



OFFICE of the STATE COMPTROLLER CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller

June 1, 2026

In this month's edition

Outlook: Connecticut added a solid 5,700 payroll jobs in April, a sign that despite rising unemployment, organizations are still hiring. However, consumers are feeling the squeeze as **inflation outpaces wage growth**. The U.S. all-items Consumer Price Index (CPI) rose 3.8% in the 12 months through April, up from 3.3% in March and 2.4% in February. Connecticut private sector average hourly wages rose only 3.0% over the same period, meaning workers' real hourly wages are now declining. On the other hand, continuing business investment in AI and mostly resilient consumer spending through April is supporting moderate U.S. economic growth (revised estimate of 1.6% real GDP growth SAAR in 2026 Q1). U.S. real disposable income, which is personal income after taxes adjusted for inflation, fell 0.5% for the month in April, and the average American has 1.4% less buying power than they did last year thanks to quickly rising prices. As a result, people are relying more on savings and credit, with the personal savings rate dropping from 5.5% in April 2025 to 2.6% a year later. That's likely to hamper consumer spending later this year, though most economists are still not projecting a U.S. recession in the next 12 months as their base case.

Higher diesel prices are hitting Connecticut small businesses hard. **Energy prices remain elevated with the Strait of Hormuz effectively closed**, and forecasters from EY Parthenon predict the personal consumer expenditures (PCE) price index will peak around 4.0% YoY in 2026. Higher oil and fertilizer prices are expected to raise food and other goods prices (due to fuel being used for transport). Americans are paying 20.7% more for plane tickets and gasoline costs New Englanders 34.1% more than a year ago, per the April CPI. However, stock market growth continues to support affluent consumer spending.

The bond market, which determines the cost of borrowing for much of the economy, saw 30-year U.S. Treasury bond yields rise above the psychologically important level of 5.0% in May, as investors' long-term inflation expectations and uncertainty sent yields to their highest rate in over a decade. That's likely to complicate plans to cut interest rates for new Fed Chair Kevin Warsh. [Financial markets](#) now anticipate a rate hike, rather than a cut, over the next year.

Connecticut's unemployment rate rose to 5.0% in April from 4.8% in March, as job-searchers are taking longer to find jobs. The labor force participation rate fell to 63.2%, from 64.3% last year. The U.S. unemployment rate was 4.3% in April.

From landmark AI regulation and workforce development efforts to key policies in the state budget, this month we spotlight five key takeaways from Connecticut's 2026 legislative session, when it comes to major policies with an economic impact.

The spring homebuying season through April has been sluggish, with April sales down 6.8% YoY, though new listings improved. A bipartisan housing bill working its way through Congress could make a modest but meaningful difference to housing affordability over the medium to long-term.

H.R. 1 Update: Recently expanded federal work requirements for SNAP food assistance have likely led to a drop of roughly 18,000 Connecticut recipients so far through April. The State is optimistic that at least 65% of current Medicaid (HUSKY D) enrollees subject to new work requirements on January 1, 2027, can be deemed automatically compliant or exempt.

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KEY DATES THIS MONTH

6/5 – May U.S. jobs report

6/10 – May CPI inflation report

6/22 – May CT jobs report

6/25 – Q1 2026 GDP CT & U.S. 3rd estimate:
May U.S. personal income & outlays

Did you know?

OSC manages the health plans for more than 200,000 current and retired state employees and their dependents across the state. GLP-1 medications (like Wegovy and Ozempic) have dramatically increased prescription drug costs in recent years. In 2023, to continue providing access to these powerful medications while better controlling costs, OSC partnered with FlyteHealth, a program that combines access to the medications with lifestyle changes to help participants improve their health. An independent [evaluation](#) recently found that the program lowers per-enrollee medical costs and saved the State an estimated \$29.7 million in prescription drug costs alone in fiscal year 2024-2025.

About OSC

Sean Scanlon, State Comptroller

Tara Downes, Deputy State

Comptroller

The mission of OSC is to provide accounting and financial services, to administer employee and retiree benefits, to develop accounting policy and exercise accounting oversight, and to prepare financial reports for state, federal and municipal governments and the public.

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5 POLICIES THAT WILL IMPACT THE STATE’S ECONOMY FROM THE 2026 LEGISLATIVE SESSION

Every spring, Connecticut’s part-time legislature gathers in Hartford to craft the state budget and enact a myriad of policy changes. We sifted through the hundreds of bills passed to highlight 5 major policies with economic impact that you should know about from the 2026 regular legislative session that ended May 6th.

1. AI Regulation & Workforce Investments

[Public Act 26-15](#), *An Act Concerning Online Safety*, is a wide-ranging 74-page act that provides new protections for consumers and job seekers as they interact with artificial intelligence (AI) systems and chatbots, as well as social media protections for minors. It also seeks to support AI-enabled economic growth in Connecticut through workforce training, a regulatory sandbox to foster innovation, and research to support future policymaking. It passed with support from both democrats and republicans.

While Connecticut was one of the first states to propose major AI regulations in 2024, the state now joins at least five other states that have adopted broad AI regulations as of April 2026 (i.e., Colorado, California, New York, Texas, Utah). Many other states have narrow rules or are considering similar legislation now, despite an [executive order](#) from President Trump that asserts federal preemption over most such lawmaking.

Protections for AI Use in Hiring

One area of the law pertains to the use of AI for employment-related decisions. Generative AI has made it far easier for job applicants to write tailored cover letters and resumes. Combined with a weaker labor market that is driving competition for every position, this has led to a **surge in job application volume** for companies. Faced with this deluge, companies are responding by using AI to initially screen applications and even conduct early round interviews.

Starting October 1, 2027, the new law will require such companies to **disclose to the applicants when they are interacting with an automated technology**, such as for a phone interview. If the technology or its output is used to make an employment decision, businesses must disclose certain information to applications about the technology, how data will be used, and contact details for the company.

The law makes clear that use of these automated technologies is **not a defense against claims of discrimination**. Consistent with existing guidance, the onus is on companies to ensure their AI systems (or those of their vendors) are not biased based on any classes protected under Connecticut law (e.g., race, age, gender identity, religion). The law says companies can use anti-bias testing and other proactive efforts to avoid discriminatory practice as evidence against discrimination complaints.

The law ensures that Connecticut job applicants will know when they’re interacting with AI, what the AI systems are being used for, and who they can contact with questions. At the same time, companies can continue using these productivity-enhancing tools, as long as they are not discriminatory.

What’s in Connecticut’s AI Law?
Consumer Protections

- New disclosure requirements for **automated employment-related decision tools** and clarification that those tools do not excuse discriminatory practices
- Providers of **AI technology subscriptions** must provide key written disclosures and obtain customers’ written consent before purchase or renewal
- **Whistle-blower protections** for frontier AI developers who report catastrophic safety risks
- Rules for **AI companions**, including notices and limits for minors (e.g., can’t be capable of encouraging self-harm)
- Generative AI providers with more than 1 million monthly users must attach harder-to-remove **provenance metadata** to certain synthetic media to indicate if it was made by AI
- New restrictions and disclosure requirements for minors on social media platforms starting January 1, 2028
- A State pilot program to evaluate the use of third-party independent verification programs to ensure compliance with state laws on AI and data privacy.

See [OLR’s Summary](#) for a comprehensive listing.



Preparing Connecticut for an AI-Filled Future

In addition to some basic AI regulations, the law includes a wide range of initiatives to support Connecticut's workforce and economy as we navigate disruptions caused by AI in the years ahead.

Connecticut has many knowledge workers whose roles are set to be reshaped by technology that is rapidly evolving. College students are graduating into a "low hire" environment of businesses looking to technology to help reduce costs. While the AI boom is great for Wall Street investors, it's uncertain whether full AI adoption by companies will make Connecticut workers broadly better or worse-off. The reality is likely to be mixed.

Public Act 26-15 seeks to equip both students and the existing workforce with in-demand AI skills, through the free Connecticut AI Academy, school curriculum and teacher certification program updates, workforce programs, and closer coordination of government and higher education.

Under the law, the state Office of Higher Education will convene quarterly meetings of academic, industry, and public institutions to **identify the state's workforce, skill, and programmatic needs related to AI**. The office must also create a plan to give researchers and students **shared access to high-performance computing**, lowering the barriers to access and supporting innovation.

The law creates a working group that will make recommendations on, among other things, steps the State can take to **help small businesses adopt AI and AI agents**. It also leverages the local expertise of the Connecticut Academy of Science and Engineering (CASE) to improve policymaking related to AI and requires the Department of Economic and Community Development (DECD) to develop an **AI regulatory sandbox** that makes Connecticut a competitive business environment for developing and deploying new AI technologies.

Additionally, the law commissions a study through UConn's Institute for Municipal and Regional Policy to **understand and track AI's impact on the Connecticut workforce**, which we will report on after it is released next year. The study must recommend ways for the state to track impacts as well as mitigate adverse effects.

What's in Connecticut's AI Law?

Fostering AI Innovation & Economic Growth

- The State must plan for a new **AI regulatory sandbox**, including assessing the feasibility of a reciprocal multistate program, to support the growth of AI startups. A sandbox is a program to allow initial testing of new ideas with reduced licensure, regulatory and other state legal requirements.
- Establishes in statute the **Connecticut AI Academy**, which offers free online, AI-related education and skills training for students and workers. The law expands its offerings to include training on AI for nonprofits and small businesses, as well as courses for teachers and young students. State agencies must notify various groups about it (e.g., parents of baby bonds recipients, the unemployed).
- **UConn study on AI's impact on the state workforce** including a comprehensive strategy to address it
- After October 1, 2026, employer **layoff notices** must disclose if they are due to the employer's use of AI or other technology (expected to assist with tracking AI employment impacts)
- An **AI Working Group** that must report on AI best practices and make recommendations by Feb. 2027
- Adds **computer science** to the state's required program of instruction for public schools and requires that it cover AI and emerging technologies starting next fall
- Repurposes the existing "Technology Talent Advisory Committee" to develop programs to **expand the state's technology talent pipeline** in the fields of AI and quantum computing.
- State coordination with an **alliance of local higher education institutions**, including to develop a plan to give researchers and students shared access to high-performance computing, as well as a program that matches students with industry-led AI projects
- A **Technology Fellowship Pilot** Program for the Attorney General's Office
- The State's **strategic economic plan** (done every 4 years) must foster growth in AI, quantum and robotics.

See [OLR's Summary](#) for a comprehensive listing.



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2. Help for Graduate Students (and Colleges) Impacted by Federal Changes

The federal government has historically been the main source of lending for student loans, but federal changes enacted as part of the 2025 One Big Beautiful Bill Act will jeopardize access to postbaccalaureate degree programs for would-be students around the country. State lawmakers enacted a **new Connecticut graduate loan program** to help address the gap.

Beginning July 1, 2026, **federal borrowing for graduate and professional degree programs** (e.g., law school, medical school) **will be subject to new caps**. The federal Grad Plus loan program, which offered federal student loans to cover the full cost of attendance, has been eliminated.

Under the changes, a student getting a master’s degree in social work or nursing, whose program exceeds the new \$20,500 per year cap or \$100,000 all-year cap (for graduate programs) will no longer be able to borrow up to the full cost of attendance from the federal government. Students in professional degree programs, which are [narrowly defined](#), can borrow up to only \$50,000 per year or \$200,000 across all years. Most federal borrowing is newly subject to a \$257,500 lifetime borrowing cap that includes undergraduate borrowing as well.

These caps are expected to be binding for many students.

For example, UConn’s Cost of Attendance website estimates tuition and fee costs for in-state graduate students at \$23,298 for the 2026-2027 school year, exceeding the \$20,500 cap. Out-of-state students coming to UConn for master’s or professional degrees are likely to face costs that far exceed the borrowing caps. The tuition and fee costs to become a Physician Assistant (PA) at University of St. Joseph over 2.5 years are estimated at \$146,339 based on the school’s [webpage](#), far exceeding the \$20,500 per year/\$100,000 total caps that apply starting in July.

The change is expected to drive more students into **higher cost private borrowing** (with less flexible repayment terms) and discourage students without strong enough credit or family support from pursuing the degrees at all.

This is especially concerning given Connecticut’s ongoing shortage of nurses and other healthcare professionals—most of whose programs have not been deemed “professional” by the Department of Education, to qualify for the higher \$200,000 cap. The change could also strain Connecticut’s colleges and universities. Many depend on revenue from graduate and professional degree seekers in yearly amounts that exceed the caps.

Sections 340 and 341 of Public Act 26-68, the state budget act, establish a **state Supplemental Graduate Loan Program**. It will be administered by the existing Connecticut Higher Education Supplemental Loan Authority (CHESLA). The act authorizes up to \$30 million in state bonding to fund it.

"Connecticut students deserve postsecondary education financing that is affordable, fair, and designed for long-term success," said Josh Hurlock, Deputy Director of CHESLA in a [press release](#). "With the launch of the new **MyCHESLA Grad Loan**, its competitive fixed rates and flexible repayment options, CHESLA is directly addressing the graduate student financing gap left by the elimination of the federal Grad PLUS loan. We believe this program positions Connecticut as a national leader in responding to this financing gap while ensuring students have access to responsible, mission-driven financing as they pursue advanced degrees and invest in their futures."



MyCHESLA Grad Loan Empowering Advanced Education

- Fixed rate as low as **5.50%**. All fixed rates lower than Grad PLUS (8.94%)
- All approved borrowers have equal access to the same fixed rates
- 2% origination fee may apply
- Interest-only, fully deferred and immediate principal & interest repayment options
- 5-year, 10-year, and 15-year repayment term options
- Minimum loan amount: \$2,000
- Maximum annual loan amount: student’s net cost of education
- Cumulative maximum **graduate** principal balance outstanding: **\$250,000**
- Students may **qualify via future expected earnings**, as well as current income or cosigner income
- Borrower must be Connecticut resident attending US institution or from neighboring state attending eligible Connecticut institution
- No prepayment fee
- No application deadline

- Loan program details according to [CHESLA’s website](#)



3. A \$300 Million Investment in Childcare

Another notable policy choice from the 2026 legislative session was a one-time increase in the volatility cap threshold for the fiscal year ending June 30, 2026, to enable an approximately \$300 million investment in the State’s **Early Childhood Education Endowment (ECEE)**, as well as other priorities like town aid.

Section 256 of the state budget act (Public Act 26-68) increased how much revenue from certain volatile sources can remain in the General Fund for the current year by \$813.7 million—otherwise that excess revenue would have been used to make extra payments towards the State’s long-term pension debts. Connecticut is still expected to make extra pension payments of \$1.13 billion this year, based on June 1st estimates, due to tax collections tied to the booming stock market.

The [Early Childhood Education Endowment](#) was established with an **initial \$300 million investment** in 2025, with the goal of enabling Connecticut to offer affordable and universal pre-K, increased access to childcare options for all families, and greater sustainability for the childcare industry in the state.

Thanks to Connecticut’s investments, families earning up to \$100,000 per year are anticipated to receive free childcare and families earning above \$100,000 per year should see costs capped at 7% of income after July 2027, through the state’s Early Start CT Program.



According to Connecticut’s [Office of Early Childhood](#), the average parent now pays 16-27% of their income for child care. Increasing access to affordable childcare supports the state’s workforce and economy, as well as benefiting children and families.

State payments and a grant program for capital funding will support higher compensation for workers in the field and important facility updates. Access Health CT will be launching a health insurance subsidy pilot program for childcare workers.

By law the ECEE receives any state budget (General Fund) surplus not needed to top off the rainy-day fund, but without increasing the volatility cap threshold, the fiscal year 2026 amount for the endowment could have been zero. The State Treasurer invests the funding to increase it, and the Office of Early Childhood is permitted to spend a small percentage of the balance each year.

Affordable childcare supports Connecticut’s economy

Did you know that access to free universal pre-kindergarten (“pre-K”) that covers full-time working hours has been shown to **raise parents’ annual earnings by 21.7%** (\$7,200)? Parents’ earnings then remained elevated (an average of 20.9% higher) for at least six years.

That’s the finding of a [recent study](#) by Yale University’s Tobin Center using data on New Haven’s extended day universal pre-K program. The study takes advantage of the random variation in which families receive spots through the long-standing lottery process and relies on data matching to a variety of State of Connecticut sources (e.g., educational outcomes, parents’ wages).

The authors attribute the increased earnings for parents to a combination of **parents being able to**

work more hours (since their children received an average of 11.3 more hours of childcare per week than families not selected) and **reduced career disruption** (since a lack of affordable childcare often requires primary caregivers to switch jobs and industries for more flexible arrangements). Middle-income families who earn too much for other help tend to benefit most.

The magnitude of the effect is huge, reinforcing that **a lack of free, universal pre-K is costing the Connecticut economy** in fewer hours worked, lower lifetime earnings, fewer full-time workers available for businesses to hire, and lower consumer spending by families. The researchers assert that “free, all-day, early care is one of the most cost-effective active labor market policies ever evaluated in the U.S.” with an ROI of at least \$5.51 in societal benefits for every dollar of government spending.

Read more about [the study](#) and [its findings](#).



4. A New Hospital Tax Arrangement

I was proud to work with Governor Lamont to establish a new five-year plan that provides certainty and more support to Connecticut’s healthcare system at a time of rising demand and costs. Aside from supporting patient access and healthcare quality, these investments are expected to support jobs and wages in Connecticut’s largest industry by employment. The plan also seeks to maximize federal revenue for the State.

More Funding Flowing to Hospitals

As in most states, Connecticut has healthcare provider taxes that generate state revenue, much of which the State then returns to the industry through supplemental payments for healthcare services. This back-and-forth allows states to receive additional federal matching dollars through Medicaid, the program that funds health care for low-income and disabled Americans that is jointly funded by states and the federal government.

The prior tax and spending arrangement with the state’s hospitals came from a legal settlement in 2019 that ends June 30th, 2026. The new state budget, Public Act 26-68 as amended by PA 26-76, lays out the next 5-year plan.

For fiscal year 2027 (beginning July 1, 2026) **hospitals will pay \$974 million in taxes**, with the year the user fee is based on being updated to 2024. That’s a tax increase of \$154 million from 2026 (but less than originally budgeted for 2027), while State payments to hospitals (not including Medicaid rate changes) will rise by approximately \$395 million from 2026 levels to **\$963.3 million** according to preliminary estimates for 2027. The plan includes new payments for hospitals and associated provider groups that serve a disproportionate share of Medicaid and uninsured patients, as well as a new payment structure and changes to rates. Over the remaining four years, the hospital industry will see payments from the State rise much faster than their taxes, and the industry is expected to come out significantly ahead.

The State’s main operating fund, the General Fund, will keep only \$10.7 million of the fiscal year 2027 provider tax revenue, as the rest will be kept in a new off-budget **Hospital Supplemental Payment Account**. That account will be used to fund the payments to hospitals and hospital-affiliated provider groups going forward.

Federal revenue for the State is projected to rise under the plan. While the new 5-year plan lays out many important

aspects, much is still unknown. The provider tax changes (and resultant revenue) need to be approved by the federal government and actual provider data must be incorporated to calculate the payments to providers.

Through H.R. 1 (also known as the “One Big Beautiful Bill Act), Congress took steps in 2025 to reduce states’ reliance on healthcare provider taxes in the coming years. Connecticut policymakers are optimistic that the state will avoid cuts to hospital-related federal reimbursements in the next few years due to the way Connecticut’s inpatient and outpatient provider taxes are structured; however, the Centers for Medicare and Medicaid Services (CMS) has yet to weigh in.

The increased public funding for hospitals is also meant to reduce cost shifting in the system, such as to families that pay with commercial insurance, as health insurance costs continue to rise unsustainably.



Major Revisions to the State’s Transparency Initiative

As part of the agreement through which hospitals will receive additional state funding, the law adds **new transparency requirements for hospitals** through the State’s existing Healthcare Cost Growth Benchmarking Program. In the coming years, the changes will bring increased visibility for the State and the public on how hospitals are changing their payments for healthcare services over time.

The State is expected to track a “market basket” of outpatient procedure codes and inpatient diagnosis-related group (DRG) classifications, similar to how the Consumer Price Index tracks inflation for a specific set of goods and services. Connecticut’s new hospital cost growth benchmark methodology, which will be developed by the Office of Policy and Management (OPM) with stakeholders to take effect in



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2028, is expected to be the first to employ the innovative “market basket” approach for individual hospitals.

The method focuses on payment changes within a single entity over time, controlling for changes in utilization or case and service mix. According to the state Office of Health Strategy, there are nine states in the U.S. that currently have healthcare cost growth benchmarking programs; Massachusetts was one of the first.

The law **modifies the criteria** for deeming individual healthcare providers or health insurers to have exceeded the permitted level of annual cost growth (newly set to 3.9% through 2032). By July 1, 2028, the benchmark cannot be solely based on commercial payment growth or commercial trends viewed in isolation.

For hospital performance, the benchmark must account for changes in clinical risk, patient acuity, case and service mix, regional labor market conditions, inflation, utilization changes, public health emergencies, and the extent to which

slower payment growth for publicly funded healthcare contributes to private health insurer payment growth, among other listed factors.

Beginning in 2030 or later, **hospitals or other providers that are found to have exceeded the permitted level of annual cost growth** in the prior year, after taking all those factors into account, may be required to submit a Cost Growth Benchmark Plan to OPM that outlines how the entity will stop healthcare costs under their control from rising so fast going forward.

Failure to submit such a plan or comply with it in good faith can result in a state fine (of up to \$400,000) that must be made in the form of a one-time community investment project focused on addressing population health. The provider entity will also face heightened public scrutiny for being deemed a significant contributor to the unaffordable pace of rising healthcare costs.

5. A Few Tax Changes

Tax credits and tax exemptions reduce what a taxpayer owes the government, and governments frequently rely on them to support certain economic activity or groups. Public Act 26-68, the state budget, included a variety of tax changes, a few of which we highlight here.

Incentivizing Investment & Health Insurance

One new tax credit likely to have a big impact on R&D activity in Connecticut is the **expansion of the R&D tax credit to small businesses that are pass-through entities** (e.g., LLCs, partnerships, S corporations, sole proprietorship-style businesses) starting for tax year 2026. Qualified businesses can apply for a credit worth 6% of R&D expenses incurred in Connecticut, up to \$1.5 million per business per tax year. The program is capped at \$25 million in credits per year.

The tax credit is partially refundable, with the amount of tax credit exceeding the entity’s tax liability **refundable at 90% for biotechnology businesses** and 65% for others. Pass-through entities play a major role in the Connecticut economy, with state tax revenue from pass-throughs currently projected to approximately double the corporate tax collected this fiscal year. The credit is expected to provide important support to Connecticut’s growing biotech industry, which includes many start-ups competing with larger firms that already have access to Connecticut R&D tax credits.

The budget also includes a **new up to \$1,000-per employee tax credit for small businesses that fund health insurance** for their employees through individual coverage health reimbursement arrangements (ICHRA) via Access Health CT’s [BusinessPlus](#) platform (capped at \$5 million).

On the other hand, for the corporate tax, policymakers opted to delay adopting new federal R&D expensing rules at the state level until income year 2026 and decided not to conform to new federal rules on certain bonus depreciation. Those choices increase state revenues by an estimated \$137 million in the next two fiscal years, which will come from corporations.

PA 26-68 Section	Policy Description	Projected State Revenue Loss by State Fiscal Year* (\$ Mil)	
		2026-2027	2027-2028
267	R&D Tax Credit for Pass-through Entities	25.0	25.0
262 & 272	Higher Sales Tax-Free Week Price Limit & Elimination of Taxes on School Supplies	10.0	10.2
263	ICHRA Health Insurance Tax Credit for Small Businesses	5.0	5.0
271	Caregiver Tax Credit	0.0	1.8

* According to Office of Fiscal Analysis fiscal [note](#), impact across all funds.



Addressing Affordability Challenges

Connecticut families are grappling with many rising costs. Policymakers chose to make back-to-school shopping a little more affordable with two tax changes projected to cost the State \$10 million in lost revenue next year.

- First, the budget expands what can be purchased during Connecticut’s **Sales Tax-Free Week** in August. The tax exemption now includes backpacks and cleats, as well as clothes and other footwear up to a price of \$300.
- Secondly, it eliminates taxes on non-electronic school supplies year-round beginning July 1, 2026.

Finally, in recognition of the value of caregiving work and the way it often allows people to age in place, the budget establishes a **Caregiver Tax Credit** for individuals who pay out-of-pocket costs related to certain caregiving they provide to a family member.

The credit is worth 50% of eligible expenditures incurred up to \$2,000 per year starting in tax year 2027 and has income limits. It’s expected to help families with costs like adding a wheelchair ramp, leasing durable medical equipment, or hiring a home health aide.



In Conclusion

The 2026 legislative session was short—just three months—but included a variety of important legislation. Major AI regulations and workforce development initiatives, a state graduate loan program to fill a new federal void, a huge investment in early childhood education, a new 5-year hospital plan that supports the healthcare sector as more federal Medicaid cuts take effect, and some targeted tax relief are all notable changes expected to impact the State’s economy.

RISKS AND EVENTS WE’RE WATCHING

Despite reporting that an agreement could be close, the **Strait of Hormuz**—the vital waterway connecting the Persian Gulf to the rest of the world’s waterways—remains closed to most traffic as of June 1st. That is keeping prices high for oil, fertilizer, natural gas, helium, and other key commodities produced there.

In May, Governor Lamont **announced \$22.5 million in state aid for Connecticut dairy farmers** that are facing low milk prices and rising inputs costs and **\$35 million for UConn and UConn Health** in response to federal research funding cuts. The State’s Federal Cuts Response Fund, which the legislature created in 2025, will support both strategic investments. Read about all the planned allocations [here](#).

A **proposed merger between giant utility companies** NextEra Energy and Dominion Energy could impact Connecticut. Dominion Energy owns the Millstone nuclear power station in Waterford, which [provided](#) 38% of Connecticut’s power generation in 2024.

Companies have begun receiving IEEPA tariff refunds.

Kevin Warsh was sworn in as the new Chair of the Federal Reserve, the U.S. central bank. President Trump likely selected Warsh based on an expectation he would hasten interest rate cuts and loosen U.S. monetary; however, that could be very hard to achieve with bond yields rising and higher inflation from the Iran War.

Chair Warsh only has one vote on the rate-setting committee and must lead there by influence. He is expected to make major changes at the Fed, potentially reducing the amount of forward guidance the bank provides or reducing the bank’s balance sheet.

The United States-Mexico-Canada Agreement (USMCA) is the trade deal that facilitates free trade in North America. It is up for mandatory joint review this summer. Serious tensions with Canada will likely make negotiations more difficult, though the status quo could be extended temporarily even if the three countries don’t agree to a clean renewal or new terms by the July 1 deadline. Uncertainty over what could change will impact Connecticut businesses that trade with Canada and Mexico.



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LABOR MARKET UPDATE

Recent months have seen **solid Connecticut payroll job growth** alongside a **rising unemployment rate**. Those indicators come from separate surveys (one of firms, one of households) which do not always move in tandem.

Strong Spring Job Gains

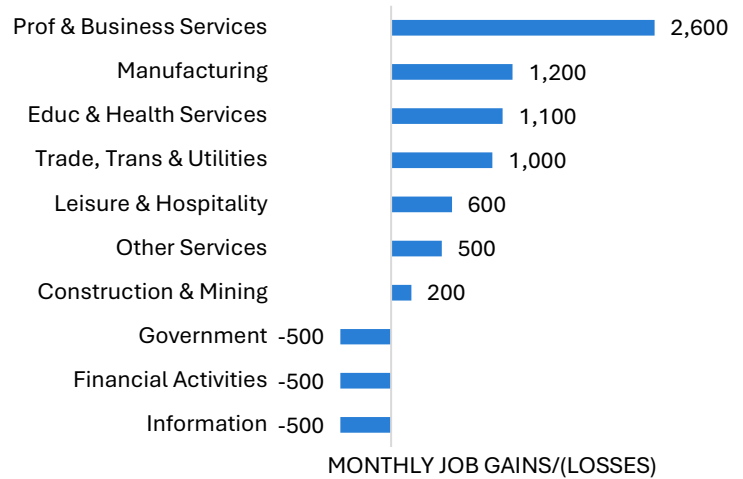
Connecticut employers added 5,700 non-farm payroll jobs in April (+0.3%, preliminary) and 2,400 (+0.1%) in March, on a seasonally adjusted basis. That puts Connecticut payrolls at an **all-time high of 1,725,300 jobs**, up 5,200 positions year-over-year. U.S. payrolls overall added 115,000 jobs in April.

With government employment down by 1,600 jobs since last April, Connecticut private employment is up by 6,800 (0.5%), also an all-time high on a seasonally adjusted basis.

The typically lower-wage Administrative and Support and Waste Management Services industry within the **Professional and Business Services** sector was responsible for the most job gains in April (+1,900), though the other higher average wage segments of that sector also added jobs.

Preliminary data show **the Manufacturing sector had strong growth in April**, adding 1,200 positions (following monthly gains of 800 in March and 500 in February). The sector is up 1,400 jobs (0.9%) year-over-year. Looking regionally, three of the state's metro areas show preliminary manufacturing job gains year-over-year as of April: Norwich-New London-Willimantic (+3.3%), Hartford-West Hartford-East Hartford

APRIL CONNECTICUT PAYROLL JOBS NET MONTHLY CHANGE BY SECTOR



Data is preliminary and will be revised. Source: CT Department of Labor

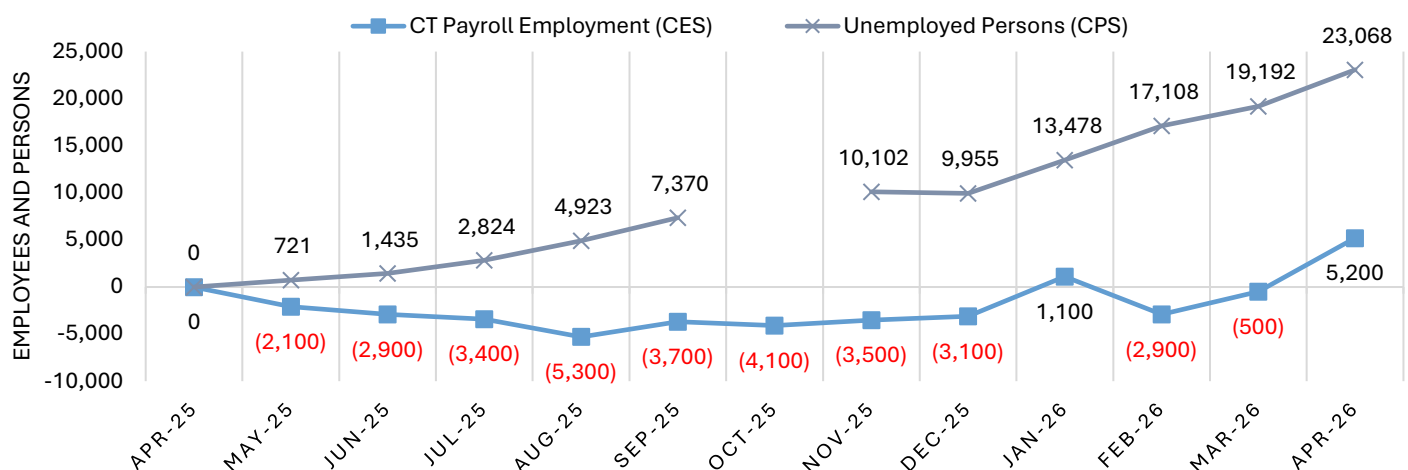
(+1.7%), and Bridgeport-Stamford-Danbury (1.5%), while the state's other major metro areas show manufacturing losses.

Unemployment Ticks up to 5.0%

Connecticut's unemployment rate rose to 5.0% in April from 4.8% in March and is up 1.2 percentage points from last year. The main reason is that the number of unemployed people (seasonally adjusted) has been rising over the past year (up to 96,500 in April, or 31.4%). Given that recent claims for unemployment insurance remain low, rising unemployment appears to be driven mostly by new entrants, like graduates or those previously self-employed, taking longer to find jobs.

See the appendix for further labor market details.

CONNECTICUT PAYROLL EMPLOYMENT & UNEMPLOYMENT: CUMULATIVE CHANGE FROM APRIL 2025



Both series are seasonally adjusted. April 2026 is preliminary. Source: Bureau of Labor Statistics via FRED, CT DOL & OSC calculations



**Connecticut
Housing Market Trends**

April 2026

8.1%

4,527

New Listings YoY
SmartMLS

-6.8%

Home Sales YoY
SmartMLS

+3.6%

\$430,000

Median Sales Price YoY
SmartMLS

-3 days

29

Median Days on Market YoY
Realtor.com

-0.35 ppts

6.51%

Freddie Mac 30-Year Fixed Rate
Mortgage Average for the week
ending 5/21

0.0%

1,698

Median New Lease Rent YoY
Apartment List

CONNECTICUT HOUSING MARKET

New listings jumped 37.2% in April and were up 8.1% compared to last April, though total inventories remain constrained with only 2.2 months of supply. Sales (that closed) were down 6.8% compared to April 2025 and are down 7.2% year-to-date versus 2025 (which was a poor year for sales). With so few homes available to buy, conditions remain tilted towards a seller’s market, with homes selling for 102.7% of their list price on average. April saw a surge of condo/townhome new listings, and pending sales in that category were up 10.1% year-over-year.

The main spring homebuying season has seen more muted activity than was hoped for at the start of the year. Rising mortgage rates and war-related inflation and uncertainty are partly to blame. Since hitting a recent low of 3.97% in late February just before the Iran War began, the market yield on 10-Year U.S. treasury securities peaked at 4.67% on May 19th. Mortgage rates track the 10-Year yield closely.

New Rents Cooling

Looking at the rental market, monthly estimates of new lease rents from [Apartment List](#) show median Connecticut rent in April 2026 at \$1,698 per month—the same level as April 2025. Their data show that new lease rents in some cities have actually fallen compared to last year, with New Haven rents down 3.2%, Stamford rents down 2.9%, and Norwalk rents down 0.4% overall. The U.S. rental market has weakened significantly in the past two years, as a surge of new supply has flooded many markets, reducing price pressures. U.S. overall rents are down 1.7% year-over-year, according to Apartment List.

Bipartisan Federal Housing Legislation is Moving through Congress

H.R.6644, the 21st Century ROAD to Housing Act, is intended to make it easier to build, finance, and buy affordable housing in the U.S. The legislation has now passed both the House of Representatives and Senate twice, all in different forms, with the House most recently passing their version on May 20, 2026 (a vote of 396-13). The Senate will need to pass it or negotiate a compromise because both chambers must pass the same text before it heads to the President’s desk for signature.

The [main provisions](#) of the legislation tentatively include establishing best-practice frameworks for local zoning reform, new competitive grants for local governments tied to housing production, simplifying and accelerating [environmental review](#) for various federal programs, and updating federal housing programs like [HOME Investment Partnerships](#). It is intended to give local governments and developers more flexibility and reduce administrative burdens. Other provisions will make it easier to build manufactured housing, which can be a great low-cost option, improve mortgage access, and modernize federal housing finance rules.

The final version of the bill is expected to keep the bipartisan housing supply measures featured in earlier versions, as both parties strongly support increasing

housing construction and reducing regulations. The final legislation will also likely retain restrictions on large institutional investors purchasing single-family homes, which can “crowd out” families that want somewhere to live.

The final bill could help homebuyers or renters in Connecticut by reducing frictions that add to housing costs and enabling the construction of more apartments, starter homes, and accessory dwelling units. It would enable states and local governments to use more federal funding for affordable housing construction and provide guidance on single-stairway apartment buildings.

*SmartMLS is the primary multiple listing service for Connecticut but does not include all listings in Greenwich, CT.



OFFICE of the STATE COMPTROLLER CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller

June 1, 2026

UPDATE ON FEDERAL CHANGES TO MEDICAID & FOOD ASSISTANCE

Last summer, Republicans in Congress passed President Trump's signature tax and spending bill, H.R. 1, known as the "One Big Beautiful Bill Act" or OBBBA.

The law extended most of the 2017 tax cuts, which it partially "paid for" with spending cuts to federally-funded safety net programs, most notably Medicaid (which provides health coverage for very low income or disabled individuals, seniors and families) and the Supplemental Nutrition Assistance Program, or SNAP, which provides food assistance (previously known as "food stamps"). **The law is estimated to cut over \$1 trillion in federal spending from the two programs** over 10 years and adds new costs and requirements for states. States partially fund and administer both SNAP and Medicaid for the federal government.



In Connecticut, the Department of Social Services (DSS) administers both SNAP and Medicaid (called "HUSKY" in Connecticut). Different parts of HUSKY (e.g., A, B, C and D) are for different client populations and have different rules. DSS [spoke](#) to an oversight council on May 8th with some updates on OBBBA implementation.

The state agency recently completed a competitive bidding process to select the vendor that will build out newly required technology. The updates will include new client-facing interfaces as well as administrative back-end components

related to the State's new requirements (e.g. first time ever Medicaid work requirements and every-6 months renewals for HUSKY D Medicaid enrollees, as well as new Medicaid co-pays). DSS estimates the total cost for technology upgrades at \$57.2 million and has received approval for federal funding to cover approximately \$45.9 million of that amount.

The outreach and communication components of that system will be rolled out by the end of August. In the fall, DSS will be implementing system changes to make the necessary adjustments to the eligibility rules for verification review and processing. There will also be digital tools for alerts and text messaging as well as queue changes to the call center technology to assist members as needed. Connecticut must complete this work by the federally-set January 1, 2027, compliance date.

SNAP

As of April, there were about 303,000 Connecticut SNAP beneficiaries (approximately 8.2% of the state's population), down from 342,000 in October 2025. SNAP enrollment has been declining in Connecticut, which is a trend that actually predated OBBBA, but federal changes have led to recent drops.

SNAP has had a longstanding work requirement, required of able-bodied adults without dependents to receive food assistance beyond three months in a three-year period. However, many beneficiaries were exempted from that requirement due to age, having dependents, a high unemployment rate in their local area, or status in a certain group (e.g., veterans, unhoused individuals, and youths that recently aged out of foster care).

OBBBA greatly restricted who is eligible for an exemption, now putting more Connecticut SNAP enrollees into the 3-month time-limited category of beneficiaries who need to meet the work requirement to continue getting help (e.g. the age limit for work requirements was increased from under age 55 to under age 65 and the age limit for who is considered a dependent was decreased from under age 18 to under age 14).

Some of the previous exemptions ended in December 2025. Since then and through April 2026, **DSS has seen about 30,000 beneficiaries move into the time-limited category** and about 18,000 of those have seen their three months of



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coverage expire. With other exemptions having just ended in April, more recipients are expected to see their benefits end in the coming months.

OBBBA has also reduced the amount of assistance many families receive, with the average household benefit declining from \$332 in October 2025 to \$314 in April 2026.

Medicaid

Starting January 1, 2027, approximately 316,000 HUSKY D recipients (who are low-income adults without minor children) will need to meet new work requirements or community engagement rules to maintain their health coverage, unless they qualify for a waiver (e.g., due to medical frailty).

State leaders are focused on making sure everyone who should qualify for public health insurance receives it and are taking proactive steps to reduce administrative burdens. The Congressional Budget Office predicts many otherwise eligible enrollees will lose their health coverage over the coming years simply due to the surge of new paperwork.

Using currently available data from various State sources, DSS has preliminarily identified approximately **206,000 of the current 316,000 HUSKY D enrollees (about 65%)** who will likely **automatically be deemed either compliant or exempt** from these work requirements. Many of those individuals have been diagnosed with conditions that meet “medical frailty” definitions used by other states, which DSS is able to verify using medical records from the program. Others can be verified through Department of Labor wage records or for already complying with SNAP work requirements, for example.

That leaves about 110,000 current enrollees on Medicaid that are at risk of losing coverage starting January 1, 2027, if they fail to verify compliance or obtain a waiver. However, DSS is working to include more data that could automatically indicate compliance or exemption



to reduce that figure. For example, they are looking for ways to allow gig workers (such as rideshare or delivery drivers) to easily have their earnings from such work used to satisfy the work requirement.

The agency is also partnering with United Way (2-1-1) and community action agencies across the state to provide extensive outreach that assists enrollees in maintaining their health and food benefits.

Economic Impacts

While the expansion of work requirements in SNAP and Medicaid could result in some recipients taking on new jobs, the net economic impact of these changes is expected to be negative for Connecticut’s economy overall. That’s because most beneficiaries are already working or should be exempt, but they may struggle to prove it. Additionally, new entrants to the labor force are currently finding it difficult to find jobs amidst sluggish hiring, making it more likely that those individuals will lose benefits during their search.

The spending of SNAP food assistance results in direct sales for Connecticut grocery stores and farmers, so less assistance generally lowers sales for those entities.

Similarly, Medicaid spending is in the form of government payments to doctors, hospitals and pharmacies on behalf of enrolled individuals. If some of the 110,000 at-risk individuals lose their coverage, that will mean a double-whammy of lower payments to the State’s healthcare industry as well as an uptick in uncompensated care (e.g., from more uninsured people showing up in hospital emergency rooms.) The State also stands to lose significant federal funding that is tied to the Medicaid program.



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APPENDIX

Connecticut Housing Market	Apr-26	Apr-25	% Change or Change
Home Sales (SmartMLS)	2,317	2,485	-6.8%
Median Sales Price (SmartMLS)	\$430,000	\$415,000	3.6%
Inventory of Homes for Sale (SmartMLS)	6,206	6,196	0.2%
New Listings (SmartMLS)	4,527	4,189	8.1%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 4/23/26 and 4/24/25)	6.51	6.86	-0.35
Median Days on Market (from listing to close, Realtor.com)	29	32	-3.0
Percent of List Price Received (SmartMLS)	102.7%	103.4%	-0.7%
Median Rent for New Leases (Apartment List)	\$1,698	\$1,698	0.0%
Single-family Housing Permits YTD-March (U.S. Census Bureau)	415	437	-5.0%
2+ Unit Structures Housing Permits YTD-Mar. (U.S. Census Bureau)	525	420	25.0%

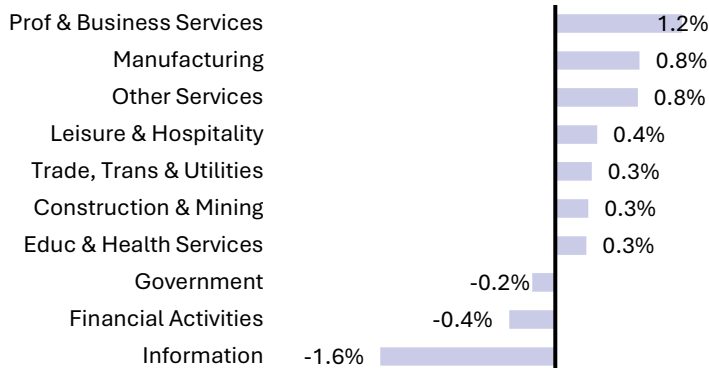
Realtor.com & Freddie Mac data Retrieved from FRED; Data derived from SmartMLS for the period of April 1–April 30, 2026. Information is deemed reliable but not guaranteed. Statistics are provided for informational purposes only, may not reflect all real estate activity, and are subject to change.

Connecticut Labor Market	Apr-26	Mar-26	Apr-25
Unemployment Rate	5.0%	4.8%	3.8%
Total Unemployed	96,500	92,600	73,400
Total Nonfarm Employment	1,725,300	1,719,600	1,720,100
Job Growth	+5,700	+2,400	+2,500
Average Monthly Initial Unemployment Claims	3,704	2,904	3,660
Labor Force Participation Rate	63.2%	63.5%	64.3%
Average Hourly Wage (Total Private Employees)	\$40.22	\$40.36	\$39.05
Average Hourly Wage, 3-month average, Year-over-Year Percent Change	2.9%	3.0%	4.3%

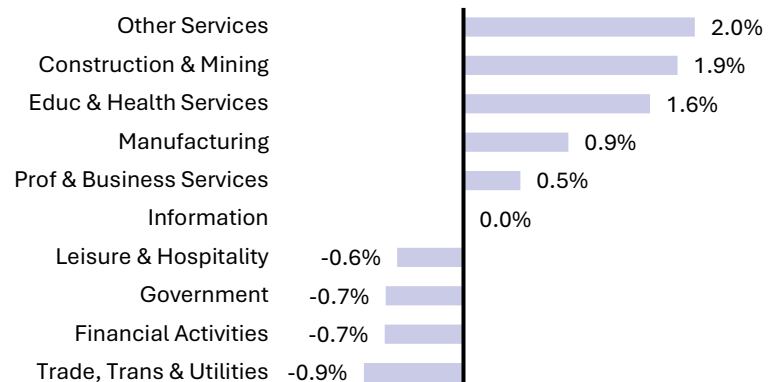
Note that BLS is no longer publishing monthly state-level JOLTs data; Data Source: Bureau of Labor Statistics & CT Department of Labor

Connecticut Industry Sector Nonfarm Payroll Employment – April 2026

Month-over-Month Percent Change



Year-over-Year Percent Change



Source: CT Department of Labor

Source: CT Department of Labor