SEAN SCANLON
STATE COMPTROLLER

TARA DOWNES
DEPUTY COMPTROLLER

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

September 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 July 31, 2026. The Office of the State Comptroller (OSC) is projecting the General Fund (GF) will end **Fiscal Year 2027** with a **$451.8 million surplus** and the Special Transportation Fund (STF) will end Fiscal Year (FY) 2027 with a **$209.6 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.

In the first projections for this fiscal year, the **General Fund** is estimated to close FY 2027 with a **$451.8 million surplus**, which is $7.9 million lower than what was budgeted in Public Act 26-68. Overall upward revenue revisions of $63.6 million are more than offset by higher projected expenditures of $71.5 million, both inclusive of a $13.5 million transfer from the Federal Cuts Response Fund that increases General Fund revenue and spending by that amount. Revenue forecasts are increased by $142.2 million compared to the budget act, primarily from an upward revision in Sales and Use Tax, however, legislative and administrative changes occurring after the adoption of the General Fund revenue schedule on May 1st reduce that increase by $78.6 million. The largest of these changes was a $100.0 million reduction in transfers of FY 2026 revenues into FY 2027. Expenditure projections are also increased by $58.0 million this month due to projected shortfalls in funding spread over several agencies, the largest related to the Medicaid account ($25.0 million).

The **Special Transportation Fund** is projected to close FY 2027 with a **$209.6 million surplus**, a decrease of $5.0 million from the budgeted surplus of $214.6 million. The decrease was due to a reduction in projected revenue of $2.0 million, driven by a downward revision in Licenses, Permits, and Fees revenue of $5.1 million. That was largely offset by an upward revision in Sales and Use Tax revenues of $3.1 million. Expenditures were also revised upward by $3.0 million due to higher than budgeted social security taxes. Approximately $8.9 million is projected to be transferred to reduce indebtedness associated with the closeout of FY 2026.

The **Budget Reserve Fund (BRF)**, also known as the "Rainy Day Fund," is at its statutory cap of $4.48 billion (18% of net General Fund appropriations) for FY 2027. The BRF is projected to receive $1.53 billion from the volatility cap deposit associated with the close out of FY 2027. After transfers, the balance of the BRF is anticipated to temporarily reach $6.01 billion (24.2% of FY 2027 General Fund appropriations). Funds above the 18% statutory cap will be transferred to reduce pension debt during the closeout of FY 2027. The Early Childhood Education Endowment is projected to receive a transfer of $451.8 million, the full General Fund surplus, for FY 2027 under current estimates.

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

Sincerely,

Sean Scanlon

Sean Scanlon
State Comptroller

This month in Numbers

General Fund Surplus
$451.8 million
-7.9 million this month

Transportation Fund Surplus
$209.6 million
-5.0 million this month

Volatility Transfer at FY 2027 Year-End
$1.53 billion
No change this month

General Fund Revenue
$25.398 billion
+63.6 million this month increasing the surplus

General Fund Expenditures
$24.946 billion
+71.5 million this month, decreasing the surplus

STF Revenue
$2.623 billion
-2.0 million this month, decreasing the surplus

STF Expenditures
$2.413 billion
+3.0 million this month, decreasing the surplus

General Fund Snapshot

The $451.8 million projected General Fund surplus equals 1.8% of net appropriations. While having a net zero impact on the surplus, both spending and revenues are higher by $13.5 million because transfers from the Federal Cuts Response Fund support new spending.

Key Revenue Changes this Month:

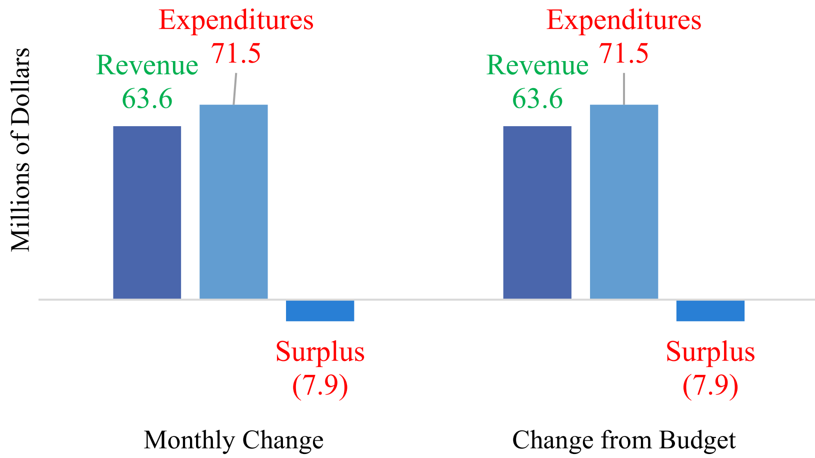
Increases include Sales and Use Tax (+$123.8 million), Real Estate Conveyance Tax (+$30.3 million), and Investment Income (+$21.2 million). These increases were offset by downward revisions to Withholding Taxes (-$16.8 million) and Transfers-Special Revenue (-$16.2 million). Legislative and administrative changes reduce revenues by $78.6 million.

Key Spending Changes this Month:

The Medicaid account is projected to see a $25.0 million shortfall based on current spending trends.

The largest other shortfalls are in Dept. Mental Health and Addiction Services and Fringe Benefits.

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



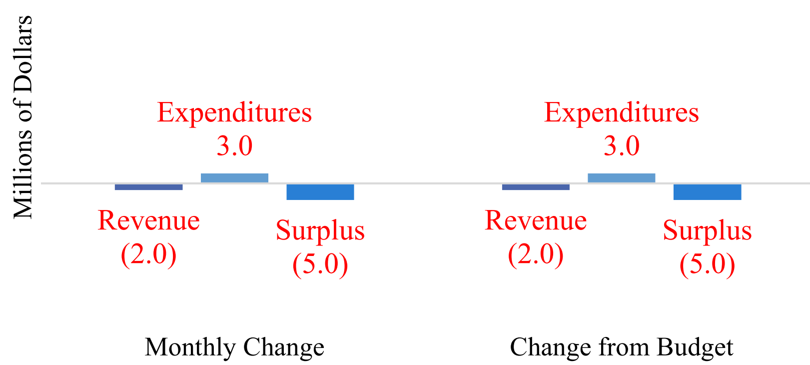
Special Transportation Fund Snapshot

Expected revenues are reduced by $2.0 million from the adopted budget due primarily to a lower base for Licenses, Permits, and Fees (-$5.1 million). This reduction was partially offset by an increase in Sales and Use Tax of $3.1 million. Projected expenditures increased by $3.0 million from the enacted budget.

Projected Transfer from FY 2026 balance to reduce indebtedness (PA 25-168 Sec. 389):
$8.9 million

Projected FY 2027 Closing Balance:
$643.4 million (26.7% of FY 2027 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

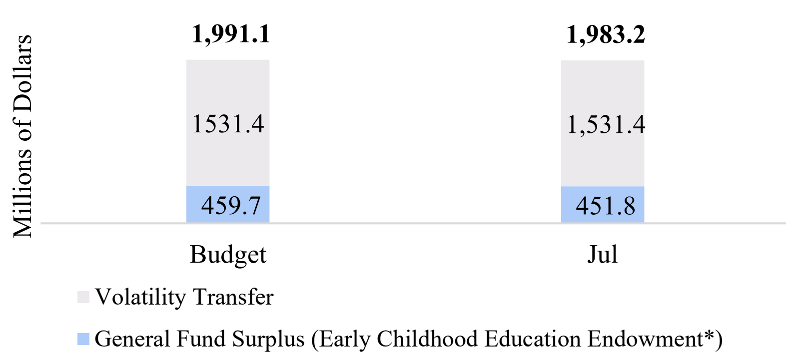
The BRF remains full. The estimated excess payments to be made into the State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS) associated with FY 2026 close out total $1.408 billion.

BRF Balance (% of FY 2027 GF budget):
$4.477 billion (at the statutory cap of 18%)

Projected FY 2027 Year-end Balance Before Pension Transfers (% of FY 2027 GF budget):
$6.01 billion (24.2%)

Funds in excess of the 18% cap during FY 2027 close out will result in additional transfers to pay down unfunded pension liabilities.

What is the projected FY 2027 year-end transfer from the General 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.