



# Office of Fiscal Analysis

FY 21 BUDGET PROJECTIONS

April 30, 2021

## GENERAL FUND REVENUES SURGE

The Office of Fiscal Analysis projects a General Fund surplus of \$328.9 million for FY 21 and a Volatility Adjustment transfer of \$705.1 million for a total of \$1,034 million that may be deposited into the Budget Reserve Fund and used to reduce unfunded pension liabilities.<sup>1</sup> The Office of Fiscal Analysis also projects a Special Transportation Fund deficit of \$12.1 million, which would reduce the cumulative balance of that fund to \$156.3 million.

### General Fund

Recognizing positive collections trends, projections of most major tax categories are revised upwards, for a total \$489.1 million positive adjustment relative to the [March](#) statement.

Partially offsetting this increase is an upwards revision of \$200 million in the Tax Refunds category to reflect anticipated refunds in mid-May. In total, Tax Refunds have been revised upwards by \$487.6 million in FY 21. The upheaval wrought by the pandemic and corresponding changes to federal / state tax laws and administration have led to a surge in tax refunds during FY 21.

### Overview

In Millions of Dollars

General Fund	Budget*	April Estimate	Difference from Budget
Revenues	20,252.5	19,877.5	(375.0)
Expenditures	20,086.3	19,548.6	(537.7)
<b>Surplus/(Deficit)</b>	<b>166.2</b>	<b>328.9</b>	<b>162.7</b>
<b>Budget Reserve Fund</b>			
Budget Reserve Deposit	467.7	1,034.0	566.3
<b>Budget Reserve Balance</b>	<b>3,480.7</b>	<b>4,047.0</b>	<b>566.3</b>
<b>Special Transportation Fund</b>			
Revenues	1,880.8	1,711.5	(169.3)
Expenditures	1,816.3	1,723.6	(92.7)
<b>Surplus/(Deficit)</b>	<b>64.5</b>	<b>(12.1)</b>	<b>(76.6)</b>
<b>Fund Balance</b>	<b>232.9</b>	<b>156.3</b>	<b>(76.6)</b>

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

An increase of \$150 million to the Volatility Adjustment transfer from the General Fund to the Budget Reserve Fund also reduces the projected General Fund surplus for FY 21.

Lastly, a decrease in FY 21 federal grants revenue represents a shift of approximately \$150 million to FY 22 primarily associated with net funding adjustments related to HUSKY D. The additional increase in FY 22 is due to anticipated finalizations reflecting DDS rate adjustments.

Major expenditure projection changes are as follows:

- Expenditures from the Adjudicated Claims account increase by \$7 million since last month;
- An improved outlook for the State Employees Health Service Account decreases fringe benefit estimates by approximately \$9.5 million in total; and

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

- A net lapse with the Department of Children and Families is projected to increase by \$14.7 million across a variety of accounts due primarily to current caseload trends in Board and Care for Children accounts.

### Special Transportation Fund

Debt service requirements decreased by an additional \$14.5 million (\$90 million below budgeted appropriation) due to several factors, including timing of the recent bond issuance, improved market conditions, and refunding of outstanding debt. Estimated revenues for the STF increased by a net of \$20.8 million, including a \$30.9 million increase in STF tax revenues and a \$10.1 million decrease in all other revenue sources. The remaining deficit may be closed before the end of the fiscal year with additional use of federal stimulus funds to offset eligible expenses.

#### General Fund Summary

In Millions of Dollars

Summary	FY 21
<b>Budgeted Surplus</b>	<b>166.2</b>
<b>Revenue Changes</b>	
+ Withholding	(102.9)
+ Corporations	(92.5)
- Refunds of Taxes	(487.6)
+ Sales and Use	48.4
+ Real Estate Conveyance	135.0
+ Inheritance and Estate	136.3
+ Net Revenue	(11.7)
<b>Revenue Subtotal</b>	<b>(375.0)</b>
<b>Expenditure Changes</b>	
+ Agency Deficiencies	(118.4)
+ Net Lapses	656.1
<b>Expenditure Subtotal</b>	<b>537.7</b>
<b>= Surplus/(Deficit)</b>	<b>328.9</b>
<b>Budget Reserve Fund Starting Balance</b>	<b>3,012.9</b>
+ Surplus/(Deficit)	328.9
+ Volatility Adjustment	705.1
<b>= Budget Reserve Transfer Subtotal</b>	<b>1,034.0</b>
<b>= Budget Reserve Fund Balance</b>	<b>4,047.0</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	(119.7)
+ Motor Fuels Tax	(33.7)
+ Interest Income	(34.4)
+ Motor Vehicle Receipts	19.5
+ Net Revenue	(1.0)
<b>Revenue Subtotal</b>	<b>(169.3)</b>
<b>Expenditure Changes</b>	
+ Net Lapses	92.7
+ Agency Deficiencies	0.0
<b>Expenditure Subtotal</b>	<b>92.7</b>
<b>= Surplus/(Deficit)</b>	<b>(12.1)</b>
<b>STF Starting Balance</b>	<b>168.4</b>
+ Surplus/(Deficit)	(12.1)
<b>= Fund Balance</b>	<b>156.3</b>

\* Includes PA 19-165 revision

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)