

FY 2009 and FY 2010 Updated Revenue Outlook

Legislative Budget Committees

May 2009

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Legislative Budget and Finance Officer

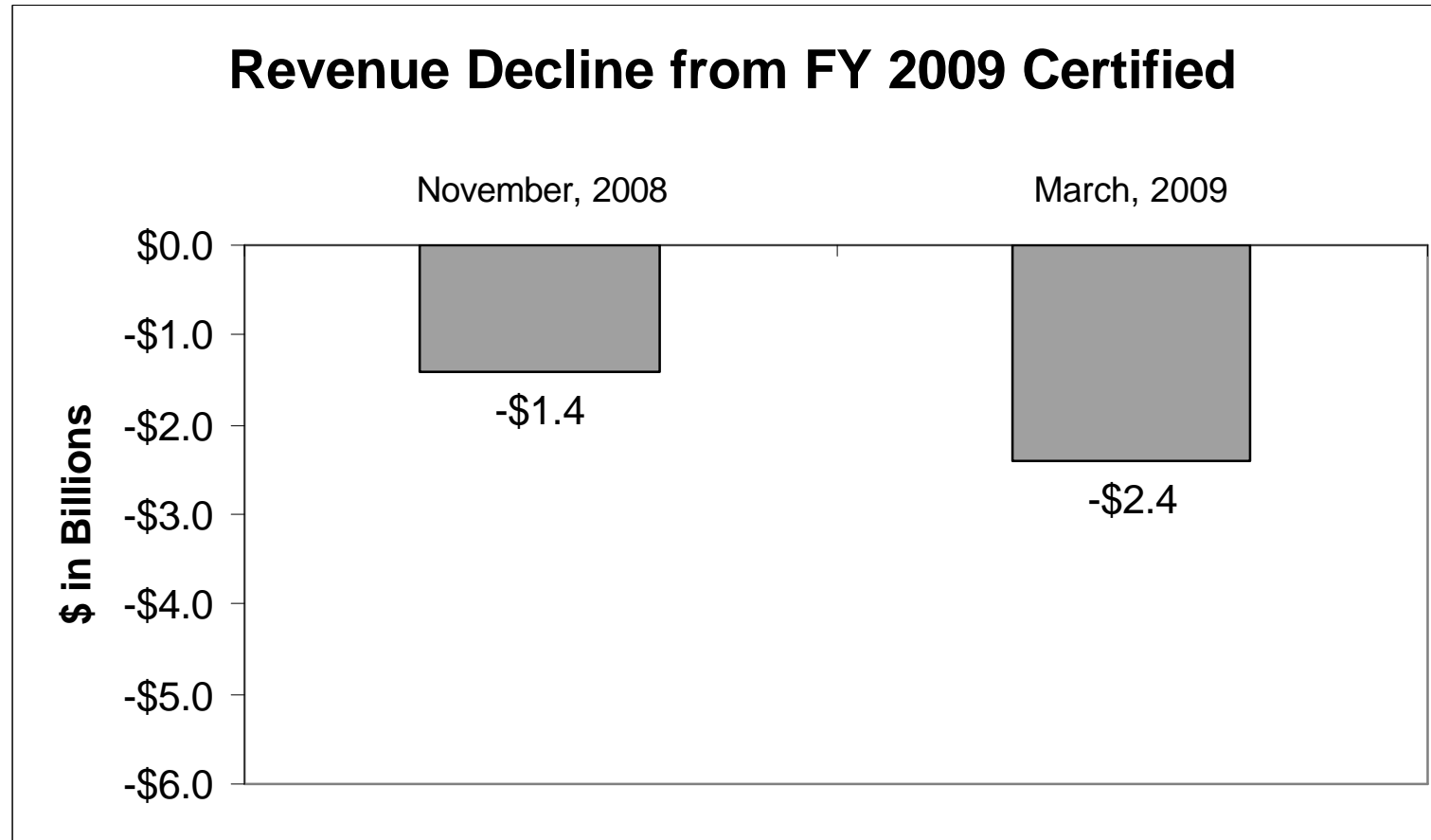
“The fiscal situation facing states is like a bad horror movie. The details get more gruesome, and the story never seems to end.”

Corina Eckl,
*Director of the National Conference of State
Legislatures' Fiscal Program*

NJ Revenue Shortfall Hit Suddenly

- At this time last year, State revenues were still growing.
- June 2008, the FY2009 Appropriations Act assumed a 2.6% revenue decline.
- FY2009 First Quarter revenues (July-Sept) were down by 1.1%.
- Second Quarter revenues (Oct-Dec) tumbled by an unprecedented 8.1%.

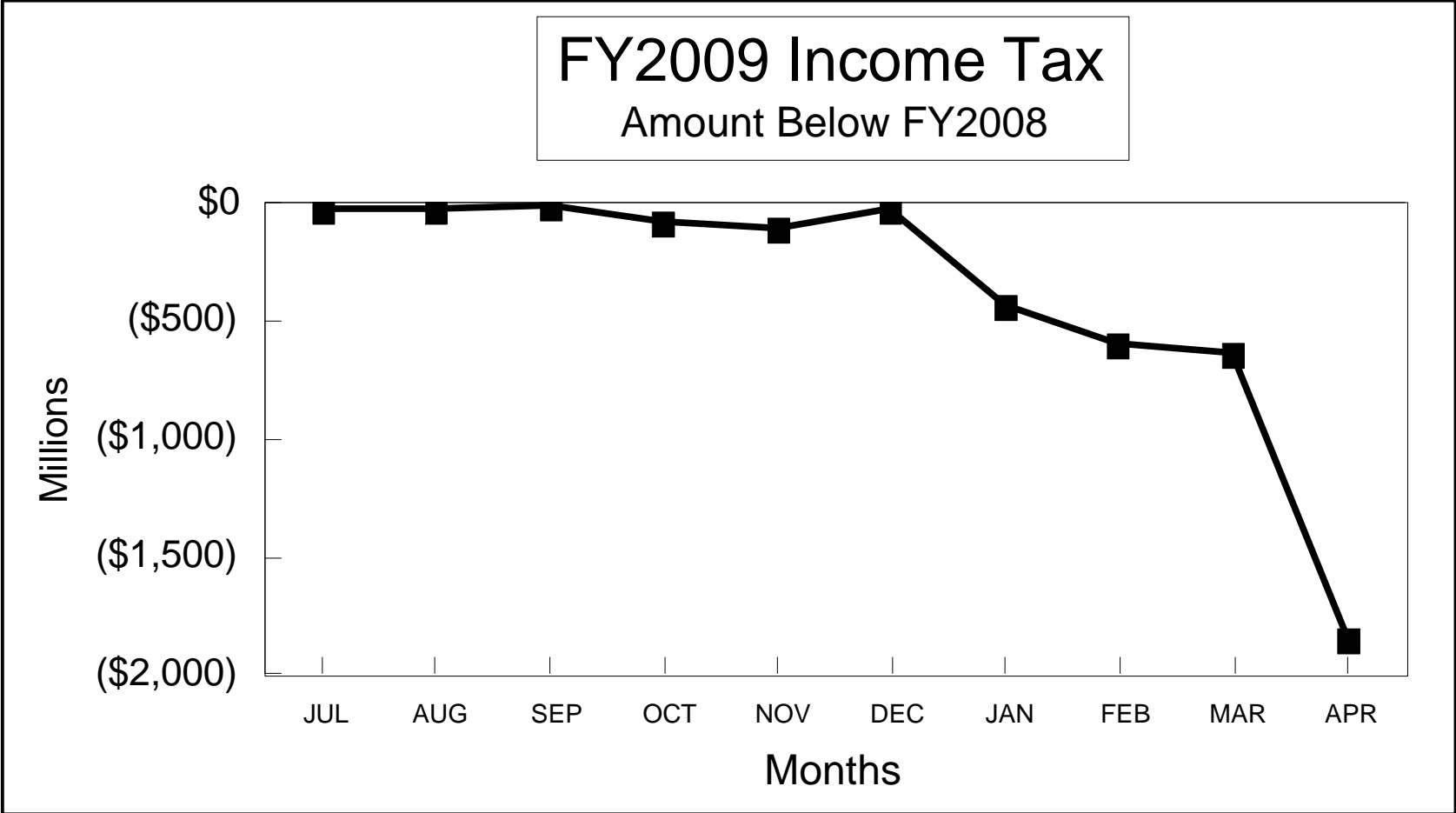
Governor Began to Revise Revenue Estimates Sharply Downward



OLS Revenue Outlook Warned of Additional Shortfalls

- April 6th OLS revenue estimates warned that revenues could fall \$606 million below the Governor's Budget Message.
- \$383 million shortfall in FY2009.
- \$223 million shortfall in FY2010.
- Third and Fourth Quarter FY 2009 revenues could be down by 14%.

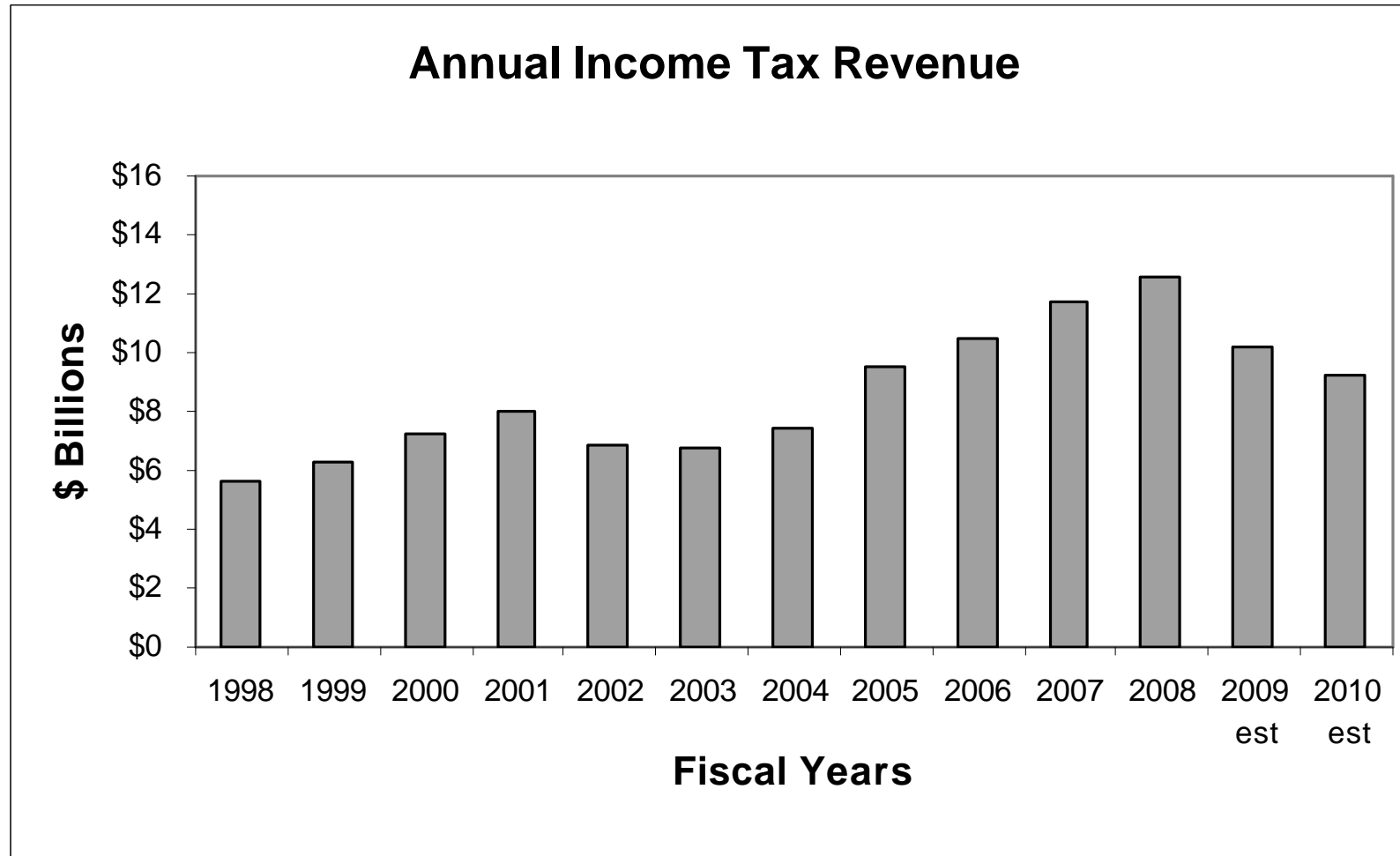
What Did Happen?



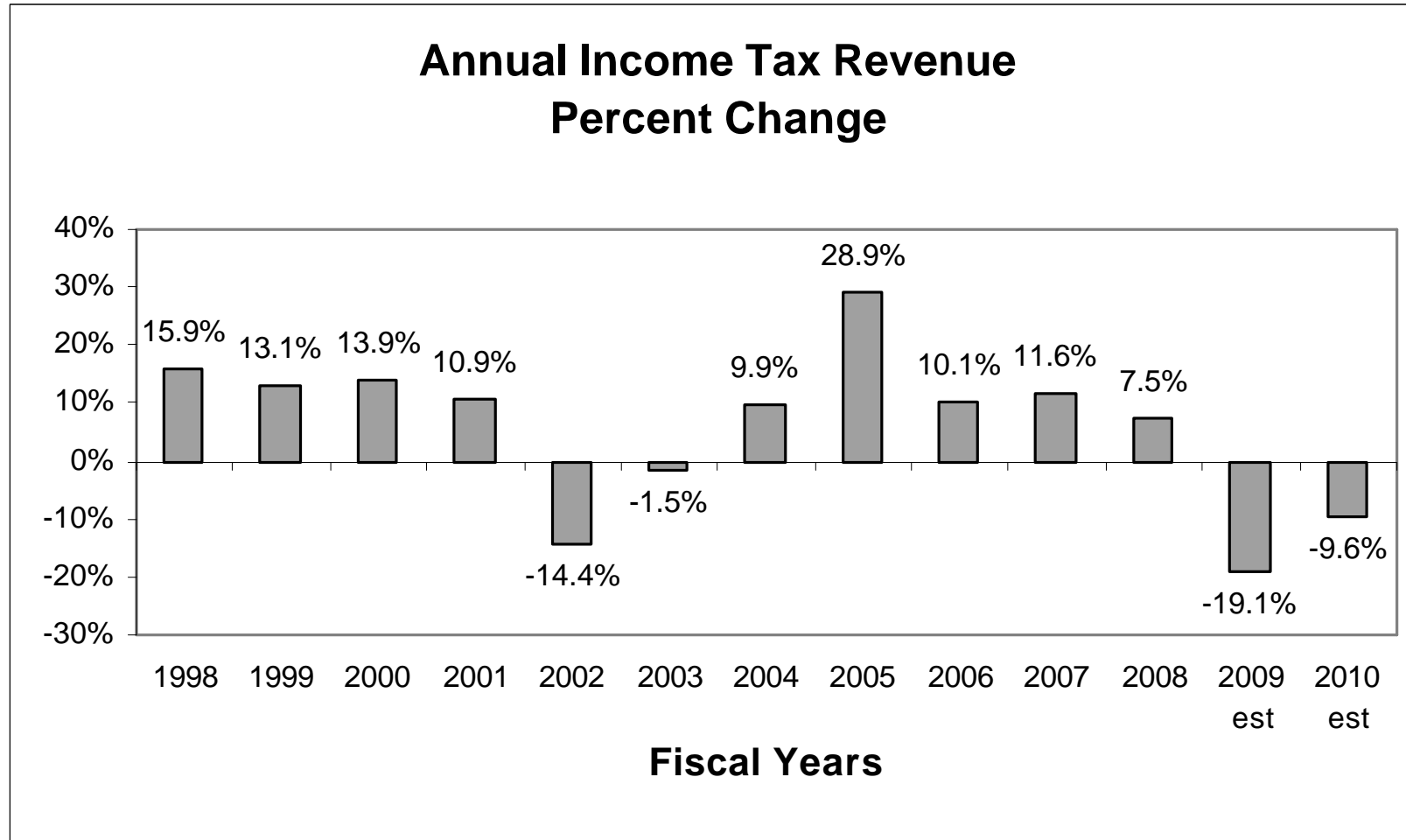
The Income Tax Tumbled in April

- Cash receipts fell \$700 million below April target, and \$1.2 billion below last April.
- OLS expected the 2nd worst April on record, a drop of 17%.
- Actual collections fell 38%.
- Estimated and final payments dropped 36%.
- Refunds jumped 24%.

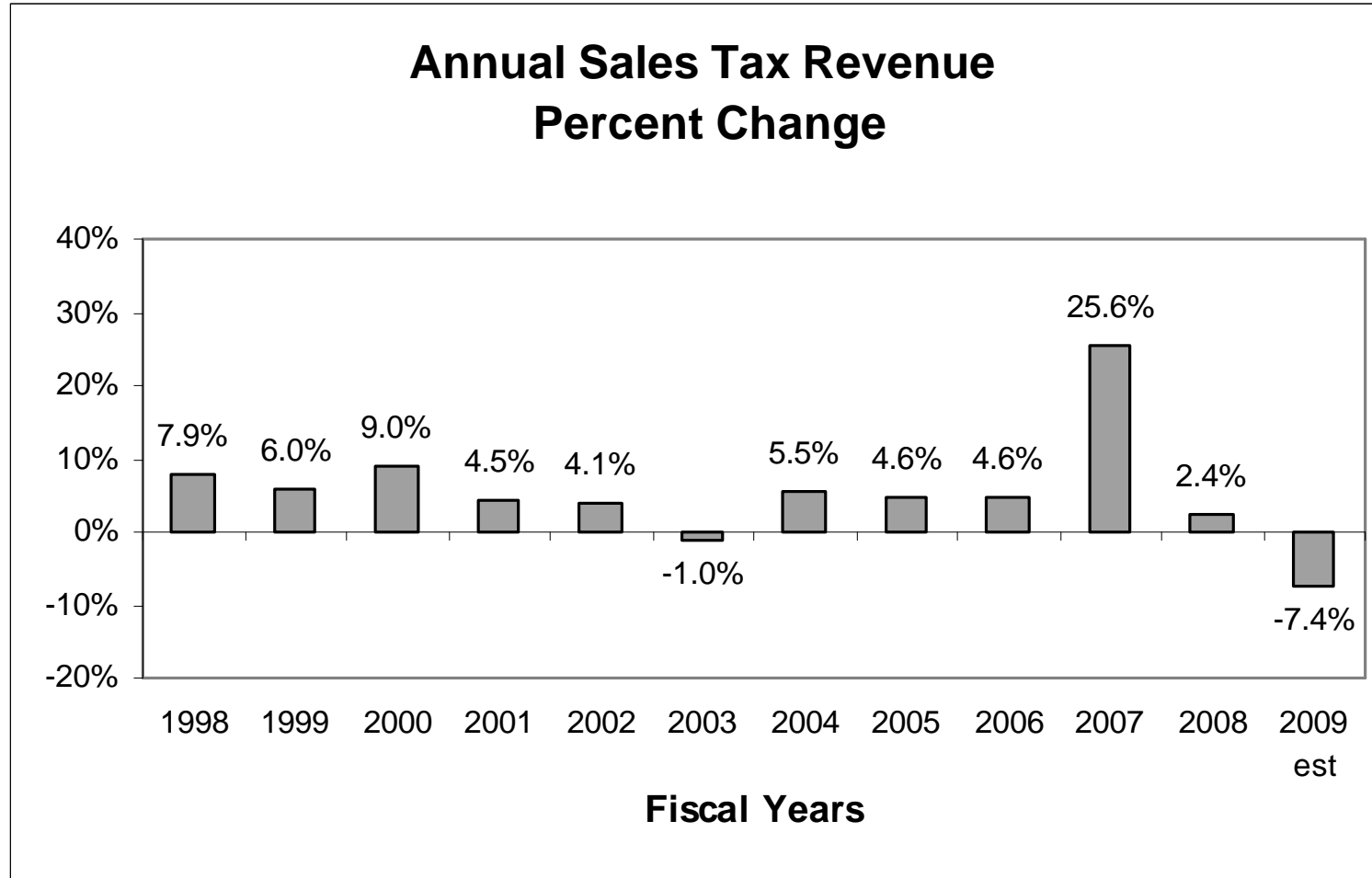
Base Income Tax Down \$2.4 Billion in FY 2009 and Another \$1.0 Billion in FY 2010



Worst Year in GIT History



Worst Year in Sales Tax History

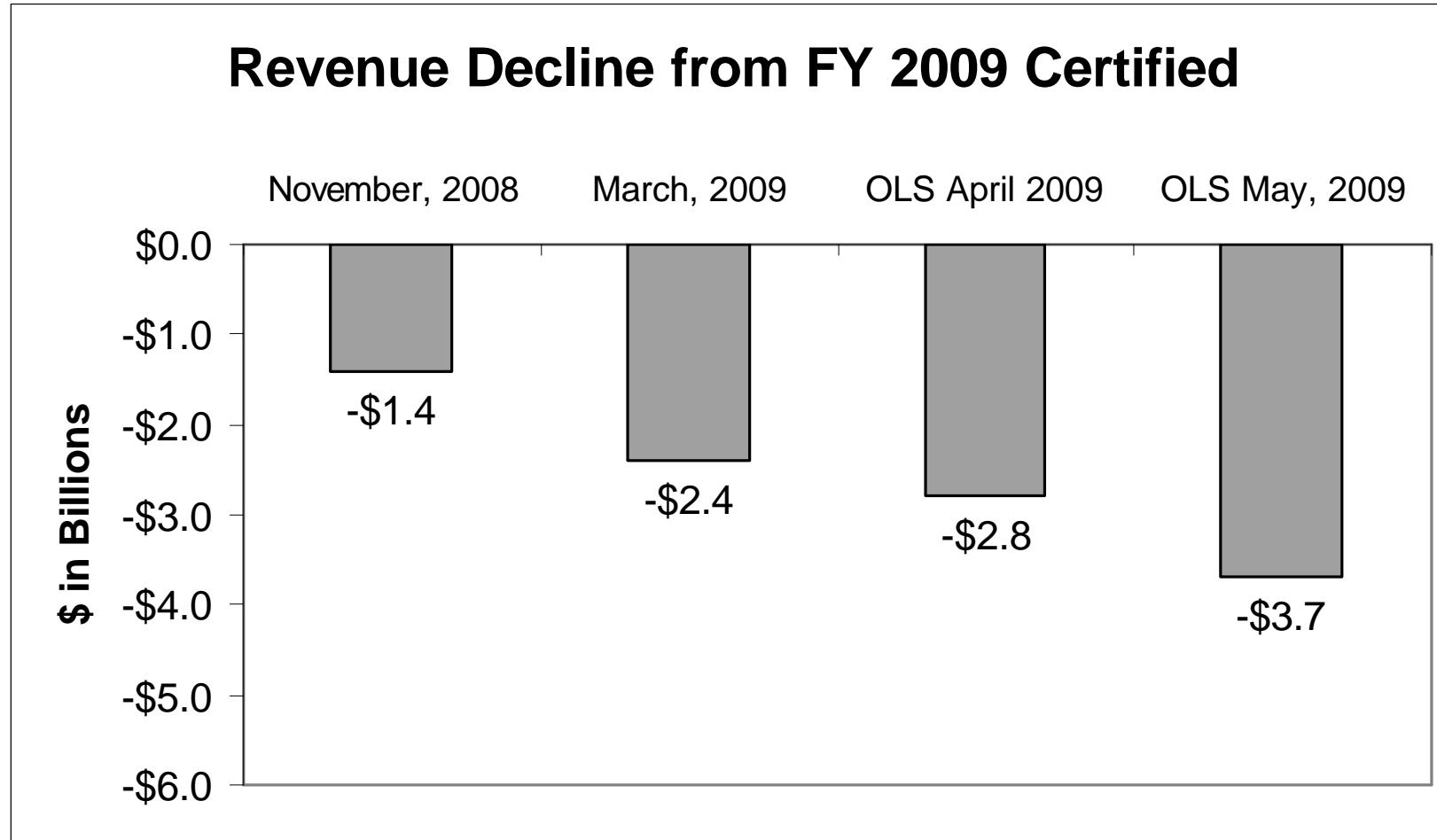


Most Other FY 2009 Major Revenues are also Down

- Corporation Tax down 22.6%.
- Casino revenues down 13.8%.
- Realty revenues down 40.0%.
- Insurance taxes down 9.6%.
- Motor fuels taxes down 5.5%.
- Inheritance revenues down 5.1%.
- Lottery down 2.3%.
- Combined, Major Revenues down over 14%.

FY 2009 Estimates Keep Tumbling...

(Down \$4.5 billion from last year)



Revised Fiscal Year 2009 Revenues -- May 2009

Millions of \$

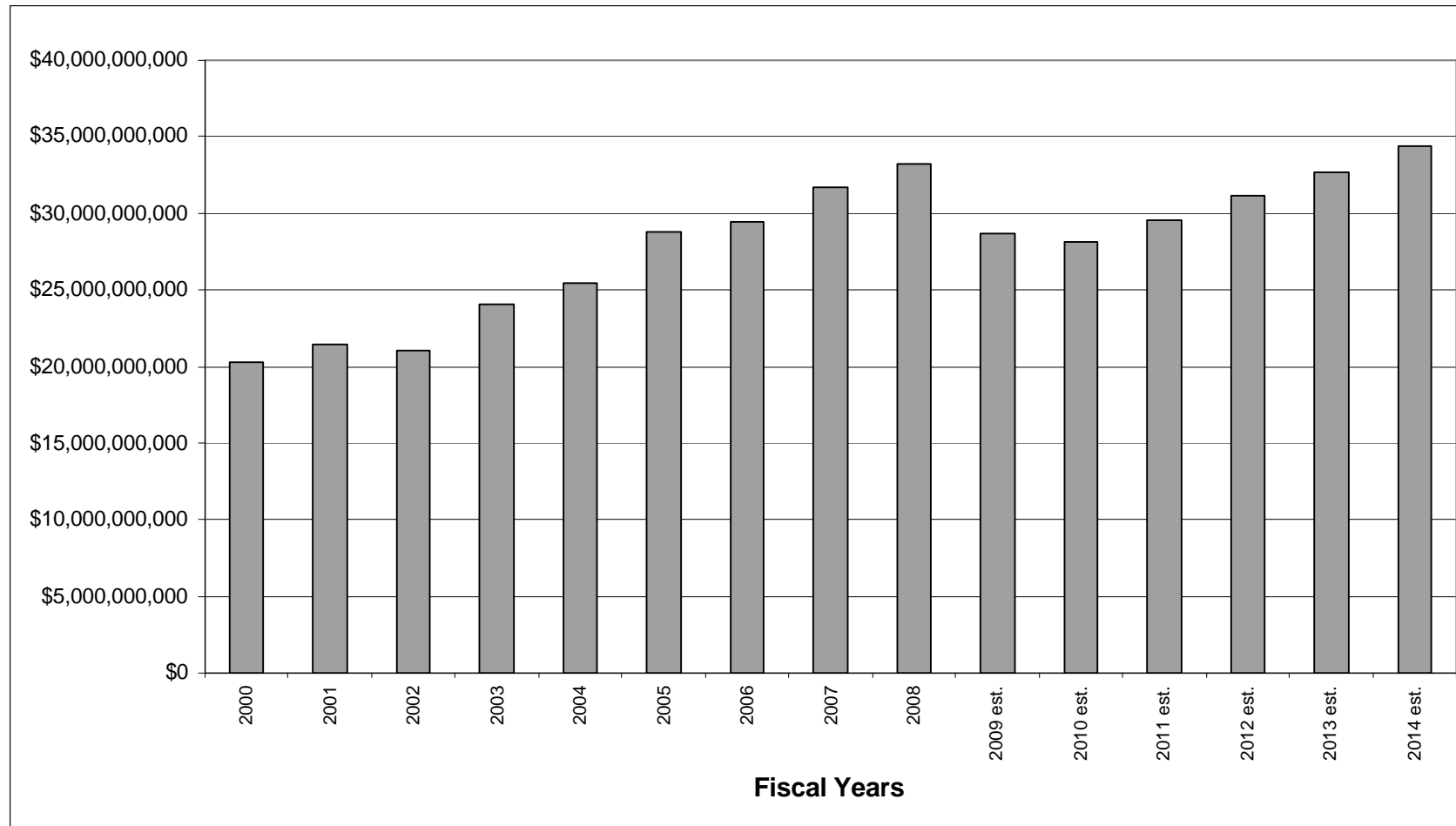
<u>Revenue Source</u>	<u>Executive Estimates March 2009</u>	<u>Executive Revised May 2009</u>	<u>Executive Change March to May</u>	<u>OLS Revised May 2009</u>	<u>Difference OLS May - Exec March</u>	<u>Difference OLS May - Exec May</u>
Income Tax	\$11,249.0	\$10,280.0	-\$969.0	\$10,200.0	-\$1,049.0	-\$80.0
Sales Tax, Base	7,925.0	7,770.0	-155.0	7,770.0	-155.0	0.0
Corporation Business Tax	2,350.0	2,300.0	-50.0	2,300.0	-50.0	0.0
Subtotal, Big Three Taxes	\$21,524.0	\$20,350.0	-\$1,174.0	\$20,270.0	-\$1,254.0	-\$80.0
All Other Revenues	8,456.0	8,481.9	25.9	8,431.4	-24.6	-50.5
Total Budgeted Revenues	\$29,980.0	\$28,831.9	-\$1,148.1	\$28,701.4	-\$1,278.6	-\$130.5

Revised Fiscal Year 2010 Revenues -- May 2009

Millions of \$

<u>Revenue Source</u>	<u>Executive Estimates March 2009</u>	<u>Executive Revised May 2009</u>	<u>Executive Change March to May</u>	<u>OLS Revised May 2009</u>	<u>Difference OLS May - Exec March</u>	<u>Difference OLS May - Exec May</u>
Income Tax	\$10,500.0	\$9,390.0	-\$1,110.0	\$9,220.0	-\$1,280.0	-\$170.0
<i>Income Tax Changes</i>	<i>788.0</i>	<i>1,063.0</i>	<i>275.0</i>	<i>1,063.0</i>	<i>275.0</i>	<i>0.0</i>
Sales Tax, Base	8,085.0	7,965.0	-120.0	7,950.0	-135.0	-15.0
Corporation Business Tax	2,030.0	2,224.0	194.0	2,000.0	-30.0	-224.0
Subtotal, Big Three Taxes	\$21,403.0	\$20,642.0	-\$761.0	\$20,233.0	-\$1,170.0	-\$409.0
All Other Revenues	8,238.3	8,160.5	-77.8	8,125.3	-113.0	-35.2
Total Budgeted Revenues	\$29,641.3	\$28,802.5	-\$838.8	\$28,358.3	-\$1,283.0	-\$444.2

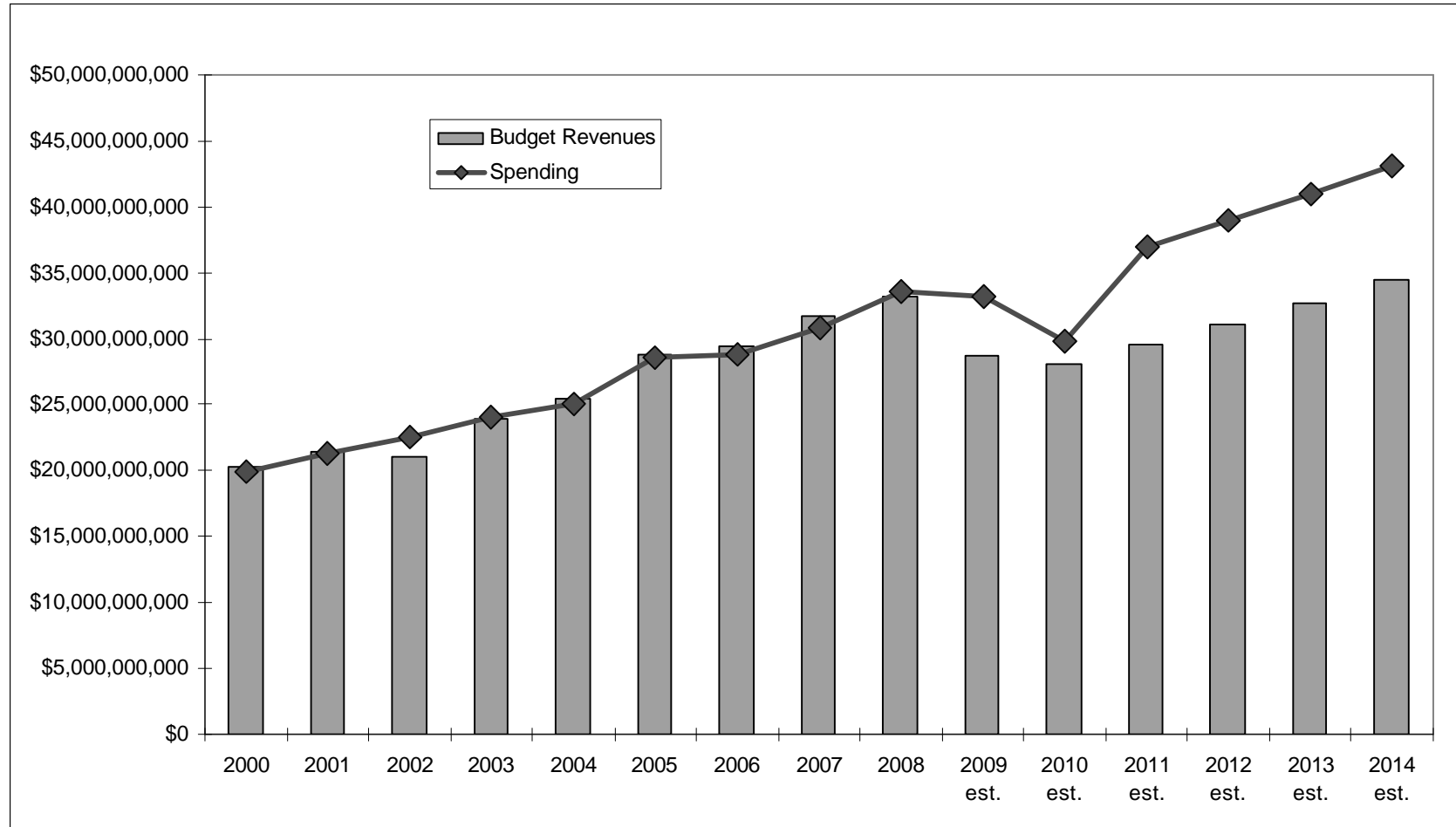
It Could Take Many Years for Revenues to Return to FY2008 Peak



FY 2011 and Beyond Face Significant Budget Issues

- \$1.6 billion federal stimulus for base spending will not recur in FY 2011.
- Remaining \$600 million in federal stimulus will not recur in FY 2012.
- State pension obligations may reach annual payments of \$3 billion.
- Expiration of \$780 million of proposed tax increases.
- School aid formula projects annual growth in excess of \$600 million.

A Structural Deficit in Excess of \$6 Billion Looms in Future Years



“Everywhere I go I depress
people.”

Scott Pattison,
*Executive Director of the National Association of
State Budget Officers*

Figure A
Revised Fiscal Year 2009 Revenue Estimates -- May 2009

Millions of \$

Revenue Source	<u>Executive</u>	Exec Revised	<u>Executive</u>	OLS Revised	<u>Difference</u>	
	Estimates March 2009		Change Feb to May		May 2009	OLS May - Exec March
Major Taxes:						
Sales Tax, Total	\$7,812.3	\$7,680.1	-\$132.2	\$7,680.1	-\$132.2	\$0.0
<i>Sales Tax, Base</i>	7,925.0	7,770.0	-155.0	7,770.0	-155.0	0.0
<i>Dedicated Transfer to PTRF</i>	-636.0	-621.0	15.0	-621.0	15.0	0.0
<i>Sales Tax, Energy</i>	523.3	531.1	7.8	531.1	7.8	0.0
Corporation Business Tax, Total	\$2,442.3	\$2,372.7	-\$69.6	\$2,372.7	-\$69.6	\$0.0
<i>Corporation Business Tax, Base</i>	2,350.0	2,300.0	-50.0	2,300.0	-50.0	0.0
<i>Corporation Business Tax, Energy</i>	92.3	72.7	-19.6	72.7	-19.6	0.0
Inheritance Taxes	671.9	666.0	-5.9	665.0	-6.9	-1.0
Motor Fuels Tax	542.6	536.0	-6.6	535.0	-7.6	-1.0
Insurance Premiums Tax	466.0	520.0	54.0	455.0	-11.0	-65.0
Realty Transfer Fee	260.0	186.0	-74.0	200.0	-60.0	14.0
Motor Vehicle Fees	380.5	373.0	-7.5	373.0	-7.5	0.0
Cigarette Tax	236.8	237.0	0.2	236.8	0.0	-0.2
Petroleum Products Gross Receipts Tax	224.4	220.0	-4.4	220.0	-4.4	0.0
Corporation Business - Banks and Financial	54.6	85.0	30.4	85.0	30.4	0.0
Alcoholic Beverage Excise Tax	93.8	96.0	2.2	95.0	1.2	-1.0
Tobacco Products Wholesale	13.9	15.0	1.1	13.9	0.0	-1.1
Public Utilities Excise	12.2	12.2	0.0	12.2	0.0	0.0
Subtotal, Major Taxes	\$13,211.2	\$12,999.0	-\$212.2	\$12,943.7	-\$267.5	-\$55.3
Misc. Taxes, Fees and Revenues						
Assessment on Property Sold Over \$1 Million	91.1	77.0	-14.1	80.0	-11.1	3.0
Transitional Energy Facility Assessment	234.5	234.2	-0.3	234.2	-0.3	0.0
Public Utility Taxes (State Retention)	87.6	87.6	0.0	87.6	0.0	0.0
Medicaid Uncomp. Care Reimbursement	493.0	494.0	1.0	494.0	1.0	0.0
Hotel Occupancy Tax	80.0	78.0	-2.0	78.0	-2.0	0.0
Federal Stabilization	250.0	162.2	-87.8	162.2	-87.8	0.0
Other	1,718.3	1,839.4	121.1	1,839.4	121.1	0.0
Subtotal, Misc. Revenues	\$2,954.5	\$2,972.4	\$17.9	\$2,975.4	\$20.9	\$3.0
Interfund Transfers						
State Lottery Fund	888.0	888.0	0.0	888.0	0.0	0.0
Tobacco Settlement/Securitization	68.4	68.9	0.5	68.9	0.5	0.0
Other	530.9	577.5	46.6	577.5	46.6	0.0
Subtotal, Interfund Transfers	\$1,487.3	\$1,534.4	\$47.1	\$1,534.4	\$47.1	\$0.0
TOTAL GENERAL FUND	\$17,653.1	\$17,505.8	-\$147.2	\$17,453.5	-\$199.5	-\$52.3
Property Tax Relief Fund (Income Tax)	\$11,249.0	\$10,280.0	-\$969.0	\$10,200.0	-\$1,049.0	-\$80.0
<i>PTRF Transfer from GF (Sales Tax)</i>	636.0	621.0	-15.0	621.0	-15.0	0.0
Casino Revenue Fund	\$366.3	\$349.5	-\$16.8	\$351.3	-\$15.0	\$1.8
Casino Control Fund	\$74.9	\$74.8	-\$0.1	\$74.8	-\$0.1	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.0	\$0.7	\$0.0	\$0.0
GRAND TOTAL, ALL FUNDS	\$29,980.0	\$28,831.9	-\$1,148.1	\$28,701.4	-\$1,278.6	-\$130.5

Figure B
Revised Fiscal Year 2010 Revenue Estimates -- May 2009

Millions of \$

Revenue Source	March 2009	Exec Revised	Executive	OLS Revised	Difference OLS	Difference OLS
	Gov's Budget	May 2009	Change Feb to May	May 2009	May - GBM March	May - Exec May
Major Taxes:						
Sales Tax, Total	\$8,063.2	\$7,939.7	-\$123.5	\$7,924.7	-\$138.5	-\$15.0
<i>Sales Tax, Base</i>	8,085.0	7,965.0	-120.0	7,950.0	-135.0	-15.0
<i>Dedicated Transfer to PTRF</i>	-649.0	-639.0	10.0	-639.0	10.0	0.0
<i>Sales Tax, Energy</i>	627.2	613.7	-13.5	613.7	-13.5	0.0
Corporation Business Tax, Total	\$2,141.5	\$2,336.0	\$194.5	\$2,112.0	-\$29.5	-\$224.0
<i>Corporation Business Tax, Base</i>	2,030.0	2,224.0	194.0	2,000.0	-30.0	-224.0
<i>Corporation Business Tax, Energy</i>	111.5	112.0	0.5	112.0	0.5	0.0
Inheritance Taxes	671.9	635.0	-36.9	630.0	-41.9	-5.0
Motor Fuels Tax	553.4	547.0	-6.4	540.0	-13.4	-7.0
Insurance Premiums Tax	475.3	586.0	110.7	530.0	54.7	-56.0
Realty Transfer Fee	234.0	174.0	-60.0	200.0	-34.0	26.0
Motor Vehicle Fees	400.1	392.6	-7.5	392.6	-7.5	0.0
Cigarette Tax	255.3	230.0	-25.3	230.0	-25.3	0.0
Petroleum Products Gross Receipts Tax	228.9	223.0	-5.9	222.0	-6.9	-1.0
Corporation Business - Banks and Financial	54.6	84.0	29.4	85.0	30.4	1.0
Alcoholic Beverage Excise Tax	117.3	122.0	4.7	117.3	0.0	-4.7
Tobacco Products Wholesale	14.2	15.0	0.8	14.2	0.0	-0.8
Public Utilities Excise	12.2	12.2	0.0	12.2	0.0	0.0
Subtotal, Major Taxes	\$13,221.8	\$13,296.5	\$74.7	\$13,010.0	-\$211.8	-\$286.5
Misc. Taxes, Fees and Revenues						
Assessment on Property Sold Over \$1 Million	82.0	61.0	-21.0	72.0	-10.0	11.0
Transitional Energy Facility Assessment	239.7	239.7	0.0	239.7	0.0	0.0
Public Utility Taxes (State Retention)	87.6	87.6	0.0	87.6	0.0	0.0
Medicaid Uncomp. Care Reimbursement	490.3	486.7	-3.6	486.7	-3.6	0.0
Hotel Occupancy Tax	85.0	78.0	-7.0	78.0	-7.0	0.0
Federal Stabilization	0.0	0.0	0.0	0.0	0.0	0.0
Other	1,616.2	1,593.5	-22.7	1,593.5	-22.7	0.0
Subtotal, Misc. Revenues	\$2,600.8	\$2,546.5	-\$54.3	\$2,557.5	-\$43.3	\$11.0
Interfund Transfers						
State Lottery Fund	928.8	928.8	0.0	928.8	0.0	0.0
Tobacco Settlement/Securitization	63.8	63.8	0.0	63.8	0.0	0.0
Other	466.5	468.8	2.3	468.8	2.3	0.0
Subtotal, Interfund Transfers	\$1,459.1	\$1,461.4	\$2.3	\$1,461.4	\$2.3	\$0.0
TOTAL GENERAL FUND	\$17,281.7	\$17,304.4	\$22.6	\$17,028.9	-\$252.8	-\$275.5
Property Tax Relief Fund (Income Tax)						
<i>Tax Changes</i>	\$788.0	\$1,063.0	\$275.0	\$1,063.0	\$275.0	\$0.0
<i>Impact of NY State Tax Changes</i>	\$0.0	-\$300.0	-\$300.0	-\$300.0	-\$300.0	\$0.0
<i>PTRF Transfer from GF (Sales Tax)</i>	\$649.0	\$639.0	-\$10.0	\$639.0	-\$10.0	\$0.0
Casino Revenue Fund	\$351.8	\$335.4	-\$16.4	\$336.8	-\$15.0	\$1.3
Casino Control Fund	\$70.1	\$70.0	-\$0.1	\$70.0	-\$0.1	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.0	\$0.7	\$0.0	\$0.0
GRAND TOTAL, ALL FUNDS	\$29,641.3	\$28,802.5	-\$838.9	\$28,358.3	-\$1,283.0	-\$444.1