



# Office of Fiscal Analysis

FY 21 BUDGET PROJECTIONS

January 25, 2021

## GENERAL FUND ON TRACK; TRANSPORTATION FUND IN DEFICIT

The Office of Fiscal Analysis (OFA) projects a General Fund surplus of \$179.3 million and a Volatility Adjustment transfer of \$355.1 million for a total of \$534.4 million that may be deposited into the Budget Reserve Fund and used to reduce unfunded pension liabilities.<sup>1</sup> The Budget Reserve Fund began FY 21 with a balance of \$3,012.9 million, which is equal to 15% of net General Fund appropriations.

In contrast, the OFA projects a Special Transportation Fund (STF) deficit of \$55.5 million in FY 21, which would reduce budget reserves to \$112.9 million. Budget reserves for the Special Transportation Fund began FY 21 with a balance of \$168.4 million, which is equal to 9.3% of net STF appropriations.

### General Fund

While much improved since April 2020, FY 21 revenue projections continue to lag budget estimates by 2.4% in large part due to: 1) a temporary spike in Refunds of Tax as certain tax deadlines were delayed from FY 20 to FY 21; and 2) the ongoing sluggishness in the Withholding portion of the Income Tax and the Corporation Tax relative to pre-pandemic expectations.

Projected state spending in the Medicaid line item is \$425 million less than budgeted primarily due to increased federal support of Medicaid via enhanced federal reimbursement, which is anticipated

to extend through June 2021, in addition to lower service utilization during the pandemic. Debt service spending is \$69.6 million less than budgeted due to changes in bond issuance amounts and timing. Lower spending projections in other agencies and line items improve bottom-line spending by \$137 million in total. However, [state agency deficiencies of \\$127.7 million](#) offsets much of this positivity. The largest deficiency in appropriations (\$86.1 million) is within the State Comptroller's statewide Fringe Benefits line items, which have seen rising pension and health benefit costs since the biennial budget was enacted in 2019.

### Special Transportation Fund

The STF faces a projected revenue shortfall of \$190.1 million in total, primarily due to shortages in Oil Companies Tax and Motor Fuels Tax. The impact of the pandemic on travel fuels downgrades to these revenue streams. Debt service spending on new issuances is lower than anticipated, and is the major factor driving overall expenditures \$70.1 million lower than budgeted.

### Overview

In Millions of Dollars

General Fund	Budget*	January Estimate	Difference from Budget
Revenues	20,252.5	19,761.7	(490.8)
Expenditures	20,086.3	19,582.4	(503.9)
<b>Surplus/(Deficit)</b>	<b>166.2</b>	<b>179.3</b>	<b>13.1</b>
<b>Budget Reserve Fund</b>			
Budget Reserve Deposit	467.7	534.4	66.7
<b>Budget Reserve Balance</b>	<b>3,480.7</b>	<b>3,547.4</b>	<b>66.7</b>
<b>Special Transportation Fund</b>			
Revenues	1,880.8	1,690.7	(190.1)
Expenditures	1,816.3	1,746.2	(70.1)
<b>Surplus/(Deficit)</b>	<b>64.5</b>	<b>(55.5)</b>	<b>(120.0)</b>
<b>Fund Balance</b>	<b>232.9</b>	<b>112.9</b>	<b>(120.0)</b>

\* Includes revisions from PA 19-165 and PA 19-1 December Special Session

<sup>1</sup> See OLR [Issue Brief 2020-R-0291](#) for background.

**General Fund Summary**

In Millions of Dollars

Summary	FY 21
<b>Budgeted Surplus</b>	<b>166.2</b>
<b>Revenue Changes</b>	
+ Withholding	(252.9)
+ Corporations	(122.5)
- Refunds of Taxes	(287.6)
+ Net Revenue	172.2
<b>Revenue Subtotal</b>	<b>(490.8)</b>
<b>Expenditure Changes</b>	
+ Agency Deficiencies	(127.6)
+ Net Lapses	631.5
<b>Expenditure Subtotal</b>	<b>503.9</b>
<b>= Surplus/(Deficit)</b>	<b>179.3</b>
<b>Budget Reserve Fund Starting Balance</b>	<b>3,012.9</b>
+ Surplus/(Deficit)	179.3
+ Volatility Adjustment	355.1
<b>= Budget Reserve Transfer Subtotal</b>	<b>534.4</b>
<b>= Budget Reserve Fund Balance</b>	<b>3,547.4</b>

**Special Transportation Fund Summary**

In Millions of Dollars

Summary	FY 21
<b>Budgeted Surplus*</b>	<b>64.5</b>
<b>Revenue Changes</b>	
+ Oil Companies	(126.7)
+ Motor Fuels Tax	(37.7)
+ Motor Vehicle Receipts	27.0
+ Net Revenue	(52.7)
<b>Revenue Subtotal</b>	<b>(190.1)</b>
<b>Expenditure Changes</b>	
+ Net Lapses	70.1
+ Agency Deficiencies	0.0
<b>Expenditure Subtotal</b>	<b>70.1</b>
<b>= Surplus/(Deficit)</b>	<b>(55.5)</b>
<b>STF Starting Balance</b>	<b>168.4</b>
+ Surplus/(Deficit)	(55.5)
<b>= Fund Balance</b>	<b>112.9</b>

\* Includes PA 19-165 revision

For further information, please see the links below:

[Revenue Details Table](#)[Expenditure Details Table](#)[Budget Status Page](#)