



Office of Fiscal Analysis

FY 22 BUDGET PROJECTIONS

February 25, 2022

PROJECTIONS HOLD STEADY

The Office of Fiscal Analysis projects a FY 22 General Fund operating surplus of \$1,474.4 million and a Volatility Adjustment transfer of \$969.2 million. Separately, OFA projects an operating surplus of \$274.5 million in the Special Transportation Fund. Relative to last month's [projections](#), operating surplus projections have: (1) decreased by \$3 million for the General Fund; and (2) increased by \$3.1 million for the Special Transportation Fund.

Outlook

No revenue changes are made in this month's projections as major revenue categories continue to meet revised (January 2022) expectations. One exception to this positive trend is the estimated and finals (E&F) portion of the personal income tax, which thus far has failed to meet expectations.

To some degree, it is anticipated that unrecognized (thus far) strength in the pass-through entity (PET) tax will offset the relative weakness observed in E&F. It appears that some shifting of taxable income from E&F to PET has taken place as: (1) confidence in the recently established PET has grown¹; and (2) awareness of the PET alternative has increased with an expanding pool of states now offering versions of the PET.

Final payments for PET and E&F are due March 15 and April 18, respectively. Given the relatively large, projected Volatility Adjustment Transfer amount of \$969.2 million indicated above, it is anticipated that any positive or negative variances from current projections would only impact that transfer amount and not the projected, General Fund operating surplus. Both PET and E&F revenues are subject to the Volatility Cap.²

Overview

In Millions of Dollars

General Fund	Budget	February Estimate	Difference from Budget
Revenues	21,021.3	21,912.0	890.7
Expenditures	20,746.4	20,437.5	(308.9)
Surplus/(Deficit)	274.9	1,474.4	1,199.5
Budget Reserve Fund			
Budget Reserve Deposit	1,244.1	2,443.6	1,199.5
Budget Reserve Balance	4,356.1	5,555.6	1,199.5
Special Transportation Fund			
Revenues	1,889.7	1,972.4	82.7
Expenditures	1,721.8	1,697.9	(23.9)
Surplus/(Deficit)	167.9	274.5	106.6
Fund Balance	409.0	515.6	106.6

¹ In November of 2020, the IRS gave final approval for these types of tax arrangements.

² See OLR [Issue Brief 2020-R-0291](#) for background.

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	(32.7)
+ Net Lapses	341.5
Expenditure Subtotal	308.9
= Surplus/(Deficit)	1,474.4
Budget Reserve Fund Starting Balance	3,112.0
+ Surplus/(Deficit)	1,474.4
+ Volatility Adjustment	969.2
= Budget Reserve Transfer Subtotal	2,443.6
= Budget Reserve Fund Balance	5,555.6

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	23.9
+ Agency Deficiencies	0.0
Expenditure Subtotal	23.9
= Surplus/(Deficit)	274.5
STF Starting Balance	241.1
+ Surplus/(Deficit)	274.5
= Fund Balance	515.6

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)