

Report on the CFG Meeting from September 22, 2026

October 2026 Interim Joint Committee
on Appropriations and Revenue

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WEDNESDAY, OCTOBER 7, 2026

New Official Estimates

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- What prompted the call for a General Fund revision?
 - The actual fiscal year 2026 GF receipts exceeded the revised official estimate by \$476.6 million, a 3 percent difference
 - In the latest Quarterly Economic and Revenue Report, the interim estimate calls for a 6.2 percent GF increase over the next three quarters. That 6.2 percent estimated growth rate for FY27 Q1-Q3 compares to a 2.4 percent full year increase forecasted by the Group in December 2025.
 - In July of FY27, there was an unusually large amount of corporate income tax estimated payments which brought in more than \$350 million over last July's payments.

September 22, 2026, Consensus

(\$ Millions)

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<u>Revised Estimate</u>	<u>FY25</u>		<u>FY26</u>		<u>FY27</u>		<u>FY28</u>	
	Actual	%Chg	Actual	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income	5,319.2	-8.4	5,566.4	4.6	5,637.5	1.3	5,821.3	3.3
Sales & Use	5,821.3	0.3	6,196.6	6.4	6,506.0	5.0	6,723.9	3.3
Corp. Inc. & LLET	1,834.5	46.9	1,432.7	-21.9	1,990.3	38.9	1,597.3	-19.7
Property	839.3	3.9	853.0	1.6	879.6	3.1	904.3	2.8
Lottery	350.7	2.1	370.0	5.5	375.0	1.4	375.0	0.0
Cigarettes	243.6	-9.9	246.1	1.0	242.4	-1.5	235.0	-3.1
Coal Severance	56.1	-28.0	63.0	12.3	69.6	10.6	56.7	-18.5
Other	1,238.6	2.2	1,247.7	0.7	1,193.6	-4.3	1,241.5	4.0
Total General Fund	15,703.3	0.8	15,975.5	1.7	16,894.0	5.7	16,955.0	0.4

Difference from Enacted

Individual Income	-	183.6	128.5	174.2
Sales & Use	-	148.9	256.2	294.6
Corp. Inc. & LLET	-	85.6	499.9	97.1
Property	-	(11.2)	(11.5)	(13.6)
Lottery	-	-	10.0	10.0
Cigarettes	-	21.4	37.4	48.9
Coal Severance	-	7.9	25.4	21.0
Other	-	40.4	52.0	75.8
Total General Fund	-	476.6	997.9	708.0

The CFG Process

- OSBD provided the Consensus Forecasting Group (CFG) with three distinct choices on the path of the economy
 - ▣ Control (Baseline)
 - ▣ Optimistic
 - ▣ Pessimistic
- Ran each scenario through our revenue models like always
- What does that mean?
 - ▣ Fundamental relationship between the national / state economies and our state revenue collections
 - ▣ Use the history of revenue receipts and the history of the economic variables to establish the fundamental relationships between the revenues and the economy
 - ▣ Once established, we go out of sample and use the forecasted values of the three scenarios (C-O-P) to produce revenue forecasts for the CFG to consider

Difference Between Scenarios

- August Pessimistic scenario
 - ▣ Continuation of the war with Iran, which leads to ...
 - ▣ Tighter energy markets due to global supply disruptions, leading to ...
 - ▣ Higher energy prices and overall inflation, which leads to ...
 - ▣ Greater uncertainty, worsening financial conditions and weaker economic activity, which leads to ...
 - ▣ Erosion of consumer and business confidence, leading to ...
 - ▣ Declining consumer demand, higher unemployment, and a more aggressive federal reserve response to higher inflation (through raising the federal funds rate)
- The August Optimistic scenario is essentially the opposite of the pessimistic scenario

Difference Between Scenarios

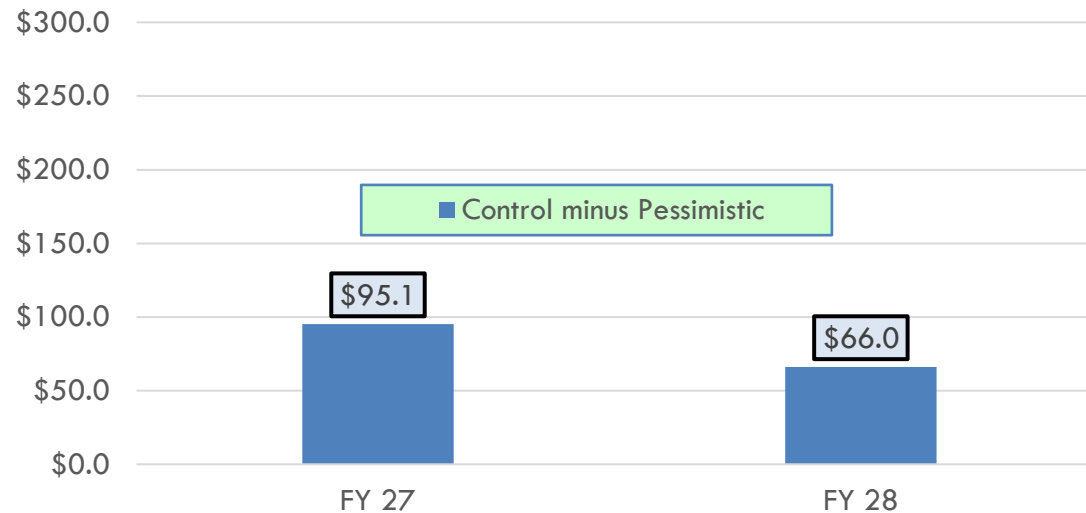
- August Optimistic scenario
 - ▣ Resolution of the conflict with Iran, which leads to ...
 - ▣ Improvement (loosening) in energy markets, leading to ...
 - ▣ Lower oil prices and lower overall inflation, which leads to ...
 - ▣ Improvement in financial conditions and stronger economic activity, which leads to ...
 - ▣ Improvement in consumer and business confidence, leading to ...
 - ▣ Higher consumer demand, lower unemployment, and higher GDP growth
- Given the variation among economic scenarios, CFG members were expecting a more pronounced spread among revenue estimates

Variation Among Scenarios

(\$ millions)

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	Pessimistic	Control	Difference
FY27	\$16,894.0	\$16,989.1	\$95.1
FY28	\$16,955.0	\$17,021.0	\$66.0



CFG Member Comments

- General sentiment was that uncertainty is greater in today's world versus December 2025
- Members not as confident that the Iran War will end as quickly and that oil prices / inflation will quickly subside
- Concerns that current spending might be pulling future spending forward by using revolving credit
- What creates the uniform weaker revenue performance in FY28 for all three scenarios?
- “Every day brings a new surprise, and they are usually bad surprises”

Chosen Scenario

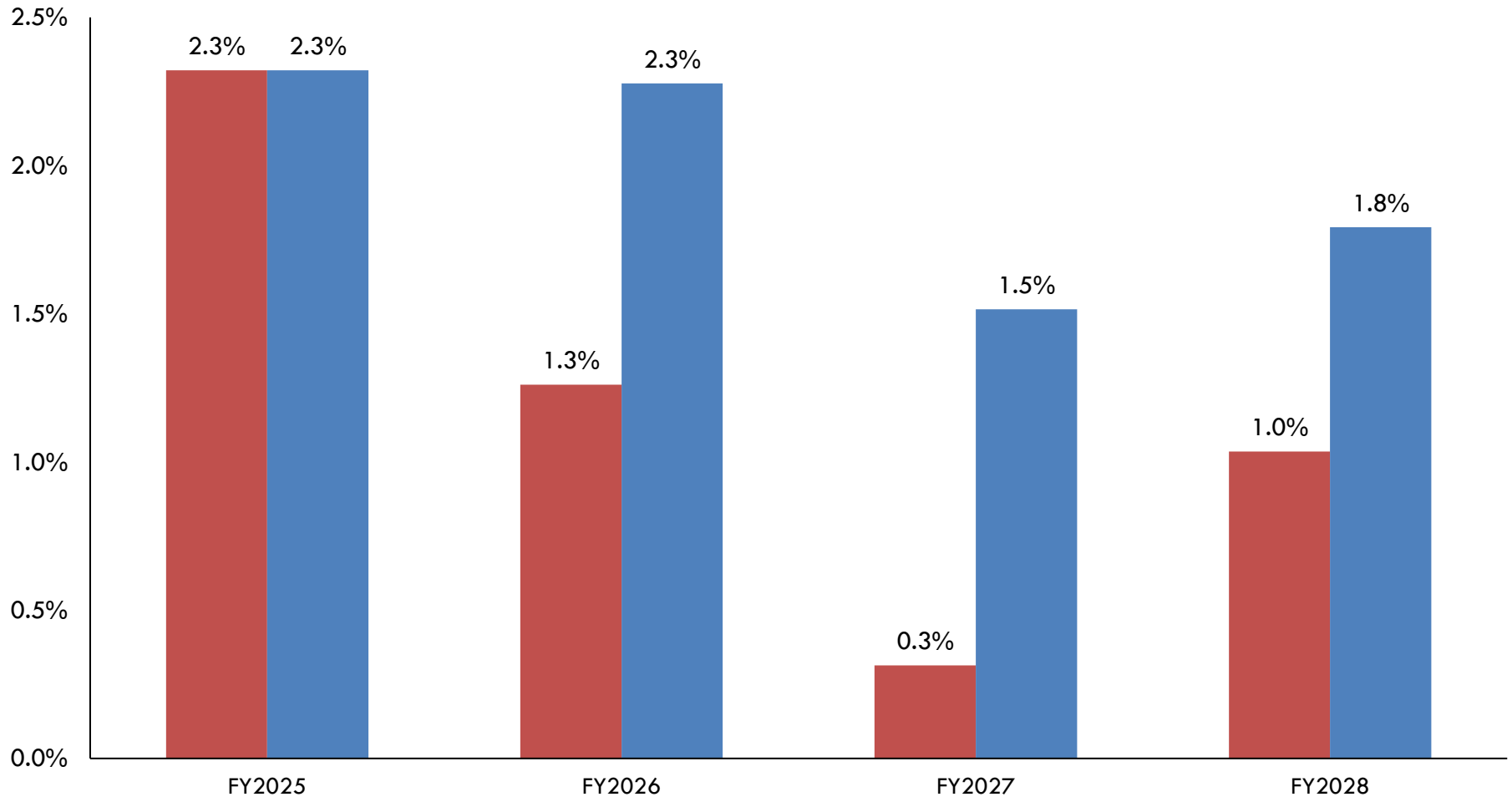
- GDP growth slows to 1.5% in FY27 and rebounds to 1.8% in FY28
 - ▣ Higher energy prices and disruptions to the world energy supply of oil and other commodities
 - ▣ Continued uncertainty surrounding the Iran conflict weakens financial markets, along with reduced consumer and business confidence
 - ▣ Business fixed investment significantly weakens
- Non-Farm Employment increase of 0.2% in FY27 and a decline of 0.3% in FY28
- Consumer spending growth slows to 1.7% in FY27 and 1.3% in FY28
- Unemployment rate increases to 5.0% by beginning of FY28
- Continued Iran conflict raises world oil price to \$108/bbl by FY27Q4

Real GDP

(S&P Global, Annual Growth Rates)



■ December 2025 ■ September 2026

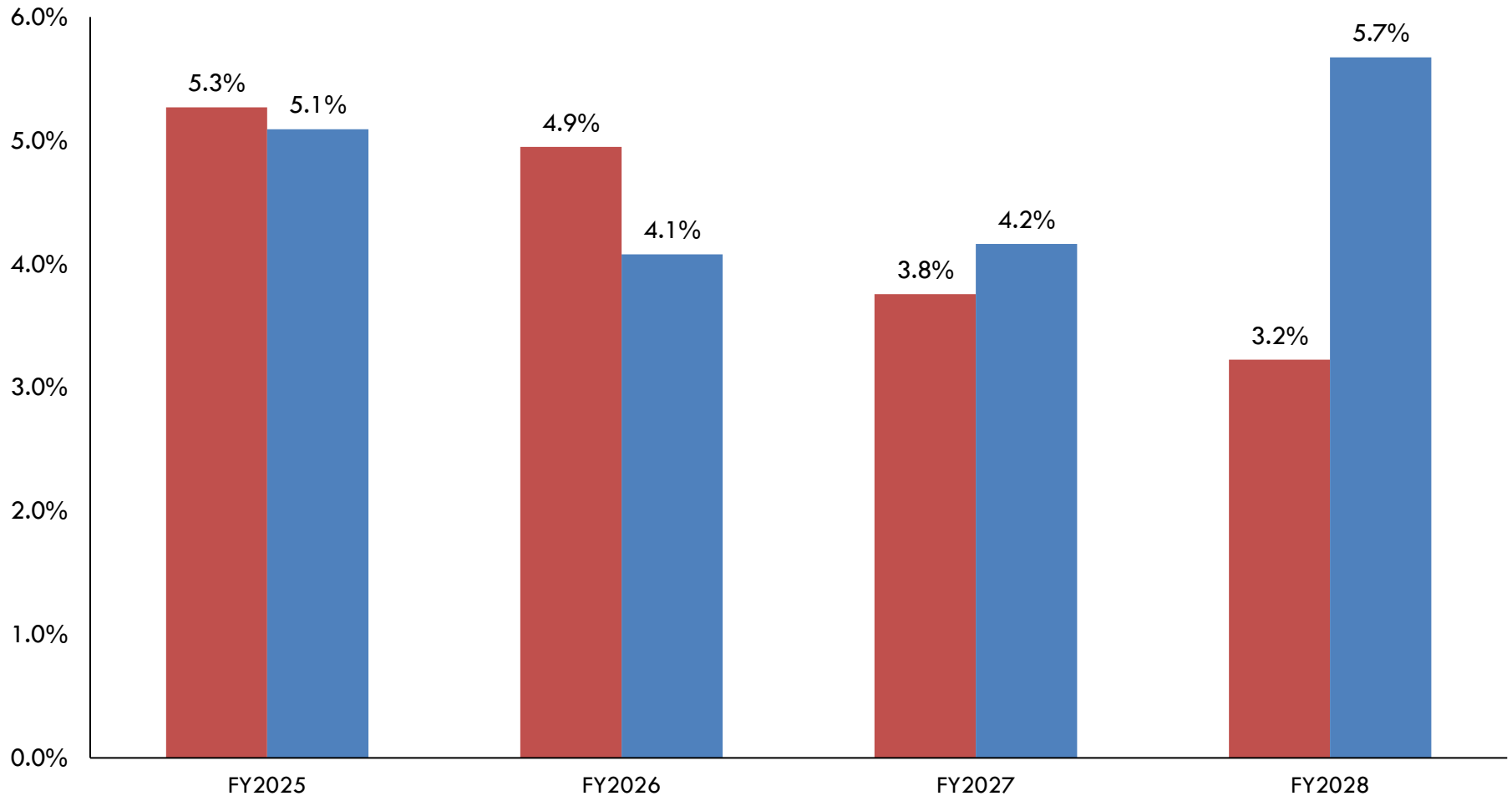


Wage and Salary Disbursements

(S&P Global, Annual Growth Rates)

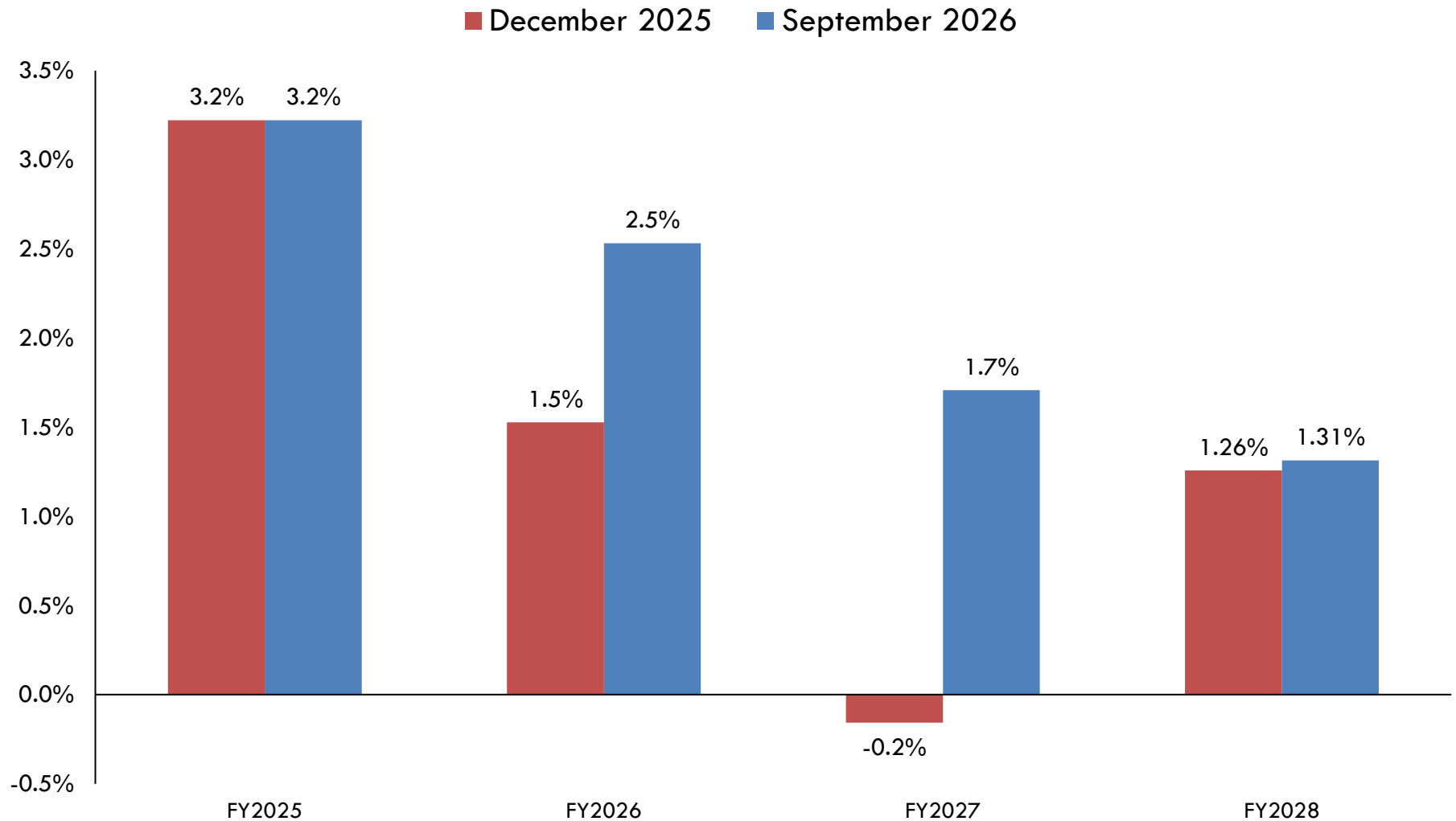


■ December 2025 ■ September 2026



Real Consumer Spending (Excluding Food and Energy)

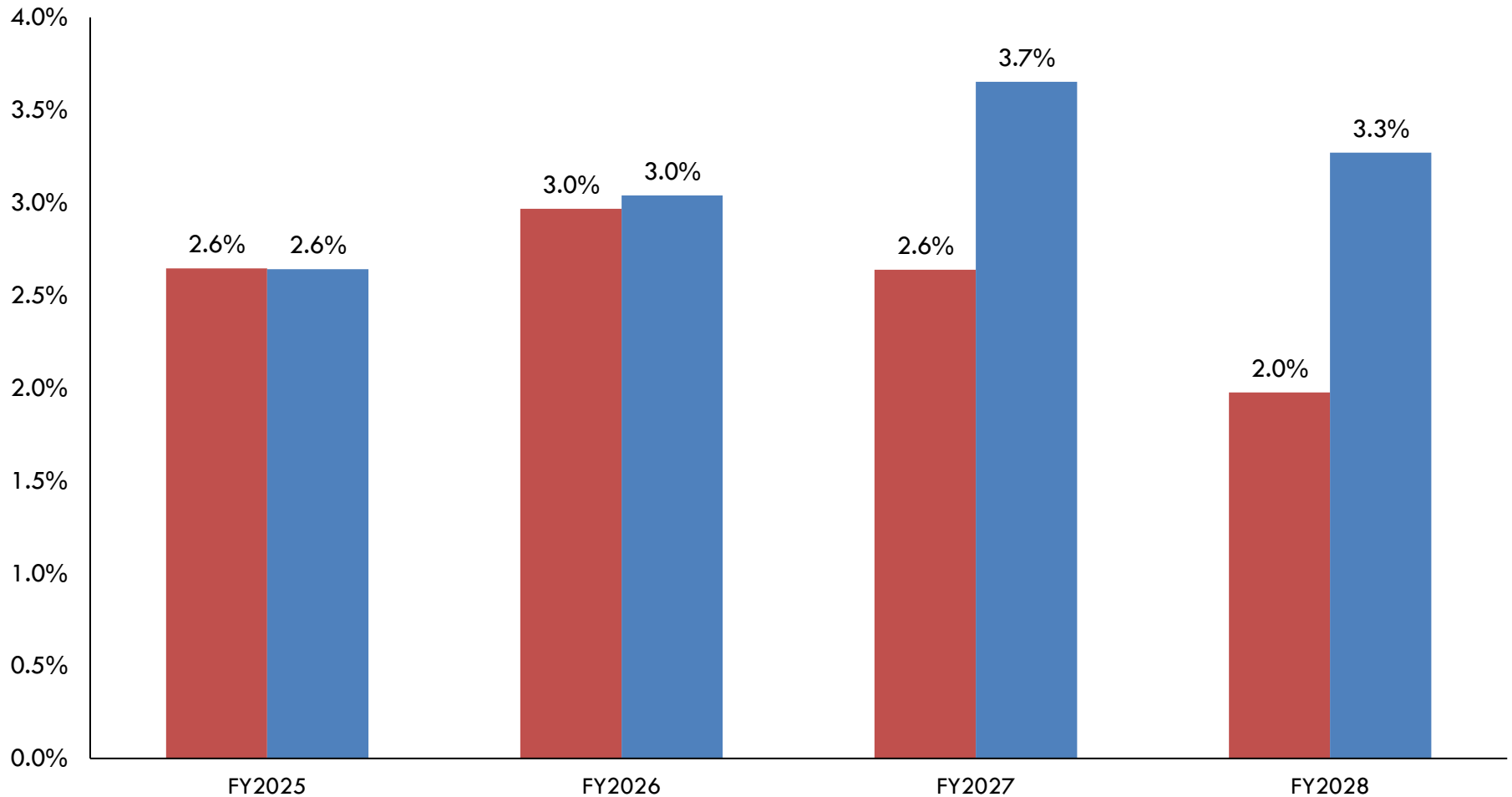
(S&P Global, Annual Growth Rates)



Consumer Price Index, All-Urban

(S&P Global, Annual Growth Rates)

December 2025 September 2026

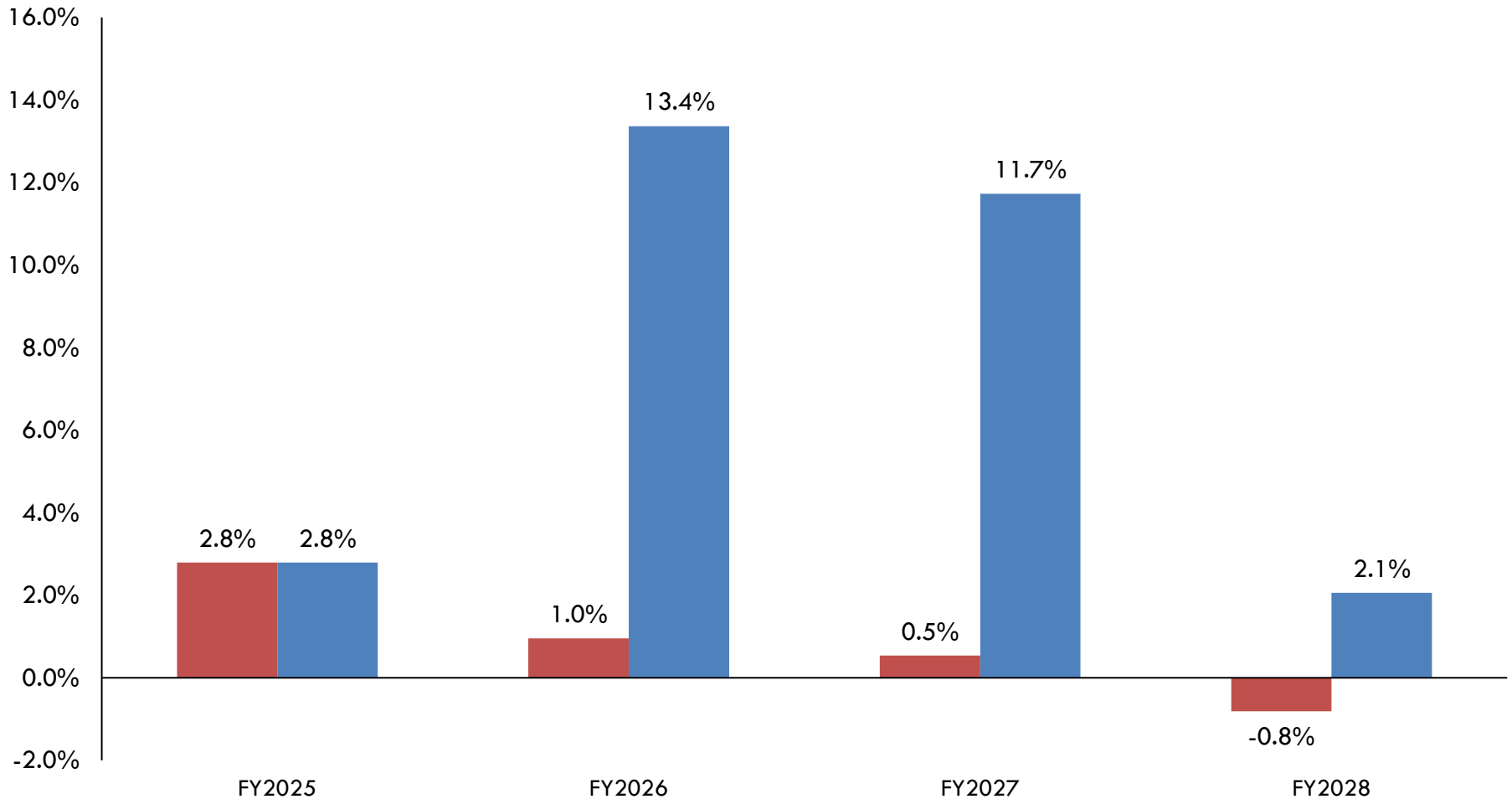


Before-Tax Corporate Profits

(S&P Global, Annual Growth Rates)



■ December 2025 ■ September 2026



Percentage Revenue Growth, All Scenarios

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