

September 19, 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			Change in Estimate - Sep vs. Aug	Sep Est. Variance from Budget
	Budget	August Estimate	September Estimate		
			(in millions)		
<u>General Fund</u>					
Revenues	\$ 24,345.4	\$ 24,491.8	\$ 24,491.8	\$ -	\$ 146.4
Expenditures	<u>24,036.4</u>	<u>24,141.4</u>	<u>24,175.0</u>	<u>33.6</u>	<u>138.6</u>
Operating Results - Surplus/(Deficit)	\$ 309.1	\$ 350.5	\$ 316.8	\$ (33.6)	\$ 7.8
<u>Budget Reserve Fund</u>					
Deposits		\$ 1,440.3	\$ 1,440.3	\$ -	
Withdrawals		<u>(1,947.1)</u>	<u>(1,990.6)</u>	<u>(43.5)</u>	
Proj. Net Deposit/(Withdrawal) 6/30		\$ (506.8)	\$ (550.3) ¹	\$ (43.5)	
<u>Special Transportation Fund</u>					
Revenues	\$ 2,309.1	\$ 2,298.8	\$ 2,298.8	\$ -	\$ (10.3)
Expenditures	<u>2,279.2</u>	<u>2,279.2</u>	<u>2,286.8</u>	<u>7.6</u>	<u>7.6</u>
Operating Results - Surplus/(Deficit)	\$ 29.8	\$ 19.6	\$ 12.0	\$ (7.6)	\$ (17.8)
Proj. Fund Balance 6/30		\$ 429.9	\$ 422.3 ²	\$ (7.6)	
Notes:					
1. BRF withdrawal includes the transfer out of \$1,990.6 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 Childhood Education Endowment per P.A. 25-93.					
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

While final accounting adjustments are not complete, updated revenue and expenditure estimates during the accrual period suggest an updated surplus estimate of \$413.4 million, an increase of \$31.6 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 \$316.8 million surplus, \$33.6 million lower than last month's forecast based on updated expenditures projections as discussed below.

Revenues

Our forecast for General Fund revenue remains unchanged from last month.

Expenditures

We forecast that FY 2026 expenditures will, in aggregate, be \$138.6 million above the level anticipated in the adopted budget, an increase of \$33.6 million from last month's estimate. A description of projected shortfalls and lapses follows.

Deficiencies: Shortfalls totaling \$134.0 million are forecast in the following agencies.

- Department of Housing. A shortfall of \$8.0 million is projected in the Housing / Homeless Services account as a result of rent increases as well as cold weather funding which was not provided for in the budget.
- Department of Mental Health and Addiction Services. A total shortfall of \$7.0 million is anticipated, with \$5.0 million in the Personal Services account, \$720,000 in the Housing Supports and Services account as a result of heightened demand for assistance to households at risk of homelessness, and \$1.3 million in Behavioral Health Medications due to rising medication costs and increased reliance on injectable treatments.
- Department of Social Services. A net shortfall of \$89.6 million is forecast based on \$100.0 million in the Medicaid account as a result of higher than budgeted costs and continued utilization growth. In addition, shortfalls of \$3.0 million in Old Age Assistance, \$1.0 million in Aid to the Disabled, and \$100,000 in Aid to the Blind are anticipated primarily due to higher costs per case than had been budgeted. These shortfalls are partially offset by projected lapses of \$12.0 million in Temporary Family Assistance, \$1.0 million in State Administered General Assistance, and \$1.5 million in HUSKY B.
- Technical Education and Career System. A \$1.9 million shortfall is projected in the Other Expenses account.
- Department of Correction. A net shortfall of \$12.45 million is forecast including \$7.0 million in the Personal Services account, \$6.7 million in the Other Expenses account, and \$2.0 million in the Inmate Medical Services account. Partially offsetting these amounts are forecast lapses of \$250,000 in the Board of Pardons and Paroles account and \$3.0 million in the Community Support Service account.
- State Comptroller – Miscellaneous. We estimate \$8.0 million in expenditures for Adjudicated Claims. No appropriation was made in the enacted budget for payment of these claims.
- State Comptroller – Fringe Benefits. A net shortfall of \$13.0 million is anticipated, with \$43.0 million forecast in the State Employees Health Service Cost account which is partially offset by a forecast lapse of \$30.0 million in the Higher Education Alternative Retirement System account primarily due to a change in the accounting treatment for these expenditures.

Lapses: P.A. 25-168 included bottom-line savings targets totaling \$94.2 million. We project that aggregate lapses will total \$95.6 million including \$37.1 million remaining in funds withheld from agencies as part of the rollout of the FY 2026 budget, \$58.5 million in budgeted unallocated lapse that is anticipated to be achieved over the remainder of the year, and \$1.4 million in additional lapses in agencies as identified below.

- Secretary of the State. A \$600,000 lapse is projected in the Personal Services account.
- Department of Administrative Services. A \$750,000 lapse is projected in the Personal Services account.

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 \$12.0 million, down \$7.6 million from last month’s forecast as a result of updated expenditure projections within the Comptroller’s Fringe Benefits accounts, including forecast shortfalls of \$600,000 in the Employers Social Security Tax account and \$7.0 million in the State Employees Health Service Cost account. Our forecast for Special Transportation Fund revenue remains unchanged from last month.

We project that the Transportation Fund balance on June 30, 2026, will be \$422.3 million after transfers to reduce STO indebtedness totaling \$27.2 million pursuant to section 389 of P.A. 25-168.

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 9/19/25 Est.)	\$ 6,317.2
Deposit to SERS/TRS pursuant to FY 2025 Closeout (OPM 9/19/25 Est.)	<u>(1,990.6)</u>
Estimated FY 2025 Ending Balance After Transfers to Pensions	\$ 4,326.5
Projected Operating Surplus - FY 2026 (OPM 9/19/25 Est.)	316.8
Projected Transfer to Early Childhood Education Endowment	(316.8)
Volatility Cap Deposit - FY 2026 (OPM 9/19/25 Est.)	<u>1,440.3</u>
Estimated BRF Ending Balance - FY 2026	\$ 5,766.8
Ending BRF as % of FY 2026 General Fund Appropriations	24.0%

It is important to note that this represents just the second 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 August 31, 2025
(In Millions)

General Fund

Balance from Operations - Prior Estimate		\$ 350.5
Revenues		
No Changes	0.0	<u>0.0</u>
Expenditures		
Additional Requirements	(35.0)	
Estimated Lapses	1.4	
Miscellaneous Adjustments/Rounding	0.0	<u>(33.6)</u>
Operating Surplus - FY 2026		\$ 316.8

Budget Reserve Fund

Fund Balance as of June 30, 2025 (OPM 7/21/25 est.)		\$ 6,317.2
Deposit to SERS/TRS Pursuant to Sec. 4-30a, CGS	(1,990.6)	
FY 2026 Est. Volatility Cap Deposit	1,440.3	
FY 2026 Est. Balance from Operations	316.8	
Transfer to Early Childhood Education Endowment	(316.8)	<u>(550.3)</u>
Estimated Fund Balance - June 30, 2026		\$ 5,766.8
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 - Prior Estimate		19.6
Revenues		
No changes	0.0	<u>0.0</u>
Expenditures		
Additional Requirements	0.0	
Estimated Lapses	(7.6)	
Miscellaneous Adjustments/Rounding	0.0	<u>(7.6)</u>
Estimated Fund Balance - June 30, 2026		\$ 422.3

State of Connecticut
General Fund
Statement of FY 2026 Revenues, Expenditures, and Results of Operations
Projected to June 30, 2026
As of August 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	<u>\$ 21,697.0</u>	<u>\$ 22,591.9</u>	<u>\$ 894.9</u>
Other Revenue	1,695.2	1,658.6	(36.6)
Other Sources	953.2	241.3	(711.9)
TOTAL Revenue	<u>\$ 24,345.4</u>	<u>\$ 24,491.8</u>	<u>\$ 146.4</u>
 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	<u>\$ 24,130.6</u>	<u>\$ 24,496.5</u>	<u>\$ 365.9</u>
Appropriation Adjustments ^{3.}	-	-	-
TOTAL Adjusted Appropriations	<u>\$ 24,130.6</u>	<u>\$ 24,496.5</u>	<u>\$ 365.9</u>
Net Additional Expenditure Requirements		140.0	140.0
Estimated Appropriations Lapsed	(94.2)	(95.6)	(1.4)
Estimated Appropriations to be Continued to FY 2027 ^{2.}		-	-
TOTAL Estimated Expenditures	<u>\$ 24,036.4</u>	<u>\$ 24,540.9</u>	<u>\$ 504.5</u>
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	 \$ 316.8	 \$ 7.8

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 August 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)	(261.4)	-
Transfers to BRF - Volatility Adjustment ² .	(730.4)	(1,440.3)	(709.9)
Transfer to Housing Trust Fund	-	(2.0)	(2.0)
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 August 31, 2025

Department of Housing	\$ 8,000,000
Department of Mental Health and Addiction Services	7,020,000
Department of Social Services	89,600,000
Technical Education and Career System	1,900,000
Department of Correction	12,450,000
State Comptroller - Miscellaneous	8,000,000
State Comptroller - Fringe Benefits	13,000,000
Total	<u>\$ 139,970,000</u>

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

Unallocated Lapse	\$ 63,710,570
Unallocated Lapse - Judicial	5,000,000
Targeted Savings Lapse	25,518,692
Secretary of the State	600,000
Department of Administrative Services	750,000
Total	<u>\$ 95,579,262</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	\$ 24,491.8										
Appropriations	24,130.6	24,130.6	24,130.6										
Additional Requirements	0.0	105.0	140.0										
Less: Estimated Lapses	(94.2)	(94.2)	(95.6)										
TOTAL - Estimated Expenditures	24,036.4	24,141.4	24,175.0	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	316.8										
Misc. Adjustments/Rounding	0.0	0.0	0.0										
Est. Operating Balance - 6/30/26	\$309.1	\$350.5	\$316.8	\$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 August 31, 2025
(In Millions)

	General Assembly <u>Budget Plan</u> ¹ :	Revised Estimates <u>OPM</u>	Over/ (Under)
Fund Balance as of June 30, 2025		\$ 437.4	
Transfer to Reduce Indebtedness ² :		(27.1)	
REVENUE			
Taxes	\$ 1,854.8	\$ 1,832.0	\$ (22.8)
Less: Refunds of Taxes	(10.3)	(10.3)	-
Taxes - Net	<u>\$ 1,844.5</u>	<u>\$ 1,821.7</u>	<u>\$ (22.8)</u>
Other Revenue	464.6	477.1	12.5
TOTAL - Revenue	<u>\$ 2,309.1</u>	<u>\$ 2,298.8</u>	<u>\$ (10.3)</u>
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	<u>\$ 2,291.2</u>	<u>\$ 2,367.6</u>	<u>\$ 76.4</u>
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	<u>\$ 2,291.2</u>	<u>\$ 2,367.6</u>	<u>\$ 76.4</u>
Net Additional Expenditure Requirements		7.6	7.6
Estimated Appropriations Lapsed	(12.0)	(12.0)	-
Estimated Appropriations to be Continued to FY 2027 ³ :		-	-
TOTAL Estimated Expenditures	<u>\$ 2,279.2</u>	<u>\$ 2,363.2</u>	<u>\$ 84.0</u>
Net Change in Fund Balance - Continuing Appropriations		(76.4)	(76.4)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2026	\$ 29.8	\$ 12.0	\$ (17.9)
Estimated Fund Balance - June 30, 2026		<u>\$ 422.3</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 August 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.

Statement 3T
September 19, 2025

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

State Comptroller - Fringe Benefits	\$ 7,600,000
Total	<u>\$ 7,600,000</u>

State of Connecticut
Special Transportation Fund
FY 2026 Estimated Lapses
Projected to June 30, 2026
As of August 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	\$ 410.3										
Revenue	2,309.1	2,298.8	2,298.8										
Total Available	2,719.4	2,709.1	2,709.1	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	2,291.2										
Additional Requirements	0.0	0.0	7.6										
Less: Estimated Lapses	(12.0)	(12.0)	(12.0)										
TOTAL - Estimated Expenditures	2,279.2	2,279.2	2,286.8	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	12.0	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	\$422.3	\$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.