

STATEMENT OF  
DAVID J. ROSEN, LEGISLATIVE BUDGET AND FINANCE OFFICER  
PRESENTED TO THE SENATE BUDGET COMMITTEE  
MAY 22, 2006

When I sat here a year ago, I had the pleasure of informing you that revenue projections for the FY 2006 budget were \$1.5 billion above those assumed in the Governor's budget message. When I sat here six weeks ago, I told you that we thought revenues for FY 2007 would be \$186 million below the Governor's budget message.

Today the news is not nearly as good as it was last May, but it is slightly better than when we last spoke. We now forecast revenues only \$92 million below the budget message. I have distributed tables that compare our revised forecast to both the governor's budget message and our earlier forecast. This afternoon, after the Treasurer presents his revenue revisions, we will prepare tables that compare the two revised forecasts.

Let me discuss some of the important elements of the forecast.

Six weeks ago, the largest difference between our forecast and the Executive's was for the income tax. We were \$110 million lower in the current year and \$245 million lower in FY07. Based on the April collections, we stand by our prior forecast.

Six weeks ago, we were \$50 million higher than the administration on the sales tax over the two fiscal years, and continued strength in collections has persuaded us to raise our forecast by an additional \$108 million for the same period.

Among the three major revenue sources, only the corporation business tax is causing real concern. Six weeks ago we agreed with the Executive forecast. However, April collections were much weaker than the pattern that prevailed earlier in the year and may be a harbinger of further weakening. We have reduced our CBT forecast over the two year by \$180 million. I should caution that this is a revenue source for which there may be further downside risk.

The biggest change since our last discussion is the tax revenues collected by the energy utility companies. As you recall, a number of years ago the method by which the State taxes electricity and natural gas sales and makes aid payments to localities was substantially modified. In place of the gross receipts and franchise tax system, most utility revenues now come from the sales tax, corporation business tax and the transitional energy facility assessment, with payments of municipal aid from an off-budget account. The payment schedule, budgetary flows and reporting for these revenues are unique and, from our perspective, a black box. Based on revised information we have received in the past week, combined energy tax revenues flowing to the General Fund will be approximately \$300 million higher than expected for the two fiscal years.

This unforeseen revenue is the sole reason that we can present a picture that is better – and not worse - than what we saw six weeks ago.

We have made some revisions to a number of other revenue forecasts, the most significant being upward revisions to the insurance premiums tax and downward revisions to the realty transfer fee.

A final adjustment to note is for the assumed revenue from the proposed sales tax changes. Based on a series of clarifications about the proposal provided by the Treasurer, the value of the proposal for FY07 would drop by \$56 million. These clarifications include the application of the higher rate to energy and the base extenders that were proposed previously while deferring the application of the new rate until October 1.

Later today the Treasurer will present the administration's revised forecasts. Our estimates already reflect the administration's new assumptions on the sales tax proposals. If the Treasurer's presentation changes any of the other revenue proposals that were included in the budget message and assumed in our forecast, we will prepare a modified version of the material you have this morning to reflect those changes. Our goal is to provide you with the clearest comparison possible of what can be confusing forecast elements.

If there are forecast differences between OLS and the administration, we will be available today and in the weeks ahead to discuss and analyze those differences with you.

As this is your last budget hearing, I want to reiterate that the OLS staff remains ready to provide you with whatever assistance is required between now and the end June.

# FY 2006 and FY 2007 OLS and Executive Revenue Comparison Summary (Revised)

\$ Millions

Summary (r)

## FY 2006

	FY 2006 March 2006 Executive	FY 2006 May 2006 Executive	Difference Exec. May - Exec. March	FY 2006 May 2006 OLS	Difference OLS May - Exec. March	Difference OLS May - Exec. May
Income Tax	\$10,585.0	\$10,425.0	(\$160.0)	\$10,475.0	(\$110.0)	\$50.0
Sales Tax	\$6,716.0	\$6,780.0	\$64.0	\$6,793.0	\$77.0	\$13.0
Corporation Tax	\$2,805.0	\$2,650.0	(\$155.0)	\$2,735.0	(\$70.0)	\$85.0
On-Budget Energy	\$427.8	\$582.1	\$154.3	\$582.1	\$154.3	\$0.0
Other Revenues	\$7,663.3	\$7,807.6	\$144.3	\$7,775.6	\$112.3	(\$32.0)
<b>Total FY 2006</b>	<b>\$28,197.1</b>	<b>\$28,244.7</b>	<b>\$47.6</b>	<b>\$28,360.7</b>	<b>\$163.6</b>	<b>\$116.0</b>

## FY 2007

	FY 2007 March 2006 Executive	FY 2007 May 2006 Executive	Difference Exec. May - Exec. March	FY 2007 May 2006 OLS	Difference OLS May - Exec. March	Difference OLS May - Exec. May
Income Tax	\$11,615.0	\$11,375.0	(\$240.0)	\$11,475.0	(\$140.0)	\$100.0
Sales Tax	\$8,377.0	\$8,385.6	\$8.6	\$8,401.6	\$24.6	\$16.0
Corporation Tax	\$2,522.6	\$2,338.6	(\$184.0)	\$2,410.6	(\$112.0)	\$72.0
On-Budget Energy	\$369.4	\$515.2	\$145.8	\$515.2	\$145.8	(\$0.0)
Other Revenues	\$7,767.7	\$7,701.6	(\$66.1)	\$7,698.8	(\$68.9)	(\$2.8)
<b>Total FY 2007</b>	<b>\$30,651.7</b>	<b>\$30,316.0</b>	<b>(\$335.7)</b>	<b>\$30,501.2</b>	<b>(\$150.5)</b>	<b>\$185.2</b>

## FY 2006 and FY 2007 Combined

	Difference Exec. May - Exec. March	Difference OLS May - Exec. March	Difference OLS May - Exec. May
<b>Combined FY 2006 and FY 2007 Differences from GBM:</b>	<b>(\$288.1)</b>	<b>\$13.1</b>	<b>\$301.2</b>

**FY 2006 OLS and Executive  
Revenue Comparison**  
\$ Millions

Figure 1

	FY 2006 March 2006 Executive	FY 2006 April 2006 OLS	FY 2006 May 2006 OLS	Difference OLS May - Exec. March
<b>GENERAL FUND:</b>				
<b>Major Taxes:</b>				
Sales Tax	6,716.0	6,740.0	6,793.0	77.0
<i>Energy contribution</i>	17.3	17.3	89.5	72.2
<b>Sales Tax Total</b>	<b>\$6,733.3</b>	<b>\$6,757.3</b>	<b>\$6,882.5</b>	<b>\$149.2</b>
Corporation Business	2,805.0	2,805.0	2,735.0	(70.0)
<i>Energy contribution</i>	96.7	96.7	151.8	55.1
<b>Corp. Tax Total</b>	<b>\$2,901.7</b>	<b>\$2,901.7</b>	<b>\$2,886.8</b>	<b>(\$14.9)</b>
Motor Fuels	543.0	560.0	553.0	10.0
Motor Vehicle Fees	264.8	264.8	264.8	0.0
Transfer Inheritance	580.0	600.0	600.0	20.0
Cigarette	640.0	640.0	630.0	(10.0)
Insurance Premiums	445.0	445.0	480.0	35.0
Realty Transfer	455.0	475.5	435.0	(20.0)
Petroleum Products Gross Receipts	247.0	230.0	225.0	(22.0)
Alcoholic Beverage Excise	91.0	91.0	91.0	0.0
Corporation Business - Banks & Fin. Inst.	130.0	145.0	120.0	(10.0)
Public Utilities Excise	10.0	10.0	10.9	0.9
Tobacco Products Wholesale	13.0	13.0	13.0	0.0
<b>Subtotal, Major Taxes</b>	<b>\$13,053.8</b>	<b>\$13,133.3</b>	<b>\$13,192.0</b>	<b>\$138.2</b>
<b>Misc. Taxes, Fees, Revenues:</b>				
Transitional Energy Facility Assessment	226.8	226.8	254.5	27.7
Medicaid Uncompensated Care	493.3	493.3	506.3	13.0
Hotel Occupancy Tax	74.0	74.0	76.0	2.0
Telephone Assessment	119.0	119.0	119.0	0.0
Assessment on Homes > \$1 million	86.4	90.0	90.0	3.6
Other	1,613.0	1,613.0	1,645.7	32.7
<b>Subtotal, Misc. Revenues</b>	<b>2,612.5</b>	<b>2,616.1</b>	<b>2,691.5</b>	<b>79.0</b>
<b>Interfund Transfers:</b>				
State Lottery Fund	832.0	832.0	860.0	28.0
Unclaimed Personal Property Trust Fund	269.1	269.1	269.1	0.0
All Other Funds	279.6	279.6	301.6	22.0
<b>Subtotal, Interfund Transfers</b>	<b>1,380.7</b>	<b>1,380.7</b>	<b>1,430.7</b>	<b>50.0</b>
<b>TOTAL, GENERAL FUND</b>	<b>\$17,047.0</b>	<b>\$17,130.1</b>	<b>\$17,314.1</b>	<b>\$267.1</b>
<b>PROPERTY TAX RELIEF FUND (Income Tax)</b>	<b>\$10,585.0</b>	<b>\$10,475.0</b>	<b>\$10,475.0</b>	<b>(\$110.0)</b>
CASINO REVENUE FUND	500.9	500.9	500.9	0.0
CASINO CONTROL FUND	63.5	63.5	70.0	6.5
GUBERNATORIAL ELECTION FUND	0.7	0.7	0.7	0.0
<b>GRAND TOTAL, ALL FUNDS</b>	<b>\$28,197.1</b>	<b>\$28,170.2</b>	<b>\$28,360.7</b>	<b>\$163.6</b>

**FY 2007 OLS and Executive  
Revenue Comparison (Revised)**  
\$ Millions

Figure 2 (r)

	FY 2007 March 2006 Executive	FY 2007 April 2006 OLS	FY 2007 May 2006 OLS	Difference OLS May - Exec. March
<b>GENERAL FUND:</b>				
<b>Major Taxes:</b>				
Sales Tax (Base)	6,944.0	6,970.0	7,025.0	81.0
<i>Energy contribution</i>	33.4	33.4	103.4	70.0
<i>Tax Change Proposal</i>	1,433.0	1,433.0	1,376.6	(56.4)
<b>Sales Tax Total</b>	<b>\$8,410.4</b>	<b>\$8,436.4</b>	<b>\$8,505.0</b>	<b>\$94.6</b>
Corporation Business	2,462.6	2,462.6	2,352.6	(110.0)
<i>Energy contribution</i>	62.7	62.7	128.5	65.8
<i>Tax Change Proposal</i>	60.0	60.0	58.0	(2.0)
<b>Corp. Tax Total</b>	<b>\$2,585.3</b>	<b>\$2,585.3</b>	<b>\$2,539.1</b>	<b>(\$46.2)</b>
Motor Fuels	554.0	572.0	553.0	(1.0)
Motor Vehicle Fees	275.2	275.2	275.2	0.0
Transfer Inheritance	539.0	600.0	600.0	61.0
Cigarette	490.8	470.8	460.0	(30.8)
Insurance Premiums	462.0	462.0	495.0	33.0
Realty Transfer	475.5	475.5	415.0	(60.5)
Petroleum Products Gross Receipts	252.0	235.0	225.0	(27.0)
Alcoholic Beverage Excise	106.0	106.0	106.0	0.0
Corporation Business - Banks & Fin. Inst.	125.0	135.0	120.0	(5.0)
Public Utilities Excise	10.0	10.0	10.9	0.9
Tobacco Products Wholesale	14.0	14.0	14.0	0.0
<b>Subtotal, Major Taxes</b>	<b>\$14,299.2</b>	<b>\$14,377.2</b>	<b>\$14,318.3</b>	<b>\$19.1</b>
<b>Misc. Taxes, Fees, Revenues:</b>				
Transitional Energy Facility Assessment	186.3	186.3	197.4	11.1
Hotel Occupancy Tax	74.0	74.0	76.0	2.0
Telephone Assessment	119.0	119.0	119.0	0.0
Assessment on Homes > \$1 million	89.6	98.0	98.0	8.4
Medicaid Uncompensated Care	448.1	448.1	349.8	(98.3)
Other	1,840.6	1,840.6	1,855.9	15.3
<b>Subtotal, Misc. Revenues</b>	<b>2,757.6</b>	<b>2,766.0</b>	<b>2,696.1</b>	<b>(61.5)</b>
<b>Interfund Transfers:</b>				
State Lottery Fund (Base)	836.0	836.0	846.0	10.0
Unclaimed Personal Property Trust Fund	311.3	311.3	311.3	(0.0)
All Other Funds	300.2	300.2	313.6	13.4
<b>Subtotal, Interfund Transfers</b>	<b>1,447.6</b>	<b>1,447.6</b>	<b>1,471.0</b>	<b>23.4</b>
<b>TOTAL, GENERAL FUND</b>	<b>\$18,504.4</b>	<b>\$18,590.8</b>	<b>\$18,485.4</b>	<b>(\$19.0)</b>
<b>PROPERTY TAX RELIEF FUND (Income Tax Base)</b>				
<i>Tax Change Proposal</i>	11,720.0	11,375.0	11,475.0	(245.0)
<i>Tax Change Proposal</i>	(105.0)	0.0	0.0	105.0
<b>PROPERTY TAX RELIEF FUND (Income Tax)</b>	<b>\$11,615.0</b>	<b>\$11,375.0</b>	<b>\$11,475.0</b>	<b>(\$140.0)</b>
<b>CASINO REVENUE FUND</b>				
CASINO CONTROL FUND	468.1	468.1	468.1	0.0
GUBERNATORIAL ELECTION FUND	63.5	63.5	72.0	8.5
	0.7	0.7	0.7	0.0
<b>GRAND TOTAL, ALL FUNDS</b>	<b>\$30,651.7</b>	<b>\$30,498.1</b>	<b>\$30,501.2</b>	<b>(\$150.5)</b>

**FY 2006 OLS and Executive  
Revenue Comparison**  
\$ Millions

**Figure 3**

	FY 2006 March 2006 Executive	FY 2006 May 2006 Executive	Change Executive	FY 2006 May 2006 OLS	Difference OLS May - Exec. March	Difference OLS May - Exec. May
<b>GENERAL FUND:</b>						
<b>Major Taxes:</b>						
Sales Tax	6,716.0	6,780.0	64.0	6,793.0	77.0	13.0
<i>Energy contribution</i>	17.3	89.5	72.2	89.5	72.2	0.0
<b>Sales Tax Total</b>	<b>\$6,733.3</b>	<b>\$6,869.5</b>	<b>\$136.2</b>	<b>\$6,882.5</b>	<b>\$149.2</b>	<b>\$13.0</b>
Corporation Business	2,805.0	2,650.0	(155.0)	2,735.0	(70.0)	85.0
<i>Energy contribution</i>	96.7	151.8	55.1	151.8	55.1	0.0
<b>Corp. Tax Total</b>	<b>\$2,901.7</b>	<b>\$2,801.8</b>	<b>(\$99.9)</b>	<b>\$2,886.8</b>	<b>(\$14.9)</b>	<b>\$85.0</b>
Motor Fuels	543.0	543.0	0.0	553.0	10.0	10.0
Motor Vehicle Fees	264.8	264.8	0.0	264.8	0.0	0.0
Transfer Inheritance	580.0	610.0	30.0	600.0	20.0	(10.0)
Cigarette	640.0	640.0	0.0	630.0	(10.0)	(10.0)
Insurance Premiums	445.0	480.0	35.0	480.0	35.0	0.0
Realty Transfer	455.0	440.0	(15.0)	435.0	(20.0)	(5.0)
Petroleum Products Gross Receipts	247.0	247.0	0.0	225.0	(22.0)	(22.0)
Alcoholic Beverage Excise	91.0	91.0	0.0	91.0	0.0	0.0
Corporation Business - Banks & Fin. Inst.	130.0	120.0	(10.0)	120.0	(10.0)	0.0
Public Utilities Excise	10.0	10.9	0.9	10.9	0.9	0.0
Tobacco Products Wholesale	13.0	13.0	0.0	13.0	0.0	0.0
<b>Subtotal, Major Taxes</b>	<b>\$13,053.8</b>	<b>\$13,131.0</b>	<b>\$77.2</b>	<b>\$13,192.0</b>	<b>\$138.2</b>	<b>\$61.0</b>
<b>Misc. Taxes, Fees, Revenues:</b>						
Transitional Energy Facility Assessment	226.8	254.5	27.7	254.5	27.7	0.0
Medicaid Uncompensated Care	493.3	506.3	13.0	506.3	13.0	0.0
Hotel Occupancy Tax	74.0	76.0	2.0	76.0	2.0	0.0
Telephone Assessment	119.0	119.0	0.0	119.0	0.0	0.0
Assessment on Homes > \$1 million	86.4	85.0	(1.4)	90.0	3.6	5.0
Other	1,613.0	1,645.6	32.6	1,645.6	32.6	0.0
<b>Subtotal, Misc. Revenues</b>	<b>2,612.5</b>	<b>2,686.4</b>	<b>73.9</b>	<b>2,691.4</b>	<b>78.9</b>	<b>5.0</b>
<b>Interfund Transfers:</b>						
State Lottery Fund	832.0	860.0	28.0	860.0	28.0	0.0
Unclaimed Personal Property Trust Fund	269.1	269.1	0.0	269.1	0.0	0.0
All Other Funds	279.6	301.6	22.0	301.6	22.0	0.0
<b>Subtotal, Interfund Transfers</b>	<b>1,380.7</b>	<b>1,430.7</b>	<b>50.0</b>	<b>1,430.7</b>	<b>50.0</b>	<b>0.0</b>
<b>TOTAL, GENERAL FUND</b>	<b>\$17,047.0</b>	<b>\$17,248.1</b>	<b>\$201.1</b>	<b>\$17,314.1</b>	<b>\$267.1</b>	<b>\$66.0</b>
<b>PROPERTY TAX RELIEF FUND (Income Tax)</b>	<b>\$10,585.0</b>	<b>\$10,425.0</b>	<b>(\$160.0)</b>	<b>\$10,475.0</b>	<b>(\$110.0)</b>	<b>\$50.0</b>
CASINO REVENUE FUND	500.9	500.9	0.0	500.9	0.0	0.0
CASINO CONTROL FUND	63.5	70.0	6.5	70.0	6.5	0.0
GUBERNATORIAL ELECTION FUND	0.7	0.7	0.0	0.7	0.0	0.0
<b>GRAND TOTAL, ALL FUNDS</b>	<b>\$28,197.1</b>	<b>\$28,244.7</b>	<b>\$47.6</b>	<b>\$28,360.7</b>	<b>\$163.6</b>	<b>\$116.0</b>

**FY 2007 OLS and Executive  
Revenue Comparison**  
\$ Millions

Figure 4

	FY 2007 March 2006 Executive	FY 2007 May 2006 Executive	Change Executive	FY 2007 May 2006 OLS	Difference OLS May - Exec. March	Difference OLS May - Exec. May
<b>GENERAL FUND:</b>						
<b>Major Taxes:</b>						
Sales Tax (Base)	6,944.0	7,009.0	65.0	7,025.0	81.0	16.0
<i>Energy contribution</i>	33.4	103.4		103.4	70.0	
<i>Tax Change Proposal</i>	1,433.0	1,376.6	(56.4)	1,376.6	(56.4)	0.0
<b>Sales Tax Total</b>	<b>\$8,410.4</b>	<b>\$8,489.0</b>	<b>\$78.6</b>	<b>\$8,505.0</b>	<b>\$94.6</b>	<b>\$16.0</b>
Corporation Business	2,462.6	2,280.6	(182.0)	2,352.6	(110.0)	72.0
<i>Energy contribution</i>	62.7	128.5	65.8	128.5	65.8	0.0
<i>Tax Change Proposal</i>	60.0	58.0	(2.0)	58.0	(2.0)	0.0
<b>Corp. Tax Total</b>	<b>\$2,585.3</b>	<b>\$2,467.1</b>	<b>(\$118.2)</b>	<b>\$2,539.1</b>	<b>(\$46.2)</b>	<b>\$72.0</b>
Motor Fuels	554.0	543.0	(11.0)	553.0	(1.0)	10.0
Motor Vehicle Fees	275.2	275.2	0.0	275.2	0.0	0.0
Transfer Inheritance	539.0	590.0	51.0	600.0	61.0	10.0
Cigarette	490.8	470.8	(20.0)	460.0	(30.8)	(10.8)
Insurance Premiums	462.0	495.0	33.0	495.0	33.0	0.0
Realty Transfer	475.5	420.0	(55.5)	415.0	(60.5)	(5.0)
Petroleum Products Gross Receipts	252.0	247.0	(5.0)	225.0	(27.0)	(22.0)
Alcoholic Beverage Excise	106.0	106.0	0.0	106.0	0.0	0.0
Corporation Business - Banks & Fin. Inst.	125.0	120.0	(5.0)	120.0	(5.0)	0.0
Public Utilities Excise	10.0	10.9	0.9	10.9	0.9	0.0
Tobacco Products Wholesale	14.0	14.0	0.0	14.0	0.0	0.0
<b>Subtotal, Major Taxes</b>	<b>\$14,299.2</b>	<b>\$14,248.1</b>	<b>(\$51.1)</b>	<b>\$14,318.3</b>	<b>\$19.1</b>	<b>\$70.2</b>
<b>Misc. Taxes, Fees, Revenues:</b>						
Transitional Energy Facility Assessment	186.3	197.4	11.1	197.4	11.1	0.0
Hotel Occupancy Tax	74.0	76.0	2.0	76.0	2.0	0.0
Telephone Assessment	119.0	119.0	0.0	119.0	0.0	0.0
Assessment on Homes > \$1 million	89.6	83.0	(6.6)	98.0	8.4	15.0
Medicaid Uncompensated Care	448.1	349.8	(98.3)	349.8	(98.3)	0.0
Other	1,840.6	1,855.9	15.3	1,855.9	15.3	0.0
<b>Subtotal, Misc. Revenues</b>	<b>2,757.6</b>	<b>2,681.2</b>	<b>(76.4)</b>	<b>2,696.2</b>	<b>(61.4)</b>	<b>15.0</b>
<b>Interfund Transfers:</b>						
State Lottery Fund (Base)	836.0	846.0	10.0	846.0	10.0	0.0
Unclaimed Personal Property Trust Fund	311.3	311.3	0.0	311.3	0.0	0.0
All Other Funds	300.2	313.6	13.4	313.6	13.4	0.0
<b>Subtotal, Interfund Transfers</b>	<b>1,447.6</b>	<b>1,471.0</b>	<b>23.4</b>	<b>1,471.0</b>	<b>23.4</b>	<b>0.0</b>
<b>TOTAL, GENERAL FUND</b>	<b>\$18,504.4</b>	<b>\$18,400.2</b>	<b>(\$104.2)</b>	<b>\$18,485.4</b>	<b>(\$19.0)</b>	<b>\$85.2</b>
<b>PROPERTY TAX RELIEF FUND (Income Tax Base)</b>						
<i>Tax Change Proposal</i>	11,720.0	11,375.0	(345.0)	11,475.0	(245.0)	100.0
	(105.0)	0.0	105.0	0.0	105.0	0.0
<b>PROPERTY TAX RELIEF FUND (Income Tax)</b>	<b>\$11,615.0</b>	<b>\$11,375.0</b>	<b>(\$240.0)</b>	<b>\$11,475.0</b>	<b>(\$140.0)</b>	<b>\$100.0</b>
<b>CASINO REVENUE FUND</b>						
	468.1	468.1	0.0	468.1	0.0	0.0
<b>CASINO CONTROL FUND</b>						
	63.5	72.0	8.5	72.0	8.5	0.0
<b>GUBERNATORIAL ELECTION FUND</b>						
	0.7	0.7	0.0	0.7	0.0	0.0
<b>GRAND TOTAL, ALL FUNDS</b>	<b>\$30,651.7</b>	<b>\$30,316.0</b>	<b>(\$335.7)</b>	<b>\$30,501.2</b>	<b>(\$150.5)</b>	<b>\$185.2</b>