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April 1, 2026

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 February 28, 2026. The Office of the State Comptroller (OSC) is projecting the General Fund (GF) will end **Fiscal Year 2026** with a **\$6.0 million deficit** and the Special Transportation Fund (STF) will end Fiscal Year (FY) 2026 with a **\$47.4 million surplus**. OSC is in general agreement with the Office of Policy and Management's (OPM's) General Fund and Special Transportation Fund projections; however, OSC projects a lower General Fund ending balance than OPM's \$33.0 million surplus due to a shortfall in the Retired State Employees Health Service Cost account. The following analysis of the financial statements furnished by OPM, with that adjustment, is provided pursuant to CGS Section 3-115.

The **General Fund** is projected to close FY 2026 with a **\$6.0 million deficit**, which is \$83.3 million lower than last month and \$315.1 million less than budgeted. The decrease from last month was driven in large part by downward revisions in revenue estimates. The largest downward revision was in Corporate Tax, reduced by \$75.0 million, as it continues to underperform expectations. Refunds of taxes were also revised upward by \$50.0 million due to higher-than-expected income tax refunds, which reduces tax revenues. These decreases were partially offset by upward revisions in Inheritance and Estate taxes of \$35.0 million and Insurance Companies taxes of \$20.0 million. Despite other net spending reductions of \$30.7 million, total projected expenditures are \$8.3 million higher than last month because of the \$39.0 million shortfall for retired state employee healthcare mentioned above, due to higher prescription drug costs and utilization. OPM is finalizing a plan for covering that shortfall, hence why they did not include it in their estimates.

The **Special Transportation Fund (STF)** is projected to close FY 2026 with a **\$47.4 million surplus**, an increase of \$1.0 million from last month due to a decrease in projected expenditures. The projected surplus is \$17.6 million above the \$29.8 million budgeted surplus, and the closing fund balance is projected to be \$459.8 million (20.2% of FY 2026 net appropriations).

The **Budget Reserve Fund (BRF)**, also known as the "Rainy Day Fund," is at its statutory cap of \$4.33 billion (18% of net General Fund appropriations) for FY 2026. The BRF is projected to receive \$1.81 billion from the volatility cap deposit associated with the close out of FY 2026. After transfers, the balance of the BRF is anticipated to temporarily reach \$6.14 billion (25.5% of FY 2026 General Fund appropriations). 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 not projected to receive a transfer for FY 2026 under current estimates.

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 Balance
-\$6.0 million
-83.3 million this month

Transportation Fund Surplus
\$47.4 million
+1.0 million this month

Projected BRF Transfer at FY 2026 Year-End
\$1.81 billion
-77.3 million this month

General Fund Revenue
\$24.391 billion
-75.0 million this month, decreasing the surplus

General Fund Expenditures
\$24.397 billion
+8.3 million this month, decreasing the surplus

STF Revenue
\$2.325 billion
Unchanged this month

STF Expenditures
\$2.278 billion
-1.0 million this month, increasing the surplus

General Fund Snapshot

Revenues decreased by \$75.0 million compared to last month, and projected expenditures increased by \$8.3 million. The \$6 million deficit is equivalent to -0.025% of the General Fund budget.

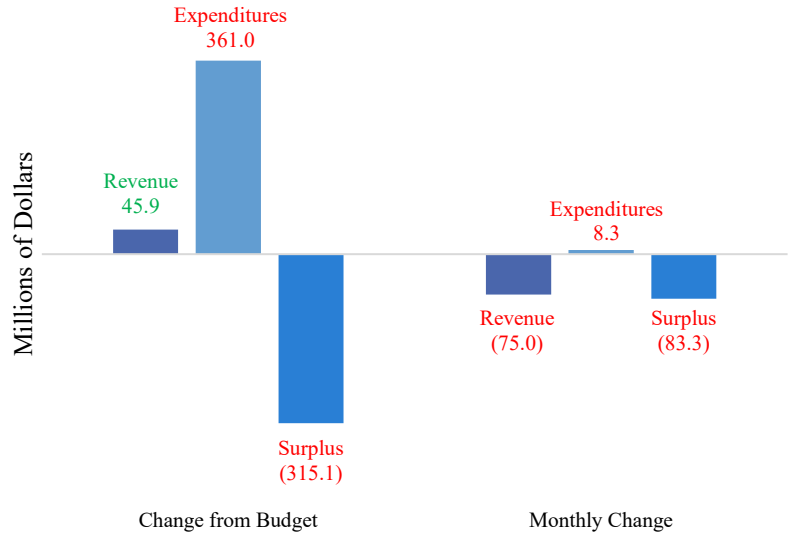
Key Revenue Changes this Month:

Corporate Tax was lowered by \$75.0 million as it continues to underperform. Tax refunds were also increased by \$50.0 million due to higher-than-expected refunds. Increases totaling \$55.0 million in other tax categories partially offset these decreases.

Key Spending Changes this Month:

Projected agency shortfalls decreased for Social Services (including Medicaid), Mental Health & Addiction Services, Technical Education, Corrections, and for the Office of Early Childhood. Projected spending also decreased for Education, State Treasurer, and Legislative Management, but increased for adjudicated claims and notably for OSC Fringe Benefits (retiree healthcare).

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



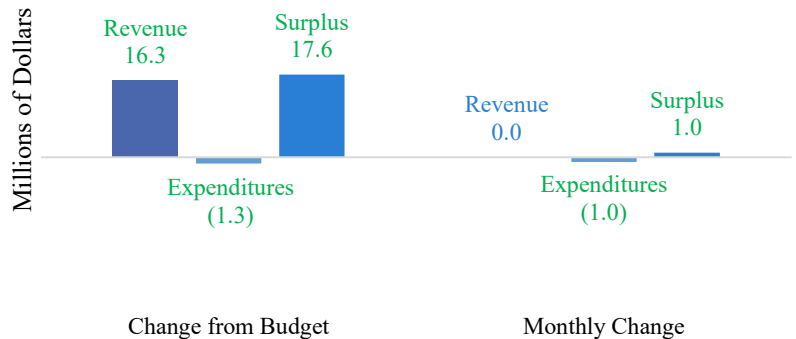
Special Transportation Fund Snapshot

Revenues remained unchanged from the prior month. Compared to last month, agency shortfalls fell by \$1.0 million (mainly for the Department of Transportation).

Projected Transfer from FY 2025 balance to reduce indebtedness (PA 25-168 Sec. 389):
\$57.5 million

Projected FY 2026 Closing Balance:
\$459.8 million (20.2% 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

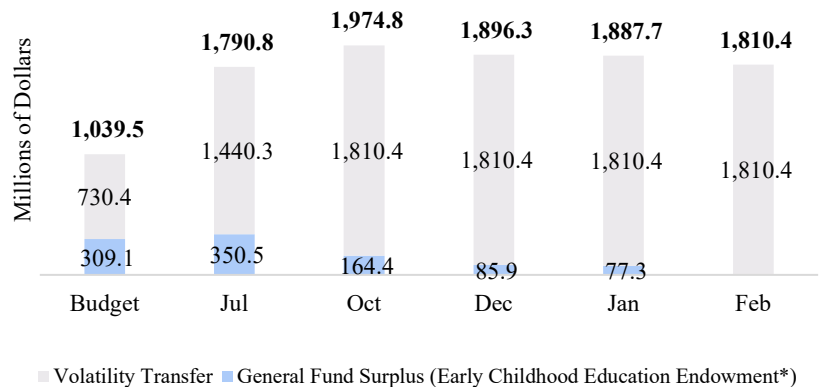
The BRF remains full. This month's projections eliminated the General Fund surplus, which precludes a transfer to the ECEE at fiscal-year end under current estimates.

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):
\$6.137 billion (25.5%)

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](#).