SEAN SCANLON
STATE COMPTROLLER

TARA DOWNES
DEPUTY COMPTROLLER

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
165 Capitol Ave.
Hartford, CT 06106

August 3, 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 June 30, 2026. The Office of the State Comptroller (OSC) is projecting the General Fund (GF) will end **Fiscal Year 2026** with a **$448.4 million surplus** and the Special Transportation Fund (STF) will end Fiscal Year (FY) 2026 with a **$16.9 million surplus,** in general agreement with the Office of Policy and Management's (OPM's) GF and STF 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 **$448.4 million surplus**, which is $36.7 million higher than last month and $139.3 million more than budgeted. Revenue estimates decreased this month by $41.0 million. This was due in large part to a $159.6 million reduction in Federal Grants revenue caused by a timing shift in receipts pushing revenue into Fiscal Year 2027. This decrease was largely offset by upward revisions in Corporation Tax ($30.0 million) and Sales and Use Tax ($40.0 million) as collections exceeded monthly targets. Additionally, Refunds in Taxes were reduced by $23.2 million, increasing revenue. Upward revisions to Income Tax Estimates and Finals ($39.1 million) and Pass-through Entity Tax ($54.4 million) increase the year-end transfer to the Budget Reserve Fund. Expenditure projections were also reduced by $77.7 million compared to last month because of increased lapse estimates as actual expenditures were lower than expected.

The **Special Transportation Fund** is projected to close FY 2026 with a **$16.9 million surplus**, a decrease of $5.8 million from last month and $12.9 million below the $29.8 million budgeted surplus. The decrease was due to a reduction in projected revenue of $3.0 million, driven by downward revisions totaling $8.0 million from exhibited weakness in Motor Vehicle Receipts (-$3.0 million) and License, Permits, and Fee (-$3.1 million) revenue compared to monthly targets, along with other net negative changes (-$1.9 million). These decreases were somewhat offset by an upward revision in Interest Income of $5.0 million. Projected expenditures also increased $2.8 million compared to the prior month, resulting from small increases in operational requirements.

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 $1.43 billion from the volatility cap deposit and $448.4 million from the General Fund surplus associated with the close out of FY 2026. After the transfer to the Early Childhood Education Endowment totaling $411.7 million, the balance of the BRF is anticipated to temporarily reach $5.79 billion (23.3% of FY 2027 General Fund appropriations). Funds above the 18% statutory cap (currently estimated at $1.31 billion) will be transferred to reduce pension debt during the closeout of FY 2026.

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
$448.4 million
+36.7 million this month

Transportation Fund Surplus
$16.9 million
-5.8 million this month

Projected BRF Transfer at FY 2026 Year-End
$1.88 billion
+130.2 million this month

General Fund Revenue
$25.149 billion
-41.0 million this month decreasing the surplus

General Fund Expenditures
$24.701 billion
-77.7 million this month, increasing the surplus

STF Revenue
$2.286 billion
-3.0 million this month, decreasing the surplus

STF Expenditures
$2.269 billion
+2.8 million this month, decreasing the surplus

General Fund Snapshot

Revenues decreased by $41.0 million compared to last month, and projected expenditures decreased by $77.7 million.

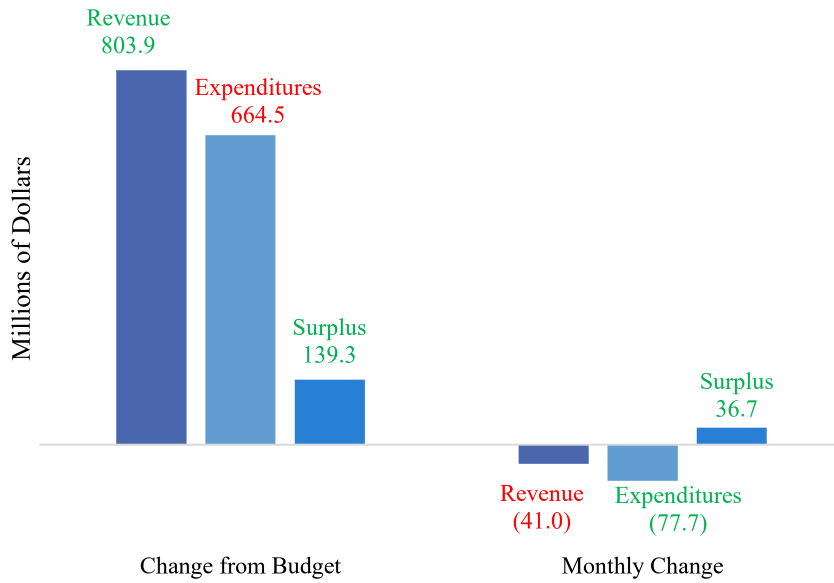
Key Revenue Changes this Month:

Federal Grants revenue was reduced by $159.6 million due to a timing shift pushing the revenue into FY 27. Offsetting increases included Personal Income Tax Estimates and Finals (+$39.1 million), Pass-through Entity Tax (+$54.4 million), Corporation Tax (+$30.0 million), and Sales and Use Tax (+$40.0 million). Refunds of Taxes were also reduced by $23.2 million, which results in an increase to revenue.

Key Spending Changes this Month:

The decrease in expenditures was the result of a net increase in estimated lapses. Additional underspending was identified especially for debt service and in the agencies concerning education, legislative management, children and families, labor, developmental services, and social services.

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



Special Transportation Fund Snapshot

Expected revenues were reduced by $3.0 million from the prior month due primarily to weakness in collections of Motor Fuels Tax (-$3.0 million), and Licenses, Permits, and Fees (-$3.1 million). These reductions were offset by a net increase in other revenue categories of $3.1 million. Expenditures increased by $2.8 million from last month.

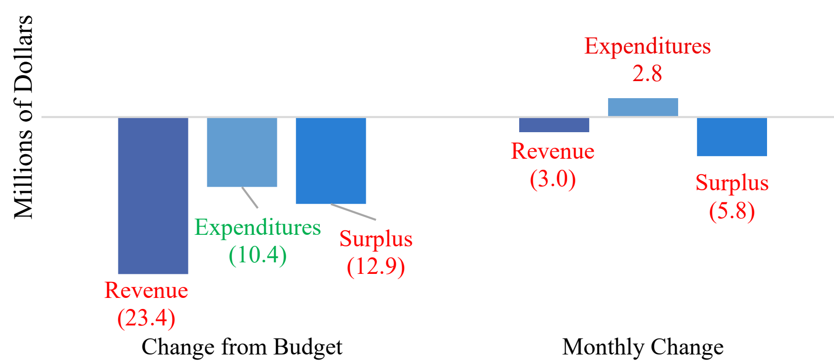
Projected Transfer from FY 2025 balance to reduce indebtedness (PA 25-168 Sec. 389):

$57.5 million

Projected FY 2026 Closing Balance:

$429.3 million (18.8% of FY 2026 net appropriations)

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 increased the volatility transfer by $93.5 million and the General Fund surplus by $36.7 million. The Early Childhood Education Endowment received a transfer of $411.7 million associated with the close out of FY 2026.

BRF Balance (% of FY 2026 GF budget):

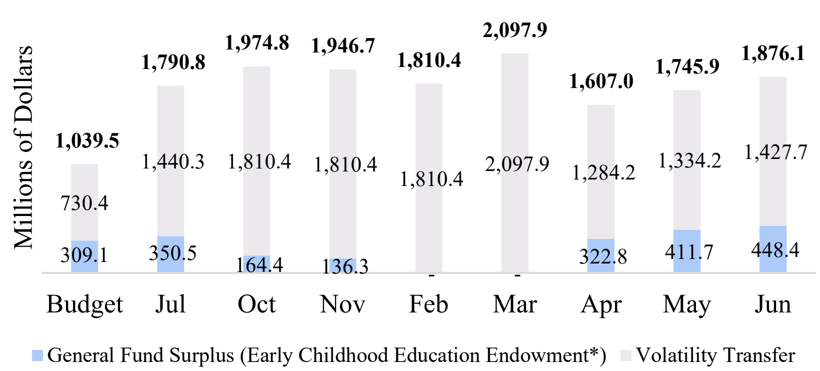
$4.327 billion (at the statutory cap of 18%)

Projected FY 2026 Year-end Balance Before Pension Transfers (% of FY 2027 GF budget):

$5.79 billion (23.3%)

Funds in excess of the 18% cap during FY 2026 close out (currently estimated at $1.31 billion) will 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.
*As of the June financial statements, $411.7 million of the General Fund surplus is directed to the Early Childhood Education Endowment and $36.7 million will remain in the BRF.