

ANALYSIS OF THE NEW JERSEY BUDGET

**TAX AND
REVENUE OUTLOOK**

FISCAL YEAR

2008 - 2009

NEW JERSEY STATE LEGISLATURE

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The FY 2008 and FY 2009 Tax and Revenue Outlook

Introduction

The Office of Legislative Services (OLS) has prepared this report to assist the Senate Budget and Appropriations Committee and the Assembly Budget Committee as they develop the FY 2009 appropriations bill. The OLS revenue estimates reflect a careful review of current State revenue collections, revisions to statutory law, historic revenue collection patterns, and a variety of economic data and forecasts.

The OLS projects that FY 2008 and FY 2009 revenues will be \$133.4 million less than the

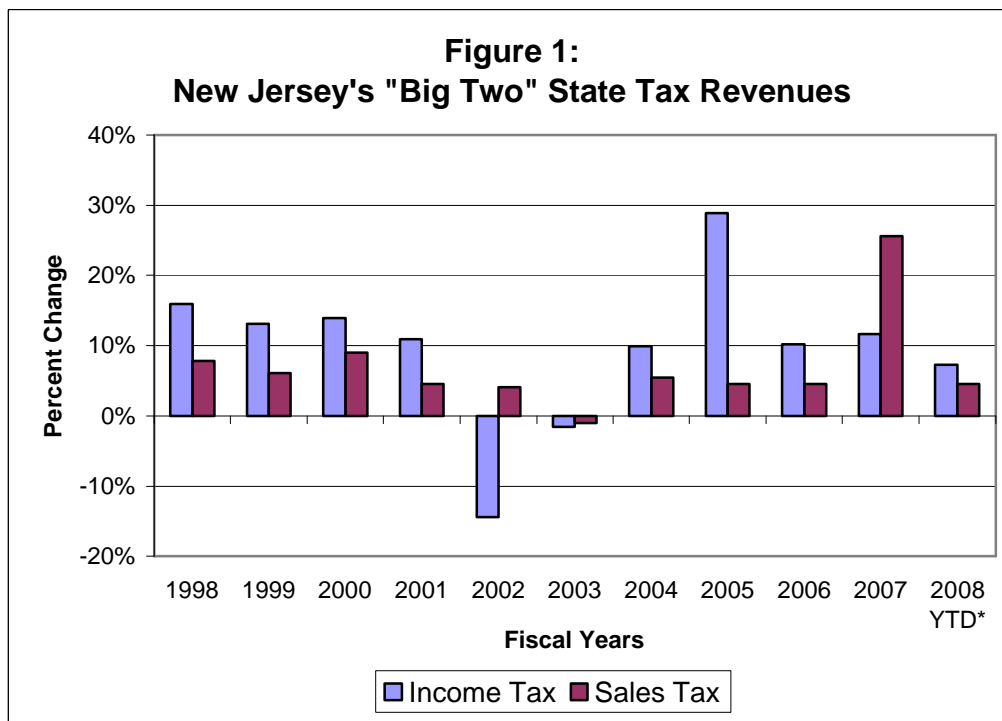
estimates in the FY 2009 Governor's Budget Recommendation. Specifically:

- For FY 2008, the OLS revenue estimates are \$155.3 million above the Executive budget estimates (page 4).
- For FY 2009, the OLS revenue estimates are \$288.7 million below the Executive budget estimates (page 5).

The FY 2009 Budget Recommendation assumes no statutory changes to State revenues.

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Recap: FY 2008 Revenue Collections to Date



Each year the Office of Legislative Services provides the budget committees monthly updates of collections for the State's most important tax revenues. These revenues account for close to 90% of budgeted revenues. Moreover, nearly two-thirds of budgeted revenues come from the income tax and the sales tax alone. **Figure 1** and **Figure 2** display collections information through the end of February, eight months into FY 2008.

The **gross income tax** has grown by 7.3% above the same point last year, the fifth consecutive year of growth following the declines of FY 2002 and FY 2003. This year-to-date* growth is greater than the Executive's growth target of 3.8% for the entire fiscal year.

The **sales tax** is up 4.6% above receipts for the same period last year. The rate increase and base expansion enacted in July of 2006 still affected collection patterns through the first quarter of FY 2008 by overstating revenue growth. The Executive's year-end target is 3.6% growth.

The **corporation business tax**, the State's third largest revenue, is up 24.2% this fiscal year, well ahead of the Executive's projected decline of 10.7%. The year-to-date growth rate exaggerates actual performance because of shifts in collections related to several previous tax law changes.

Overall, through the first eight months of FY 2008, most State revenues are performing near the revised growth rates estimated in the February 2008 Governor's Budget Message. However, the possibility of a national recession, which could have a crucial impact on revenues, adds a level of uncertainty not seen since FY 2002.

* Year-to-date (YTD) means receipts for July 2007 through February 2008. March figures should be available by the second week of April.

Figure 2
FY 2008 Year-To-Date
Selected Revenue Comparison
Through the End of February 2008 vs. February 2007
Millions of Dollars

	FY 2007 Actual Through Feb.	FY 2008 Actual Through Feb.	Percent Change	GBM Percent Change Target
Gross Income Tax	\$6,042.3	\$6,482.4	7.3%	3.8%
Sales Tax *	4,724.7	4,943.1	4.6%	3.6%
Corporation Business Tax	1,243.1	1,543.5	24.2%	-10.7%
Lottery	512.5	578.4	12.9%	3.7%
Motor Fuels Tax *	332.8	333.2	0.1%	0.3%
Casino Tax	294.7	270.4	-8.2%	-10.4%
Inheritance Taxes	402.8	475.3	18.0%	9.9%
Insurance Premiums Tax	106.8	190.6	78.5%	4.0%
Petroleum Products *	137.6	137.4	-0.2%	-0.5%
Alcohol Excise Tax *	48.7	49.0	0.6%	0.2%
CBT -- Banks & Financials	36.8	39.0	5.8%	7.8%
Realty Transfer Fee *	229.2	209.5	-8.6%	-4.2%

Sources: Year-To-Date revenues are from Treasury's monthly cash reports.

The year-end Executive percentage change target is based on the February revised revenue estimates for FY 2008 contained in the proposed FY 2009 budget.

* Revenues represent seven months of cash collections. All others represent eight months of cash collections.

GBM = Governor's Budget Message.

Fiscal Year 2008 Revenue Estimates

Figure 3
Fiscal Year 2008 Revenue Estimates
(\$ millions)

	<u>Appropriations</u> <u>Act Certified</u>	<u>GBM Revised</u> <u>Estimate</u>	<u>GBM Change</u>	<u>OLS</u> <u>Estimate</u>	<u>OLS vs.</u> <u>GBM</u> <u>Difference</u>
Gross Income Tax	\$12,379.0	\$12,171.6	-\$207.4	\$12,330.0	\$158.4
Sales Tax	8,900.4	8,971.6	71.2	8,881.6	-90.0
Corporation Business Tax	2,623.0	2,752.2	129.2	2,852.2	100.0
Inheritance Taxes	618.0	664.6	46.6	680.0	15.4
Motor Fuels Tax	572.0	563.0	-9.0	558.0	-5.0
Realty Transfer Fee	380.0	377.3	-2.7	360.0	-17.3
Assessment on Prop. > \$1 Mil.	140.0	131.2	-8.8	125.0	-6.2
Other Revenues	6,263.6	6,340.3	76.7	6,340.3	0.0
Grand Total, All Funds	\$31,876.0	\$31,971.8	\$95.8	\$32,127.1	\$155.3

See Appendix for additional detail. Numbers may not add due to rounding.
GBM = Governor's Budget Message.

Figure 3 presents the FY 2008 revenue certification from the Appropriations Act (June 2007), the Executive's revisions as presented in the February 2008 Governor's Budget Message (GBM) recommendation, and the OLS forecast. Highlights of the revenue estimates include:

Executive:

- The Executive revised estimates for all revenues upward by a net \$95.8 million from the level certified in the FY 2008 Appropriations Act.
- The Executive estimate for the income tax is down \$207.4 million.
- The Executive estimate for the sales tax is up \$71.2 million.
- The Executive estimate for the corporation business tax is up \$129.2 million.
- The Executive estimates for all other revenues are up by a combined \$102.8 million.

Office of Legislative Services:

- The OLS total revenue estimate for FY 2008 is **\$155.3 million** above the Executive's revised projection.
- The OLS estimate for the income tax is \$158.4 million above the Executive's.
- The OLS estimate for the sales tax is \$90 million below the Executive's.
- The OLS estimate for the corporation business tax is \$100 million above the Executive's.
- The OLS estimates for all other revenues are \$13.1 million below the Executive's.

Fiscal Year 2009 Revenue Estimates

Figure 4
Fiscal Year 2009 Revenue Estimates
(\$ millions)

	<u>GBM Estimate</u>	<u>Annual Growth</u>	<u>OLS Estimate</u>	<u>Annual Growth</u>	<u>OLS vs. GBM Difference</u>
Gross Income Tax	\$12,865.6	5.7%	\$12,770.0	3.6%	-\$95.6
Sales Tax	9,222.1	2.8%	8,997.1	1.3%	-225.0
Corporation Business Tax	2,549.0	-7.4%	2,599.0	-8.9%	50.0
Inheritance Taxes	664.6	0.0%	680.0	0.0%	15.4
Motor Fuels Tax	564.5	0.3%	554.5	-0.6%	-10.0
Realty Transfer Fee	377.3	0.0%	360.0	0.0%	-17.3
Assessment on Prop. > \$1 Mil.	131.2	0.0%	125.0	0.0%	-6.2
Other Revenues	6,094.3	-3.9%	6,094.3	-3.9%	0.0
Grand Total, All Funds	\$32,468.6	1.6%	\$32,179.9	0.2%	-\$288.7

See Appendix for additional detail. Numbers may not add due to rounding.
GBM = Governor's Budget Message.

Figure 4 displays the Executive FY 2009 revenue estimates as presented in the February 2008 Governor's Budget Message recommendation and the OLS forecast. Highlights of the revenue estimates include:

Executive:

- The Executive expects total revenues to grow by \$496.8 million, or 1.6% over FY 2008.
- The Executive estimate for the income tax is up \$694.0 million, or 5.7% over FY 2008.
- The Executive estimate for the sales tax is up \$250.5 million, or 2.8% over FY 2008.
- The Executive estimate for the corporation business tax is down \$203.2 million, or 7.4% from FY 2008.
- The Executive estimates for all other revenues are down by a combined \$244.5 million.

Office of Legislative Services:

- The OLS total revenue estimates for FY 2009 are **\$288.7 million below** the Executive projection.
- The OLS estimate for the income tax is \$95.6 million below the Executive.
- The OLS estimate for the sales tax is \$225 million below the Executive.
- The OLS estimate for the corporation business tax is \$50.0 million above the Executive.
- The OLS estimates for all other revenues are \$18.1 million below the Executive.

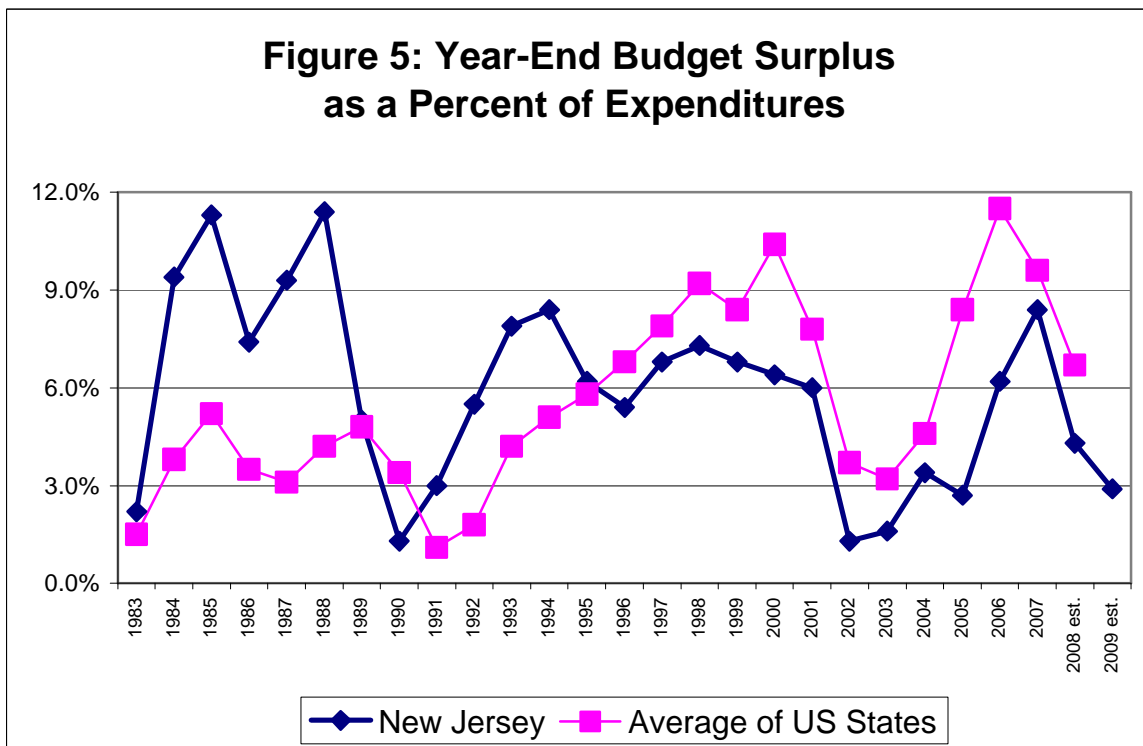
Budgetary Impact of OLS Revenue Estimates

Combined over the two-year period, the OLS revenue estimates are \$133.4 million less than the Executive's -- \$155.3 million more in FY 2008 and \$288.7 million less in FY 2009.

The Executive projects an FY 2009 year-end balance of \$934.1 million, or about 2.9% of budgeted expenditures. The Governor has divided this balance into two components: \$334.1 million for a proposed "Long Term Obligation and Capital Expenditure Reserve" fund and \$600.0 million as the normal undesignated balance. As part of its annual analysis, the OLS recalculates the State's year-end budgeted balance based solely on the revenue forecast differences between the Executive and the OLS. All other things being equal, the lower OLS revenue estimates would produce a year-end balance of \$800.7 million.

The Executive's *projected* 2.9% surplus is low by historical standards for New Jersey. As is shown in Figure 5, over the last quarter century the State's *actual* surplus has exceeded 2.9% of expenditures all but five years, and three of those five years were during economic recessions (1983, 1990, and 2002). Moreover, the national average of all states' surpluses has exceeded New Jersey's level every year since FY 1996, based on survey data compiled by the National Association of State Budget Officers.

This surplus calculation assumes that the spending plan in the FY 2009 Executive budget will be followed. The actual balance will be determined by numerous spending decisions as well as revenue collections. Decisions on these and other matters will be made by the Executive, both budget committees and the full Legislature during the next three months and throughout the fiscal year.



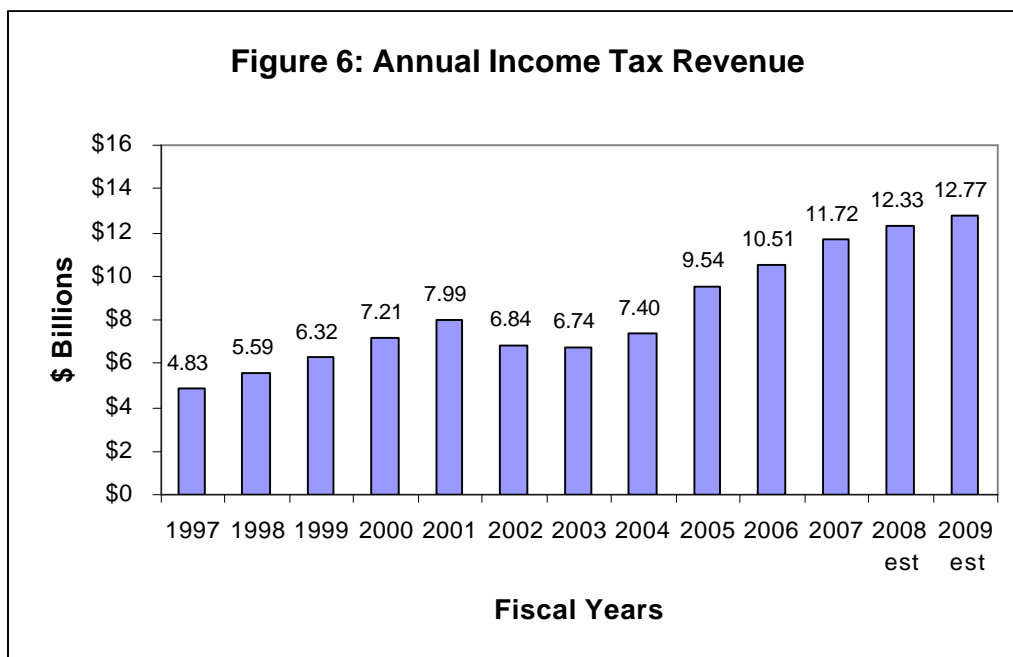
Discussion of the Gross Income Tax

The Executive and the OLS estimates for the Gross Income Tax (GIT) differ in both years, but the overall net difference is relatively small. **The OLS is projecting \$158.4 million more in FY 2008 and \$95.6 million less in FY 2009, accounting for a net \$62.8 million revenue difference over the two fiscal years combined.**

Through the end of February, the GIT is up 7.3% over the same period last year, stronger than the Executive's targeted growth of 3.8% for FY 2008 (Figure 2, page 3). The OLS views the relative strength of current GIT collections as promising. Withholding collections are up about 5% this fiscal year, and quarterly estimated payments (by taxpayers with significant non-wage income) are up nearly 15%. The OLS assumes a slight slowdown in withholding growth to 4% for the remainder of FY 2008, and anticipates that April final payments will grow by about 8%, based on solid performance in non-wage

income in Tax Year 2007. Estimated payments are assumed to slow to 5% growth and refund payments are estimated to grow by 10% over last year. The OLS has also factored in a decline of \$90 million compared to FY 2007, due to a technical adjustment last year. All told, **the OLS expects the GIT to bring in \$12.33 billion in FY 2008, an increase of 5.1% over last year.**

Economic concerns suggest a more cautious outlook for GIT revenues in FY 2009. As economists debate the possibility of a national recession, the impact on the GIT is uncertain. The OLS assumes wage and non-wage income growth will be below historical averages in the coming year, and therefore **estimates 3.6% overall growth to \$12.77 billion in FY 2009, \$95.6 million below the Executive estimate in the Governor's Budget Message.** Figure 6, below, displays the OLS estimates along with actual GIT revenues over the last decade.



Discussion of Other Selected Revenues

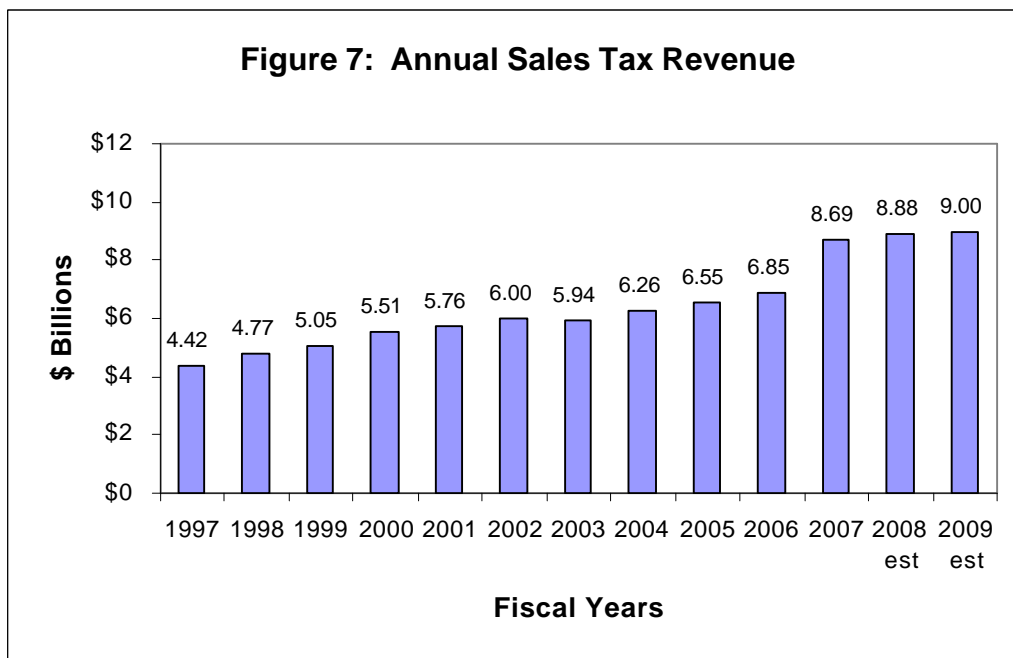
Sales Tax

The OLS revenue estimate of \$8.9 billion is \$90 million below the Executive estimate for FY 2008. The OLS \$9.0 billion estimate for FY 2009 is \$225 million lower than the Executive forecast. Figure 7, below, displays annual collection amounts and the estimates for this year and the next. The amounts include sales tax revenue from energy sales.

Year-to-date growth in the sales tax through the end of February is 4.6%, which appears to be close to the long-term average growth rate for this tax revenue. However, this growth is artificially enhanced due to timing issues in the First Quarter of FY 2008 related to the implementation of the FY 2007 rate increase and base expansion. More recent months have shown a worrisome slowdown

in growth, capped by a 4.1% revenue *decline* in February collections compared to last February.

Given the national concerns about weak retail sales, rising gasoline prices, a declining housing market, poor revenue collections in recent months, and a possible recession, the OLS is taking a cautious approach to sales tax revenues for the remainder of FY 2008 and for FY 2009. The OLS estimates that collections will be flat with last year for most of the remainder of this calendar year, and that baseline growth (excluding energy receipts) will only improve to 1.0% overall for FY 2009. If a serious recession occurs, the revenue performance could be even weaker.



Corporation Business Tax

The corporation business tax is historically one of the most volatile revenues sources, and one of the most difficult to project. Annual estimates of corporate profits are only loosely related to the payments corporations send the State. Each fiscal year includes a mixture of payments, adjustments, refunds, and credits from a number of different tax years.

The Executive estimates a significant drop in collections for FY 2008 and again in FY 2009. Some of the decline is due to weakening profits, but a significant portion of the decline is due to the expiration of certain tax provisions such as the alternative minimum assessment, as well as the loss of certain one-time payments received in FY 2007.

The OLS has consulted with the Executive on these various components, and believes that the underlying tax base, after all the adjustments are made, is not yet declining. Accordingly, the OLS estimates \$2.852 billion in FY 2008, \$100.0 million more than the Executive, and \$2.599 billion in FY 2009, \$50.0 million more than the Executive.

Transfer Inheritance Tax

The OLS projects \$680.0 million in both FY 2008 and FY 2009, \$15.4 million more than the Executive in each year. This higher estimate is based on year-to-date actual collections, which are growing by 18.0% through the end of February. The Executive estimate assumes 9.9% growth in FY 2008. Both the Executive and the OLS believe it is prudent to project flat revenues for FY 2009, given the historic volatility of this revenue source.

Realty Fees and Taxes

The deterioration of the real estate market in the last year has had significant repercussions throughout the economy. Home re-sales and new home construction are down in New Jersey and across the nation. Home prices have fallen in some regions. Additionally, the failure of mortgage-based investments has created a crisis in the banking sector and turmoil in the equity markets.

Not surprisingly, tax revenues from the real estate sector are also declining. Through the end of February, realty transfer fee collections are down 8.6% in FY 2008, following a 14.3% drop in FY 2007. Accordingly, the OLS is reducing its estimate from this revenue to \$360.0 million in FY 2008, \$17.3 million below the Executive estimate. Likewise, the OLS is reducing its estimate for FY 2009 by \$17.3 million below the Executive for FY 2009.

The OLS also estimates that revenues from the assessment on sales of property valued at over \$1.0 million will be lower than the Executive estimates by \$6.2 million in both FY 2008 and FY 2009.

Motor Fuels Tax

Based on weak year-to-date collections, concerns about rising fuel prices and the economy, the OLS projects declining revenues from the motor fuels tax. Through the end of February, collections have been essentially flat with last year, and fuel prices are widely projected to continue rising. Accordingly, the OLS projects \$558.0 million from the motor fuels tax in FY 2008, \$5.0 million less than the Executive, and projects \$554.5 million in FY 2009, \$10.0 million less than the Executive.

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Detailed Fiscal Year 2008 Revenue Estimates				
<i>Millions of \$</i>				
<u>Revenue Source</u>	<u>Appropriations Act (June 2007)</u>	<u>Executive Revised</u>	<u>OLS</u>	<u>Diff: OLS - Executive</u>
Major Taxes:				
Sales Tax, Total	\$8,226.4	\$8,297.6	\$8,207.6	-\$90.0
<i>Sales Tax, Base</i>	8,480.0	8,490.0	8,400.0	-90.0
<i>Dedicated Transfer to PTRF</i>	-674.0	-674.0	-674.0	
<i>Sales Tax, Energy</i>	420.4	481.6	481.6	0.0
Corporation Business Tax, Total	\$2,623.0	\$2,752.2	\$2,852.2	\$100.0
<i>Corporation Business Tax, Base</i>	2,520.0	2,675.0	2,775.0	100.0
<i>Corporation Business Tax, Energy</i>	103.0	77.2	77.2	0.0
Inheritance Taxes	618.0	664.6	680.0	15.4
Motor Fuels Tax	572.0	563.0	558.0	-5.0
Insurance Premiums Tax	466.0	466.0	466.0	0.0
Realty Transfer Fee	380.0	377.3	360.0	-17.3
Motor Vehicle Fees *	278.4	413.7	413.7	0.0
Cigarette Tax	236.8	237.1	237.1	0.0
Petroleum Products Gross Receipts Tax	233.0	231.2	231.2	0.0
Corporation Business - Banks and Financial	130.0	132.6	132.6	0.0
Alcoholic Beverage Excise Tax	93.0	92.5	92.5	0.0
Tobacco Products Wholesale	13.0	14.4	14.4	0.0
Public Utilities Excise	10.7	10.8	10.8	0.0
Subtotal, Major Taxes	\$13,880.4	\$14,253.0	\$14,256.1	\$3.1
Misc. Taxes, Fees and Revenues				
Assessment on Property Sold Over \$1 Million	140.0	131.2	125.0	-6.2
Transitional Energy Facility Assessment	232.1	253.0	253.0	0.0
Public Utility Taxes (State Retention)	87.1	87.2	87.2	0.0
Medicaid Uncomp. Care Reimbursement	488.3	493.3	493.3	0.0
Telephone Assessment	127.0	129.0	129.0	0.0
Hotel Occupancy Tax	79.0	87.0	87.0	0.0
Interdepartmental Accounts	579.2	579.2	579.2	0.0
Other	1,149.7	1,046.4	1,046.4	0.0
Subtotal, Misc. Revenues	\$2,882.4	\$2,806.3	\$2,800.1	-\$6.2
Interfund Transfers				
State Lottery Fund	845.0	859.0	859.0	0.0
Unclaimed Personal Property Trust Fund	244.9	244.9	244.9	0.0
Tobacco Settlement/Securitization	114.3	118.7	118.7	0.0
Other	348.4	357.3	357.3	0.0
Subtotal, Interfund Transfers	\$1,552.6	\$1,580.0	\$1,580.0	\$0.0
TOTAL GENERAL FUND	\$18,315.3	\$18,639.2	\$18,636.2	-\$3.1
Property Tax Relief Fund (Income Tax)	\$12,379.0	\$12,171.6	\$12,330.0	\$158.4
<i>PTRF Transfer from GF (Sales Tax)</i>	\$674.0	\$674.0	\$674.0	\$0.0
Casino Revenue Fund	\$433.0	\$412.0	\$412.0	\$0.0
Casino Control Fund	\$73.9	\$74.3	\$74.3	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.7	\$0.0
GRAND TOTAL, ALL FUNDS	\$31,876.0	\$31,971.8	\$32,127.2	\$155.3
<i>* Motor vehicle fees display changed from appropriations act, shifting amounts from Misc. Revenues.</i>				

Detailed Fiscal Year 2009 Revenue Estimates					
<i>Millions of \$</i>					
<u>Revenue Source</u>	<u>February 2008</u> <u>Gov's Budget</u>	<u>GBM %</u> <u>Change</u>	<u>March 2008</u> <u>OLS Original</u>	<u>OLS %</u> <u>Change</u>	<u>Diff: OLS -</u> <u>Executive</u>
Major Taxes:					
Sales Tax, Total	\$8,531.1	2.8%	\$8,306.1	1.2%	-\$225.0
<i>Sales Tax, Base</i>	8,710.0	2.6%	8,485.0	1.0%	-225.0
<i>Dedicated Transfer to PTRF</i>	-691.0		-691.0		
<i>Sales Tax, Energy</i>	512.1	6.3%	512.1	6.3%	0.0
Corporation Business Tax, Total	\$2,549.0	-7.4%	\$2,599.0	-8.9%	\$50.0
<i>Corporation Business Tax, Base</i>	2,460.0	-8.0%	2,510.0	-9.5%	50.0
<i>Corporation Business Tax, Energy</i>	89.0	15.3%	89.0	15.3%	0.0
Inheritance Taxes	664.6	0.0%	680.0	0.0%	15.4
Motor Fuels Tax	564.5	0.3%	554.5	-0.6%	-10.0
Insurance Premiums Tax	466.0	0.0%	466.0	0.0%	0.0
Realty Transfer Fee	377.3	0.0%	360.0	0.0%	-17.3
Motor Vehicle Fees	406.7	-1.7%	406.7	-1.7%	0.0
Cigarette Tax	228.0	-3.8%	228.0	-3.8%	0.0
Petroleum Products Gross Receipts Tax	230.0	-0.5%	230.0	-0.5%	0.0
Corporation Business - Banks and Financial	132.6	0.0%	132.6	0.0%	0.0
Alcoholic Beverage Excise Tax	92.6	0.1%	92.6	0.1%	0.0
Tobacco Products Wholesale	14.7	2.1%	14.7	2.1%	0.0
Public Utilities Excise	10.8	0.0%	10.8	0.0%	0.0
Subtotal, Major Taxes	\$14,267.9	0.1%	\$14,081.0	-1.2%	-\$186.9
Misc. Taxes, Fees and Revenues					
Assessment on Property Sold Over \$1 Million	131.2	0.0%	125.0	0.0%	-6.2
Transitional Energy Facility Assessment	181.9	-28.1%	181.9	-28.1%	0.0
Public Utility Taxes (State Retention)	87.2	0.0%	87.2	0.0%	0.0
Medicaid Uncomp. Care Reimbursement	490.4	-0.6%	490.4	-0.6%	0.0
Telephone Assessment	129.0	0.0%	129.0	0.0%	0.0
Hotel Occupancy Tax	90.0	3.4%	90.0	3.4%	0.0
Interdepartmental Accounts	625.4	8.0%	625.4	8.0%	0.0
Other	1,027.6	-1.8%	1,027.6	-1.8%	0.0
Subtotal, Misc. Revenues	\$2,762.7	-1.6%	\$2,756.5	-1.6%	-\$6.2
Interfund Transfers					
State Lottery Fund	853.0	-0.7%	853.0	-0.7%	0.0
Unclaimed Personal Property Trust Fund	178.0	-27.3%	178.0	-27.3%	0.0
Tobacco Settlement/Securitization	65.4	-44.9%	65.4	-44.9%	0.0
Other	283.4	-20.7%	283.4	-20.7%	0.0
Subtotal, Interfund Transfers	\$1,379.8	-12.7%	\$1,379.8	-12.7%	\$0.0
TOTAL GENERAL FUND	\$18,410.4	-1.2%	\$18,217.3	-2.2%	-\$193.1
Property Tax Relief Fund (Income Tax), Total	\$12,865.6	5.7%	\$12,770.0	3.6%	-\$95.6
<i>PTRF Transfer from GF (Sales Tax)</i>	\$691.0		\$691.0		
Casino Revenue Fund	\$425.8	3.3%	\$425.8	3.3%	\$0.0
Casino Control Fund	\$75.1	1.1%	\$75.1	1.1%	\$0.0
Gubernatorial Elections Fund	\$0.7	0.0%	\$0.7	0.0%	\$0.0
GRAND TOTAL, ALL FUNDS	\$32,468.6	1.6%	\$32,179.9	0.2%	-\$288.7

Revenues from Taxes on Energy Providers

Energy utilities are subject to the sales and use tax, the corporation business tax (CBT) and the transitional energy facility assessment (TEFA), a tax intended to phase out over time. Telecommunications utilities are subject to the CBT. The revenues are divided into two categories: **municipal use**, which are "off budget" and **State use**, which are "on budget."

Figure A displays public utility revenues between FY 1991 and FY 2009. Collections through FY 1997 were under the old public utility tax system. The State use portions from FY 1992 to FY 1994 included substantial statutory prepayments from large utilities. Since FY 1998, taxes have been collected under the current law. Figures B through D display the actual and anticipated revenues between FY 2007 and FY 2009 in greater detail.

From a budgeting perspective, the municipal use tax revenues are credited to the Energy Tax Receipts Property Tax Relief Fund (ETR Fund), and allocated to municipalities under a statutory formula. These amounts, considered "off budget," are not included in either the anticipated Schedule 1 revenues or

the amount of State aid appropriated in the annual appropriations act. This amount has stabilized at \$788.5 million annually since FY 2005.

After allocating \$788.5 million to the ETR Fund, the remaining revenues come "on budget" for use in the State General Fund. Some of this on budget portion is the TEFA, which was originally scheduled to end in FY 2002. However, P.L.2001, c.433 and P.L.2006, c.40, extended the TEFA payments through FY 2010. The Executive estimates TEFA payments of \$253.0 million in FY 2008 and \$181.9 million in FY 2009.

The portion of energy revenue from the CBT and the sales tax not needed for the ETR Fund has grown significantly, rising from \$72.2 million in FY 2005 to an expected \$601.1 million by FY 2009. Economic growth and the recent sales tax rate increase have contributed to this rise. Total "on budget" collections from energy and utility sources are estimated at \$909.7 million in FY 2008 and \$880.9 million in FY 2009, up from \$400.2 million in FY 2005.

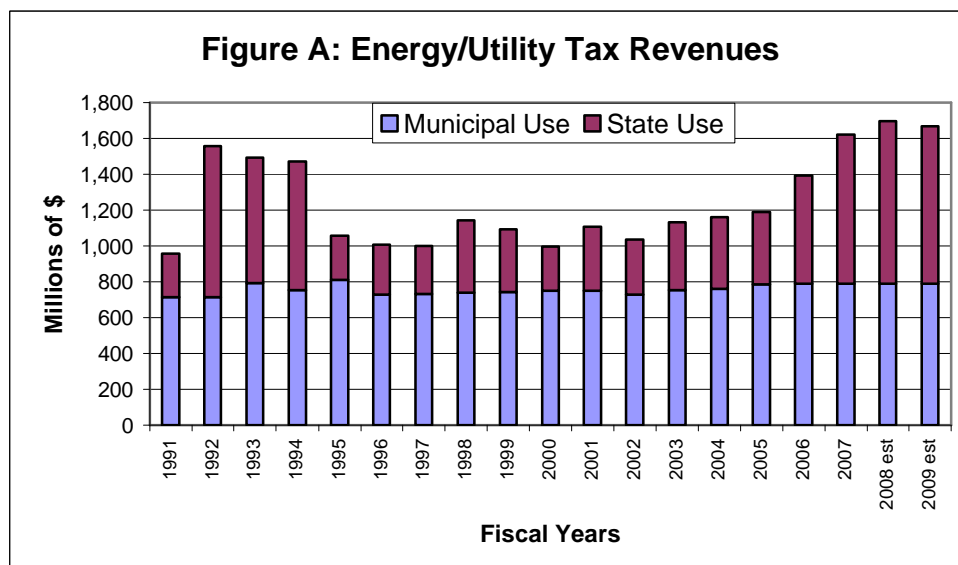


Figure B
Actual Energy/Utility Tax Revenue Fiscal Year 2007
Millions of \$

<u>Revenue Source</u>	<u>On-Budget (State Use)</u>	<u>Off-Budget (Municipal Use)</u>	<u>Total</u>
Sales and Use Tax	\$428.6	\$683.3	\$1,111.9
Corporation Business Tax	\$88.0	\$105.2	\$193.2
Transitional Energy Facilities Assessment (TEFA)	\$217.4		\$217.4
Franchise and Gross Receipts Tax			
Water and Sewer Utilities	\$87.2		\$87.2
Public Utility Excise Tax Water and Sewer Utilities	\$10.8		\$10.8
Total	\$832.0	\$788.5	\$1,620.5

Source: Department of Treasury, March 2008.

Figure C
Anticipated Energy/Utility Tax Revenue Fiscal Year 2008
Millions of \$

<u>Revenue Source</u>	<u>On-Budget (State Use)</u>	<u>Off-Budget (Municipal Use)</u>	<u>Total</u>
Sales and Use Tax	\$481.6	\$683.3	\$1,164.9
Corporation Business Tax	\$77.2	\$105.2	\$182.4
Transitional Energy Facilities Assessment (TEFA)	\$253.0		\$253.0
Franchise and Gross Receipts Tax			
Water and Sewer Utilities	\$87.2		\$87.2
Public Utility Excise Tax Water and Sewer Utilities	\$10.7		\$10.7
Total	\$909.7	\$788.5	\$1,698.2

Source: Department of Treasury, March 2008.

Figure D
Anticipated Energy/Utility Tax Revenue Fiscal Year 2009
Millions of \$

Revenue Source	<u>On-Budget</u> <u>(State Use)</u>	<u>Off-Budget</u> <u>(Municipal Use)</u>	<u>Total</u>
Sales and Use Tax	\$512.1	\$683.3	\$1,195.4
Corporation Business Tax	\$89.0	\$105.2	\$194.2
Transitional Energy Facilities Assessment (TEFA)	\$181.9		\$181.9
Franchise and Gross Receipts Tax			
Water and Sewer Utilities	\$87.2		\$87.2
Public Utility Excise Tax Water and Sewer Utilities	\$10.7		\$10.7
Total	\$880.9	\$788.5	\$1,669.4

Source: Department of Treasury, March 2008.

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Individuals wishing information and committee schedules on the FY 2009 budget are encouraged to contact:

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