

# **Bond Case Briefs**

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## **S&P: California's Fiscal 2022 Executive Budget Cuts Out-Year Deficit Projections By More Than Half**

### **Key Takeaways**

- California expects significant near-term windfall revenues thanks to conservative fiscal 2021 budgeting and strong capital gains taxes.
- The state's projected out-year budget gaps have been reduced by more than half, although remain significant.
- Budget reserves are expected to remain strong through fiscal 2023, before declining.
- The budget prudently proposes to spend much of the windfall on one-time items, including measures to alleviate the effects of the COVID-19 pandemic, reduction of previous school funding deferrals, extra retirement fund contributions, and transfers to reserves.
- The near-term budget picture could look even brighter due to recent new federal aid not included in the budget proposal.

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