



# Finance Committee Leadership Update

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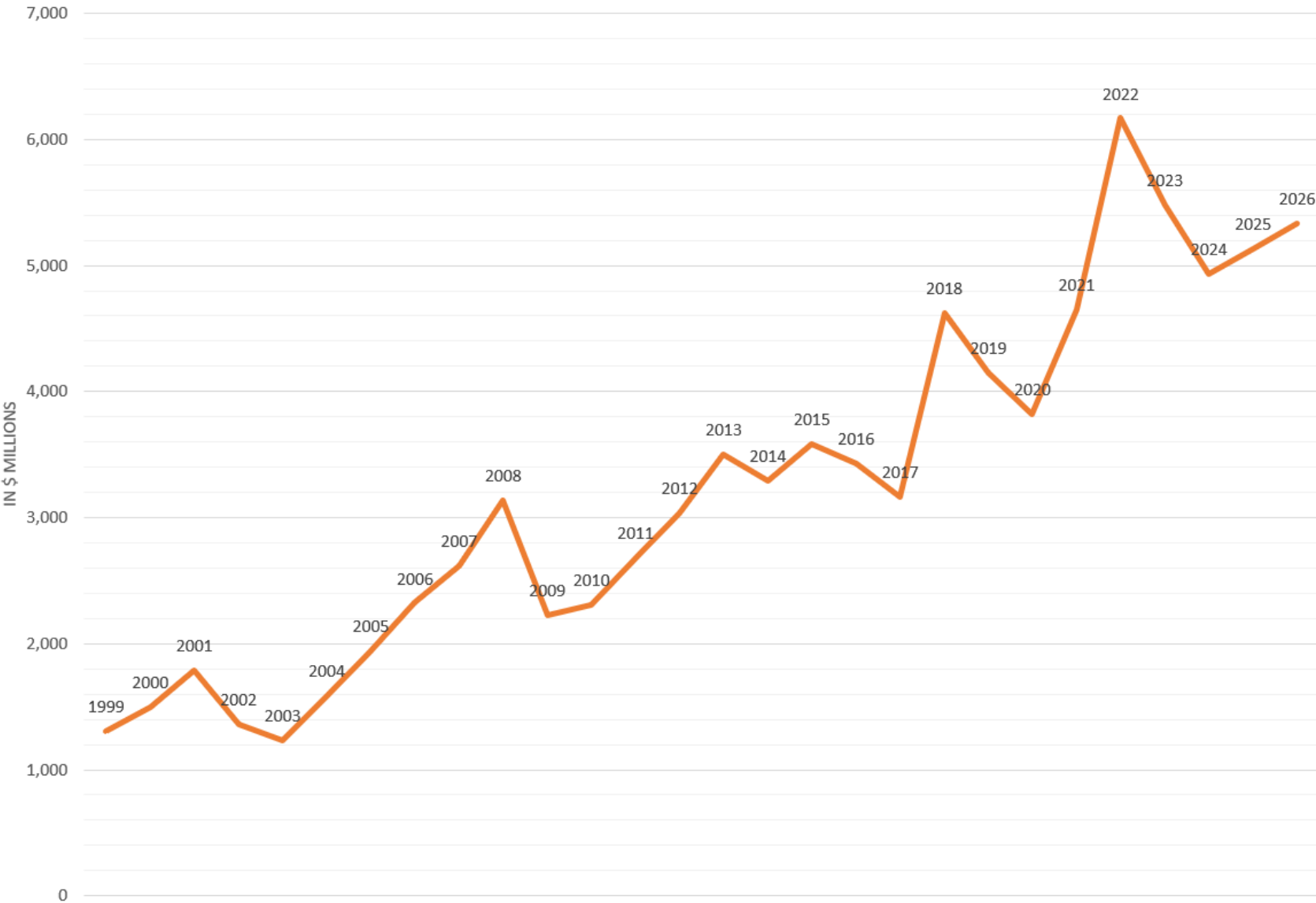
May 2, 2022



# Key points

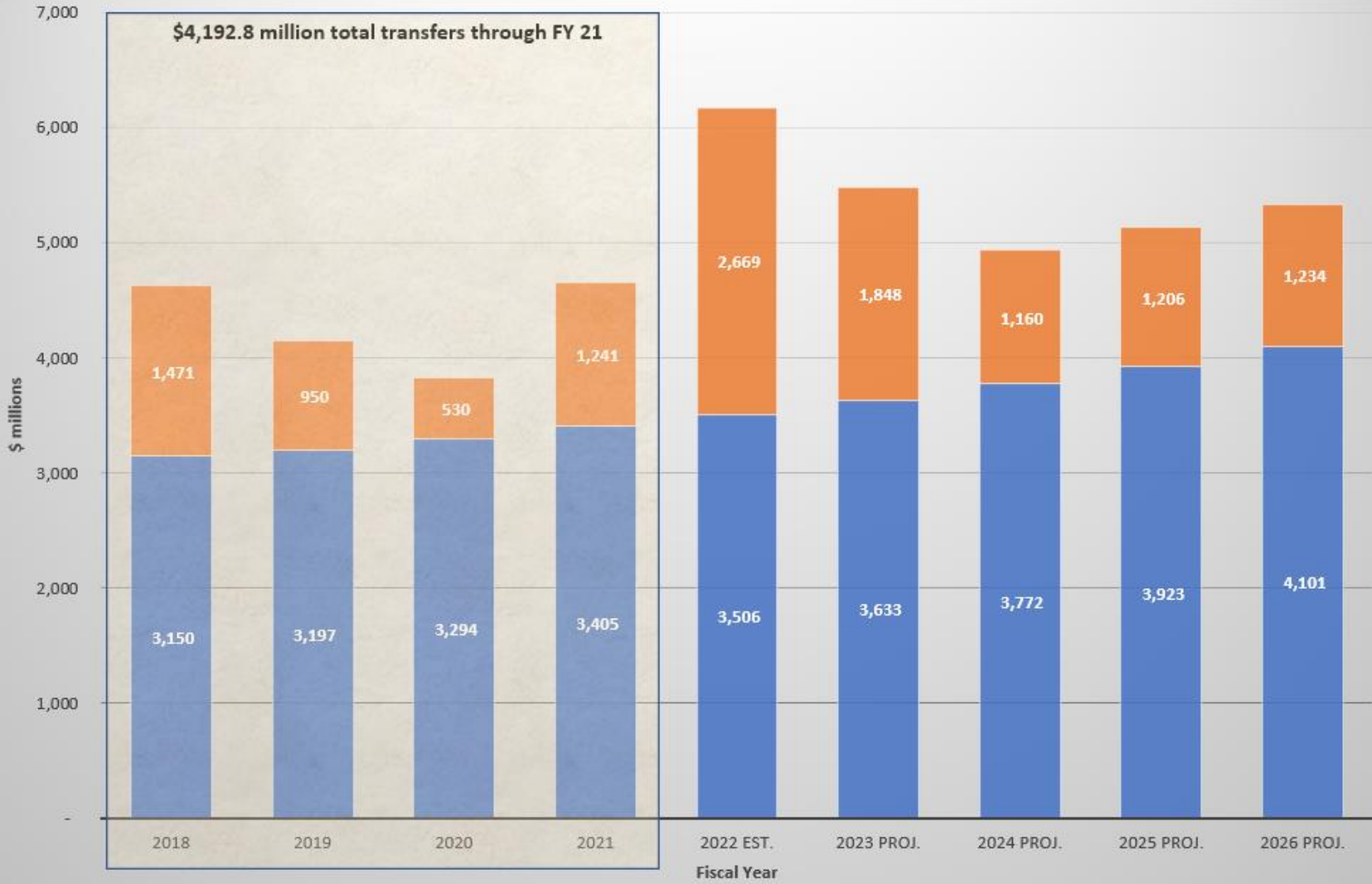
- FY 22 General Fund revenue collections are exceptional
  - The total of E&F and PET is at least \$1.5 billion more any other fiscal year
  - 8.8% Year over Year growth in withholding is the highest in a decade
  - Sales and use growth exceeds 10% Year over Year
- Consensus revenue projections include negative or moderate, positive-growth assumptions relative to FY 22
- Downside risks
  - Recession
    - 1/3 chance over the next 18 months per Moody's Analytics
  - Pull back in asset prices as monetary policy tightens
- Policies in place to mitigate downside risks
  - The Rainy Day Fund is equal to 15% of General Fund appropriations or approximately \$3.3 billion currently
    - According to Moody's Analytics, reserves of 15% should suffice to offset the budgetary impact of a moderate recession
  - The budgetary "revenue cap" is equal to 1.25% of the budget in FY 23, or between \$250 million to \$300 million
  - Volatility adjustment transfers to the Rainy Day Fund are projected to be \$1.8 billion in FY 23, equal to about 8% of the budget

### E&F/PET Totals

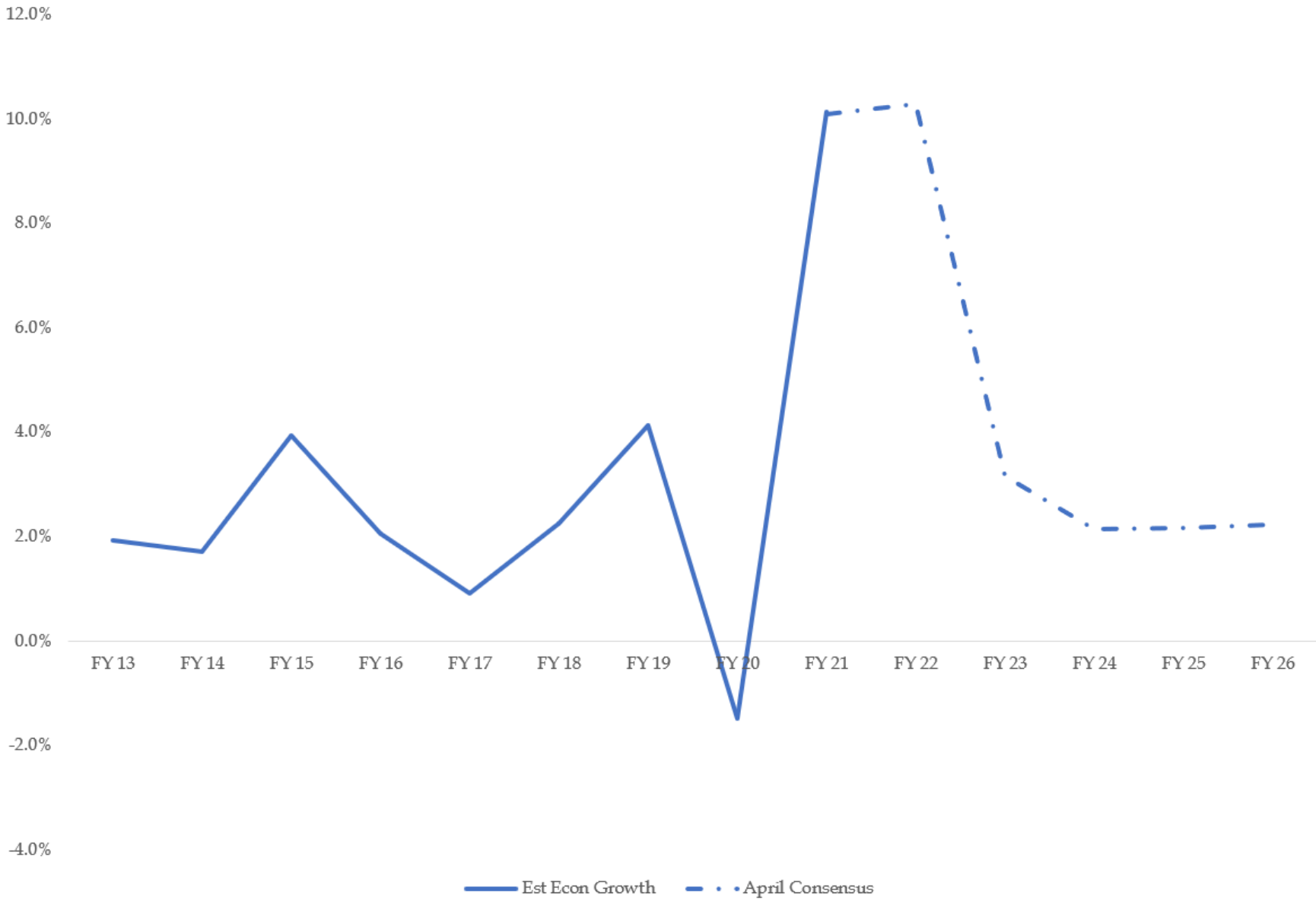


### Volatility cap transfers

■ General Fund ■ Transfers to the Budget Reserve Fund



Sales and Use Tax collections: all funds



### Key Growth Assumptions in the General Fund

<b><u>Taxes</u></b>	<b><u>FY 22</u></b>	<b><u>FY 23</u></b>	<b><u>FY 24</u></b>	<b><u>FY 25</u></b>	<b><u>FY 26</u></b>
Personal Income Tax	14.4%	0.0%	-0.7%	4.2%	4.1%
Withholding	8.8%	5.0%	3.3%	4.2%	4.2%
Est/Finals	27.4%	-10.0%	-10.0%	4.2%	4.0%
Sales & Use Tax	10.3%	3.2%	2.1%	2.2%	2.2%
Corporation Tax	15.5%	3.6%	3.3%	3.9%	3.8%
Pass-Through Entity Tax	41.0%	-10.0%	-10.0%	4.0%	4.0%

## Summary Changes: Apr 2022 Consensus - Jan 2022 Consensus

in millions	FY 22	FY 23	FY 24	FY 25	FY 26
<b>General Fund</b>					
<b>Taxes</b>					
Estimates and Finals	1,000.0	683.8	340.2	341.6	340.1
Pass-through Entity Tax	700.0	389.4	143.9	157.8	172.3
Withholding	225.0	236.3	244.1	254.3	264.2
Sales	200.0	128.5	130.0	131.6	133.1
Corporation	150.0	123.6	128.8	133.3	138.0
Real Estate Conveyance	45.0	45.6	45.2	46.0	46.6
Other Taxes (Net)	(15.5)	8.2	8.5	8.6	8.6
<b>Subtotal: Taxes</b>	<b>2,304.5</b>	<b>1,615.4</b>	<b>1,040.7</b>	<b>1,073.2</b>	<b>1,102.9</b>
Federal Grants	(115.5)	128.8	5.0	(10.5)	(11.4)
Volatility Adjustment Transfers	(1,700.0)	(1,074.1)	(480.8)	(487.2)	(489.5)
Other Revenue (Net)	64.5	20.4	20.8	21.2	21.6
<b>Total General Fund</b>	<b>553.5</b>	<b>690.5</b>	<b>585.7</b>	<b>596.7</b>	<b>623.6</b>
<b>Special Transportation Fund</b>					
Oil Companies	120.0	107.7	89.8	59.8	26.5
Motor Fuels Tax	(90.0)	-	-	-	-
Other (Net)	7.5	5.4	1.9	1.9	1.9
<b>Total Special Transportation Fund</b>	<b>37.5</b>	<b>113.1</b>	<b>91.7</b>	<b>61.7</b>	<b>28.4</b>

# Budget surplus a.k.a. “revenue cap” requirement

- Applies to General (GF) and Special Transportation (STF) funds
- In each fund, it limits total appropriations to set percentages of total revenues adopted by the Finance, Revenue and Bonding Committee
- Effective with the FY 20 budget per PA 17-2 JSS
- Part of the bond covenant that runs through June 2023

\$ millions	FY	Max Approps as a % of Revenues	Budgeted Surplus Requirement	General Fund Revenues	Special Transportation Fund Revenues	GF - \$ millions	STF - \$ millions
2020-2021 Budget	2020	99.50%	0.50%	18,400.5	1,808.0	92.0	9.0
	2021	99.25%	0.75%	18,689.8	1,909.2	140.2	14.3
2022-2023 Budget	2022	99.00%	1.00%	21,021.3	1,889.7	210.2	18.9
	2023	98.75%	1.25%	21,809.8	2,029.3	272.6	25.4
Jan 2022 Consensus Revenues	2024	98.50%	1.50%	22,001.6	2,275.7	330.0	34.1
	2025	98.25%	1.75%	22,599.2	2,268.9	395.5	39.7
	2026	98.00%	2.00%	23,250.2	2,268.5	465.0	45.4