



Office of Fiscal Analysis

FY 17 GENERAL FUND BUDGET PROJECTION

February 27, 2017

Summary

We are projecting a deficit of \$65.2 million. The major negative budgetary development since our projection of last month is a downward revision of \$60 million to our estimates for Personal Income Tax collections. This negative adjustment is partially offset by an improvement in our expenditure estimates of \$6.7 million.

Highlights

Income Tax Estimates Decline an Additional \$60 Million

The decline of \$60 million brings the total downward revisions to the income tax to \$141.5 million for FY 17. We are currently projecting an additional \$4.9 billion to be collected in FY 17, of which \$3.0 billion is anticipated by the end of April.

Figure 1. General Fund Overview

In Millions of Dollars

	Budget	February Estimate	Difference from Budget	
			\$	%
Revenues	17,886.7	17,837.5	(49.2)	-0.3%
Expenditures	<u>17,864.0</u>	<u>17,902.7</u>	<u>45.4</u>	<u>-0.2%</u>
Surplus/(Deficit)	22.7	(65.2)	(94.6)	-0.5%

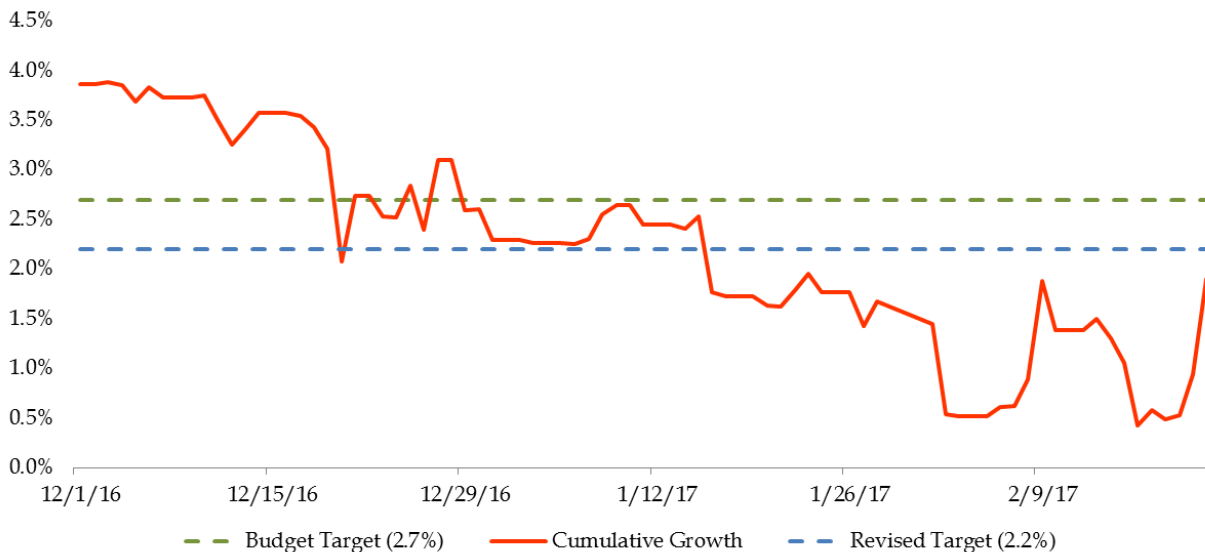
Estimated Payments

Our current projection reflects a \$30 million negative adjustment based on actual variance from target for the January estimated payment. The previous adjustment to estimated payments was based on data received through January 15, 2017; the current estimate reflects the receipt of all estimated payment data received through the end of January. While estimated payments are down approximately 9% year-over-year, 90% of that variance is due to the top 100 taxpayers with the remainder of filers trending flat. As such, it is possible that the majority of taxpayers are utilizing “safe harbor” provisions in the tax code which may be masking underlying strength for those filers.

Withholding

Withholding continued to be below target through February which prompted us to lower our estimate by an additional \$30 million, revising our targeted growth rate from 2.7% to 2.2%. This brought our total FY 17 shortfall to \$45 million in Withholding.

Figure 2. Withholding Trends



Notable Issues

Recognize Lapse in Multiple Accounts within the Office of Policy and Management

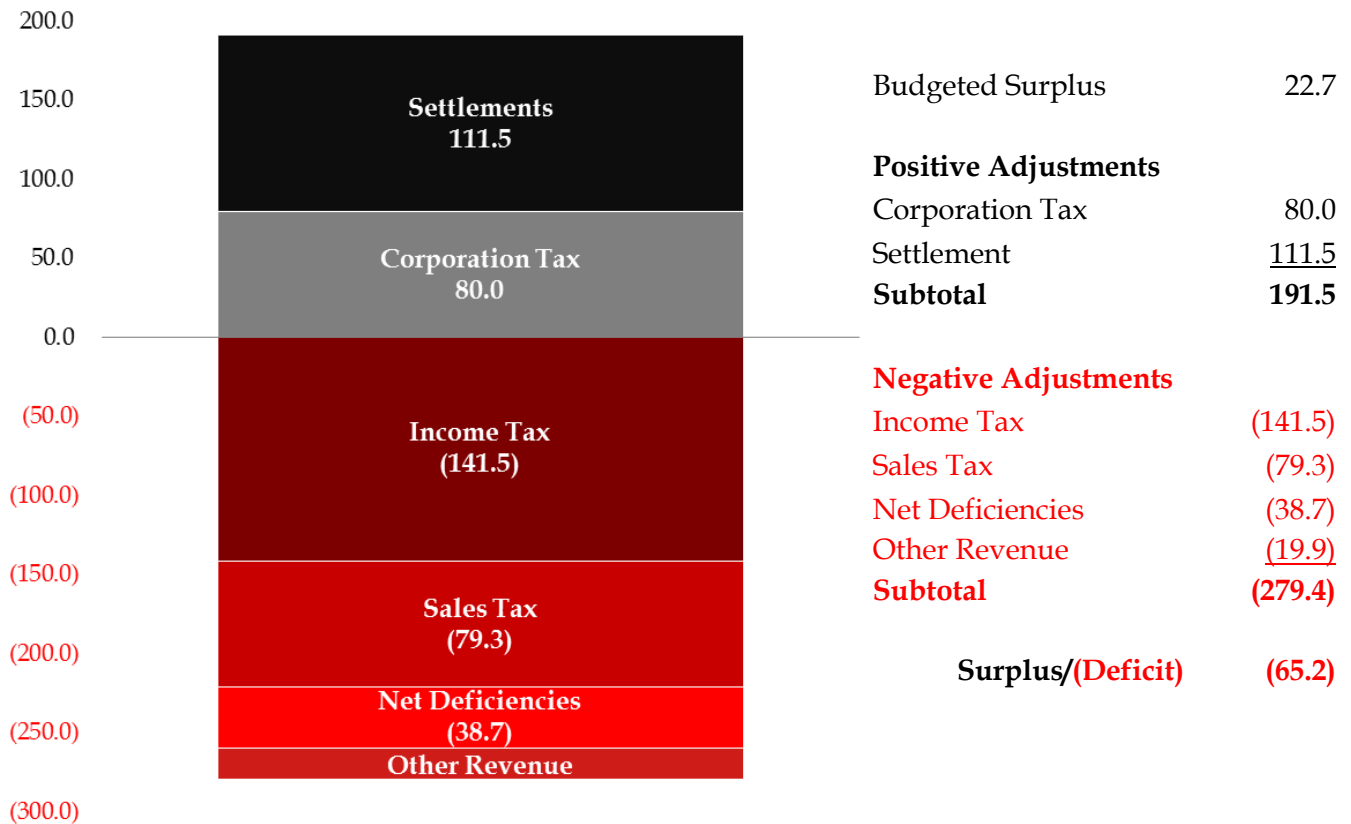
A lapse totaling \$1.8 million has been projected across two accounts. The Renters’ Rebate account is expected to lapse about \$1.3 million due to a reduction in program participants (from an anticipated 50,600 to approximately 49,700). Additionally, the Distressed Municipalities account is expected to lapse \$500,000 due to lower than anticipated assessments on eligible manufacturing property.

Summary of Major Items

Of the \$65.2 million net estimated deficit approximately \$279.4 million is due to negative adjustments and other net deficiencies. This is partially offset by \$191.5 million in positive revenue variance.

Figure 3. Major Items Contributing to Surplus/ (Deficit)

In Millions of Dollars



Major Revenue Items

The following summarizes adjustments that have been previously incorporated into our revenue estimates:

- Settlement windfalls from the Royal Bank of Scotland (RBS), Volkswagen and Moody’s Corporation have exceed budget by \$111.5 million;
- Corporation Tax collections exceeded expectations by \$80 million;
- Sales Tax collections underperformed by \$79.3 million; and
- Other revenue streams down \$20 million from budget.

Major Expenditure Items

Bottom-line Lapse Target Nearly Achieved but Deficiencies Remain

Expenditures are projected to be \$38.7 million more than budget. Projected agency deficiencies total \$46.1 million and include:

- Adjudicated Claims;
- Office of Early Childhood;
- Debt Service;
- Public Defender Services Commission; and
- Office of the Chief Medical Examiner.

These deficiencies are partially offset by lapses in other agencies totaling \$7.4 million.

Links

[Deficient Agency Table](#)

[Expenditure Details Table](#)

[Revenue Details Table](#)