STATE COMPTROLLER

SEAN SCANLON

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COMPTROLLER SEAN SCANLON PROJECTS $164.4 MILLION SURPLUS

Economic Update covers the current and future impacts of Artificial Intelligence on Connecticut

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2026 General Fund surplus of $164.4 million and a Special Transportation Fund surplus of $43.7 million, both in general agreement with the Office of Policy and Management's projections.

"Even with a significant drop in corporate tax revenue due to the Big Beautiful Bill and increasing Medicaid costs, we are still projecting an end of year surplus for the eighth year in a row," **said Comptroller Scanlon.** "As 2025 comes to an end, my office is continuing to monitor jobs, consumer spending and sentiment, as well as our state's budget and finances at the macro level."

This month's General Fund projection fell $157.9 million, largely due to a reduction in projected Corporation Tax revenues, as well as increasing shortfalls for Medicaid and housing programs. The Federal H.R. 1 (OBBBA) included a provision permitting corporations to immediately expense research and experimental expenses as opposed to amortizing them over a five-year period, to which Connecticut's tax code automatically conforms. Despite that revenue loss, Connecticut Income and Sales Taxes continue to see positive growth. Overall, revenues are running just above the budgeted amount while expenditures are running $156 million too high, reducing the $309.1 million surplus built into the enacted budget. Cost overruns continue to be led by rising Medicaid spending, currently projected to exceed the budgeted amount by $85.0 million, driven by utilization growth and higher than expected cost per case.

This month's Economic Update explores the immediate and longer-term effects of Artificial Intelligence (AI) on Connecticut's economy and job market, as well as AI data centers' potential impact on electricity rates.

"We all hear so much about AI, but most of us don't quite understand what it is and are understandably wondering what this new technology means for our economy," said

Comptroller Scanlon. "This month's Economic Update is a first attempt at answering the question of what both the good and the bad of artificial intelligence will mean for Connecticut."

Additionally, in a letter to Governor Ned Lamont, Comptroller Scanlon noted that, with the close out of fiscal year 2025, $1.4 billion was transferred from the Budget Reserve Fund (BRF), also known as the "Rainy Day Fund," to reduce the State's pension liabilities. H.B. 8003, passed in the November Special Session, temporarily set aside $500 million in excess of the BRF's 18% cap to address certain federal funding reductions that may occur.

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Register to attend this afternoon's economic update debrief and availability at 2 p.m.

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