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September 2, 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 Special Transportation Fund through July 31, 2025. The Office of the State Comptroller (OSC) is projecting the General Fund (GF) will end **Fiscal Year 2026** with a **\$350.5 million surplus** and the Special Transportation Fund (STF) will end Fiscal Year (FY) 2026 with a **\$19.6 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 CGS Section 3-115.

In the first forecast for FY 2026, the **General Fund** is projected to close with a **\$350.5 million surplus**, which is \$41.4 million more than the \$309.1 million surplus anticipated in the FY 2026 budget as enacted. The increase is due to revenues being revised up by \$146.4 million, which more than offsets identified spending shortfalls of \$105.0 million. Higher expenditures for Medicaid, as well as revenue changes for personal income-withholding, sales and use, corporation, and public service corporations taxes are the major drivers of the projected surplus change. *See page two for more General Fund information.*

The **Special Transportation Fund (STF)** is projected to close FY 2026 with a \$19.6 million surplus, a decrease of \$10.3 million from the budgeted amount of \$29.8 million. The change is entirely due to decreased net revenue projections, largely to reflect lower collections of Oil Companies Tax in FY 2025. The STF closing balance is projected to be \$429.9 million (18.9% of FY 2026 net appropriations). *See page two for more STF information.*

The **Budget Reserve Fund (BRF)**, also known as the "Rainy Day Fund," is projected to be at its statutory cap of \$4.33 billion in FY 2026 (18% of current year net General Fund appropriations) following transfers of funds above that cap for the closeout of FY 2025. Based on current estimates, \$1.95 billion will be transferred out of the BRF and into the State Employees' and Teachers' Retirement systems, as determined by the Treasurer. The new **Early Childhood Education Endowment (ECEE)** received \$300 million for FY 2025. The BRF is currently projected to receive transfers of \$350.5 million from the General Fund surplus and \$1.44 billion from the volatility cap transfer for FY 2026, before statutorily required transfers. Given the statutory cap, we anticipate additional transfers to reduce pension debt during the closeout of FY 2026. *See page two for more BRF information.*

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
\$350.5 million
+41.4 million this month

**Transportation Fund
Operating Balance**
\$19.6 million
-10.2 million this month

**Projected BRF Transfer at
FY 2026 Year-End**
\$1.791 billion
+751.3 million this month

General Fund Revenue
\$24.492 billion
*+146.4 million this month,
increasing the surplus*

General Fund Expenditures
\$24.141 billion
*+105.0 million this month,
decreasing the surplus*

STF Revenue
\$2.299 billion
*-10.3 million this month,
decreasing the surplus*

STF Expenditures
\$2.279 billion
No change this month

General Fund Snapshot

It is still early in the fiscal year, but revenue projections have been updated based on full FY 2025 collections. Volatile revenues are revised up significantly based on prior year performance and improved stock market outlook. Both projected revenues and expenditures are running above budget, with a projected surplus equal to 1.5% of budget.

Major Changes to Revenue from budget:

- Personal Income Tax – Withholding **+162.9 million**
- Sales and Use Tax **+86.4 million**
- Corporation Tax **-70.9 million**
- Personal Income-Estimates & Finals* **+459.3 million**
- Pass-Through Entity Tax* **+250.6 million**

*These revenues are subject to the volatility cap, so the increases add only to the year-end BRF transfer.

Changes to Expenditures from budget:

- Dept. of Social Services (Medicaid) **+100 million**
- Adjudicated Claims **+5 million**

Special Transportation Fund Snapshot

Major changes from budget for revenues include a **\$33.8 million drop** in **Oil Companies Tax**, **\$17.5 million more** in **Interest Income**, **\$14.8 million more** in **Sales Tax**, and a **net \$8.8 million decrease** from other changes. Notable from last session, any final STF balance exceeding 18% of current year net appropriations must be used by the Treasurer to reduce special tax obligation indebtedness, per PA 25-168.

Projected Transfer from FY 2025 balance to reduce indebtedness (PA 25-168 Sec. 389):

\$27.2 million

Projected FY 2026 Closing Balance:

\$429.9 million (18.9% of FY 2026 budget)

Budget Reserve Fund Snapshot

The volatility transfer of Income Tax–Estimates & Finals and Pass-through Entity Tax revenue is expected to double the budgeted amount based on this month's estimates. Currently, we are projecting a \$350.5 million GF surplus, which will be transferred to the Early Childhood Education Endowment at year-end.

BRF Balance (% of FY 2026 GF budget):

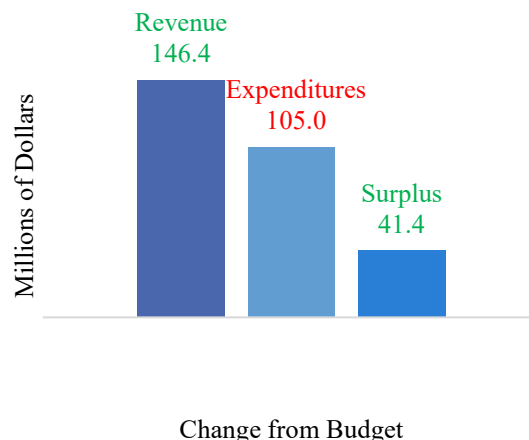
\$4.327 billion (at the statutory cap of 18%)

Projected FY 2026 Year-end Balance Before Pension Transfers (% of FY 2026 GF budget):

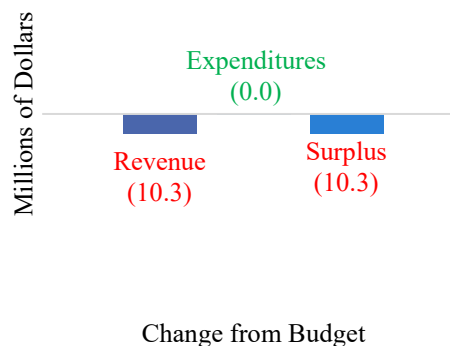
\$5.767 billion (24.0%)

Funds in excess of the 18% cap during FY 2026 close out are expected to result in additional transfers to pay down unfunded pension liabilities.

How do GF current projections compare to the original budget?

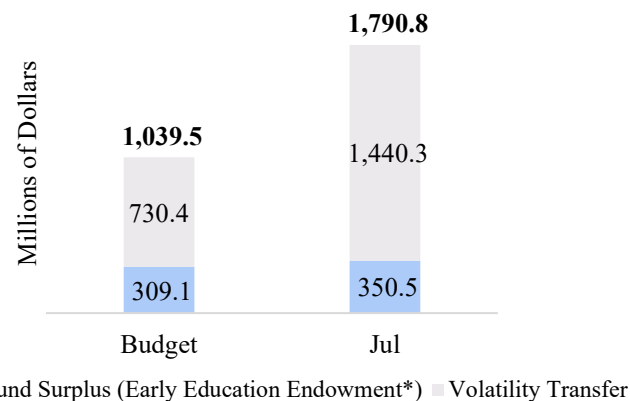


How do STF current projections compare to the budget and what changed this month?



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

What is the projected FY 2026 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.

*Any portion of the General Fund surplus not required for filling the BRF to its 18% cap will be transferred at year-end to the Early Childhood Education Endowment, pursuant to [PA 25-93](#).