



February 3, 2025

The Honorable Ned Lamont
Governor of the State of Connecticut
Hartford, Connecticut

Dear Governor Lamont,

I write to provide you with financial statements for the General Fund and the Transportation Fund through December 31, 2024. The Office of the State Comptroller (OSC) is projecting the General Fund will end Fiscal Year 2025 with a \$443.0 million surplus and the Special Transportation Fund will end Fiscal Year 2025 with a \$159.0 million surplus. OSC is in general agreement with the Office of Policy and Management's (OPM's) General Fund and Special Transportation Fund projections. The following analysis of the financial statements furnished by OPM is provided pursuant to Connecticut General Statutes (CGS) Section 3-115.

The General Fund (GF) surplus for FY 2025 is projected at \$443.0 million, which is \$145.2 million higher than budgeted. Revenues were revised up by \$298.4 million this month, primarily due to interest earnings on federal pandemic relief funds since 2021 now being credited to the General Fund. That increase is partially offset by \$34.2 million in additional net expenditure, largely for Medicaid. However, as exemplified by the recently issued and then rescinded federal grant pause, there is now a heightened atmosphere of uncertainty around government finances. *See page two for more information.*

The Special Transportation Fund (STF) is projected to close FY 2025 with a \$159.0 million operating surplus, an increase of \$90.9 million from the budgeted amount. The surplus projection was nearly unchanged this month (up \$0.9 million), as the January consensus forecasts for revenue did not change from December's and \$0.9 million in additional lapses were identified. The STF closing balance is projected to be \$570.6 million (25.0% of net appropriations) as of June 30, 2025. *See page two for more information.*

The Budget Reserve Fund (BRF), also known as the "Rainy Day Fund," is currently at its statutory cap of 18% of current year net GF appropriations. It is projected to temporarily reach \$5,951.6 million, or 26.1% of FY 2025 net GF appropriations, following the projected transfer of \$1,403.5 million for the volatility cap and \$443.0 million from the GF surplus. Additional transfers to the retirement funds during the closeout of FY 2025 are expected.

If you have any questions on this report, please do not hesitate to contact me.

Sincerely,



Sean Scanlon
State Comptroller

This month in Numbers

General Fund Surplus

\$443.0 million
+246.2 million this month

Transportation Fund Surplus

\$159.0 million
+0.9 million this month

Projected BRF Transfer at FY 2025 Year-End

\$1,846.5 million
+264.2 million this month

General Fund Revenue

\$23,678.3 million
+298.4 million this month, increasing the surplus

General Fund Expenditures

\$23,235.3 million
+34.2 million this month, decreasing the surplus

STF Revenue

\$2,353.4 million
No change this month

STF Expenditures

\$2,194.4 million
-0.9 million this month, increasing the surplus

General Fund Snapshot

Forecasted FY 2025 revenues jumped nearly \$300 million in the January consensus forecasts by OPM and the Office of Fiscal Analysis. The year-end surplus is now projected to exceed the budgeted surplus of \$297.8 million by \$145.2 million.

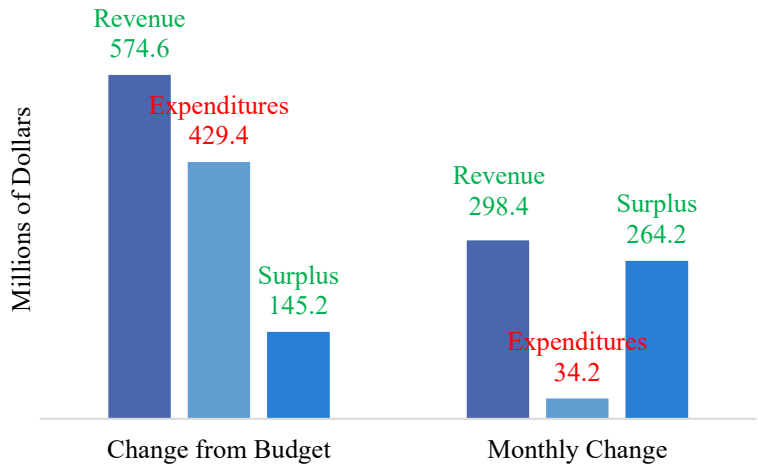
Key Drivers in Projected Deficiencies:

- The Department of Social Services Medicaid shortfall, resulting primarily from higher caseloads, increased \$30.0 million this month to \$290.0 million
- OSC-Fringe Benefits Higher Education Alternative Retirement System account, primarily caused by a change in accounting method, is short \$70.0 million

Key Drivers in Revenue Changes:

- Investment Income is up \$339.8 million, due to crediting interest on federal pandemic relief to GF.
- Federal Grants revised down by \$41.4 million.

How do GF current projections compare to the budget and what changed this month?



Special Transportation Fund Snapshot

The STF is on track to have a higher-than-budgeted surplus, thanks to projected expenditures running \$92.0 million below budget, partially offset by a \$1.1 million reduction to revenue. The slight change this month was due to lower projected net expenditures for fringe benefits and Department of Administrative Services personnel costs.

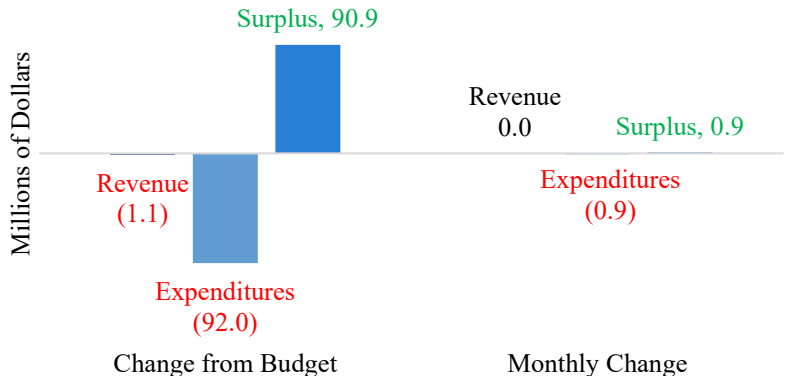
Projected Closing Balance:

\$570.6 million

Transfer to reduce indebtedness pursuant to PA 24-151:

\$526.9 million

How do STF current projections compare to the budget and what changed this month?



Note: Green labels denote improvements to balance, red labels denote deterioration.

Budget Reserve Fund Snapshot

The BRF transfer projection increased by \$264.2 million this month due entirely to the upward revision to the General Fund surplus.

Transfers to State Employees' and Teachers' Retirement systems for FY 2024 closeout:

\$933 million

BRF Balance (% of FY 2025 GF budget):

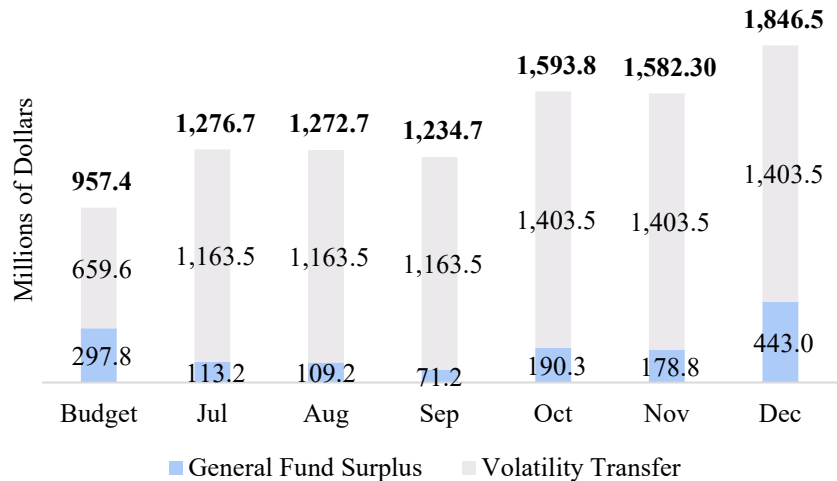
\$4,105.1 million (at the statutory cap of 18%)

Projected FY 2025 Year-end Balance Before Transfers (% of FY 2025 GF budget):

\$5,951.6 million (26.1%)

Excess funds above the FY 2026 18% cap will result in additional transfers to the pension funds in 2025.

What is the projected FY 2025 year-end transfer to the Budget Reserve Fund?



Figures reflect the projected General Fund balance and volatility transfer to the Budget Reserve Fund at fiscal year-end according to the financial statements dated as of the end of the month shown.