



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.¹

Overview

In Millions of Dollars

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

¹ 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.²**

General Fund Summary

In Millions of Dollars

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

Special Transportation Fund Summary

In Millions of Dollars

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

For further information, please see the links below:

[Revenue Details Table](#)

[Budget Status Page](#)

² 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.