



Office of Fiscal Analysis

FY 21 BUDGET PROJECTIONS

March 25, 2021

REVENUE TRENDS STRENGTHEN AMID UNCERTAINTY

The Office of Fiscal Analysis projects a General Fund surplus of \$244.9 million for FY 21 and a Volatility Adjustment transfer of \$555.1 million for a total of \$800 million that may be deposited into the Budget Reserve Fund and used to reduce unfunded pension liabilities.¹ The Office of Fiscal Analysis also projects a Special Transportation Fund deficit of \$45.5 million, which would reduce the cumulative balance of that fund to \$122.9 million. Relative to [last month](#), projections have improved by \$57.2 million and \$9 million in the General and Special Transportation funds, respectively.

Updates re: Collections Trends

Revenue projections of the passthrough entity tax are revised upwards by \$200 million. Since the Volatility Cap threshold has already been met, this improvement would be transferred to the Budget Reserve Fund.

On net, General Fund revenue projections are revised upwards by \$60 million: a positive adjustment of \$90 million in total among various accounts is partially offset by a downgrade of \$30 million in health provider tax.

Revenue Outlook

Extending the deadline of [tax returns and payments](#) for certain tax payers until May 17th obscures some collections trends until the last full week of May. In particular, the estimates & finals portion of income tax and tax refunds will be impacted by the delay.

Aside from uncertainty triggered by the delay in filings and payments, certain provisions in federal law will have a material impact on state tax collections:

- 1) The American Rescue Plan includes a provision that exempts \$10,200 of unemployment benefits received in 2020 from income taxes; and
- 2) The CARES Act established a special [one-time \\$300 deduction](#) for charitable contributions made in 2020. When tax forms were released in January (after Consensus) it was revealed that the IRS assigned it as an above-the-line deduction, therefore impacting Federal AGI which is the starting point for determining CT AGI.

Overview

In Millions of Dollars

	Budget*	March Estimate	Difference from Budget
General Fund			
Revenues	20,252.5	19,821.7	(430.8)
Expenditures	20,086.3	19,576.8	(509.5)
Surplus/(Deficit)	166.2	244.9	78.7
Budget Reserve Fund			
Budget Reserve Deposit	467.7	800.0	332.3
Budget Reserve Balance	3,480.7	3,812.9	332.3
Special Transportation Fund			
Revenues	1,880.8	1,690.7	(190.1)
Expenditures	1,816.3	1,736.2	(80.1)
Surplus/(Deficit)	64.5	(45.5)	(110.0)
Fund Balance	232.9	122.9	(110.0)

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

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

General Fund Summary

In Millions of Dollars

Summary	FY 21
Budgeted Surplus	166.2
Revenue Changes	
+ Withholding	(252.9)
+ Corporations	(92.5)
- Refunds of Taxes	(287.6)
+ Net Revenue	202.2
Revenue Subtotal	(430.8)
Expenditure Changes	
+ Agency Deficiencies	(119.5)
+ Net Lapses	629.0
Expenditure Subtotal	508.5
= Surplus/(Deficit)	244.9
Budget Reserve Fund Starting Balance	3,012.9
+ Surplus/(Deficit)	244.9
+ Volatility Adjustment	555.1
= Budget Reserve Transfer Subtotal	800.0
= Budget Reserve Fund Balance	3,812.9

Special Transportation Fund Summary

In Millions of Dollars

Summary	FY 21
Budgeted Surplus*	64.5
Revenue Changes	
+ Oil Companies	(126.7)
+ Motor Fuels Tax	(37.7)
+ Motor Vehicle Receipts	27.0
+ Net Revenue	(52.7)
Revenue Subtotal	(190.1)
Expenditure Changes	
+ Net Lapses	80.1
+ Agency Deficiencies	0.0
Expenditure Subtotal	80.1
= Surplus/(Deficit)	(45.5)
STF Starting Balance	168.4
+ Surplus/(Deficit)	(45.5)
= Fund Balance	122.9

* Includes PA 19-165 revision

For further information, please see the links below:

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