

Testimony prepared for presentation to the
Assembly Budget Committee
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Good morning Chair and members of the committee. Thank you for inviting the staff of the Office of Legislative Services to appear before you this morning to provide an update on our revenue projections, now that important April tax collections are in the door. When we appeared before you six weeks ago I suggested that this year's forecast was exceptionally difficult, due to some one-time events occurring at the end of 2017, and tax planning behavior influenced by the recently enacted federal tax law and possible changes in State tax law. As it turns out, collections over the past two months came in very close to what we and the Governor's analysts had predicted, and so our revised estimates are only slightly below what we presented to you six weeks ago. Because our projections are nearly identical to our previous ones, I will keep my comments relatively brief.

In total, the OLS projections for Fiscal Years 2018 and 2019 are about \$45 million below those we presented in April – less than $\frac{1}{10}$ of one percent of the total revenue forecast over the two years. The larger change is in the current fiscal year – we project nearly \$39 million less than we did before. All other things remaining consistent with the Governor's Budget Message, this would reduce the FY 2018 ending balance to just under \$700 million. Our revised forecast over the two years would reduce the FY 2019 ending surplus to \$517 million, or about 1.4% of FY 2019 appropriations.

Our estimates from six weeks ago were about \$180 million, or $\frac{1}{4}$ of a percent, under the Executive's, and our updated estimates are still less than $\frac{1}{3}$ of a percent below the forecasted revenues in the Governor's Budget Message. We expect that the Treasurer will present updated

Executive forecasts this afternoon, which will likely change the gap between our two agencies' predictions.

For many individual taxes, including the Sales Tax and the Corporation Business Tax, the past two months of activity have not led us to change our estimates. In April, we were less confident than past years about our Gross Income Tax predictions, but collections proved to be very close to what we anticipated, and so the difference in our two-year forecast is negligible. Other taxes have fluctuated in different directions – inheritance taxes and the realty transfer fee performed a bit better than we expected, while the petroleum products gross receipts tax and the cigarette tax were somewhat worse. The net effect is slightly less revenue available for appropriation in both FY 2018 and 2019.

The tables presented to you today provide a comparison of the updates OLS revenue estimates against the original February estimates included in the Governor's Budget Message. We expect that the Treasurer will provide updated revenue projections when she appears before you later today, and we will incorporate those changes and update our displays accordingly. We are also likely to accept any changes the Executive makes in its forecasts of various non-tax revenues which make up the remainder of Schedule 1 revenues.

As has been reported in the media, there was no "April surprise" this year. With the revenue situation essentially unchanged, the difficult choices facing you as budget makers and lawmakers – for better and for worse – are similar to how they appeared six weeks ago.

At this time, we would be pleased to answer your questions.

Revised Fiscal Year 2018 Revenue Estimates

Millions of \$

<u>Revenue Source</u>	<u>Executive Est.</u> <u>March 2018</u>	<u>Executive Est.</u> <u>May 2018</u>	<u>Executive</u> <u>Change March</u> <u>to May</u>	<u>OLS Estimate</u> <u>May 2018</u>	<u>Diff: OLS -</u> <u>Executive</u>
Major Taxes:					
Sales Tax, Total	\$9,661.5	\$9,643.0	-\$18.5	\$9,643.7	\$0.7
<i>Sales Tax, Base</i>	9,545.8	9,545.1	-\$0.7	9,545.8	0.7
<i>Dedicated Transfer to PTRF</i>	-747.6	-746.1	\$1.5	-746.1	0.0
<i>Sales Tax, Energy</i>	74.8	55.5	-\$19.4	55.5	0.0
<i>Sales Tax, Energy Tax Receipts</i>	788.5	788.5	\$0.0	788.5	0.0
Corporation Business Tax, Total	\$2,205.1	\$2,074.0	-\$131.1	\$2,053.6	-\$20.4
<i>Corporation Business Tax, Base</i>	2,200.1	2,069.0	-\$131.1	2,048.6	-20.4
<i>Corporation Business Tax, Energy</i>	5.0	5.0	\$0.0	5.0	0.0
Inheritance Taxes	609.6	603.6	-\$6.0	603.5	-0.1
Motor Fuels Tax	503.0	500.7	-\$2.3	506.0	5.3
Insurance Premiums Tax	525.0	597.0	\$72.0	580.1	-16.9
Realty Transfer Fee	381.8	361.1	-\$20.7	368.3	7.2
Motor Vehicle Fees	500.2	500.2	\$0.0	500.2	0.0
Cigarette Tax	133.2	121.6	-\$11.6	128.1	6.5
Petroleum Products Gross Receipts Tax	1,442.2	1,360.5	-\$81.7	1,340.6	-19.9
<i>Less: Petroleum Products GR Capital Reserves</i>	-845.7	-761.7	\$84.0	-747.1	14.6
Corp. Business Tax - Banks and Financial	170.4	145.8	-\$24.6	150.6	4.8
Alcoholic Beverage Excise Tax	104.8	106.2	\$1.4	108.0	1.8
Tobacco Products Wholesale Tax	23.7	21.4	-\$2.3	18.7	-2.7
Public Utilities Excise Tax	18.4	18.6	\$0.2	18.4	-0.2
Subtotal, Major Taxes	\$15,433.2	\$15,292.1	-\$141.1	\$15,272.7	-\$19.5
Misc. Taxes, Fees and Revenues					
Medicaid Uncomp. Care Reimbursement	327.4	324.6	-\$2.8	324.6	0.0
Settlements	56.0	56.3	\$0.3	56.3	0.0
Federal Funds - Graduate Medical Education	138.7	138.7	\$0.0	138.7	0.0
Public Utility Taxes (State Retention)	133.0	143.4	\$10.4	143.4	0.0
Assessment on Property Sold Over \$1 Million	157.4	128.5	-\$28.9	137.0	8.5
Telephone Assessment	122.0	123.0	\$1.0	123.0	0.0
Hotel Occupancy Tax	103.9	104.6	\$0.7	104.6	0.0
Asset Sales	321.8	321.8	\$0.0	321.8	0.0
Fringe Benefit Recoveries (Interdepartmental)	642.6	656.8	\$14.2	656.8	0.0
Interdepartmental Accounts, Other	159.1	157.0	-\$2.1	157.0	0.0
Other	1,362.3	1,372.8	\$10.5	1,372.8	0.0
Subtotal, Misc. Revenues	\$3,524.2	\$3,527.6	\$3.4	\$3,536.1	\$8.5
Interfund Transfers					
Unclaimed Personal Property Trust Fund	170.0	170.0	\$0.0	170.0	0.0
State Disability Benefit Fund	38.7	38.7	\$0.0	38.7	0.0
Enterprise Zone Assistance Fund	65.2	63.9	-\$1.3	63.9	0.0
Other	221.0	220.9	-\$0.1	220.9	0.0
Subtotal, Interfund Transfers	\$494.9	\$493.5	-\$1.4	\$493.5	\$0.0
TOTAL GENERAL FUND	\$19,452.3	\$19,313.2	-\$139.1	\$19,302.2	-\$11.0
Property Tax Relief Fund (Income Tax)					
<i>PTRF Transfer from GF (Sales Tax)</i>	\$768.6	\$767.1	-\$1.5	\$767.1	\$0.0
Casino Revenue Fund (CRF)	\$225.3	\$220.7	-\$4.6	\$218.4	-\$2.2
CRF Taxes	\$217.5	\$212.9	-\$4.6	\$210.6	-\$2.2
CRF Other	\$7.8	\$7.8	\$0.0	\$7.8	\$0.0
Casino Control Fund	\$50.0	\$49.8	-\$0.2	\$49.8	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.0	\$0.7	\$0.0
GRAND TOTAL, ALL FUNDS	\$35,477.2	\$35,505.0	\$27.8	\$35,446.3	-\$58.7

May 23, 2018. Subsequent to Treasury's revised revenue forecast. OLS figures adjusted for revenues with no analytical difference.

The OLS combined the Executive's inheritance tax and estate tax estimates into a single revenue source for purposes of comparison.

Revised Fiscal Year 2019 Revenue Estimates

Millions of \$

<u>Revenue Source</u>	<u>Executive Est.</u> <u>March 2018</u>	<u>Executive Est. May</u> <u>2018</u>	<u>Executive Change</u> <u>March to May</u>	<u>OLS Estimate</u> <u>May 2018</u>	<u>Diff: OLS -</u> <u>Executive</u>
Major Taxes:					
Sales Tax, Total	\$10,515.6	\$10,458.9	-\$56.7	\$10,513.0	\$54.1
<i>Sales Tax, Base</i>	10,390.5	10,336.4	-\$54.1	10,390.5	\$54.1
<i>Dedicated Transfer to PTRF</i>	-785.4	-780.9	\$4.5	-780.9	\$0.0
<i>Sales Tax, Energy</i>	122.0	114.9	-\$7.1	114.9	\$0.0
<i>Sales Tax, Energy Tax Receipts</i>	788.5	788.5	\$0.0	788.5	\$0.0
Corporation Business Tax, Total	\$2,444.8	\$2,274.1	-\$170.7	\$2,236.6	-\$37.5
<i>Corporation Business Tax, Base</i>	2,436.8	2,266.1	-\$170.7	2,228.6	-\$37.5
<i>Corporation Business Tax, Energy</i>	8.0	8.0	\$0.0	8.0	\$0.0
Inheritance Taxes	466.3	457.6	-\$8.7	466.3	\$8.7
Motor Fuels Tax	503.0	500.7	-\$2.3	500.3	-\$0.4
Insurance Premiums Tax	525.0	597.0	\$72.0	580.1	-\$16.9
Realty Transfer Fee	395.1	378.8	-\$16.3	381.2	\$2.4
Motor Vehicle Fees	463.3	463.3	\$0.0	463.3	\$0.0
Cigarette Tax	182.1	146.8	-\$35.3	162.5	\$15.7
Petroleum Products Gross Receipts Tax	1,442.2	1,360.5	-\$81.7	1,340.6	-\$19.9
<i>Less: Petroleum Products GR Capital Reserves</i>	-809.1	-725.0	\$84.1	-704.7	\$20.3
Corp. Business Tax - Banks and Financial	183.1	156.7	-\$26.4	161.9	\$5.2
Alcoholic Beverage Excise Tax	107.9	108.4	\$0.5	108.5	\$0.1
Marijuana Tax	80.0	69.0	-\$11.0	69.0	\$0.0
Tobacco Products Wholesale Tax	25.4	22.5	-\$2.9	20.4	-\$2.1
Public Utilities Excise Tax	19.1	19.5	\$0.4	19.5	\$0.0
Subtotal, Major Taxes	\$16,543.8	\$16,288.8	-\$255.0	\$16,318.6	\$29.8
Misc. Taxes, Fees and Revenues					
Medicaid Uncomp. Care Reimbursement	318.6	324.8	\$6.2	324.8	\$0.0
Settlements	200.0	200.0	\$0.0	200.0	\$0.0
Federal Funds - Graduate Medical Education	138.2	137.9	-\$0.3	137.9	\$0.0
Public Utility Taxes (State Retention)	133.0	150.5	\$17.5	150.5	\$0.0
Assessment on Property Sold Over \$1 Million	156.2	134.0	-\$22.2	133.5	-\$0.5
Telephone Assessment	135.0	136.0	\$1.0	136.0	\$0.0
Hotel Occupancy Tax	108.0	108.8	\$0.8	108.8	\$0.0
Fringe Benefit Recoveries (Interdepartmental)	708.2	720.3	\$12.1	720.3	\$0.0
Interdepartmental Accounts	79.8	79.5	-\$0.3	79.5	\$0.0
Other	1,182.9	1,186.1	\$3.2	1,186.1	\$0.0
Subtotal, Misc. Revenues	\$3,159.9	\$3,178.0	\$18.1	\$3,177.5	-\$0.5
Interfund Transfers					
Unclaimed Personal Property Trust Fund	180.0	180.0	\$0.0	180.0	\$0.0
State Disability Benefit Fund	38.7	38.7	\$0.0	38.7	\$0.0
Enterprise Zone Assistance Fund	48.9	71.9	\$23.0	71.9	\$0.0
Other	199.4	207.8	\$8.4	207.8	\$0.0
Subtotal, Interfund Transfers	\$467.0	\$498.4	\$31.4	\$498.4	\$0.0
TOTAL GENERAL FUND	\$20,170.7	\$19,965.3	-\$205.4	\$19,994.6	\$29.3
Property Tax Relief Fund (Income Tax)	\$16,231.6	\$16,421.7	\$190.1	\$16,290.0	-\$131.7
<i>PTRF Transfer from GF (Sales Tax)</i>	<i>\$806.7</i>	<i>\$802.2</i>	<i>-\$4.5</i>	<i>\$802.2</i>	<i>\$0.0</i>
Casino Revenue Fund (CRF)	\$237.5	\$233.1	-\$4.4	\$233.1	\$0.0
CRF Taxes	\$227.7	\$223.4	-\$4.3	\$223.4	\$0.0
CRF Other	\$9.8	\$9.7	-\$0.1	\$9.7	\$0.0
Casino Control Fund	\$49.8	\$49.8	\$0.0	\$49.8	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.0	\$0.7	\$0.0
GRAND TOTAL, ALL FUNDS	\$37,497.0	\$37,472.8	-\$24.2	\$37,370.3	-\$102.5

May 23, 2018. Subsequent to Treasury's revised revenue forecast. OLS figures adjusted for revenues with no analytical difference.

The OLS combined the Executive's inheritance tax and estate tax estimates into a single revenue source for purposes of comparison.

Sales tax base and energy numbers have been modified to correctly display anticipated revenues from each source. Total has not changed.