



Office of Fiscal Analysis

FY 22 BUDGET PROJECTIONS

January 25, 2022

LARGE PROJECTED SURPLUSES TO REDUCE PENSION LIABILITIES, IMPROVE TRANSPORTATION FUND RESERVES

The Office of Fiscal Analysis projects a FY 22 General Fund operating surplus of \$1,477.7 million and a Volatility Adjustment transfer of \$969.2 million. Combined, the Budget Reserve fund reaches almost 26% of FY 23 General Fund appropriations after accounting for the existing balance, projected FY 22 General Fund operating surplus and Volatility Adjustment transfer. Any amounts over the statutory threshold of 15% must be used to pay down certain long-term liabilities, primarily unfunded pension debt in the State Employees Retirement System or Teachers' Retirement System.¹ Based on current projections, it is anticipated that \$2,329 million (the estimated amount above the 15% threshold) would be available to pay down long-term liabilities. Separately, a projected FY 22 operating surplus of \$271.4 million in the Special Transportation Fund would increase that fund's cumulative balance to \$512.5 million.

General Fund Update

Projections of net tax revenues are adjusted upwards by \$447.5 million in January, for a total positive variance from budget of \$603.2 million, primarily in withholding, sales and corporation taxes. Updated, annual growth rates of 5.6% and 7.8% in the withholding portion of the income tax and sales tax, respectively, reflect ongoing, significant strength in collections.

Certain federal grants recognized as state revenue exceed budget by \$286.5 million. Major adjustments reflect enhanced match for Home and Community Based Services available under ARPA (approximately \$164 million), Substance Use Disorder waiver revenue, and general increases in other agency revenue primarily due to wage increases.

Total spending variances from budget include \$342.9 million projected agency lapses (unspent funds) measured against \$30.8 million projected agency deficiencies (additional funds needed). The net effect of these variances is an overall improvement in spending of \$312.1 million from budget. The most significant lapses are described below. Please see [this report](#) for details on agency deficiencies.

Overview

In Millions of Dollars

	Budget	January Estimate	Difference from Budget
General Fund			
Revenues	21,021.3	21,912.0	890.7
Expenditures	20,746.4	20,434.3	(312.1)
Surplus/(Deficit)	274.9	1,477.7	1,202.7
Budget Reserve Fund			
Budget Reserve Deposit	1,244.1	2,446.9	1,202.7
Budget Reserve Balance	4,356.1	5,558.9	1,202.7
Special Transportation Fund			
Revenues	1,889.7	1,972.4	82.7
Expenditures	1,721.8	1,701.0	(20.8)
Surplus/(Deficit)	167.9	271.4	103.5
Fund Balance	409.0	512.5	103.5

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

The projected net lapse within the Department of Social Services is \$227 million, distributed approximately as follows:

- A projected lapse for Medicaid of \$240 million is the largest adjustment to spending projections and reflects: (1) the continuation of the enhanced federal match due to the extension of the public health emergency through June 2022, which decreases the state share of Medicaid expenditures; (2) lower than anticipated service utilization; and (3) the net impact of the ARPA Home and Community Based Services and Substance Use Disorder waiver plans.
- Lapses in Temporary Family Assistance, Aid to the Disabled and State Administered General Assistance are primarily due to lower than budgeted caseloads.
- The agency's overall lapse is partially offset by a projected shortfall of \$22.4 million in the Community Residential Services line item due to expenditure requirements under the ARPA HCBS reinvestment plan.

In addition to the lapse estimates within the Department of Social Services, other major General Fund projected lapses include the following:

- The Department of Correction is projected to lapse \$55.5 million due to federal Coronavirus Relief Funding being used to offset state Personal Services costs; and
- Total debt service savings of \$35.2 million is anticipated for FY 22, due to a combination of positive market results on the first GO bond sale of the year (\$28.7 million savings for FY 22); and a delay of the next issuance for the UConn 2000 program (\$6.5 million savings in FY 22). Further information on UConn 2000 costs will be available once the bond sale occurs.

Special Transportation Fund Update

Revenue projections improved by \$18.5 million in January, bringing total positive variance from budget to \$82.7 million overall, equal to 4.4% over budget. General sales tax, oil companies tax, sales tax on the sale of private motor vehicles, and motor vehicle receipts all are trending to exceed budget. Debt service spending is less than anticipated in the budget and reflects expected payments from an actual issuance of Special Tax Obligation bonds in November 2021. A projected lapse in the Personal Services line item within the Department of Transportation (DOT) is the second largest remaining lapse adjustment, and reflects current trends in staffing levels. Partially offsetting this projected lapse is a projected deficiency in the DOT's Other Expense line item.

General Fund Summary

In Millions of Dollars

Summary	FY 22
Budgeted Surplus	274.9
Revenue Changes	
+ Withholding	255.0
+ Sales and Use	292.8
+ Federal Grants	286.5
+ Net Revenue	56.4
Revenue Subtotal	890.7
Expenditure Changes	
+ Agency Deficiencies	(30.8)
+ Net Lapses	342.9
Expenditure Subtotal	312.1
= Surplus/(Deficit)	1,477.7
Budget Reserve Fund Starting Balance	3,112.0
+ Surplus/(Deficit)	1,477.7
+ Volatility Adjustment	969.2
= Budget Reserve Transfer Subtotal	2,446.9
= Budget Reserve Fund Balance	5,558.9

Special Transportation Fund Summary

In Millions of Dollars

Summary	FY 22
Budgeted Surplus	167.9
Revenue Changes	
+ Sales Tax - DMV	27.0
+ Motor Vehicle Receipts	22.5
+ Oil Companies	20.0
+ Net Revenue	13.2
Revenue Subtotal	82.7
Expenditure Changes	
+ Net Lapses	20.8
+ Agency Deficiencies	0.0
Expenditure Subtotal	20.8
= Surplus/(Deficit)	271.4
STF Starting Balance	241.1
+ Surplus/(Deficit)	271.4
= Fund Balance	512.5

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)