

August 20, 2025

The Honorable Sean Scanlon
State Comptroller
165 Capitol Avenue
Hartford, Connecticut 06106

Dear Comptroller Scanlon:

Section 4-66 of the General Statutes requires that my office provide information on the state's General Fund for Fiscal Year 2026. An analysis of the Special Transportation Fund is also provided here due to the significance of this fund.

FY 2026 Projection			
(in millions)			
	<u>Budget</u>	<u>August Estimate</u>	Aug Est. Variance from <u>Budget</u>
<u>General Fund</u>			
Revenues	\$ 24,345.4	\$ 24,491.8	\$ 146.4
Expenditures	<u>24,036.4</u>	<u>24,141.4</u>	<u>105.0</u>
Operating Results - Surplus/(Deficit)	\$ 309.1	\$ 350.5	\$ 41.4
<u>Budget Reserve Fund</u>			
Deposits		\$ 1,440.3	
Withdrawals		<u>(1,947.1)</u>	
Proj. Net Deposit/(Withdrawal) 6/30		\$ (506.8)	^{1.}
<u>Special Transportation Fund</u>			
Revenues	\$ 2,309.1	\$ 2,298.8	\$ (10.3)
Expenditures	<u>2,279.2</u>	<u>2,279.2</u>	<u>-</u>
Operating Results - Surplus/(Deficit)	\$ 29.8	\$ 19.6	\$ (10.3)
Proj. Fund Balance 6/30		\$ 429.9	^{2.}
Notes:			
1. BRF withdrawal includes the transfer out of \$1,947.1 million in FY 2026 pursuant to Sec. 4-30a, CGS based on the estimated FY 2025 ending balance. This sum will be deposited as additional contributions to the State Employees Retirement Fund and the Teachers' Retirement Fund. Estimated deposits excludes forecast General Fund surplus as this will be transferred to the Early			
2. STF Fund balance after anticipated transfer to reduce STO debt pursuant to P.A. 25-168, Sec. 389.			

General Fund

FY 2025 Operating Results

Our final projection for FY 2025, issued July 21st, reflected a projected General Fund surplus of \$380.1 million - \$82.3 million above the level in the initially adopted budget. While final accounting adjustments, including expenditure accruals, are not complete, revenue collections during the accrual period showed an increase of \$78.6 million over our July 21 forecast.

FY 2026 Projection Summary

The FY 2026 budget, adopted in P.A. 25-168, anticipated a \$309.1 million balance at year end – 1.3% of General Fund appropriations. We currently project a \$350.5 million surplus as a result of revenue and expenditures projections that are both currently above budgeted levels as discussed below.

Revenues

Projected revenues have been revised upward by \$146.4 million compared to the adopted budget, largely due to higher than anticipated collections in FY 2025 that form the basis of our FY 2026 forecast. On the positive side, the withholding component of the Personal Income Tax has been revised upward by \$162.9 million, and the Sales and Use Tax has been revised upward by \$86.4 million. Offsetting these positive gains are the Corporation Tax, down \$70.9 million, Investment Income down \$26.3 million, and Health Provider Taxes, down \$23.7 million. Volatile revenues, including estimates and finals under the Personal Income Tax and the Pass-through Entity Tax, have been revised upwards by a combined \$709.9 million in FY 2026. This change is attributable to two factors: First, FY 2025 volatile revenues outperformed their April consensus targets and the positive variance is reflected in the new fiscal year; and, second, performance in the equity markets has improved since the consensus revenue forecast in April, and is now up more than 8 percent year-to-date, reversing negative performance at the end of April, which bodes well for income year 2025 collections absent any major correction between now and the end of the calendar year. All other changes net to a positive \$18.0 million.

It is very early in the fiscal year and there are many factors that could impact our state's economy and revenue related to federal budget and fiscal policy, tariffs, interest rates, inflation and geopolitical developments.

Expenditures

We forecast that FY 2026 expenditures will be \$105.0 million above the level in the adopted budget primarily as a result of spending trends in the Department of Social Services' Medicaid account, for which a shortfall of \$100 million is likely. In addition, we forecast \$5 million in expenditure requirements in the adjudicated claims account, which is paid from the unappropriated resources of the General Fund.

Budget Reserve Fund

Our forecast for the Budget Reserve Fund is depicted below. We project that, after transfers out of the fund and into the State Employees and Teachers' Retirement Systems pursuant to the close-out of FY 2025 and transfers into the fund pursuant to the statutory volatility cap, the fund balance at the end of FY 2026 will be \$5.77 billion, or 24.0% of net General Fund appropriations for the current year.

Budget Reserve Fund	
	(in millions)
BRF Ending Balance - FY 2025 (OPM 7/21/25 Est.)	\$ 6,273.7
Deposit to SERS/TRS pursuant to FY 2025 Closeout (OPM 7/21/25 Est.)	<u>(1,947.1)</u>
Estimated FY 2025 Ending Balance After Transfers to Pensions	\$ 4,326.6
Projected Operating Surplus - FY 2026 (OPM 8/20/25 Est.)	350.5
Projected Transfer to Early Childhood Education Endowment	<u>(350.5)</u>
Volatility Cap Deposit - FY 2026 (OPM 8/20/25 Est.)	<u>1,440.3</u>
Estimated BRF Ending Balance - FY 2026	\$ 5,766.9
Ending BRF as % of FY 2026 General Fund Appropriations	24.0%

Special Transportation Fund

The adopted budget, P.A. 25-168, anticipated a \$29.8 million balance from operations. We currently forecast an operating surplus of \$19.8 million, down \$10.3 million from the adopted budget as a result of updated revenue projections, which have been revised downward by \$10.3 million largely due to lower than anticipated collections in FY 2025 that form the basis of our FY 2026 forecast. The largest decrease is in the Oil Companies Tax, down \$33.8 million due to continued lower oil prices. On the positive side, the Sales Tax has been revised upward by \$14.8 million, reflective of the positive forecast change made in the General Fund. All other changes net to a positive \$8.7 million.

We project that the Transportation Fund balance on June 30, 2026, will be \$429.9 million after transfers to reduce STO indebtedness totaling \$27.2 million pursuant to section 389 of P.A. 25-168.

It is important to note that this represents the first projection of the state's budget outlook for FY 2026. As the year progresses, these estimates will undoubtedly be revised to reflect the impact of changes in the economy, expenditure patterns, and/or other factors.

Sincerely,



Jeffrey R. Beckham
Secretary

Attachments:

Summary Statements, FY 2026 Revenue and Expenditures

State of Connecticut
Summary of Changes - FY 2026
General Fund and Special Transportation Fund
Projected to June 30, 2026
As of July 31, 2025
(In Millions)

General Fund

Balance from Operations - Adopted Budget		\$	309.1
Revenues			
Personal Income Tax - Withholding	162.9		
Sales & Use Tax	86.4		
Corporation Tax	(70.9)		
All Other Changes - Net	(32.0)		146.4
Expenditures			
Additional Requirements	(105.0)		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		(105.0)
Operating Surplus - FY 2026		\$	350.5

Budget Reserve Fund

Fund Balance as of June 30, 2025 (OPM 7/21/25 est.)		\$	6,273.7
Deposit to SERS/TRS Pursuant to Sec. 4-30a, CGS	(1,947.1)		
FY 2026 Est. Volatility Cap Deposit	1,440.3		
FY 2026 Est. Balance from Operations	350.5		
Transfer to Early Childhood Education Endowment	(350.5)		(506.8)
Estimated Fund Balance - June 30, 2026		\$	5,766.9
Fund Balance as Percentage of FY 2026 General Fund			24.0%

Special Transportation Fund

Fund Balance as of June 30, 2025		\$	437.5
Transfer to Reduce Indebtedness (P.A. 25-168, Sec. 389)			(27.2)
Balance from Operations - Adopted Budget			29.8
Revenues			
Oil Companies Tax	(33.8)		
Interest Income	17.5		
All Other Changes - Net	6.1		(10.3)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Fund Balance - June 30, 2026		\$	429.9

State of Connecticut
General Fund
Statement of FY 2026 Revenues, Expenditures, and Results of Operations
Projected to June 30, 2026
As of July 31, 2025
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 23,909.0	\$ 24,801.4	\$ 892.4
Less: Refunds	(2,212.0)	(2,209.5)	2.5
Taxes - Net	\$ 21,697.0	\$ 22,591.9	\$ 894.9
Other Revenue	1,695.2	1,658.6	(36.6)
Other Sources	953.2	241.3	(711.9)
TOTAL Revenue	\$ 24,345.4	\$ 24,491.8	\$ 146.4
 EXPENDITURES			
Initial Current Year Appropriations	\$ 24,130.6	\$ 24,130.6	\$ -
Prior Year Appropriations Continued to FY 2026 ^{2.}		365.9	365.9
TOTAL Initial and Continued Appropriations	\$ 24,130.6	\$ 24,496.5	\$ 365.9
Appropriation Adjustments ^{3.}	-	-	-
TOTAL Adjusted Appropriations	\$ 24,130.6	\$ 24,496.5	\$ 365.9
 Net Additional Expenditure Requirements		105.0	105.0
Estimated Appropriations Lapsed	(94.2)	(94.2)	-
Estimated Appropriations to be Continued to FY 2027 ^{2.}		-	-
TOTAL Estimated Expenditures	\$ 24,036.4	\$ 24,507.3	\$ 470.9
 Net Change in Fund Balance - Continuing Appropriations		(365.9)	(365.9)
Miscellaneous Adjustments/Rounding		-	-
 Net Change in Unassigned Fund Balance - 6/30/2026	\$ 309.1	\$ 350.5	\$ 41.4

1. P.A. 25-168. Note that CGS Sec. 2-33c limits appropriations to 98.75% of General Fund revenue. As a result, \$304.3 million of the budgeted surplus is due to this limitation.

2. CGS Sec. 4-89 and other statutory provisions. Prior appropriations carried forward from FY 2025 included \$365.9 million into FY 2026 and \$36.0 million into FY 2027.

State of Connecticut
General Fund
FY 2026 Revenue Estimates
Projected to June 30, 2026
As of July 31, 2025
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income - Withholding	\$ 9,287.2	\$ 9,450.1	\$ 162.9
Personal Income - Estimates and Finals	3,343.7	3,803.0	459.3
Sales and Use	5,103.1	5,189.5	86.4
Corporation	1,659.5	1,588.6	(70.9)
Pass-through Entity Tax	2,115.3	2,365.9	250.6
Public Service Corporations	319.4	344.7	25.3
Inheritance and Estate	176.0	176.0	-
Insurance Companies	323.9	329.0	5.1
Cigarettes	228.1	218.0	(10.1)
Real Estate Conveyance	295.2	302.0	6.8
Alcoholic Beverages	79.1	76.2	(2.9)
Admissions and Dues	39.7	43.3	3.6
Health Provider Tax	916.9	893.2	(23.7)
Miscellaneous	21.9	21.9	-
TOTAL - TAXES	\$ 23,909.0	\$ 24,801.4	\$ 892.4
Less: Refunds of Taxes	(1,966.8)	(1,964.3)	2.5
Earned Income Tax Credit	(235.4)	(235.4)	-
R & D Credit Exchange	(9.8)	(9.8)	-
TOTAL - TAXES - NET	\$ 21,697.0	\$ 22,591.9	\$ 894.9
OTHER REVENUE			
Transfers - Special Revenue	\$ 376.3	\$ 358.6	\$ (17.7)
Indian Gaming Payments	334.6	338.7	4.1
Licenses, Permits, Fees	362.9	365.9	3.0
Sales of Commodities and Services	17.3	17.6	0.3
Rents, Fines, Escheats	203.2	203.2	-
Investment Income	301.5	275.2	(26.3)
Miscellaneous	189.1	189.1	-
Refunds of Payments	(89.7)	(89.7)	-
TOTAL - OTHER REVENUE	\$ 1,695.2	\$ 1,658.6	\$ (36.6)
OTHER SOURCES			
Federal Grants	\$ 1,853.2	\$ 1,853.2	\$ -
Transfer from Tobacco Settlement Fund	91.8	91.8	-
Transfers From/(To) Other Funds	(261.4)	(263.4)	(2.0)
Transfers to BRF - Volatility Adjustment ^{2.}	(730.4)	(1,440.3)	(709.9)
TOTAL - OTHER SOURCES	\$ 953.2	\$ 241.3	\$ (711.9)
TOTAL - GENERAL FUND REVENUE	\$ 24,345.4	\$ 24,491.8	\$ 146.4

1. Sec. 460 of P.A. 25-168.

2. The volatility cap for the adopted FY 2026 budget is \$4,728.6 million. Total revenue from the Estimates and Finals portion of the Personal Income Tax and the Pass-through Entity Tax that exceeds the volatility cap will be deposited into the Budget Reserve Fund.

State of Connecticut - General Fund
FY 2026 Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2026
As of July 31, 2025

Department of Social Services	\$ 100,000,000
State Comptroller - Miscellaneous	5,000,000
 Total	 <u>\$ 105,000,000</u>

Statement 4
August 20, 2025

State of Connecticut
General Fund
Estimated FY 2026 Lapses
Projected to June 30, 2026
As of July 31, 2025

Unallocated Lapse	\$ 63,710,570
Unallocated Lapse - Judicial	5,000,000
Targeted Savings Lapse	25,518,692
 Total	 <u><u>\$ 94,229,262</u></u>

	State of Connecticut FY 2026 General Fund Monthly Summary of Operations (In Millions)												
	Budget Plan ¹	July 2025	August 2025	September 2025	October 2025	November 2025	December 2025	January 2026	February 2026	Revised March 2026	April 2026	May 2026	June 2026
REVENUE	\$ 24,345.4	\$ 24,491.8											
Appropriations	24,130.6	24,130.6											
Additional Requirements	0.0	105.0											
Less: Estimated Lapses	<u>(94.2)</u>	<u>(94.2)</u>											
TOTAL - Estimated Expenditures	24,036.4	24,141.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Balance	309.1	350.5											
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>											
Est. Operating Balance - 6/30/26	\$309.1	\$350.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 25-168.

State of Connecticut
Special Transportation Fund
Analysis of FY 2026 Budget Plan
Projected to June 30, 2026
As of July 31, 2025
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
Fund Balance as of June 30, 2025		\$ 437.5	
Transfer to Reduce Indebtedness ^{2.}		(27.2)	
REVENUE			
Taxes	\$ 1,854.8	\$ 1,832.0	\$ (22.8)
Less: Refunds of Taxes	(10.3)	(10.3)	-
Taxes - Net	\$ 1,844.5	\$ 1,821.7	\$ (22.8)
Other Revenue	464.6	477.1	12.5
TOTAL - Revenue	\$ 2,309.1	\$ 2,298.8	\$ (10.3)
EXPENDITURES			
Appropriations	\$ 2,291.2	\$ 2,291.2	\$ -
Prior Year Appropriations Continued to FY 2026 ^{3.}		76.4	76.4
TOTAL Initial and Continued Appropriations	\$ 2,291.2	\$ 2,367.6	\$ 76.4
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 2,291.2	\$ 2,367.6	\$ 76.4
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(12.0)	-
Estimated Appropriations to be Continued to FY 2027 ^{3.}		-	-
TOTAL Estimated Expenditures	\$ 2,279.2	\$ 2,355.6	\$ 76.4
Net Change in Fund Balance - Continuing Appropriations		(76.4)	(76.4)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2026	\$ 29.8	\$ 19.6	\$ (10.3)
Estimated Fund Balance - June 30, 2026		<u>\$ 429.9</u>	

1. P.A.25-168. Note that CGS Sec. 2-33c limits appropriations to 98.75% of Special Transportation Fund revenue. As a result, \$28.9 million of the budgeted surplus is due to this limitation.

2. P.A. 25-168, Sec. 389 provides for the portion of the STF fund balance that exceeds 18% of current-year appropriations to be transferred to reduce STO indebtedness.

3. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
Special Transportation Fund
FY 2026 Revenue Estimates
Projected to June 30, 2026
As of July 31, 2025
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 502.0	\$ 502.0	\$ -
Oil Companies	293.8	260.0	(33.8)
Sales & Use Tax	879.2	894.0	14.8
Sales Tax DMV	118.1	115.2	(2.9)
Highway Use	61.7	60.8	(0.9)
TOTAL - TAXES	\$ 1,854.8	\$ 1,832.0	\$ (22.8)
Less: Refunds of Taxes	(10.3)	(10.3)	-
TOTAL - TAXES - NET	\$ 1,844.5	\$ 1,821.7	\$ (22.8)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 282.1	\$ 277.1	\$ (5.0)
Licenses, Permits, Fees	134.9	134.9	-
Interest Income	47.0	64.5	17.5
Federal Grants	-	-	-
Transfers (To)/From Other Funds	11.5	11.5	-
Refunds of Payments	(10.9)	(10.9)	-
TOTAL - OTHER REVENUE	\$ 464.6	\$ 477.1	\$ 12.5
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 2,309.1	\$ 2,298.8	\$ (10.3)

1. Sec. 461 of P.A. 25-168.

State of Connecticut
Special Transportation Fund
FY 2026 Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2026
As of July 31, 2025

No additional requirements	\$ -
Total	<u><u>\$ -</u></u>

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State of Connecticut
Special Transportation Fund
FY 2026 Estimated Lapses
Projected to June 30, 2026
As of July 31, 2025

Unallocated Lapse	\$ 12,000,000
Total	<u>\$ 12,000,000</u>

State of Connecticut
FY 2026 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹ .	July 2025	August 2025	September 2025	October 2025	November 2025	December 2025	January 2026	February 2026	Revised March 2026	April 2026	May 2026	June 2026
Beginning Balance ² .	\$ 410.3	\$ 410.3											
Revenue	2,309.1	2,298.8											
Total Available	2,719.4	2,709.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	2,291.2	2,291.2											
Additional Requirements	0.0	0.0											
Less: Estimated Lapses	(12.0)	(12.0)											
TOTAL - Estimated Expenditures	2,279.2	2,279.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Balance	29.8	19.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Operating Balance 6/30/26	\$440.1	\$429.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 25-168.

2 Estimated by the Office of Policy and Management after transfers to reduce STO debt pursuant to P.A. 25-168, Sec. 389.