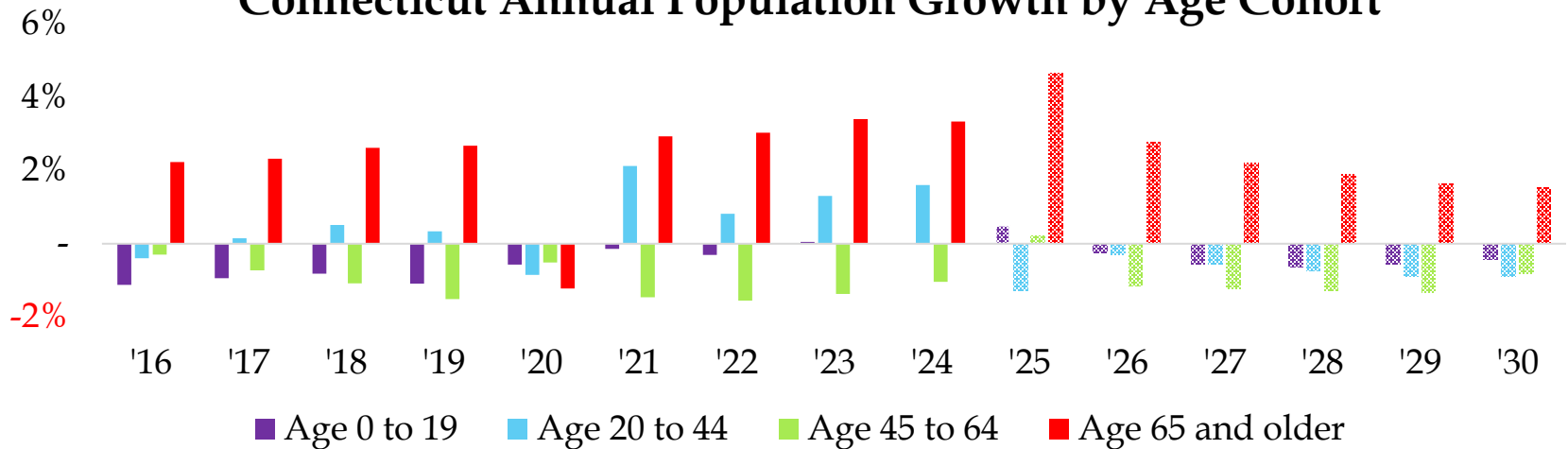


Note: Dollar amounts are shown in chained 2017 dollars.

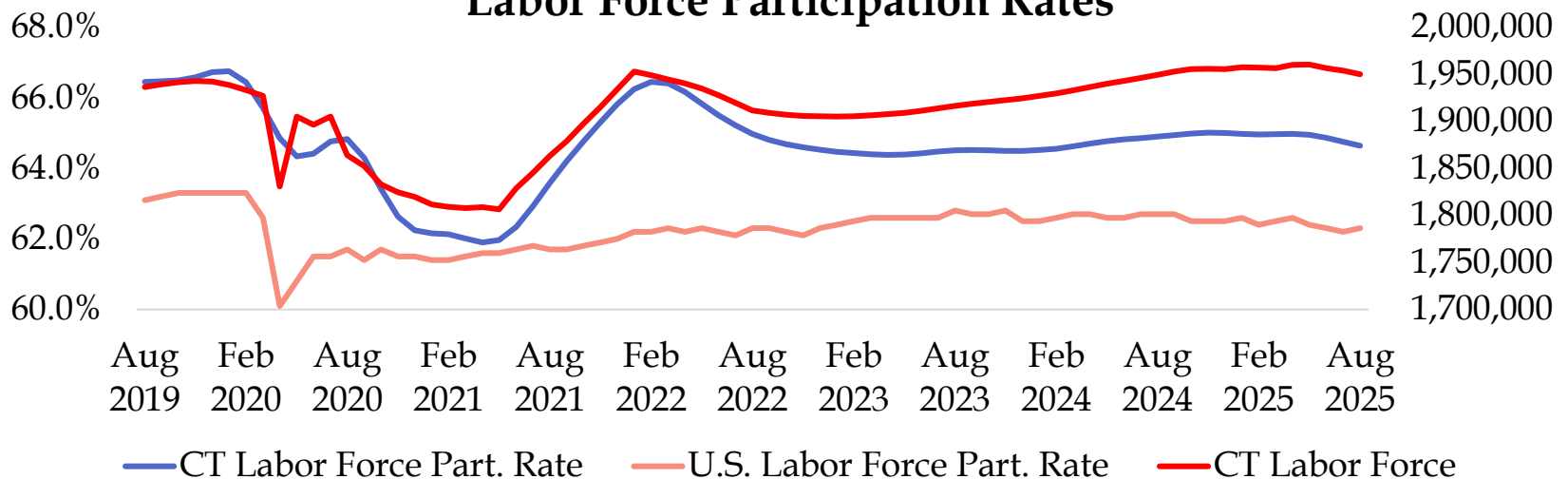
Source: U.S. Bureau of Economic Analysis, Moody's Analytics Forecast

Labor Market Trends

Connecticut Annual Population Growth by Age Cohort

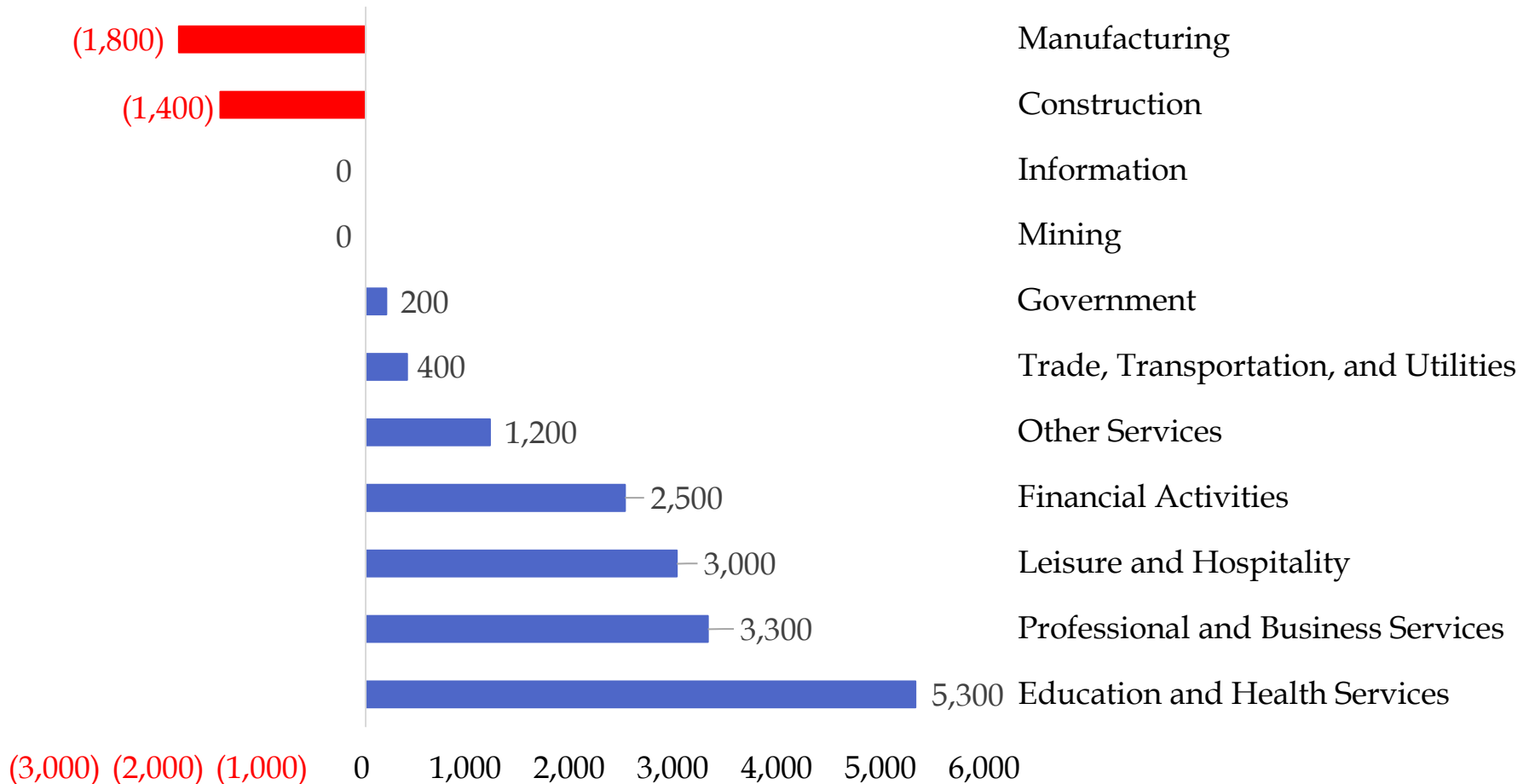


Labor Force Participation Rates



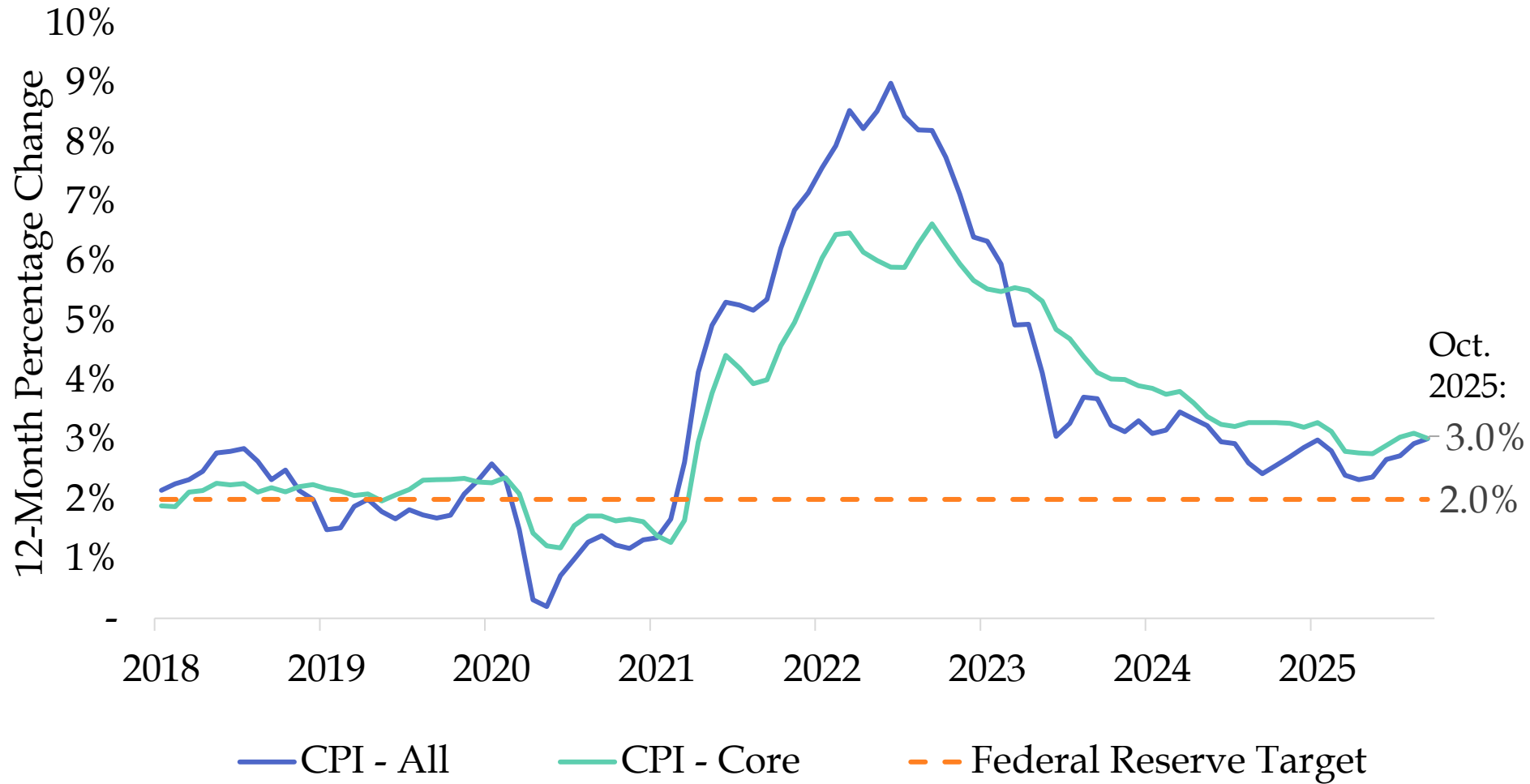
Employment Changes by Industry

(from August 2024 to August 2025)



Source: CT DOL Current Employment Survey; OFA calculations

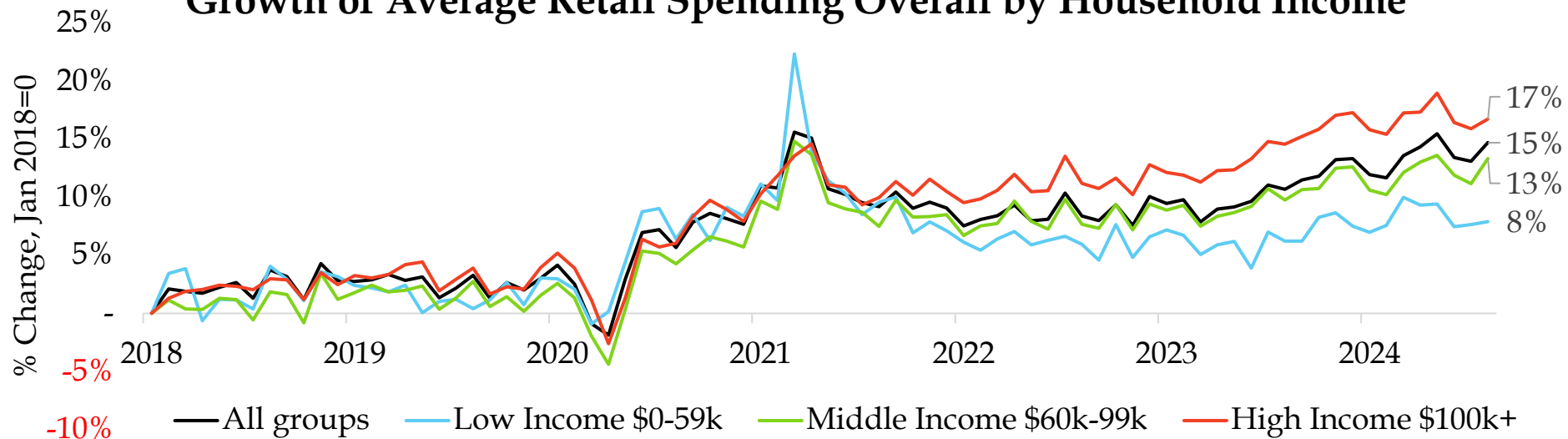
U.S. Inflation: Consumer Price Index (CPI)



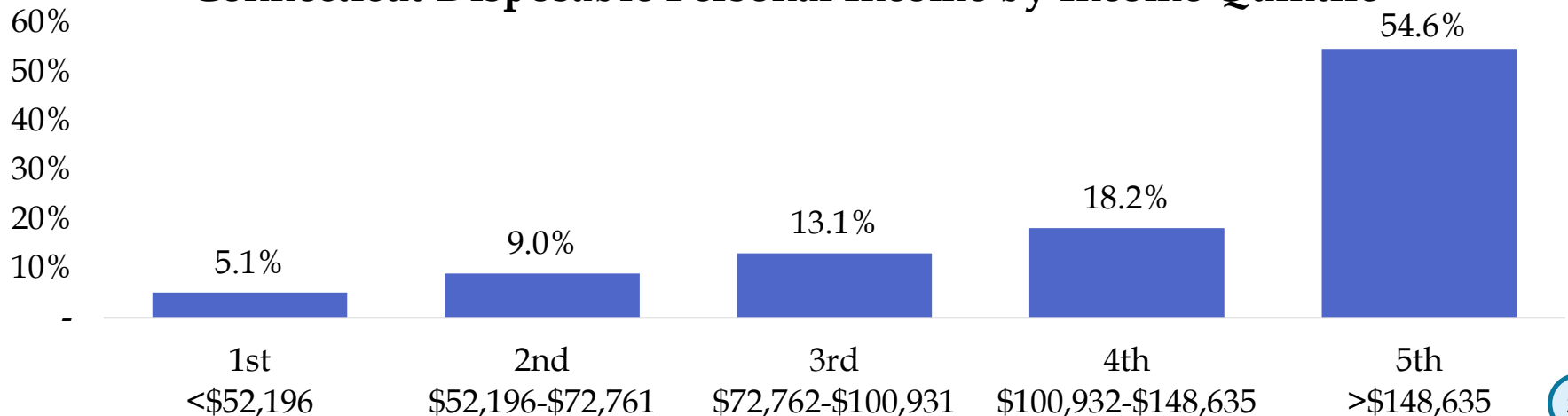
Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis

Retail Sales and Disposable Income

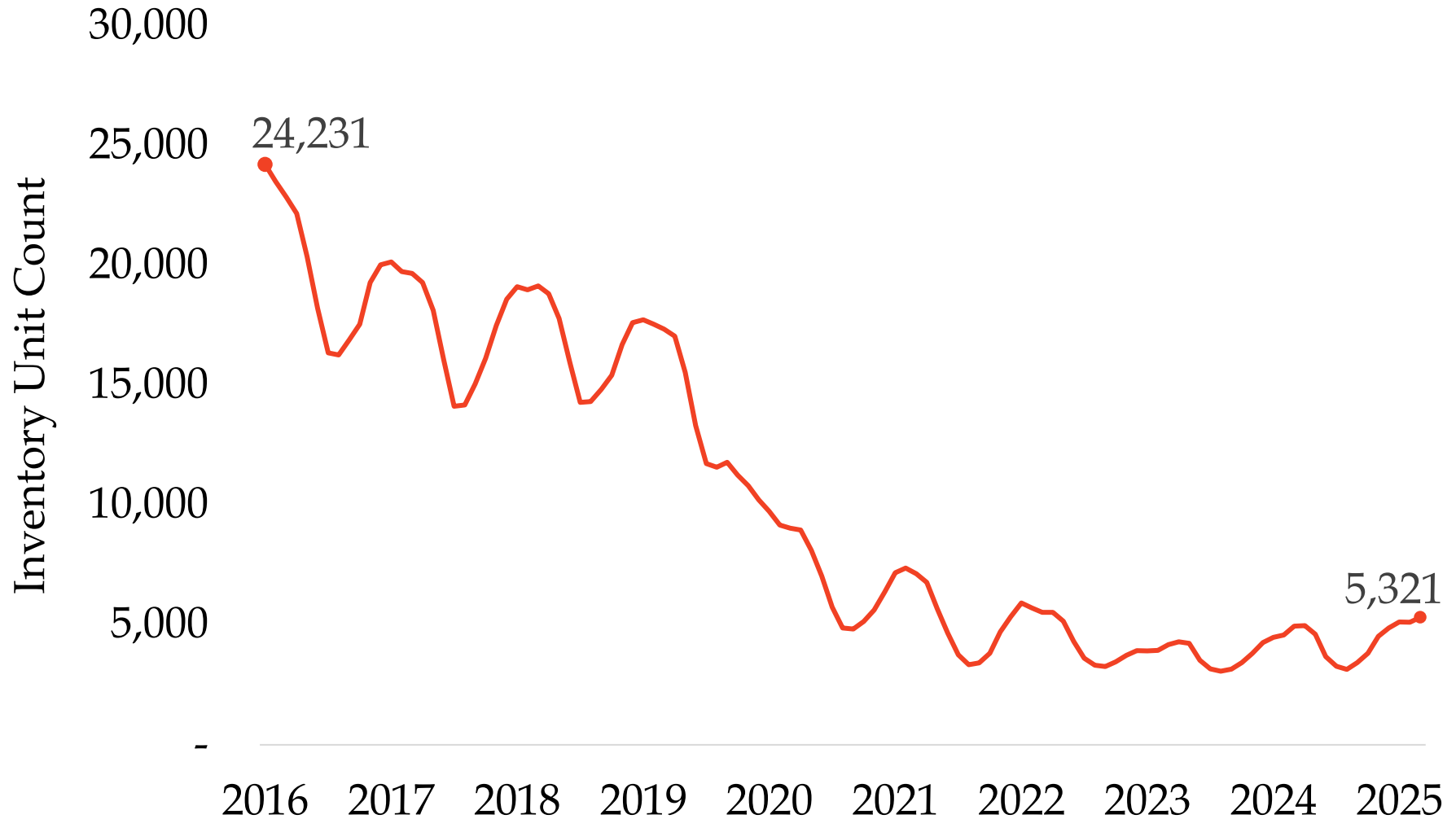
Growth of Average Retail Spending Overall by Household Income



Connecticut Disposable Personal Income by Income Quintile



Active Housing Inventory Count

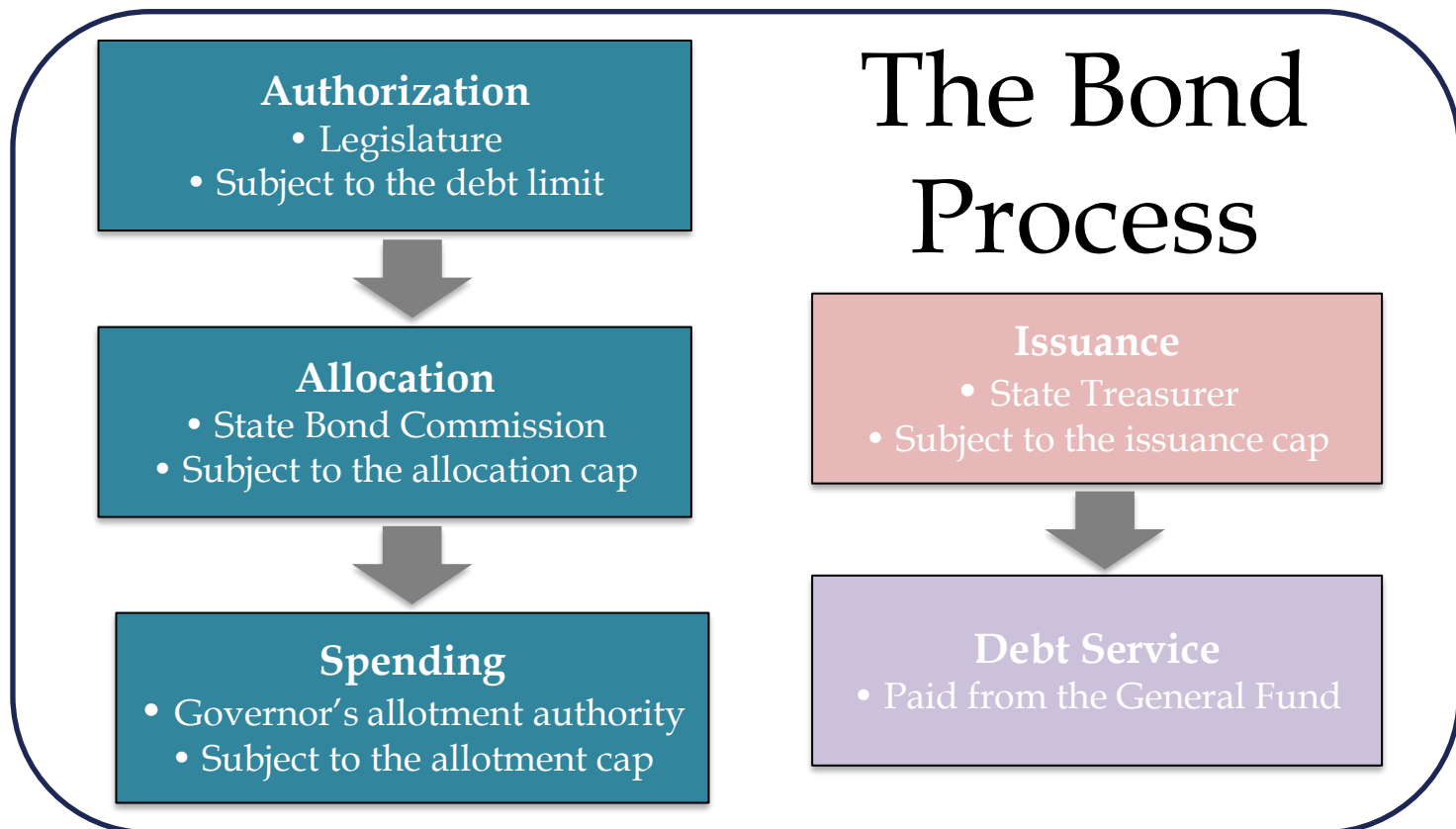


Source: Realtor.com as retrieved from FRED, Federal Reserve Bank of St. Louis

Estimates of General Obligation Bond Use

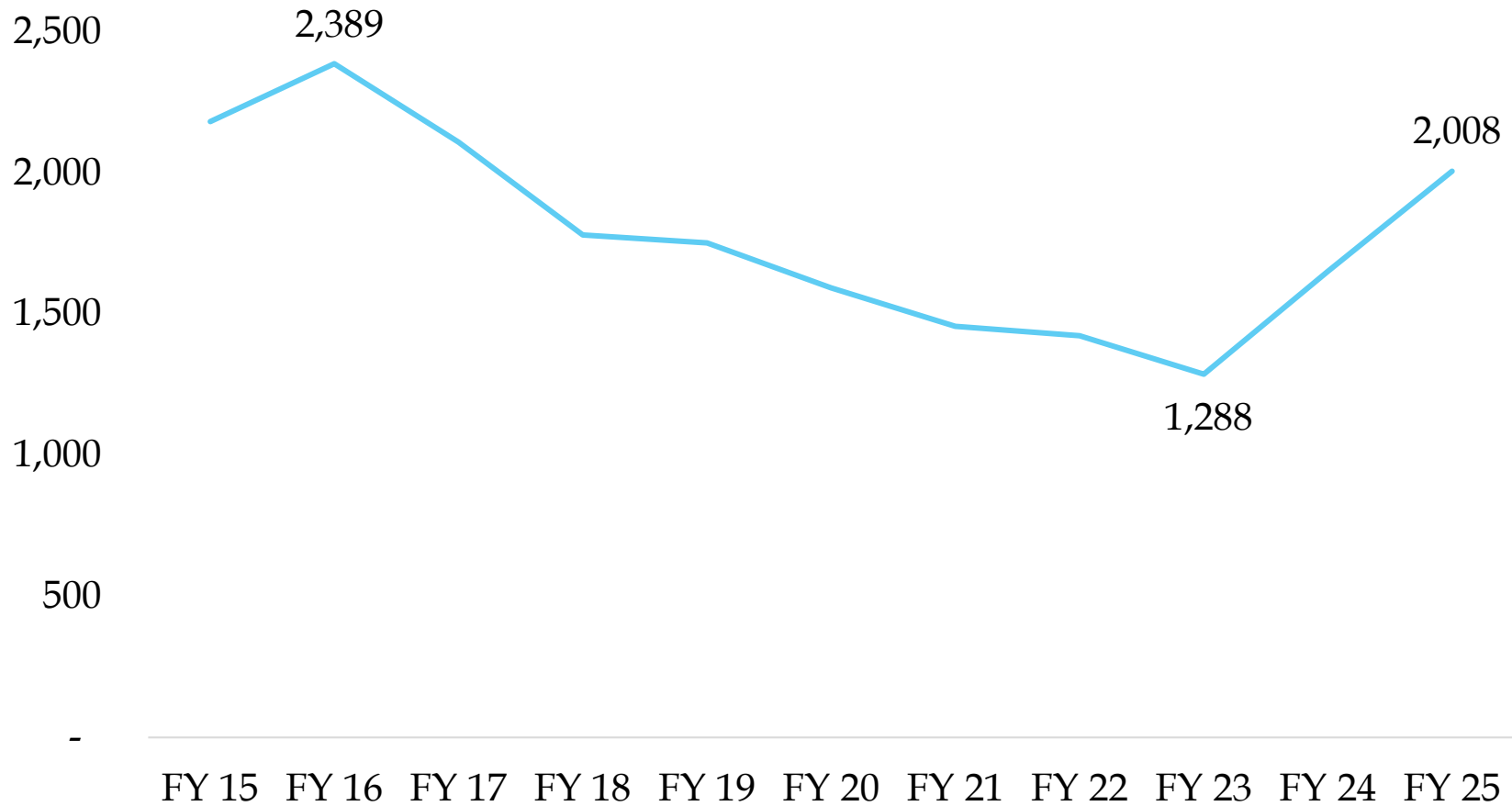
In Millions of Dollars

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



GO Project Bond Spending

In Millions of Dollars



Special Transportation Fund 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	1,380.5	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
Revenue					
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	(59.6)	(39.7)	-	-	-
Year End Cumulative Balance	472.6	462	281.7	26.6	(306.2)
Debt Service Ratio	2.6	2.5	2.2	2.1	2.0

Special Transportation Fund

Select 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.

Tax Expenditure Estimates

In Millions of Dollars

Types of Tax Expenditures

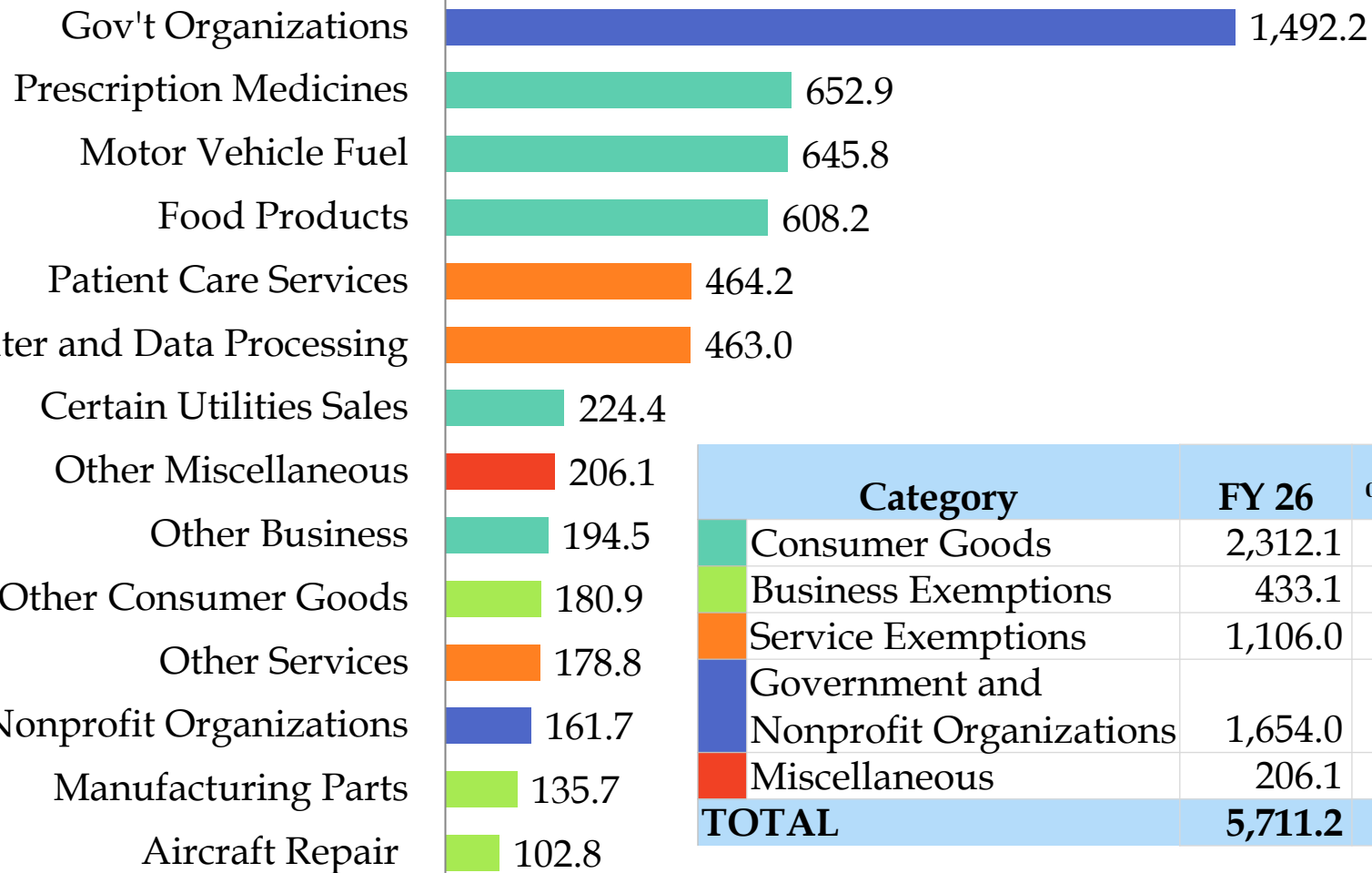
- **Credit:** directly reduces a taxpayer's liability
- **Exemption:** excludes specified transactions from a tax (e.g., food products)
- **Deduction:** reduces a taxpayer's taxable income (e.g., CHET contributions)

Tax Category	FY 26	FY 27	FY 28	FY 29	FY 30
Personal Income	888.9	923.8	941.5	955.9	973.5
Sales and Use	5,711.2	5,856.3	6,003.9	6,154.9	6,309.6
Corporation and Insurance	536.3	536.3	538.3	539.7	541.0
Petroleum Companies Gross Earnings	520.6	483.2	520.9	543.8	569.8
Motor Fuels and Motor Carrier Road	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.

FY 26 Major Sales and Use Tax Expenditures

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%

Questions and Answers Following OPM's Presentation

*Thank
you!*

