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October 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 August 31, 2026. The Office of the State Comptroller (OSC) is projecting the General Fund (GF) will end **Fiscal Year 2027** with a **\$380.0 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.

The **General Fund** is estimated to close FY 2027 with a **\$380.0 million surplus**, which is \$71.8 million lower than last month and \$79.7 million less than budgeted. Revenue projections are unchanged this month and remain \$63.6 million above the budget act. The decline in surplus is driven entirely by higher projected expenditures, which increased by \$71.8 million this month and are now \$143.3 million above the budgeted level. This includes \$13.5 million in spending supported by a transfer from the Federal Cuts Response Fund. The largest new pressure for expenditures is a \$56 million projected shortfall in the Retired State Employees Health Service Cost account, which brings the net projected shortfall across all Fringe Benefits accounts to \$69.0 million.

The **Special Transportation Fund** is projected to close FY 2027 with a **\$209.6 million surplus**. This is unchanged from last month and is a decrease of \$5.0 million from the budgeted surplus of \$214.6 million. There were no revisions to STF revenue or expenditures this month. The fund is projected to close FY 2027 with a fund balance of \$643.4 million, equivalent to 26.7% of FY 2027 appropriations, before required transfers.

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 \$380.0 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
State Comptroller

This month in Numbers

General Fund Surplus

\$380.0 million

-71.8 million this month

Transportation Fund Surplus

\$209.6 million

No change this month

Volatility Transfer at FY 2027 Year-End

\$1.53 billion

No change this month

General Fund Revenue

\$25.398 billion

No change this month

General Fund Expenditures

\$25.018 billion

*+71.8 million this month,
decreasing the surplus*

STF Revenue

\$2.623 billion

No change this month

STF Expenditures

\$2.413 billion

No change this month

General Fund Snapshot

The \$380.0 million projected General Fund surplus equals 1.5% of net appropriations. Spending and revenue projections both include \$13.5 million associated with the Federal Cuts Response Fund, with no net effect on the surplus.

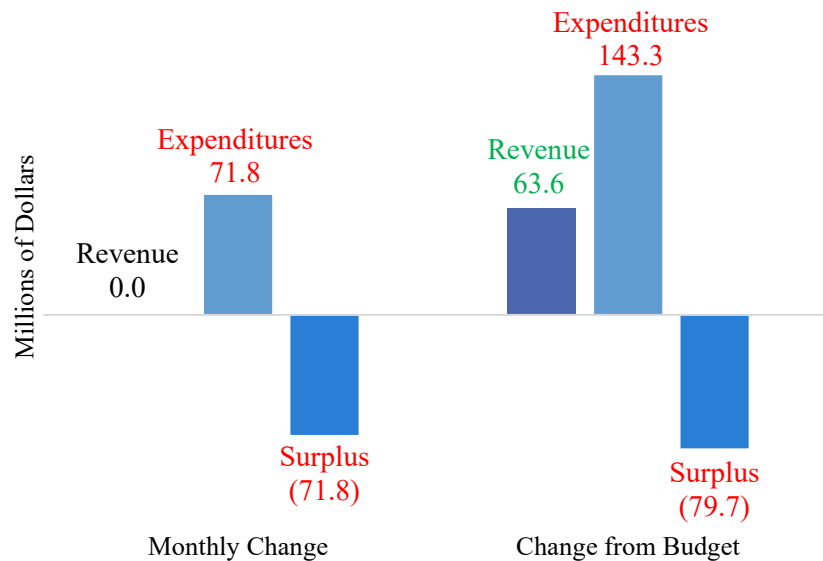
Key Revenue Changes:

There were no reported changes in revenue this month and revenues remain \$63.6 million above the budget's adopted revenue schedule. Revisions include Sales and Use Tax (+\$123.8 million) and legislative and administrative changes (-\$78.6 million), among others.

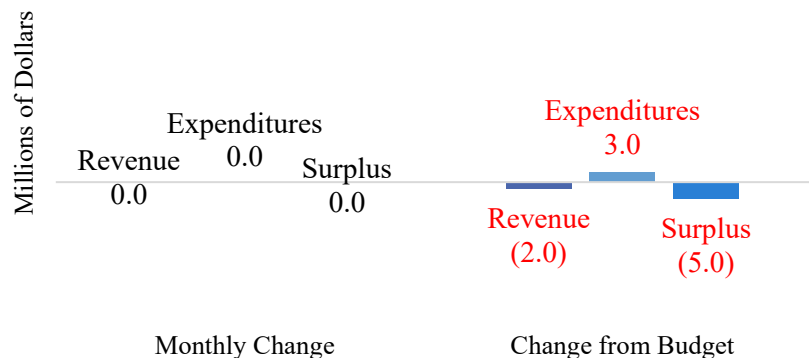
Key Spending Changes this Month:

Fringe Benefits accounts are projected to see a \$69.0 million shortfall, up \$58.0 million from last month. This increase is driven by a new \$56.0 million shortfall for retired state employee health care. A new \$13.8 million shortfall is also projected in Workers' Compensation Claims (DAS).

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



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.

Special Transportation Fund Snapshot

There are no changes to STF projections this month. Expected revenues remain \$2.0 million below the adopted budget, due primarily to a lower base for Licenses, Permits, and Fees (-\$5.1 million). This is partially offset by an increase in Sales and Use Tax of \$3.1 million. Projected expenditures remain \$3.0 million above 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)

Budget Reserve Fund Snapshot

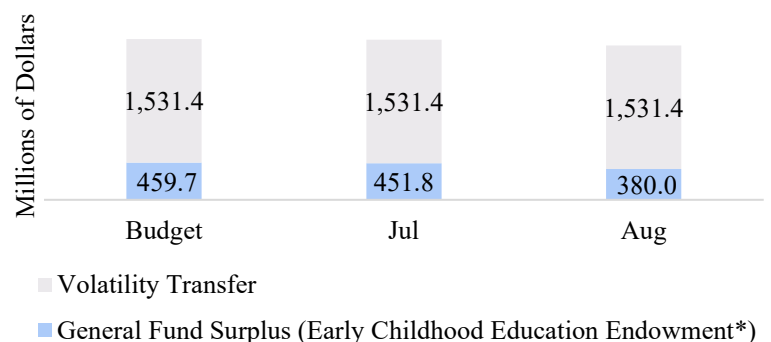
The BRF remains full. The State Treasurer deposited \$1.304 billion in excess payments into the State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS) associated with FY 2026 close out so far, with total estimated deposits of \$1.418 billion.

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 are the projected FY 2027 year-end transfers 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](#).