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October 1, 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 August 31, 2025. The Office of the State Comptroller (OSC) is projecting the General Fund (GF) will end **Fiscal Year 2026** with a **\$316.8 million surplus** and the Special Transportation Fund (STF) will end Fiscal Year (FY) 2026 with a **\$12.0 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 CGS Section 3-115.

The **General Fund** is projected to close FY 2026 with a **\$316.8 million surplus**, which is \$33.6 million lower than last month but \$7.8 million more than budgeted. The decrease this month is entirely due to higher projected spending. This includes newly anticipated budget shortfalls in the Departments of Correction, Mental Health and Addiction Services, and Housing, as well as for state employee fringe benefits, that are partially offset by underspending in other accounts. *See page two for more General Fund information.*

The **Special Transportation Fund (STF)** is projected to close FY 2026 with a \$12.0 million surplus, a decrease of \$7.6 million from last month and \$17.8 million below the budgeted surplus. The change is also entirely due to higher spending projections, for state employee fringe benefits. The STF closing balance is projected to be \$422.3 million (18.5% 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. A FY2025 close out transfer of \$1.87 billion will be made to pay down long-term liabilities in the State Employees' and Teachers' Retirement systems this year, as determined by the Treasurer.

The BRF is currently projected to receive \$1.757 billion in transfers for FY 2026, bringing its balance to \$5.77 billion (24.0% of FY 2026 General Fund appropriations) before statutorily required transfers. Given the 18% statutory cap, we anticipate additional transfers to reduce pension debt during the closeout of FY 2026. The **Early Childhood Education Endowment (ECEE)** is currently projected to receive \$316.8 million for 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

\$316.8 million

-33.6 million this month

Transportation Fund Operating Balance

\$12.0 million

-7.6 million this month

Projected BRF Transfer at FY 2026 Year-End

\$1.757 billion

-33.6 million this month

General Fund Revenue

\$24.492 billion

No change this month

General Fund Expenditures

\$24.175 billion

*+33.6 million this month,
decreasing the surplus*

STF Revenue

\$2.299 billion

No change this month

STF Expenditures

\$2.287 billion

*+7.6 million this month,
decreasing the surplus*

General Fund Snapshot

Both revenues and expenditures are expected to exceed the budget plan by 0.6%, though it is still early in the fiscal year.

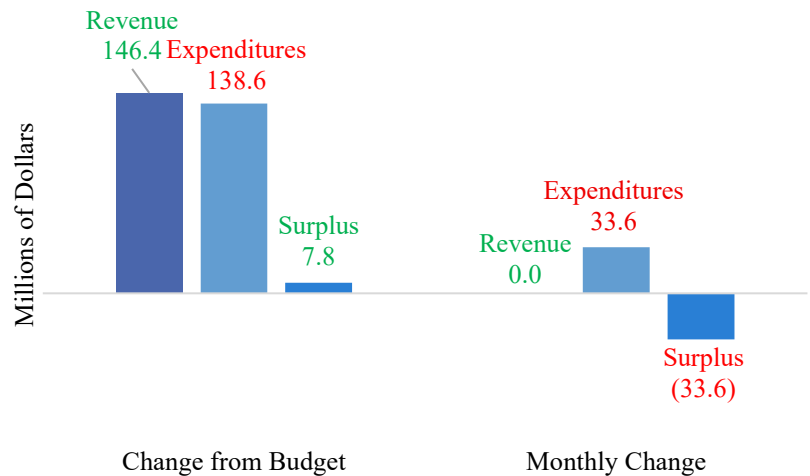
Key Drivers in Projected Deficiencies:

- **Medicaid**, higher costs & utilization (+100 million)
- **State Employee Health Services** (+43 million)
- **Corrections** (+12.45 million) for wages, other expenses and inmate medical services
- **Housing** (+8 million), rising rents & need for cold weather sheltering funding
- **Mental Health and Addiction Services** (+7 million) for wages, rising medication costs/homelessness risks
- These deficiencies are partially offset by new lapses

Key Drivers in Revenue Changes:

- **Personal Income Tax–Withholding** (+162.9 million)
- **Sales and Use Tax** (+86.4 million)
- **Corporation Tax** (-70.9 million)
- Estimates & Finals/Pass-Through Entity Tax (+709.9 million), solely raises volatility transfer to BRF

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



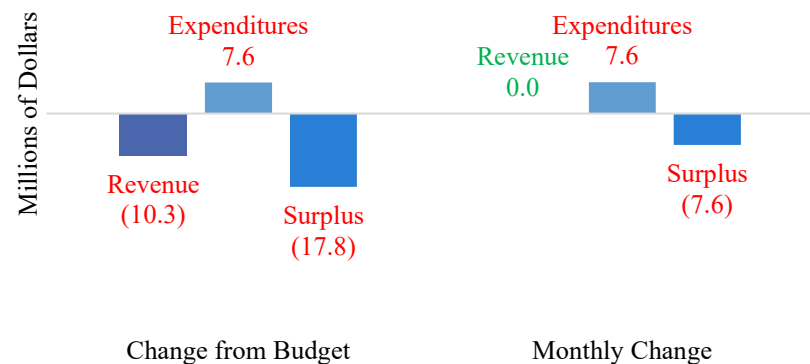
Special Transportation Fund Snapshot

Projected spending on employee fringe benefits (\$7 million for State Employees Health Service Cost, \$600,000 for Employers Social Security Tax) is revised up this month, reducing the surplus by \$7.6 million. Revenue is running lower, driven largely by lower projections for **Oil Companies Tax** (-33.8 million).

Projected Transfer from FY 2025 balance to reduce indebtedness (PA 25-168 Sec. 389):
\$27.2 million

Projected FY 2026 Closing Balance:
\$422.3 million (18.5% of FY 2026 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.

Budget Reserve Fund Snapshot

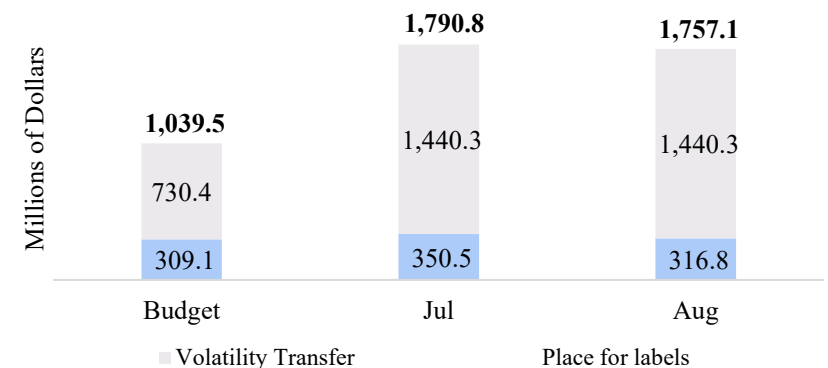
The FY 2025 closing balance is revised up by \$40.3 million based on an updated but unaudited FY 2025 surplus estimate of \$410.2 million. The additional surplus funds increase the projected pension fund transfer this year. Separately, we are projecting \$316.8 million will be transferred to the Early Childhood Education Endowment at year-end for FY 2026.

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.

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](#).