

May 1, 2025

The State of Connecticut uses “consensus revenue estimates” in an attempt to increase the accuracy of projected state revenues and ensure agreement on projections between the budget offices for the governor and legislature. These estimates, which are released three times per year, play a key role in both the execution of the state’s budget as well as the state budget development process.¹

Consensus revenue estimates, and their revisions, serve as the foundation for the governor’s recommended budget presented at the beginning of each legislative session, as well as the basis for the revenue statement included in the final budget act passed by the legislature that indicates the budget is balanced according to state law.² This document provides an overview of the consensus revenue estimates released on April 30, 2025, and what they mean for the development of the biennial state budget for fiscal years 2026 and 2027. The April 30th estimates are the last consensus revenue estimates for FY 2025.

How did projected revenues change under the April 30th estimates?

- Current year (FY 2025) total projected revenue increased slightly by \$34 million (approximately 0.1%).
 - Projected increases in personal income tax withholding (+\$110 million) and the volatility cap transfer (+\$500 million) to the state’s Budget Reserve Fund (commonly referred to as the “Rainy Day Fund”) were reflective of 2024 market performance.
 - However, corporation tax revenue estimates were revised down by \$85 million.
- Projected total revenues for FYs 2026 and 2027 decreased by less than one percent (approximately 0.7%) compared to prior estimates (down \$156.2 million down in FY 2026 and \$164 million in FY 2027).
 - Projected sales tax revenue also declined by roughly \$130 million in each fiscal year.
- However, total revenue is still expected to increase over the prior year in FY 2026 and FY 2027, although modestly.
 - Total revenues are projected to increase by \$70 million in FY 2026, and then another \$657 million in FY 2027 over FY 26 levels.

¹ For a deeper dive into consensus revenue estimates, please see:

School and State Finance Project. (2025). *FAQs: Consensus Revenue Estimates*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Consensus%20Revenue%20FAQs.pdf>.

² State of Connecticut, Office of Policy and Management. (2025, April 30). Consensus Revenue. Retrieved from <https://portal.ct.gov/opm/bud-other-projects/reports/consensus-revenue>.

- Volatility cap transfers to the Budget Reserve Fund are estimated at \$1.3 billion for each of the next two fiscal years.
 - The current year transfer estimate of \$1.9 billion exceeds projections for FYs 2026 and 2027, indicating more modest expectations moving forward for the estimates and finals portion of the income tax and the pass-through entity tax.

How do the latest revenue estimates impact state education funding in the next biennial state budget?

The April 30th consensus revenue estimates will serve as the foundation for the legislature's revenue package in the final passed budget. While the estimates indicate state revenues will modestly grow in FYs 2026 and 2027, these additional revenues are not necessarily fully available for increased spending.

Importantly, these revenue estimates are not the only limit on proposed spending, as state budget controls, such as the spending cap, also play a critical factor.³ The state's spending cap, which confines the state budget to the prior year's appropriations plus an adjustment based on personal income or inflation, functions unrelated to revenue projections whether they be positive or negative. Additionally, the state's revenue cap — another budget control that limits appropriations to 98.75% of projected revenues — will further restrict growth in spending in FYs 2026 and 2027.

The budget proposed by Gov. Ned Lamont in February, as well as the budget proposed and passed by the Appropriations Committee on April 22, were built using the January 2025 consensus revenue estimates. Downward revisions compared to January's estimates indicate the governor and legislature may need to adjust spending downwards to hit these new, lower targets. Furthermore, while the April 2025 consensus revenue estimates project a sizeable transfer to the state's Budget Reserve Fund (\$1.3 billion) in both fiscal years, those transferred funds would be dedicated toward payments on the State's unfunded pension liabilities as the Budget Reserve Fund is currently full to its statutory maximum level (18 percent of General Fund spending).

However, the governor and General Assembly may elect to work around the state's budget controls to further invest in services, such as education. For example, the state budget controls could be legally waived if the governor declares an emergency or the existence of extraordinary circumstances, and at least three-fifths of the members in the House and Senate vote in favor of waiving the controls. Additionally, lawmakers may choose to divert revenue that was previously destined for the General Fund to other funds for dedicated programs, which would evade the impact of the state budget controls altogether.

Moving forward, the budget offices for the governor and legislature will release the first set of consensus revenue estimates for the next fiscal year in November, which may

³ For more information on Connecticut's state budget controls, please see: School and State Finance Project. (2024). *Connecticut's State Budget Controls*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Connecticuts%20State%20Budget%20Controls.pdf>.

reflect recent economic uncertainty, and international trade developments, in a more complete manner. Should that occur, mid-year budget adjustments during the 2026 legislative session may require significant changes to state spending to avoid a deficit, or use of the state's Budget Reserve Fund to avoid potential cuts and impacts to services.