



# Office of Fiscal Analysis

FY 22 BUDGET PROJECTIONS

May 4, 2022

## STRONG REVENUE GROWTH, GENERAL FUND SURPLUS YIELD APPROX. \$3.4 BILLION TO REDUCE OUTSTANDING DEBT

The Office of Fiscal Analysis projects a FY 22 General Fund operating surplus of \$930.2 million. This projection reflects improvements within the recently released [consensus revenue estimates](#), expenditure updates and the impact of HB 5506, An Act Adjusting the State Budget for the FY 22 - FY 23 Biennium, which makes the following major changes:

- 1) reduces revenue transfers into the General Fund by \$788.9 million, the largest such change is repeal of the \$559.9 million ARPA Coronavirus State and Local Fiscal Recovery Funds originally allocated as state General Fund revenue in FY 22;
- 2) provides deficiency appropriations of \$262 million to cover the FY 22 cost of the recently adopted labor agreements with certain state employees; and
- 3) authorizes additional carry forward expenditures of \$131.6 million, thus reducing FY 22 lapse (which would otherwise contribute to surplus).

In total, the major policy changes listed above reduce the projected FY 22 surplus by \$1,182.5 million (from \$2,112.7 million to \$930.2 million).

### Revenue Update

Combined, the estimates and finals portion of the income tax and pass through entity tax are growing at a rate of 32.9% over the prior fiscal year. Recognizing this positive force, FY 22 revenue projections are revised upwards by \$1,700 million in total across the two revenue streams. As both revenue streams are governed by the volatility cap, the \$1,700 million increase raises the volatility cap transfer from the budgeted level of \$969.2 million to \$2,669.2 million.

Other major revenue streams continue exhibiting strong growth in addition to the approximate \$186 million total (non-recurring) revenue generated under a tax amnesty program, which was \$146 million more than budgeted.<sup>1</sup>

### Overview

In Millions of Dollars

	Budget	May Estimate	Difference from Budget
<b>General Fund</b>			
Revenues	21,021.3	21,676.6	655.3
Expenditures	20,746.4	20,746.4	0.0
<b>Surplus/(Deficit)</b>	<b>274.9</b>	<b>930.2</b>	<b>655.3</b>
<b>Budget Reserve Fund</b>			
Budget Reserve Deposit	1,244.1	3,599.4	2,355.3
<b>Budget Reserve Balance</b>	<b>4,356.1</b>	<b>7,877.0</b>	<b>3,520.9</b>
<b>Special Transportation Fund</b>			
Revenues	1,889.7	2,009.9	120.2
Expenditures	1,721.8	1,693.4	(28.4)
<b>Surplus/(Deficit)</b>	<b>167.9</b>	<b>316.4</b>	<b>148.5</b>
<b>Fund Balance</b>	<b>409.0</b>	<b>557.5</b>	<b>148.5</b>

<sup>1</sup> The program launched on November 1, 2021 and ended on January 31, 2022. It provided a 75% reduction in interest and waives penalties and the possibility of criminal prosecution to those who hadn't filed, had under reported, or had liabilities related to taxes owed to the state for any tax period ending on or before December 30, 2020. It was available to individual and business taxpayers.

The Volatility Adjustment transfer is estimated to be \$2,669.2 million. Including the projected FY 22 General Fund operating surplus of \$930.2 million, the total estimated year-ending deposit into the Budget Reserve Fund would be \$3,559.4 million. Combined with the current balance, the Budget Reserve Fund total is equal to 30.4% of the FY 23 net General Fund total appropriation in HB 5506. By law, the State Treasurer must decide how to use any amounts in the Budget Reserve Fund above the 15% cap, with the primary uses to reduce unfunded liabilities in the state employees and teachers' retirement systems. **Based on current projections, the total amount available to transfer to the pension systems and potentially reduce other outstanding debt is \$3,398.1 million.<sup>2</sup>**

**General Fund Summary**

In Millions of Dollars

Summary	FY 22
<b>Budgeted Surplus</b>	<b>274.9</b>
<b>Revenue Changes</b>	
+ Withholding	480.0
+ Sales and Use	492.8
+ Federal Grants	171.0
+ Transfer to FY 23	(788.9)
+ Net Revenue	300.4
<b>Revenue Subtotal</b>	<b>655.3</b>
<b>Expenditure Changes</b>	
+ Net Impact of Expenditure Changes	0.0
<b>Expenditure Subtotal</b>	<b>0.0</b>
<b>= Surplus/(Deficit)</b>	<b>930.2</b>
<b>Budget Reserve Fund Starting Balance</b>	<b>3,112.0</b>
+ Surplus/(Deficit)	930.2
+ Volatility Adjustment	2,669.2
<b>= Budget Reserve Transfer Subtotal</b>	<b>3,599.4</b>
<b>= Budget Reserve Fund Balance</b>	<b>6,711.4</b>

**Special Transportation Fund Summary**

In Millions of Dollars

Summary	FY 22
<b>Budgeted Surplus</b>	<b>167.9</b>
<b>Revenue Changes</b>	
+ Motor Fuels Tax	(90.0)
+ Oil Companies	140.0
+ Sales Tax - DMV	29.0
+ Net Revenue	41.2
<b>Revenue Subtotal</b>	<b>120.2</b>
<b>Expenditure Changes</b>	
+ Net Lapses	28.4
+ Agency Deficiencies	0.0
<b>Expenditure Subtotal</b>	<b>28.4</b>
<b>= Surplus/(Deficit)</b>	<b>316.4</b>
<b>STF Starting Balance</b>	<b>241.1</b>
+ Surplus/(Deficit)	316.4
<b>= Fund Balance</b>	<b>557.5</b>

For further information, please see the links below:

[Revenue Details Table](#)

[Budget Status Page](#)

<sup>2</sup> See OLR [Issue Brief 2020-R-0291](#) for background on the volatility cap, budget reserve fund and transfers to reduce unfunded pension liabilities or other outstanding debt.

## FY 22 General Fund Revenue Estimates

Millions of Dollars

	Budget	April Revisions	April Estimate	Cumulative Revisions	Variance as % of Budget
<b>Taxes</b>					
<b>Personal Income</b>	<b>10,361.0</b>	<b>1,225.0</b>	<b>11,841.0</b>	<b>1,480.0</b>	<b>14.3%</b>
Withholding	7,371.9	225.0	7,851.9	480.0	6.5%
Estimates and Finals	2,989.1	1,000.0	3,989.1	1,000.0	33.5%
<b>Sales and Use</b>	<b>4,274.6</b>	<b>103.0</b>	<b>4,767.3</b>	<b>492.8</b>	<b>11.5%</b>
Corporations	1,115.6	75.0	1,350.6	235.0	21.1%
Pass-Through Entity Tax	1,485.8	700.0	2,185.8	700.0	47.1%
Public Service Corporations	262.4	15.0	277.4	15.0	5.7%
Inheritance and Estate	164.4	-	164.4	-	0.0%
Insurance Companies	239.9	-	232.4	(7.5)	-3.1%
Cigarettes	322.9	-	324.2	1.3	0.4%
Real Estate Conveyance	267.4	20.0	362.4	95.0	35.5%
Alcoholic Beverages	76.6	1.0	77.6	1.0	1.3%
Admissions, Dues and Cabaret	27.3	9.0	36.3	9.0	33.0%
Health Provider Tax	974.7	-	974.7	-	0.0%
Miscellaneous	62.0	(40.0)	22.0	(40.0)	-64.5%
<b>Total Taxes</b>	<b>19,634.6</b>	<b>2,108.0</b>	<b>22,616.1</b>	<b>2,981.6</b>	<b>15.2%</b>
Less Refunds of Tax	(1,571.7)	-	(1,651.7)	(80.0)	5.1%
Less Earned Income Tax Credit	(173.4)	-	(166.8)	6.6	-3.8%
Less R&D Credit Exchange	(6.6)	(0.5)	(7.1)	(0.5)	7.6%
<b>Total Taxes Less Refunds</b>	<b>17,882.9</b>	<b>2,107.5</b>	<b>20,790.5</b>	<b>2,907.7</b>	<b>16.3%</b>
<b>Other Revenue</b>					
Transfer Special Revenue	387.4	-	402.2	14.8	3.8%
Indian Gaming Payments	246.0	-	246.0	-	0.0%
Licenses, Permits and Fees	352.1	(10.5)	341.6	(10.5)	-3.0%
Sales of Commodities and Services	25.9	-	23.4	(2.5)	-9.7%
Rentals, Fines and Escheats	160.0	55.0	215.0	55.0	34.4%
Investment Income	6.6	-	3.3	(3.3)	-50.0%
Miscellaneous	245.4	20.0	247.4	2.0	0.8%
Refunds of Payments	(72.6)	-	(62.6)	10.0	-13.8%
<b>Total Other Revenue</b>	<b>1,350.8</b>	<b>64.5</b>	<b>1,416.3</b>	<b>65.5</b>	<b>4.8%</b>
<b>Other Sources</b>					
Federal Grants	1,851.9	(115.5)	2,022.9	171.0	9.2%
Transfer from Tobacco Settlement Fund	126.2	-	126.2	-	0.0%
Transfers From / (To) Other Funds	778.8	0.0	778.8	0.0	0.0%
<b>Total Other Sources</b>	<b>2,756.9</b>	<b>(115.5)</b>	<b>2,927.9</b>	<b>171.0</b>	<b>6.2%</b>
<b>Volatility Cap Adjustment</b>	<b>(969.2)</b>	<b>(1,700.0)</b>	<b>(2,669.2)</b>	<b>(1,700.0)</b>	<b>175.4%</b>
<b>Grand Total General Fund</b>	<b>21,021.3</b>	<b>356.5</b>	<b>22,465.5</b>	<b>1,444.2</b>	<b>6.9%</b>

## FY 22 Special Transportation Fund Revenue Estimates

Millions of Dollars

	Budget	April Revisions	April Estimate	Cumulative Revisions	Variance as % of Budget
<b>Taxes</b>					
Motor Fuels Tax	480.3	-	390.3	(90.0)	-18.7%
Oil Companies	250.4	20.0	390.4	140.0	55.9%
Sales and Use Tax	670.0	0.2	689.3	19.3	2.9%
Sales Tax - DMV	93.9	2.0	122.9	29.0	30.9%
Refunds of Taxes	(15.5)	1.6	(16.9)	(1.4)	9.0%
<b>Total Taxes Less Refunds</b>	<b>1,479.1</b>	<b>23.8</b>	<b>1,576.0</b>	<b>96.9</b>	<b>6.5%</b>
<b>Other Sources</b>					
Motor Vehicle Receipts	264.2	5.0	291.7	27.5	10.4%
Licenses, Permits and Fees	140.8	-	140.8	-	0.0%
Interest Income	5.1	-	2.0	(3.1)	-60.8%
Federal Grants	11.0	-	11.0	-	0.0%
Transfers From / (To) Other Funds	(5.5)	-	(5.5)	-	0.0%
Refunds of Payments	(5.0)	(1.1)	(6.1)	(1.1)	22.0%
<b>Total Other Sources</b>	<b>410.6</b>	<b>3.9</b>	<b>433.9</b>	<b>23.3</b>	<b>5.7%</b>
<b>Grand Total Special Transportation Fund</b>	<b>1,889.7</b>	<b>27.7</b>	<b>2,009.9</b>	<b>120.2</b>	<b>6.4%</b>