ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 1999 - 2000 BUDGET

ECONOMIC OVERVIEW AND REVENUE ANALYSIS

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MARCH 1999

NEW JERSEY STATE LEGISLATURE

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THE FY 1999 AND FY 2000 ECONOMIC OVERVIEW AND REVENUE ANALYSIS

Introduction

This analysis has been prepared by the Office of Legislative Services (OLS) to assist the Senate Budget and Appropriations Committee and the Assembly Appropriations Committee as they develop the FY 2000 general appropriations act. The OLS revenue estimates reflect a careful review of current State revenue collections, consideration of historical revenue collection patterns, and the examination of a variety of economic data and forecasts.

The analysis begins with an economic overview on page 2. The economic overview is divided into two sections: A Look Back at 1998 and A Look Ahead. On pages 10 and 11 the OLS discusses year-to-date revenue collections for a selection of the major revenues. Actual revenue data are intrinsically significant and also serve as an economic indicator.

On pages 12 and 13, the OLS presents a summary of its FY 1999 and FY 2000 revenue estimates. This summary is followed by a more detailed discussion of selected revenue sources. The impact of the OLS's revenue estimates on the State budget surplus is discussed on page 21. Finally, a series of appendices provide additional detail and analysis.

Contents:

A Look Back At 1998

The economy continued to confound forecasters, turning in a strong performance in 1998 despite concerns over weakness in foreign economies, tumultuous financial markets and presidential impeachment. Real wages rose at twice the rate of inflation, home ownership reached an all-time high, and unemployment and inflation dropped to levels last seen three decades ago. At 95 months, the current national expansion that began in 1991 is now the second longest period of uninterrupted growth on record (trailing only the 106 month expansion of the 1960's), and the longest recorded peacetime expansion.

New Jersey's economy also turned in a healthy performance in 1998. Current economic conditions, by many measures, are the best in a decade, and the statistical gap between State and national economies is finally closing.

> *"The current economic performance, with its combination of strong growth and low inflation, is as impressive as any I have witnessed in my near half-century of daily observations of the American economy."*
>
> *-- Fed Chairman Alan Greenspan*
> Testifying before the Joint Economic Committee, U.S. Congress, June 19, 1998

The Nation

Forecasters' expectations, which called for moderating growth in 1998, were clearly exceeded. The national real gross domestic product (GDP) growth rate remained almost unchanged from the previous year at 3.9 percent. Low inflation, high levels of employment, and reductions in already low interest rates continued to sustain the economy. Strong investment and consumption by both firms and households offset a sharp decline in demand from abroad.

Consumer spending, which accounts for two-thirds of economic activity, was particularly robust in 1998 (growing by 4.8 percent compared to 3.4 percent in 1997), reflecting continued strength in personal income, household net worth and consumer confidence. Notably, the demand for new and existing housing rose by 13.5 percent during the year, bringing the proportion of Americans who own their own homes to a record 66.8 percent.

Personal income and salaries and wages continued to demonstrate strong growth in 1998, albeit at a slower pace than in 1997. With inflation firmly under control, gains in personal income of 5.0 percent and in wages and salaries of 6.7 percent resulted in appreciable real income growth for consumers. Earnings from dividends, interest and rent also grew 1.9 percent for the year.

The optimism reflected in consumer spending, as measured by the Conference Board's Consumer Confidence Index, remained buoyant in 1998.[1] The index measures consumers' appraisal of their present situation and their expect-ations for six months ahead. Although consumer sentiment softened some-what in the Fall (dropping 20 points between July and October, from 137.1 to 117.3) as the stock market tumbled, the index rebounded to 126.6 points by year's end.

Such sentiments were borne out by national employment data. Employment expanded by 2.9 million in 1998 (compared to 3.2 million in 1997). Once again, almost half (1.4 million or 48 percent) of all new jobs were concentrated in the services subsector, with an additional 462,000 or 16 percent of new jobs generated by the retail trade sector. However, manufacturing employment experienced a slight decrease (by 234,000 or 1.2 percent), influenced by declining exports.

[1]A score of 120 points is considered a positive opinion of the economy; 100 is neutral and 80 is pessimistic. The index is based on a monthly survey of 5,000 U.S. households. In the first half of 1998, the Consumer Confidence Index was just below the 29-year high of 137.9 set in June 1969.

Economic Overview: A Look Back At 1998

The unemployment rate ended 1998 at a 30-year low of 4.3 percent. The average of 4.5 percent for the year was down slightly from an average of 4.6 percent in 1997. Moreover, the proportion of the working age population with jobs reached an all-time high of 64.1 percent.

Despite record low unemployment and strong consumer demand, inflation, as measured by the consumer price index (CPI), remained remarkably subdued at 1.6 percent (compared to 1.7 percent in 1997), the second slowest level since 1964. Turmoil in world economies led to lower prices for many products, from crude oil (petroleum based energy costs fell 15.1 percent) to computers. Strong productivity growth and actions by the Federal Reserve helped mitigate rising unit labor costs.

While the Federal Reserve was concerned about inflation risks associated with tight labor markets during the first half of 1998, its focus by late Summer had shifted to global factors threatening the nation's economic expansion. The Fed reduced the federal funds rate from 5.5 percent to 4.75 percent in three successive actions during the early Fall, a pre-emptive strike against any slowing of consumer demand and tightening credit markets due to disturbances in overseas economies and financial markets.

The bond market, as measured by Moody's Aaa corporate bond index, returned an average yield of 6.5 percent in 1998, compared to a yield of 7.26 percent in 1997. Meanwhile, the average 1998 yield on the 30 year Treasury bond was 5.58 percent, its lowest level since 30 year bonds were reintroduced in 1977. The low Treasury yield was attributable to diminished concerns about inflation, a reduction in the federal deficit (indeed, the 1998 federal budget ran a surplus for the first time since 1969), and a "flight to quality" by risk-averse investors.

Low price levels put pressure on corporate profits, after six years of growth. From the third quarter of 1997 to the third quarter of 1998 profits fell 1.7 percent. Due to declining exports and a rise in cheap imports, companies were constrained from increasing product prices despite rising labor costs.

Slower earnings growth, particularly among multinational companies, and fear of spreading international financial instability, contributed to a stressful year for investors. Stock indices had another year of double-digit gains, although day-to-day volatility was at an all-time high. In the third quarter, stock prices tumbled, erasing all of the gains realized in the first six months of the year. Prices rebounded by year's end, however, as the Federal Reserve's actions helped to restore confidence. The Dow Jones Industrial Stock Index broke 9300 in July, before settling at 9181.43 at year's end, a 16.1 percent gain over 1997. The Standard and Poor's 500 stock index ended the year at 1229.23, up 26.7 percent. In addition, the volume of shares traded continued to climb with annual volume on the NASDAQ and the New York Stock Exchange at least doubling over the last five years.

Overall, while many forecasters had anticipated weaker economic growth, the current national expansion maintained extraordinary momentum in 1998. As noted by economist Mark Zandi, although the negative impacts of the global economic crises on the U.S. economy were well understood, the positive impacts -- of lower interest rates and inflation on personal consumption and business investment -- were not.[2] As a result, for the third consecutive year, the slowdown projected by forecasters did not materialize (page A4 of the appendix has a discussion of recent forecasts).

[2]Zandi, Mark. *"An Economist's Mea Culpa,"* The Dismal Scientist, www.dismal.com, February 11, 1999.

Economic Overview: A Look Back At 1998

New Jersey

New Jersey's economic performance remained strong in 1998, making the last two year period the best in a decade. The State enjoyed another year of healthy employment and income growth; by many key indicators, New Jersey finally closed the statistical gap between State and national economies for the first time since the State's recovery period began in May 1992.

Employment growth in New Jersey continued to lead the Mid-Atlantic region. On an average annual basis, New Jersey gained over 76,500 jobs (2.1 percent growth) during 1998, slightly below the ten year high of 86,500 jobs (2.4 percent growth) added in 1997. Hence, job growth over the last two years has accounted for nearly half of the 342,000 jobs created since 1992.

NJ Closes Performance Gap Between State and National Economies in 1998

	US	NJ
Employment Growth	2.3%	2.1%
Unemployment Rate	4.5%	4.6%
Inflation Rate	1.6%	1.7%
Personal Income Growth	5.0%	5.4%
Retail Sales Growth (adj)	4.4%	4.2%

By the end of 1998, total nonfarm employment set a seasonally adjusted record high of 3,832,400. In general, those sectors that saw growth in 1996 and 1997 continued to grow, albeit at slower rates in 1998. Those sectors that experienced decline, such as manufacturing, continued to decline.

Within the service producing sector, the services subsector added more than 44,000 jobs in 1998 (3.8 percent growth) and it remained the backbone of the New Jersey economy, employing over 30 percent of the State's workforce (up from 24 percent a decade ago). Business services again led with 20,000 jobs (7.0 percent growth). The primary driver of growth within business services continued to be the personnel supply industry (9,380 jobs, 11 percent), which has grown by some 78 percent since the recovery period began. Second to business services, retail trade added approximately 11,700 jobs in 1998. Almost half (42 percent) of the gain in retail occurring in eating and drinking establishments.

The New Jersey manufacturing sector, by contrast, continued to downsize in 1998, but at a much slower rate than in recent years. At less than one percent (about 2,400 jobs), the annual reduction in manufacturing employment has slowed considerably over the last two years compared to the loss of 2.7 percent or (13,200 jobs) in 1996. Manufacturing currently accounts for 13 percent of all jobs, compared to 19 percent just 10 years ago. The last time the actual number of manufacturing jobs increased was in 1984.

Within the remaining sectors, government employment remained relatively flat with decreases in federal employment (1,700; 2.5 percent) offset by minor gains in total local government employment. (Figure 1 on page 5 shows how overall employment and specific labor market sectors performed during the State's recession and its recovery.)

Reflecting the robust employment growth, New Jersey's unemployment rate averaged 4.6 percent for the year, the lowest level since 1989, down from a 5.1 percent average in 1997. By December, the rate had fallen to 4.4 percent. (On March 16, 1999, the Department of Labor announced that the State unemployment rate fell to 4.1 percent in February of 1999.)

New Jersey personal income increased by an estimated 5.4 percent in 1998, compared to 5.3 percent in 1997. Income growth reflected increased levels of employment and rising wage and non-wage income. Continued growth in stock market values has provided

Economic Overview: A Look Back At 1998

investors with extraordinary gains over the past four years, most of which are taxable under the gross income tax.

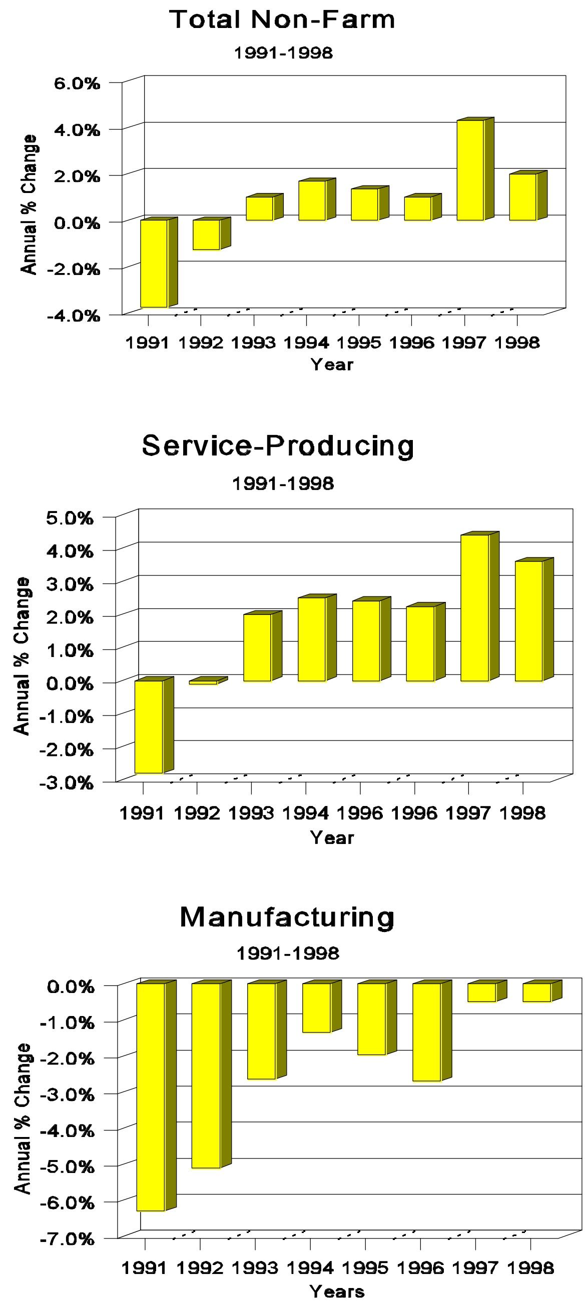
Employees in New Jersey's financial services industry also benefitted from strong performances in the market through annual bonuses. Year end bonuses, which have a positive impact on State gross income tax revenues, can account for 90 percent of financial services employees' total annual pay.

Fueled by income growth and strong consumer confidence, retail sales grew by 6.2 percent in 1998 compared to 7.5 percent in 1997. When inflation is taken into account, adjusted retail sales in the Garden State increased 4.2 percent (see Figure 2 on page 6).

While retail sales are an important indicator of economic performance, they include items that have little direct impact on State revenues. Taxable sales, that portion of retail sales which does contribute to State revenues, are driven by two important components for which data are available -- housing and automobile sales.

Home purchases provide a substantial boost to economic growth in New Jersey. New home production is a significant component of sales tax revenue for the State because all materials that are used to construct a home are taxable under New Jersey's sales and use tax. Existing home purchases also provide the State a significant economic benefit. Typically, furnishing a new home results in substantial taxable sales. Both the construction and the furnishing of a home generate employment and profits that feed into all three major State revenues (corporation business, sales and gross income taxes).

Figure 1
NJ Employment Growth
Annual Percent Change



Economic Overview: A Look Back At 1998

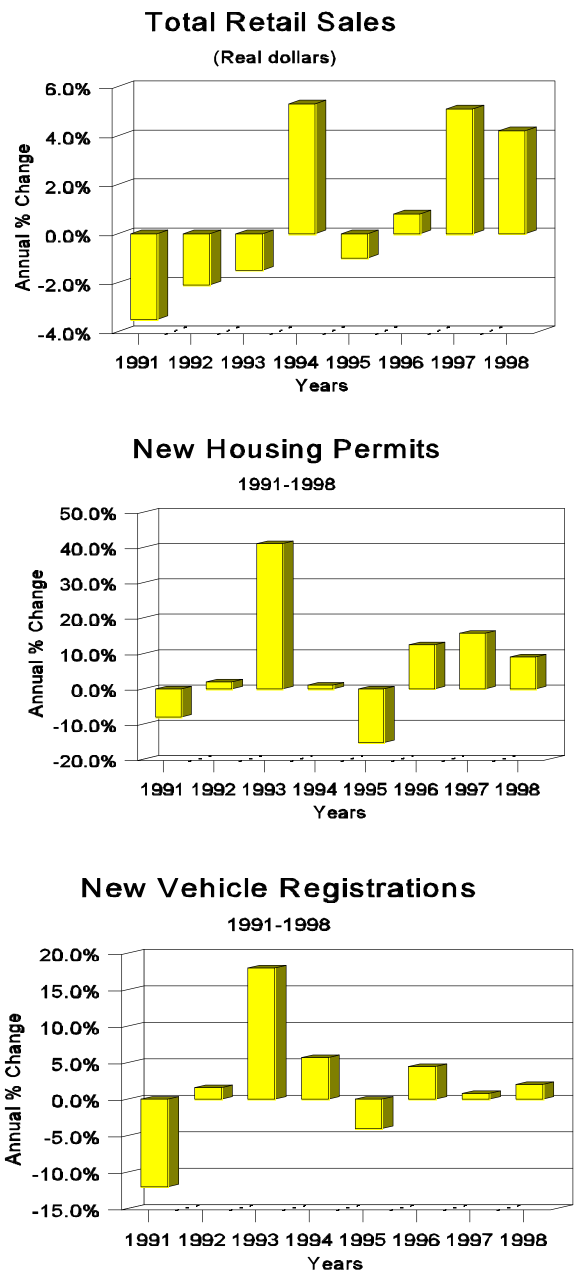
New housing starts in New Jersey, as measured by authorized permits, were up substantially to 30,400 (8.6 percent) in 1998, the highest level in a decade. Monmouth and Ocean counties saw the largest gains with more than 2,000 permits apiece. Sales of existing homes also were up considerably in 1998, rising by 13 percent.

The boom in new and existing housing sales can be attributed to the same factors that have boosted home ownership to an all-time high nationally -- high employment, income growth, and low mortgage interest rates. An additional factor is the increasing availability of sub-prime mortgage loans, which relax the down payment constraints of traditional loans. A recent annual survey by the Chicago Title Corp. indicates that about half of today's home buyers make down payments of 10 percent or less compared to about 27 percent of buyers in 1976.[3]

A second measurable component of taxable sales is new motor vehicle sales, which includes both cars and light trucks. Total (unadjusted) vehicle sales in 1998, as measured by new registrations, were up about two percent from 537,559 in 1997 to 548,351 in 1998. Vehicle sales were particularly strong in the beginning of the year due to significant manufacturer price incentive programs. Although sales of both cars and light trucks increased, light truck sales, which include the relatively higher priced sport utility vehicles (SUV), were higher. The increasing popularity of SUV's has relevance for sales tax and motor vehicle revenues.

Lastly, inflation for both the New York/Northeastern New Jersey and the southern New Jersey/Philadelphia regions was comparable to the national inflation rate at 1.7 percent.

Figure 2
Components Affecting NJ Sales Tax
Annual Percentage Change



[3] *The Record*, Bergen Record Corp., February 26, 1999.

Economic Overview: A Look Ahead

A Look Ahead

The Nation

At 95 months, the current national expansion will enter its ninth year in May, having lasted nearly twice as long as the average 50 month expansion of the post-World War II period. After still another year of performance exceeding expectations, observers have questioned whether the current pace of economic activity can be sustained. Although there are risks, many of those observers would agree with the President's Council of Economic Advisors, that "there is no apparent reason why the expansion cannot continue."[4] Indeed, most forecasters expect steady, moderate growth to continue through 1999 into 2000.

While continued growth combined with low inflation and unemployment is expected in the near term, most analysts are less sanguine about long-term economic prospects. In particular, forecasters note that turmoil in foreign economies, tight labor markets, historically high price-earnings ratios of U.S. stocks, mounting household and business debt and a growing trade deficit could dampen future growth.

Such concerns continue to be expressed by Federal Reserve Chairman Alan Greenspan, who recently testified that although in "many respects the fundamental underpinnings of the recent U.S. economic performance are strong ... after eight years of economic expansion, the economy appears stretched in a number of dimensions, implying considerable ... risks to the economic outlook."[5]

Figure 3
United States Growth Predictions,
Selected Indicators
1999-2000

	President's Council of Economic Advisors	Congressional Budget Office	Livingston Survey of Economists
1999			
Real GDP	2.0%	2.3%	2.2%
Non Farm Employment	1.5%	n/a	n/a
Consumer Price Index	2.3%	2.5%	2.0%
Unemployment Rate	4.8%	4.6%	4.8%
2000			
Real GDP	2.0%	1.7%	2.0%
Non Farm Employment	1.2%	n/a	n/a
Consumer Price Index	2.3%	2.6%	2.4%
Unemployment Rate	5.0%	5.1%	5.0%

Source: *Economic Report of the President,* President's Council of Economic Advisors, February, 1999; *The Economic and Budget Outlook, Fiscal Years 2000-2009,* Congressional Budget Office, January 1999; *Livingston Survey,* Philadelphia Federal Reserve Bank, December 1998 .

In light of this perspective, the Fed anticipates solid but slower growth ahead. Similarly, the President's Council of Economic Advisors, the Congressional Budget Office, and a leading survey of economists, the Livingston Survey, all predict moderation of both supply- and demand-side indicators over the next 12-24 months. (See Figure 3.)

While these and other predictions for 1999 - 2000 reflect moderation, recent reports indicate that some analysts have already begun to revise their expectations upward for

[4] Economic Report of the President, President's Council of Economic Advisors, February, 1999.

[5] Humphrey-Hawkins Testimony before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, February 23, 1999.

at least the first half of the current year.[6] A quarterly survey of professional forecasters, for example, recently indicated that inflation, previously expected to average 2.3 percent in 1999, is now projected to average 2.0 percent. Real GDP previously expected to slow to 1.7 percent in 1999 has been revised upward to 2.85 percent.[7] Revising forecasts upward has become a regular occurrence in the last few years. The OLS presents a brief discussion of underestimated growth forecasts in recent years on page A4 of the appendix.

New Jersey

As in 1998, most economists predict New Jersey will continue to track the anticipated positive, but slower performance of the nation. Figure 4 displays growth predictions by the New Jersey Council of Economic Advisors and those contained in the Executive's budget. The Council, in its most recent annual report, forecasts moderate growth in employment, personal income, and retail sales over the next two years with somewhat higher inflation.

Similarly, the Leading Index for New Jersey, although weaker than prior readings, remained positive as of December 1998, signaling that the State's economic expansion will continue through the first half of the year.[8] The index, which is constructed by the Federal Reserve Bank of Philadelphia, projects the growth of a state's current economic activity over the next nine months.

Figure 4
New Jersey Growth Predictions, Selected Indicators
1999-2000

	NJ Council of Economic Advisors	Executive
1999		
Non Farm Employment	1.3%	1.4%
Unemployment Rate	4.5%	N/A
Pers. Income (Current $)	4.3%	4.5%
Retail Sales (Current $)	4.6%	N/A
2000		
Non Farm Employment	1.2%	1.1%
Unemployment Rate	4.5%	N/A
Pers. Income (Current $)	4.3%	4.5%
Retail Sales (Current $)	4.2%	N/A

Source: *New Jersey Review and Economic Outlook for 1999-2000*, New Jersey Council of Economic Advisors, January 1999; and *Fiscal Year 1998 and State of New Jersey Budget in Brief, Fiscal Years 1999-2000,* Department of the Treasury, January 25, 1999.

The New Jersey labor market is expected to expand in the range of 45,000 - 50,000 jobs in 1999, according to the New Jersey Council of Economic Advisors. The Council predicts most job growth to continue to be in five core industry groups: finance, entertainment, health care, logistics and high technology.

However, one of the biggest concerns facing the State's employers is the increasingly tight labor market. A 1998 survey by the New Jersey Chapter of the National Federation of Independent Business concluded that "One of the biggest problems is the inability to find qualified people to hire. We've created a

[6] "A Science Truly Dismal at Prediction," *The New York Times*, February 23, 1999.

[7] Survey of Professional Forecasters, First Quarter 1999, Federal Reserve Bank of Philadelphia, Release Date: February 22, 1999.

[8] It is interesting to note that the December 1998 Leading Index reading for Pennsylvania was negative for the fourth month in a row. Prior to the mid-1990's, three consecutive negative readings had always signaled a downtown in the state's economy.

tremendous number of jobs.... We will only be able to hire people from someone else."[9]

The current market for commercial space in New Jersey, the fifth largest market in the nation, also remains tight with vacancy rates for "Class A" office space in the single digits, down from an historical rate of 12 percent. The recent construction of new office space in prime rental areas of the State has not mitigated low vacancy rates, leading to higher rents. A survey by the Society of Industrial and Office Realtors, for example, indicates that average annual rents for Class A suburban office space in central New Jersey rose nearly seven percent in 1998, from $22.50 a square foot to $24 per foot.[10]

New Jersey's economic growth, to some extent, is attributable to the comparative advantage of its previously overstocked commercial real estate market. As prices increase and that advantage erodes, the State will have to rely on its other selling points to remain competitive within the region, according to some analysts. These points include the State's highly trained labor force, good location, transportation infrastructure, and the availability of special financing and tax incentives for business relocation and job creation.

Most observers continue to anticipate that tumult in foreign economies will have limited impact on New Jersey's economy. Only seven percent of the New Jersey's Gross State Product is derived from exports compared to an average of thirteen percent for other states. Nevertheless, the leveling off of State exports last year (following an average annual growth rate of ten percent since 1993), indicates that the State's economy is not immune to softening foreign demand. The impact of instability abroad on the *national economy* clearly presents the greatest risk to New Jersey's economic well-being.

Closer to home, a possible downturn in the U.S. stock market presents a more likely source of concern for the State. A sustained drop in stock prices could dampen consumer demand as consumers would feel less wealthy if the value of their portfolios were to decline. Any decrease in consumption in turn could be expected to result in a slowdown in business expansions and hiring.

An interesting development which could potentially impact not only the volume of future stock market activity, but also the way security firms currently operate their back office operations, is the announcement by the New York Stock Exchange (NYSE) that it will extend trading hours for non-U.S. listed stocks beginning in June 2000. The NYSE also reportedly anticipates that within the foreseeable future extended trading could be applied to all stocks, and that hours could eventually range from 5 a.m. to midnight so as to accommodate demand by foreign and individual investors.[11]

[9]The Star Ledger, Newark Morning Ledger Company, January 10, 1998.

[10]ibid, February 24, 1999.

[11]"NYSE to Extend Trading Hours," *The Record*, Bergen Record Corp., February 24, 1999.

FY 1999 Year-To-Date Revenues

The strong national and New Jersey economies, steady employment growth, rising incomes, low inflation and low interest rates have spurred a near record long period of economic prosperity, as discussed in the previous sections of this report. Indeed, the strength of the economic growth has repeatedly surprised professional economic forecasters. As a result, New Jersey's revenue collections in FY 1999 are exceeding the certified estimates in the annual appropriations act for the third year in succession.

In January, as part of the Governor's FY 2000 Budget proposal, the Treasury increased overall revenue estimates for FY 1999 by $275 million. Figure 5 on the following page displays FY 1999 year-to-date revenue collections for selected sources through the end of February. Those figures are compared to the same period in FY 1998 and current actual growth rates through February are compared to the growth rates necessary to reach the Treasury's revised year-end Executive targets. Following the upward revisions, six of the 14 revenues displayed, including two of the three largest tax revenues, are running ahead of the growth rates needed to reach the year-end targets.

The gross income tax (GIT), the corporation business tax (CBT), and the transfer inheritance tax have shown the most robust growth through the first eight months of the fiscal year. The CBT banks and financial institutions tax also is up sharply, but in large part due to unusually high refunds last February that were not repeated this year.

Tobacco Settlement Affects Cigarette Prices, Tax Collections

The recent price increases in effect since the announcement of an agreement between cigarette manufacturers and 46 state attorneys general will affect cigarette sales and New Jersey tax collections. At the end of November, 1998, manufacturers increased national cigarette prices from between 45 cents and 60 cents per pack, an increase of about 20 percent to 30 percent.

Conventional estimates assume that each 10 percent price increase will reduce sales by about 4 percent. Thus, New Jersey sales, and tax collections, may decline by between 8 percent and 12 percent. Treasury reduced its cigarette tax estimate from $270 million to $237 million to account for this price increase.

GIT receipts through the end of February are 13 percent greater than for the same time last year. Collections from employer withholding on employee income are up over 11 percent and quarterly estimated tax payments are up about 15 percent. The CBT is up just over 20 percent and will receive an additional scheduled boost in the Spring from energy producing corporations. The transfer inheritance tax revenue is running 26 percent above the same time last year.

The sales tax, the State's second largest tax revenue after the gross income tax, is running five percent above the same period in FY 1998. This tax has tracked closely with monthly projections for most of the year.

The realty transfer tax also has shown strong growth this year, up 15 percent. However, the last three months combined are down two percent from last year. This revenue has fallen behind the growth rate needed to reach the Treasury's revised Executive year-end targets. A number of other smaller tax revenues also are running behind Treasury's year-end growth rates. The cigarette tax, however, is affected by both New Jersey's 1998 tax increase and the recent tobacco settlement, as discussed in the box on this page and again on page 18.

FY 1999 Year-To-Date Revenues

While the year-to-date collections are valuable data, revenue estimating is more complicated than simply taking the year-to-date growth rates and extending them to the end of the year. Changes in payment schedules, tax law, and the economy all affect the flow of collections. Where appropriate, these considerations will be discussed in the context of particular revenues. Beginning on the following page, the OLS presents its FY 1999 and FY 2000 revenue estimates.

Figure 5
Selected Year-To-Date Revenue Comparison
Through the End of February 1999 vs. 1998
($ millions)

Revenue Source	FY 1998 Actual Year-To-Date	FY 1999 Actual Year-To-Date	FY 1999 Actual % Growth	FY 1999 Year-End Executive % Growth
Income Tax	$3,221.2	$3,636.6	12.9%	8.5%
Sales Tax *	2,765.0	2,903.9	5.0%	5.2%
Corporation Tax (CBT)	579.6	697.0	20.3%	20.0%
Lottery	430.0	425.5	(1.0)%	3.4%
Motor Fuels *	282.1	280.4	-0.6%	-2.3%
Motor Vehicle Fees	222.0	242.3	9.1%	1.7%
Casino	207.6	212.7	2.4%	3.9%
Transfer Inheritance	220.6	278.5	26.2%	21.4%
Insurance Premiums	100.1	103.2	3.1%	4.1%
Cigarette	178.1	121.7	-31.7%	-27.5%
Petroleum Products *	115.3	119.9	4.0%	6.5%
Alcohol Excise *	41.2	41.6	1.0%	2.9%
CBT -- Banks & Financials	4.6	12.4	172.3%	-16.4%
Realty Transfer *	38.3	44.2	15.4%	23.3%

Sources: Year-To-Date revenues are from Treasury monthly reports. The Executive year-end percentage growth target is based on the January revised revenues for FY 1999 contained in the proposed FY 2000 budget.
** Revenues represent seven months of cash collections. All others represent eight months of cash collections.*
Note: These 14 revenue sources account for about 80 percent of the State's annual budgeted revenues. The OLS monitors these revenues and provides periodic reports to the Senate Budget and Appropriations Committee and the Assembly Appropriations Committee.

FY 1999 and FY 2000 Revenue Estimates

Figures 6 and 7 compare components of the Executive and the OLS revenue estimates for FY 1999 and FY 2000. (For greater detail, refer to pages A2 and A3 in the appendix). Comparison of columns 1 and 2 of Figure 6 shows the Executive increased its overall estimate of FY 1999 revenues by a net $275 million between the appropriations act certification last June and the Executive's FY 2000 budget submission this January.

This $275 million upward adjustment consisted of a $132 million upward revision in gross income tax collections, a $97 million upward revision in corporation business tax collections, and a $47 million net increase in all other revenue sources.

The OLS estimates for FY 1999, listed in the fourth column of Figure 6, total $119 million more than the revised Executive estimates. The largest single difference is for the income tax, where the OLS is estimating $85 million more than the Executive.

Figure 6
Fiscal Year 1999 Revenue Estimates
($ millions)

	Approp. Act (7/1/98)	January Revised Executive	Executive Changes	March Office of Legislative Services	Difference OLS vs. Revised Executive
Gross Income Tax	$5,933	$6,065	$132	$6,150	$85
Sales Tax	5,005	5,015	10	5,015	0
Corporation Business Tax	1,381	1,478	97	1,478	0
Other Major Taxes	2,209	2,254	45	2,279	25
Misc. Taxes, Fees, Revenues	1,854	1,845	(9)	1,854	9
Interfund Transfers	919	920	1	920	0
Other Funds	386	385	0	385	0
Grand Total, All Funds	$17,687	$17,962	$275	$18,081	$119

See Appendix for additional detail. Numbers may not add due to rounding.

FY 1999 and FY 2000 Revenue Estimates

The Executive anticipates $18.859 billion in FY 2000, as shown in Figure 7. This is an $897 million (5.0%) increase over its FY 1999 estimates. The OLS is projecting $19.036 billion in FY 2000, an increase of $955 million (5.3%) from a higher estimated FY 1999 base. **The OLS total revenue projection for FY 2000 is $177 million more than the Executive estimate.**

The Executive anticipates solid, but slowing growth in the gross income tax (GIT). GIT collections in FY 2000 are anticipated to increase $412 million (6.8%) over FY 1999. The sales tax is anticipated to increase $243 million (4.8%) over FY 1999 and the corporation business tax (CBT) is anticipated to increase $78 million (5.3%).

The largest difference between the OLS and the Executive estimates is for the GIT. The OLS estimates $153 million more than the Executive, growing off a higher FY 1999 base. The OLS is also estimating slightly lower sales tax and corporation business tax (CBT) revenues, after making certain adjustments for revenues from energy related taxation.

Over the two fiscal years, the OLS projects State revenues will be $296 million more than the amount estimated in the Executive budget submission.

Fuller discussion of the income tax, the sales tax, and other selected tax revenues follow beginning on page 14.

Figure 7
Fiscal Year 2000 Revenue Estimates
($ millions)

	Executive	% Change 99 to 00	Office of Legislative Services	% Change 99 to 00	Difference OLS vs. Exec.
Gross Income Tax	$6,477	6.8%	$6,630	7.8%	$153
Sales Tax	5,258	4.8%	5,251	4.7%	(7)
Corporation Business Tax	1,556	5.2%	1,543	4.4%	(13)
Other Major Taxes	2,313	4.7%	2,348	3.0%	35
Misc. Taxes, Fees, Revenues	1,840	-0.3%	1,849	-0.3%	9
Interfund Transfers	1,029	11.9%	1,029	11.9%	0
Other Funds	386	0.0%	386	0.0%	0
Grand Total, All Funds	$18,859	5.0%	$19,036	5.3%	$177

See Appendix for additional detail. Numbers may not add due to rounding.

Discussion of Selected Revenue Sources

Gross Income Tax (GIT)

In January the Executive increased its estimate for FY 1999 gross income tax (GIT) revenues to $6.065 billion, an increase of $132 million above the $5.933 billion certified in the appropriations act last June. The Executive anticipates $6.477 billion in FY 2000, $412 million more than in FY 1999. The OLS estimates $6.150 billion in FY 1999, $85 million more than the Executive, and $6.630 billion in FY 2000, $153 million more than the Executive. The higher OLS estimates in both fiscal years reflect only a slightly higher reading of current growth trends and projections of future revenue growth.

Figure 8 below shows nominal and underlying growth rates for both the Executive and the OLS estimates for FY 1999 and FY 2000. Nominal growth rates of 8.5 percent (Executive) and 10.0 percent (OLS) in FY 1999 are moderate, particularly when compared to the 15.9 percent nominal growth in FY 1998 and the 12.9 percent FY 1999 actual collections growth through the end of February. However, after adjusting for the value of the phased-in property tax deduction and the estimated impact of last year's federal capital gains tax changes, the underlying growth rates are higher for both estimates, at 11.7 percent and 13.2 percent respectively. The underlying growth rates for FY 2000 are also somewhat higher than the nominal growth rates.

Figure 8
Nominal and Underlying Income Tax Growth, FY 1998 to FY 2000
($ millions)

	FY 1998	FY 1999		FY 2000	
		Executive	OLS	Executive	OLS
Nominal Income Tax (Budget)	$5,590.6	$6,065.0	$6,150.0	$6,477.0	$6,630.0
Nominal Percent Growth	*15.9%*	*8.5%*	*10.0%*	*6.8%*	*7.8%*
Estimated Value of the Property Tax Deduction*	$167.0	$234.0	$234.0	$250.0	$250.0
Estimated Value of the Increased Filing Threshold**				$23.0	$10.0
Est. Value of Federal Capital Gains Tax Change (OLS)***	($120.0)				
Underlying Income Tax	$5,637.6	$6,299.0	$6,384.0	$6,750.0	$6,890.0
Underlying Percent Growth	*14.5%*	*11.7%*	*13.2%*	*7.2%*	*7.9%*

* FY 1999 and FY 2000 Executive Budget estimates.
** Estimated first year impact of A-2339/S-1670, which phases-in higher levels.
*** Based on an estimate of about $2 billion in gains at an average marginal tax rate of 6%.

Discussion of Selected Revenue Sources

The GIT in FY 1999

The $5.933 billion GIT estimate certified in the FY 1999 Appropriations Act last Summer was a cautious figure that reflected the national and State consensus of more moderate economic growth in 1998 and 1999. It required only 6.1 percent nominal revenue growth over FY 1998. Similarly, the OLS estimated $6.000 billion for the GIT in FY 1999 last May, requiring only 7.4 percent nominal growth from FY 1998. Both of these estimates acknowledged the potential for a drop-off in tax payments in the year following the federal capital gains tax change.

As forecasters continued to increase their estimates of national economic growth in 1998 (see page A4 in the appendix for an additional discussion), and as actual State GIT revenue collections consistently outpaced projections through the first five months of the fiscal year (growth through November was over 14 percent), it became clear that the certified target was too low. The Executive therefore increased its estimate in January of 1999. The higher revised target of $6.065 billion requires 8.5 percent nominal growth for the entire year, or underlying growth of 11.7 percent after adjusting for tax changes and the estimated one-time federal capital gains change.

The OLS's revised FY 1999 target of $6.150 billion requires 10.0 percent nominal growth for the entire year, or 13.2 percent underlying adjusted growth. The strong growth through the first five months has continued during the following three months. The GIT is running 12.9 percent ahead of last year through the end of February. Employer withholding collections and quarterly individual estimated payments have remained strong. This strength may also be reflected in final tax payments recorded in April and May. Last year those two months, which traditionally account for about one quarter of total collections each year, grew by a remarkable 29 percent over the same two months the year before. Some of that growth may have been due to one-time benefits from the federal capital gain tax changes. Neither the Executive nor the OLS is predicting a repeat of last year's stunning growth.

Nevertheless, the OLS now believes that April and May GIT collections will show some growth from last year, and for the year the State will post $85 million more than the Executive's current estimate for FY 1999. However, the OLS notes the potential for stronger growth in April and May exists. If so, the GIT estimates may have to be revised upward again in May, repeating a pattern of upward revenue revisions seen in New Jersey, most other states with an income tax, and the federal government in each of the last two years.

The GIT in FY 2000

The Executive assumes some slowing in GIT growth in FY 2000. The $6.477 billion estimate requires 6.8 percent nominal growth over the Executive's FY 1999 estimate. This amount assumes a $23 million tax revenue loss from an increase in the minimum taxpayer filing threshold. After adjusting for this relatively small tax change, underlying growth is expected to be about 7.2 percent.

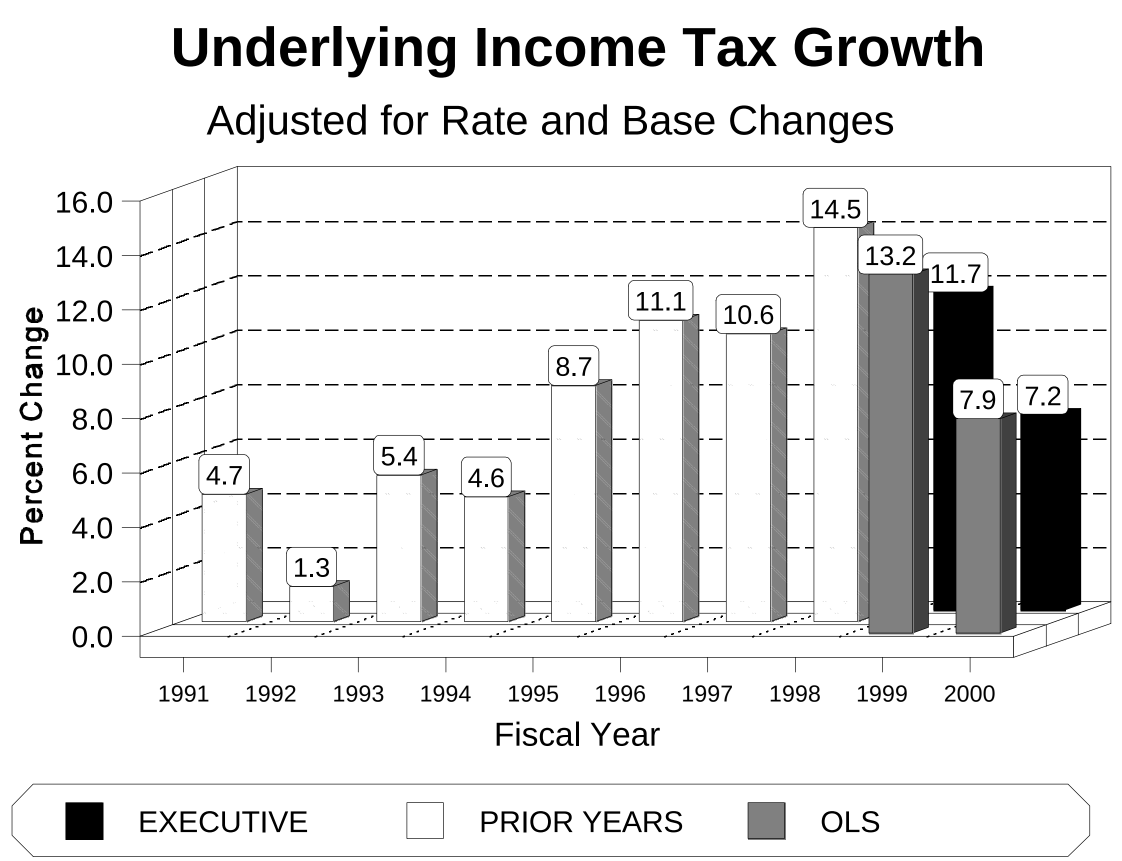
The OLS's FY 2000 estimate of $6.630 billion requires nominal growth of 7.8 percent over an FY 1999 base which is higher than the Executive's FY 1999 base. The OLS also includes an estimate of a revenue loss from an increase in the minimum taxpayer filing threshold, but at a somewhat lower cost of $10 million. The OLS's adjusted underlying growth rate is about 7.9 percent.

Discussion of Selected Revenue Sources

As Figure 9 below shows, underlying income tax revenues, adjusted for rate and base changes, have grown by more than 10 percent in each of the last three fiscal years. Both the Executive and the OLS are expecting underlying growth in excess of 10 percent to continue for a fourth consecutive year in FY 1999. FY 1998's 14.5 percent underlying growth was the strongest since FY 1987, a year that benefitted from a major income tax reform at the federal level. Indeed, FY 1998 also may have benefitted from federal changes in the taxation of capital gains, which may have "unlocked" capital gains for New Jersey tax purposes.

Both the Executive and the OLS expect slowing overall nominal (budgeted) GIT growth and in the adjusted underlying growth in FY 2000.

Figure 9



Discussion of Selected Revenue Sources

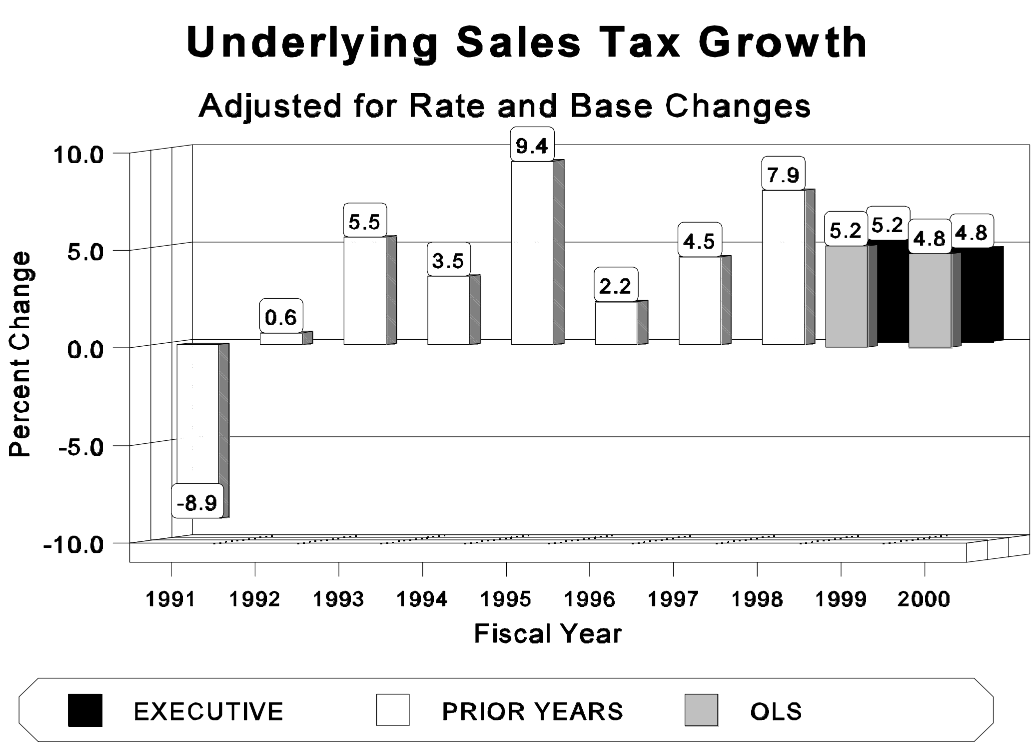
Sales Tax

The Executive estimates sales tax collections of $5.015 billion in FY 1999 and $5.258 billion in FY 2000. The OLS concurs with the Executive estimate in FY 1999, but makes a slight downward adjustment of $7.0 million for FY 2000.

The sales tax collections so far in FY 1999 are growing by 5.0 percent. Monthly collections have tracked very closely to both Treasury's and OLS's monthly targets all year long. Indeed, the main reason the Executive increased its estimate by $10 million from the amount certified in the FY 1999 Appropriations Act is the higher price of cigarettes due to the recent tobacco settlement. The Executive estimates that the sales tax will receive an additional $6 million. The higher retail price, while reducing cigarette sales and cigarette tax revenue, increases revenue from the six percent sales tax.

The $243 million increase in sales tax revenue for FY 2000, about 4.8 percent nominal growth, assumes a continuation of moderate growth rates. The average underlying growth in the sales tax has been about 5.5 percent since FY 1993. The OLS's $7.0 million downward adjustment in FY 2000 reflects the tax impact of the recently enacted energy deregulation law. This adjustment, which also affects CBT collections, is discussed in greater detail on page A10 in the appendix.

Figure 10



Discussion of Selected Revenue Sources

Corporation Business Tax

The Executive estimates the corporation business tax (CBT) will receive $1.478 billion in FY 1999 and $1.556 billion in FY 2000. The OLS agrees with the Executive's estimate in FY 1999, but makes a downward adjustment of $13.0 million for FY 2000.

In January the Executive increased its estimate of FY 1999 CBT revenues above the amount certified in the appropriations act last June by $97 million. The increase reflected strong collections growth of over 16 percent through the end of the second quarter of the fiscal year. Strong collections growth has continued into the third quarter, in part due to a significant drop in refund payments. This growth is expected to continue.

Continued growth is anticipated for FY 2000. The OLS's $13.0 million downward adjustment in FY 2000 reflects the indirect CBT impact of the recently enacted energy deregulation law. This is discussed in greater detail on page A10 in the appendix.

The Cigarette Tax

The recent settlement of the tobacco lawsuit promises New Jersey a significant annual stream of industry payments for the foreseeable future. However, the cigarette price increases resulting from the settlement will affect revenue collections from the State cigarette tax.

In November 1998 the nation's major tobacco producers and the attorneys general of 46 states, including New Jersey, agreed to a long term settlement of the law suit against the tobacco producers. As a result of this settlement, the 46 states will receive nearly $200 billion in payments through the year 2025. New Jersey's estimated share of the settlement totals nearly $7.6 billion over that period of time. The first payment is due sometime in 1999, and the Executive has anticipated $93 million in its FY 2000 revenue estimates. A second payment of about $248 million is expected in the second half of FY 2000, but it has not been anticipated as a State budget revenue at this time. Payments ranging between $267 million and $325 million are expected through the year 2025 (see page A13 in the appendix for estimated annual amounts).

A second aspect of the tobacco settlement is an increase in the sales price of cigarettes. In November and December of 1998 it was widely reported that manufacturers increased cigarette prices by between 45 cents and 60 cents per pack. Generally a price increase will cause a decline in sales, and the conventional forecast has been that each 10 percent price increase will reduce sales by 4 percent (a cigarette price "elasticity" of -0.4).

The Executive reduced its FY 1999 estimate of cigarette tax collections from $270 million to $237 million based on the application of the conventional view of a 30 percent price increase to both the budgeted and the "off-budget" cigarette tax revenues. Under the Executive's interpretation of current law, the first $155 million in cigarette tax revenues are annually dedicated to the off-budget Health Care Subsidy Fund (HCSF). The Executive projects total cigarette tax collections of about $392 million in FY 1999, but because the money to the HCSF is fixed, the full tax loss affects only the "on-budget" portion. The Executive anticipates a further reduction in collections to $211 million in FY 2000.

The OLS estimates $245 million in FY 1999 and $225 million in FY 2000. These amounts are $8 million and $14 million above the respective Executive estimates. The OLS's higher estimates largely reflect evidence that the retail price increase has been somewhat less than the Executive assumed so far, and therefore the sales decline and the tax revenue loss also is somewhat less.

Discussion of Selected Revenue Sources

Other Tax Revenues

In addition to the tax revenues discussed on the previous pages, the OLS estimates differ from the Executive's estimates for seven other revenue sources in both FY 1999 and FY 2000. These revenues, displayed in Figure 11 and Figure 12, are a combined $25.7 million higher than the Executive's estimates in FY 1999. The OLS estimates are a combined $29.6 million higher in FY 2000.

Motor fuels tax revenues combine revenue from the motor fuels use tax with the regular motor fuels tax. Combined collections through the end of February appear to be falling behind last year's pace by about one percent, as displayed in Figure 5 on page 11. The Executive is estimating $465 million in FY 1999, a two percent decline from the $476 million collected in FY 1998, and $470 million in FY 2000. However, after adjusting for the motor fuels use tax, the regular fuels collection pattern is more encouraging. As a result, the OLS is estimating a small increase from last year, to $480 million in FY 1999. The OLS estimates continued modest growth to $485 million in FY 2000.

The Executive increased its estimate of motor vehicle fee revenues in FY 1999 to $376 million, from $359 million in the appropriations act. The Executive anticipates essentially stable revenues of $375 million in FY 2000. The OLS is encouraged by the strong 9.1 percent growth of actual collections through February. As a result, the OLS is estimating $390 million in FY 1999, $14 million more than the Executive, and $400 million in FY 2000, $15 million more than the Executive. Strong vehicle sales and the continued shift to larger vehicles such as sport utilities, which pay higher registration fees, may be driving the strong revenue growth.

Figure 11
Other Fiscal Year 1999 Revenue Estimates
For Which the Executive and the Office of Legislative Services Differ
($ millions)

	FY 1999 Executive	FY 1999 OLS	Difference
Motor Fuels Tax	$465.0	$480.0	$15.0
Motor Vehicle Fees	376.0	390.0	14.0
Investment Earnings	5.8	15.0	9.2
Gubernatorial Elections Fund	1.5	1.0	(0.5)
Petroleum Products Gr. Rec.	210.0	208.0	(2.0)
Alcoholic Beverage Excise	77.0	75.0	(2.0)
Realty Transfer	78.0	70.0	(8.0)
FY 1999 Net Difference			$25.7

Discussion of Selected Revenue Sources

The Executive reduced FY 1999 revenues from investment earnings from $15.0 million in the appropriations act to $5.8 million, and estimates another $5.8 million for FY 2000. The OLS is not reducing the $15.0 million estimate and estimates $15.0 million in FY 2000. While the OLS understands that the Executive's estimate is net of certain annual expenditures, the OLS does not believe the net figure will drop from the original estimate, given the strong State revenue collections and large annual surplus.

The OLS's largest downward adjustment in the other revenues is in the realty transfer tax. The Executive estimates $78 million in FY 1999 and $85 million in FY 2000. The OLS estimates $70 million in FY 1999, $8 million less than the Executive, and $70 million again in FY 2000, $15 million below the Executive. Through November growth had been running ahead of FY 1998 at a 27 percent rate. Since then, revenues from this tax have slowed markedly. Combined, the last three months are down 2.1 percent on a year-to-year basis, the first sustained weakness in three years.

This decline does not signal a drop in the resale realty market. It could be the result of fewer commercial transactions in the State. Last year's $63 million collection was the highest ever for this tax and growth to $70 million will set a new high. Nevertheless, this revenue may have reached a peak in which growth has slowed but a high level remains.

The OLS has made some small downward adjustments to three revenues: the petroleum products gross receipts tax, the alcoholic beverage tax, and the Gubernatorial Elections Fund (GEF). These downward adjustments from the Executive's levels in both FY 1999 and FY 2000 reflect the OLS's reading of current growth trends. In the case of the GEF, which is based on taxpayer designations on State income tax returns each year, the downward adjustment reflects recent history. This fund has not received $1.5 million since FY 1988. In recent years the fund has generally received just under $1.0 million. Accordingly, the OLS is estimating $1.0 million in both FY 1999 and FY 2000.

Figure 12
Other Fiscal Year 2000 Revenue Estimates
For Which the Executive and the Office of Legislative Services Differ
($ millions)

	FY 2000 Executive	FY 2000 OLS	Difference
Motor Vehicle Fees	$375.1	$400.0	$24.9
Motor Fuels Tax	470.0	485.0	15.0
Investment Earnings	5.8	15.0	9.2
Gubernatorial Elections Fund	1.5	1.0	(0.5)
Petroleum Products Gr. Rec.	212.0	210.0	(2.0)
Alcoholic Beverage Excise	77.0	75.0	(2.0)
Realty Transfer	85.0	70.0	(15.0)
FY 2000 Net Difference			$29.6

FY 2000 Surplus Analysis

Each year the OLS recalculates the State's year-end budgeted surplus based solely on the revenue estimates contained in this report. Figure 13 assumes that the spending plan and tax law changes in the FY 2000 Executive budget will be followed. However, any calculation of actual surplus must take into account spending (appropriation) decisions as well as anticipated revenue. For example, the recently announced proposal to increase school aid by $70 million is not included in the Governor's budget or this analysis. The second installment of the tobacco settlement ($248 million) is also not included, but would either affect anticipated revenues or perhaps shift some State appropriations off budget (see the discussion on page A13 in the appendix). Decisions on these and other matters will be made by the Executive, both appropriations committees and the full Legislature over the next three months.

As is shown in Figure 13, the Executive estimates an FY 2000 year-end surplus of $750 million. The higher OLS revenue estimates would produce a surplus of $1,046 million, $296 million more than the Executive.

Figure 13
Adjusted FY 2000
Year-End Combined Surplus
($ millions)

Executive Estimate	$750.0
OLS Revenue Adjustment	$296.0
OLS Adjusted Surplus	$1,046.0

Because this analysis does not address possible changes to appropriations, Executive spending patterns or other non-tax revenues, it is premature to draw conclusions about actual year-end surpluses from this analysis of State revenues.

The annual estimates of the State's surplus are point in time estimates chasing a moving target. Because of the large number of changes that occur in both spending and revenues throughout any fiscal year, the surplus changes significantly between the enactment of the annual appropriations act and the end of the fiscal year and a review by State auditors. Figure 14 below displays the surplus amount based on the annual appropriations act passed by the Legislature and signed by the Governor each June. The figure also displays the final surplus amount at the end of each fiscal year. The difference between the appropriations act amount and the final amount each year are significant, and in recent years has increased significantly during the year. Accordingly, the OLS urges caution in drawing conclusions about the FY 2000 year-end surplus.

Figure 14
Fiscal Year Combined Surplus
Since FY 1990
($ millions)

Fiscal Year	Approp. Act	Final
1990	$426.2	$162.1
1991	$322.2	$370.6
1992	$513.6	$836.2
1993	$141.5	$1,150.8
1994	$411.0	$1,264.6
1995	$455.5	$950.2
1996	$549.2	$880.0
1997	$550.1	$1,108.0
1998	$550.0	$1,256.7
1999*	$701.0	$1,051.5

Source: Annual New Jersey State Budgets.
* FY 1999 Final amount is the Executive's estimate as of January 1999.

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Appendix Contents:

Detailed Fiscal Year 1999 Revenue Estimates

Fiscal Year 1999 ($ millions)	Approp. Act	Executive Revised	OLS	Diff: OLS - Executive
Major Taxes:				
Sales Tax	$5,005.0	$5,015.0	$5,015.0	$0.0
Corporation Business Tax	1,381.0	1,478.0	1,478.0	0.0
Motor Fuels	481.7	465.0	480.0	15.0
Motor Vehicle Fees	358.8	376.0	390.0	14.0
Transfer Inheritance	384.0	410.0	410.0	0.0
Insurance Premiums	291.0	307.0	307.0	0.0
Cigarette	270.0	237.0	245.0	8.0
Petroleum Products Gross Receipts	196.5	210.0	208.0	(2.0)
Corporation Business - Banks and Financial	42.0	47.0	47.0	0.0
Alcoholic Beverage Excise	73.0	77.0	75.0	(2.0)
Realty Transfer	67.0	78.0	70.0	(8.0)
Savings Institutions	25.0	25.0	25.0	0.0
Tobacco Products Wholesale	13.0	13.0	13.0	0.0
Public Utilities Excise	7.0	9.2	9.2	0.0
Subtotal, Major Taxes	$8,595.0	$8,747.2	$8,772.2	$25.0
Misc. Taxes, Fees and Revenues				
Public Utility Taxes (State retention)	$60.0	$68.4	$68.4	$0.0
Transitional Energy Facility Assessments	282.0	230.4	230.4	0.0
Medicaid Uncomp. Care Reimbursement	421.1	425.3	425.3	0.0
MTF Revenue Fund	51.5	51.5	51.5	0.0
Good Driver Program	97.5	99.9	99.9	0.0
Motor Vehicle Inspection Fund	64.4	66.4	66.4	0.0
Investment Earnings	15.0	5.8	15.0	9.2
Other	862.4	897.4	897.4	0.0
Subtotal, Misc. Revenues	$1,853.9	$1,845.1	$1,854.3	$9.2
Interfund Transfers				
State Lottery Fund	$665.5	$665.5	$665.5	$0.0
Other	253.3	254.5	254.5	0.0
Subtotal, Interfund Transfers	$918.8	$920.0	$920.0	$0.0
TOTAL GENERAL FUND	$11,367.7	$11,512.3	$11,546.5	$34.2
Property Tax Relief Fund (Income Tax)	$5,933.0	$6,065.0	$6,150.0	85.0
Casino Revenue Fund	330.2	328.2	328.2	0.0
Casino Control Fund	54.8	55.3	55.3	0.0
Gubernatorial Elections Fund	1.5	1.5	1.0	(0.5)
GRAND TOTAL, ALL FUNDS	$17,687.1	$17,962.3	$18,081.0	$118.7

Detailed Fiscal Year 2000 Revenue Estimates

Fiscal Year 2000 ($ millions)	Executive	% Change	OLS	% Change	Diff: OLS - Executive
Major Taxes:					
Sales Tax	$5,258.0	4.8%	$5,251.0	4.7%	($7.0)
Corporation Business Tax	1,555.6	5.3%	1,542.6	4.4%	(13.0)
Motor Fuels	470.0	1.1%	485.0	1.0%	15.0
Motor Vehicle Fees	375.1	(0.2)%	400.0	2.6%	24.9
Transfer Inheritance	470.0	14.6%	470.0	14.6%	0.0
Insurance Premiums	316.0	2.9%	316.0	2.9%	0.0
Cigarette	211.0	(11.0)%	225.0	(8.2)%	14.0
Petroleum Products Gross Receipts	212.0	1.0%	210.0	1.0%	(2.0)
Corporation Business - Banks and Financial	50.0	6.4%	50.0	6.4%	0.0
Alcoholic Beverage Excise	77.0	0.0%	75.0	0.0%	(2.0)
Realty Transfer	85.0	9.0%	70.0	0.0%	(15.0)
Savings Institutions	25.0	0.0%	25.0	0.0%	0.0
Tobacco Products Wholesale	13.0	0.0%	13.0	0.0%	0.0
Public Utilities Excise	9.2	0.0%	9.2	0.0%	0.0
Subtotal, Major Taxes	$9,126.9	4.3%	$9,141.8	4.2%	$14.9
Misc. Taxes, Fees and Revenues					
Public Utility Taxes (State retention)	$68.4	0.0%	$68.4	0.0%	$0.0
Transitional Energy Facilities Assessment	175.0	(24.0)%	175.0	(24.0)%	0.0
Medicaid Uncomp. Care Reimbursement	441.0	3.7%	441.0	3.7%	0.0
MTF Revenue Fund	46.0	(10.7)%	46.0	(10.7)%	0.0
Good Driver Program	77.6	(22.4)%	77.6	(22.4)%	0.0
Motor Vehicle Inspection Fund	66.1	(0.5)%	66.1	(0.5)%	0.0
Investment Earnings	5.8	0.0%	15.0	0.0%	9.2
Lease and Lease Back	20.0		20.0		
Other	940.2	4.8%	940.2	4.8%	0.0
Subtotal, Misc. Revenues	$1,840.1	(0.3)%	$1,849.3	(0.3)%	$9.2
Interfund Transfers					
State Lottery Fund	$670.0	0.8%	$670.0	0.8%	$0.0
Tobacco Settlement Fund	92.8		92.8		0.0
Other	266.1	4.6%	266.1	4.6%	0.0
Subtotal, Interfund Transfers	$1,028.9	11.9%	$1,028.9	11.9%	$0.0
TOTAL GENERAL FUND	$11,995.9	4.2%	$12,020.0	4.1%	$24.1
Property Tax Relief Fund (Income Tax)					
Gross Income Tax (base)	$6,500.0	7.2%	$6,640.0	8.0%	$140.0
Increase in Income Filing Threshold	(23.0)		(10.0)		13.0
Subtotal, Property Tax Relief Fund	$6,477.0	6.8%	$6,630.0	7.8%	$153.0
Casino Revenue Fund	329.6	0.4%	329.6	0.4%	0.0
Casino Control Fund	55.2	(0.3)%	55.2	(0.3)%	0.0
Gubernatorial Elections Fund	1.5	0.0%	1.0	0.0%	(0.5)
GRAND TOTAL, ALL FUNDS	$18,859.2	5.0%	$19,035.8	5.3%	$176.6

The Dismal Science Has A Dismal Forecasting Record

Government policy makers rely on economic forecasts in order to project growth in the cost of public programs and to estimate the tax revenues that pay for those programs. The President's Council of Economic Advisors notes that accurate forecasts are important because "... excessive optimism is dangerous and can stand in the way of making difficult but necessary budget decisions," while "... excessive pessimism can force difficult decisions where none was required."[1]

Given this reality, it is noteworthy, as indicated earlier in this report, that over the last few years professional forecasters have consistently underestimated the actual performance of the U.S. and State economies. Fortunately for government budgeteers, the outcome of repeatedly flawed forecasting has been unexpected windfalls to federal, state and local treasuries. Indeed, the first federal budget surplus in three decades is being realized several years earlier than originally projected, while even states (except Hawaii) with lagging economic growth are enjoying stronger than anticipated revenue collections. While such good news is not unwelcome, reliable forecasts are preferable over the long run for the reasons noted by the President's council.

As Figure A indicates, both the non-partisan Congressional Budget Office (CBO) and the Livingston Survey (a leading survey of economists for more than 50 years) have underestimated economic growth in each of the last two years. Assuming that the current pace of expansion could not be maintained for a variety of reasons -- including instability in Asian economies, tight labor markets and an overheated stock market -- both CBO and the Livingston Survey, not unlike their peers, anticipated continued, but slower growth. Consequently, both groups underestimated real GDP by at least a full percentage point in 1997 and 1998. For example, the forecasters in the Livingston Survey estimated 2.2 percent real national GDP growth in 1998, but actual growth for the year was nearly *twice* the projected rate at 3.9 percent. Similarly, based on faulty assumptions regarding economic growth, both groups overstated projected rates of inflation and unemployment for the same period.

The recent miscues of forecasters may be attributed, in part, to the fact that current economic conditions do not appear to conform to accepted economic theory. For instance, economists generally accept the idea that once unemployment drops below a certain level, prices not only rise, they accelerate. At present, however, inflation remains low despite an unemployment rate that appears to be below the full-employment unemployment rate (also known as the nonaccelerating-inflation rate of unemployment or NAIRU). Whether such current aberrations reflect temporary or more permanent phenomena is unclear.

Interestingly, with respect to the continuing low level of inflation, the ever-cautious Federal Reserve Chairman Alan Greenspan recently acknowledged that perhaps the processes determining inflation were changing.[2] In his February 23 Humphrey-Hawkins testimony before Congress, Greenspan speculated as to whether the economy has become less inflation prone than in the past such "that the chances of an inflationary breakout arguably are, at least for now, less than they would have been under similar conditions in earlier cycles."

[1] Economic Report of the President, President's Council of Economic Advisors, February 1999, p. 98

[2] Some of the reasons offered by Chairman Greenspan to explain lower price levels included underlying employee job insecurity, a sense of a loss of pricing power by businesses, a breakdown in barriers to international trade, and altered expectations with respect to inflation which, "to some extent" have become self-reinforcing. See Humphrey-Hawkins Testimony of February 23, 1999.

Similarly, other factors are at least temporarily challenging the skills of forecasters. They include unexpectedly buoyant levels of consumer and business confidence that have resulted in unexpectedly high consumption and investment spending, and a substantial fall in the perceived riskiness of certain financial assets that is evident in the historically high price-earnings ratios of U.S. stocks.

Overall, the extraordinary and unusual circumstances of the current period of expansion have lead to misjudgments by forecasters. Whether conventional economic wisdom will ultimately be vindicated, or deemed obsolete by the confirmation that we have indeed entered some "new era," will not be known until the next downturn. While it appears that the economy is already on track to surpass economists' predictions for 1999, forecasts calling for continued but slower growth appear to be prudent.

Figure A
Selected U.S. Indicators
Projected Rate vs. Actual Rate
1997 - 1999

	1997			1998			1999		
	Livingston Survey	CBO	Actual	Livingston Survey	CBO	Actual	Livingston Survey	CBO	Actual
Real GDP Growth	2.4%	2.3%	3.8%	2.2%	2.7%	3.9%	2.2%	2.3%	?
Consumer Price Index Growth	3.0%	2.9%	1.7%	2.5%	2.2%	1.7%	2.0%	2.3%	?
Unemployment Rate	5.3%	5.3%	5.0%	4.9%	4.8%	4.5%	4.6%	4.8%	?

Sources: 1997: *The Economic and Budget Outlook,* Congressional Budget Office, January 1997; *Livingston Survey,* Philadelphia Federal Reserve Bank, December 1996; 1998: *The Economic and Budget Outlook,* Congressional Budget Office, January 1998; *Livingston Survey,* Philadelphia Federal Reserve Bank, December 1997; 1999: *The Economic and Budget Outlook,* Congressional Budget Office, January 1999; *Livingston Survey,* Philadelphia Federal Reserve Bank, December 1998.

The New Jersey Gross Income Tax Retrospective

The decade of the 1990's has seen strong growth in New Jersey gross income and a marked shift of taxpayers into higher income brackets. This shift is illustrated by gross income tax data for the years 1988, 1991, 1994 and 1997. Summaries of this data appear in the figures at the end of this analysis on pages A8 and A9. The data come from the *Statistics of Income*, published annually by the Department of Treasury, and income tax samples prepared and compiled by the Department of Treasury's Office of Revenue and Economic Analysis, OREA (formerly the Office of Tax Analysis, OTA). The figures represent tax years and do not correspond to any fiscal year because payments and refunds for a single tax year fall into two or more fiscal years.

These four fiscal snapshots capture a range of circumstances that have occurred since the late 1980's. This was a period that saw both recession and vigorous growth as well as upward and downward revisions of tax rates.

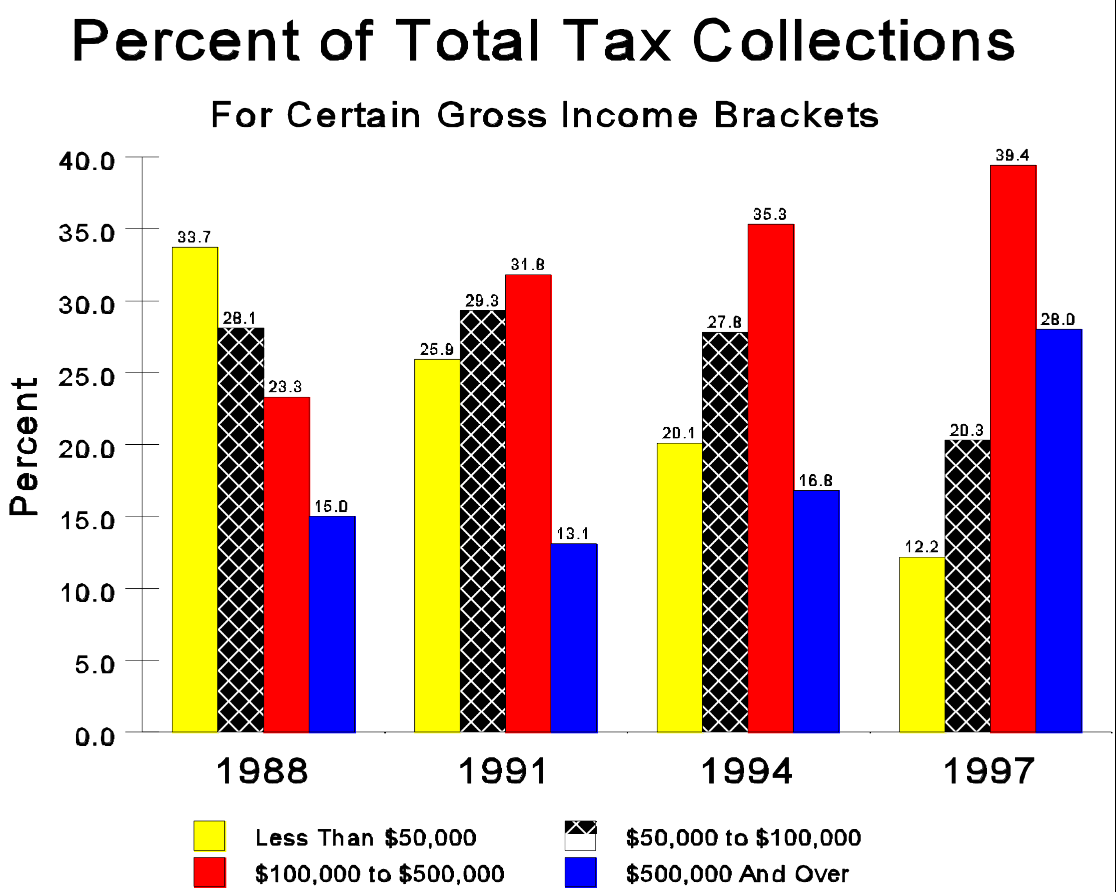
The 1988 data represent one of the two peak years during the 1980's economic boom based on employment figures and consumer confidence measures (1989 is the other year). The 1991 data represent the low point of the long recession during the early 1990's and reflect tax collections under the marginal rate increases enacted in 1990. The 1994 data represent one of the first years of rebounding growth during the long recovery, and reflect the first year of a three year phased-in marginal rate reduction. Finally, the 1997 data represent one of a series of years with strong economic growth and the third year of the phased-in marginal rate reductions.

Figure B on the next page, displays selected data from each of the four detailed figures on the following pages. This figure shows how total tax collections (charged tax) has shifted away from lower income taxpayers to upper income taxpayers. In 1988, taxpayers with income below $50,000 paid 33.7 percent of charged tax, while taxpayers with income over $500,000 paid 15.0 percent of charged tax. By 1997, these percentages were nearly reversed. The lower income group paid 12.2 percent of charged tax, while the higher income group paid 28.0 percent of charged tax. A similar but less pronounced shift has occurred between the two middle income brackets in Figure B. Higher income taxpayers have become more critical for the State's income tax revenues.

Some of this shift is a result of changing marginal tax rates and some of this shift is a result of economic change and income growth. The marginal tax rate for higher income levels was increased from 3.5 percent in 1988, to 7.0 percent in 1990, and was reduced to 6.37 percent in 1997. Those taxpayers are paying more tax in large part because of higher tax rates. The lower (and middle) income groups have seen a reduction in marginal tax rates of 30 percent since the early 1990's, reducing their share.

Furthermore, the minimum filing threshold was increased in 1994, removing several hundred thousand taxpayers from the tax rolls and reducing the number of filers at the lower income levels. In 1988 the lower income group consisted of 2,886,971 tax filers accounting for 80.9 percent of all tax returns, but in 1997 they consisted of 2,307,759 tax filers accounting for only 67.5 percent of tax returns.

Figure B



In addition, as income rises, taxpayers move into higher tax brackets. This phenomenon is often referred to as "bracket creep." For example, as can be seen in Figures C through F, the number of taxpayers in the $500,000 and Over bracket has grown from 11,205 in 1988 to 19,820 in 1997, a 77 percent increase. Furthermore, the composition of income may also be changing. Much of recent income growth has been in the higher brackets, where taxpayers generally rely more on non-wage income such as capital gains and stock options. Overall capital gains income has grown from $2.8 billion in 1991 to $10.5 billion in 1997, and for the $500,000 and Over bracket capital gains are up from $1.0 billion to $5.5 billion during that period. Capital gains for the highest income bracket have grown to 20 percent of gross income in 1997 compared with 12 percent in 1991 (similar figures were not collected in 1988).

Because incomes are rising, taxpayers are moving into higher tax brackets. Because marginal tax rates are higher for the upper income group in 1997 compared to 1988, the total tax contribution from this group has increased from $658 million to $1.234 billion, an 88 percent increase. The significant shift in the proportion of the income tax collections paid by this highest income group (15 percent in 1998 to 28 percent in 1997) is due to a combination of income growth pushing taxpayers into higher brackets, the changing composition of income, and higher marginal tax rates.

Figure C
Tax Year 1988 New Jersey Gross Income Tax Summary

	Less Than $50,000	$50,000 to $100,000	$100,000 to $500,000	$500,000 And Over	All Taxpayers
No. Returns	2,886,971	532,128	139,239	11,205	3,569,543
% of Total	*80.9%*	*14.9%*	*3.9%*	*0.3%*	*100.0%*
Gross Income ($ millions)	$53,385	$35,609	$23,699	$13,351	$126,044
% of Total	*42.4%*	*28.3%*	*18.8%*	*10.6%*	*100.0%*
Avg. Gross Income	$18,492	$66,918	$170,206	$1,191,522	$35,311
Charged Tax ($ millions)	$845	$703	$584	$375	$2,506
% of Total	*33.7%*	*28.1%*	*23.3%*	*15.0%*	*100.0%*
Average Charged Tax	$293	$1,321	$4,191	$33,467	$702

Source: 1988 *Statistics of Income*, Department of Treasury, OTA.

Figure D
Tax Year 1991 New Jersey Gross Income Tax Summary

	Less Than $50,000	$50,000 to $100,000	$100,000 to $500,000	$500,000 And Over	All Taxpayers
No. Returns	2,832,552	635,613	177,845	7,646	3,653,656
% of Total	*77.5%*	*17.4%*	*4.9%*	*0.2%*	*100.0%*
Gross Income ($ millions)	$50,967	$43,174	$28,583	$8,283	$131,008
% of Total	*38.9%*	*33.0%*	*21.8%*	*6.3%*	*100.0%*
Avg. Gross Income	$17,993	$67,925	$160,719	$1,083,312	$35,857
Charged Tax ($ millions)	$882	$998	$1,084	$447	$3,410
% of Total	*25.9%*	*29.3%*	*31.8%*	*13.1%*	*100.0%*
Average Charged Tax	$311	$1,569	$6,095	$58,462	$933

Source: *Statistics of Income* tax sample, Department of Treasury, OTA, 1998.

Figure E
Tax Year 1994 New Jersey Gross Income Tax Summary

	Less Than $50,000	$50,000 to $100,000	$100,000 to $500,000	$500,000 And Over	All Taxpayers
No. Returns	2,581,364	702,383	244,612	11,021	3,539,380
% of Total	*72.9%*	*19.8%*	*6.9%*	*0.3%*	*100.0%*
Gross Income ($ millions)	$47,605	$48,564	$38,930	$13,051	$148,150
% of Total	*32.1%*	*32.8%*	*26.3%*	*8.8%*	*100.0%*
Avg. Gross Income	$18,442	$69,142	$159,150	$1,184,194	$41,858
Charged Tax ($ millions)	$788	$1,090	$1,385	$658	$3,921
% of Total	*20.1%*	*27.8%*	*35.3%*	*16.8%*	*100.0%*
Average Charged Tax	$305	$1,552	$5,662	$59,704	$1,108

Source: *Statistics of Income* tax sample, Department of Treasury, OTA, 1998.

Figure F
Tax Year 1997 New Jersey Gross Income Tax Summary

	Less Than $50,000	$50,000 to $100,000	$100,000 to $500,000	$500,000 And Over	All Taxpayers
No. Returns	2,307,759	748,043	341,219	19,820	3,416,841
% of Total	*67.5%*	*21.9%*	*10.0%*	*0.6%*	*100.0%*
Gross Income ($ millions)	$45,959	$52,561	$56,451	$26,636	$181,608
% of Total	*25.3%*	*28.9%*	*31.1%*	*14.7%*	*100.0%*
Avg. Gross Income	$19,915	$70,265	$165,439	$1,343,910	$53,151
Charged Tax ($ millions)	$539	$894	$1,734	$1,234	$4,401
% of Total	*12.2%*	*20.3%*	*39.4%*	*28.0%*	*100.0%*
Average Charged Tax	$233	$1,195	$5,082	$62,270	$1,288

Source: *Statistics of Income* tax sample, Department of Treasury, OREA, March 1999.

Public Utility Tax Revenue

Fiscal Year 2000 will be the third year under the revised system of public utility, energy and telecommunications taxation. P.L.1997, c.162 repealed the 1940 State tax system of franchise and gross receipts taxes imposed on regulated gas and electric utilities and telecommunications utilities operating in New Jersey, effective on January 1, 1998. Energy utilities are now subject to the sales and use tax, the corporation business tax (CBT) and the transitional energy facility assessment tax, a temporary tax which phases out over five years. Telecommunications utilities became subject to the CBT under this act. These utilities have been collecting and remitting sales and use taxes since 1990. Water and sewer utilities were unaffected by the law change and continue to pay taxes as they did previously.

Figures G, H, and I display the actual and anticipated revenues from the replacement taxes between FY 1998 and FY 2000. The figures were prepared by the Department of Treasury.

P.L 1997, c.167 replaced the complex aid distribution formulae that were contained in the franchise and gross receipts statutes and provides a new system for the distribution of State aid to municipalities. In FY 1998, $740 million from the taxes listed in Figure G were credited to the Energy Tax Receipts Property Tax Relief Fund and distributed to municipalities according to the new formula. The amount credited to this fund was $745 million in FY 1999, and will be $750 million in fiscal years 2000 and 2001 and $755 million in each subsequent fiscal year.

From a budgeting perspective, the tax revenues credited to the Energy Tax Receipts Property Tax Relief Fund are considered "off budget" and therefore not included in either the anticipated revenues or the amount of State aid appropriated in the annual appropriations act.

Figure J displays the OLS's adjusted anticipated energy revenues for FY 2000. The adjustment in this display reflects the OLS's estimate of the impact of the mandated minimum five percent rate reduction for all purchases of electricity, pursuant to P.L.1999, c.23. With rates reduced, the revenue collected by the six percent sales tax will fall. The OLS estimates that energy related sales tax collections in FY 2000 will total $516.4 million, $20 million less than the $536.4 million total anticipated by the Executive.

This $20 million adjustment for FY 2000 generates a complicated series of changes in the distribution of on-budget and off-budget energy tax revenues for *both* the sales tax and the corporation business tax (CBT). The $20 million reduction in the sales tax eliminates the $7 million of energy sales tax that the Executive has anticipated in its on-budget revenues. Accordingly, OLS reduced the FY 2000 sales tax estimate by $7 million, as noted on page 17. The remaining $13 million ($20 million less $7 million) sales tax shortfall will produce a $13 million reduction in the amount of sales tax money available for deposit into the off-budget Energy Tax Receipts Property Tax Relief Fund. As $750 million is *required* in this fund to pay municipal aid in FY 2000, $13 million of energy related CBT revenue must be shifted from an on-budget revenue anticipation to the off-budget fund to compensate for this shortfall. This shift, in turn, requires that OLS reduce the on-budget CBT anticipation for FY 2000 by $13 million, as noted on page 18. Thus, the mandated electric rate cut reduces sales tax revenue, affecting the energy related sales tax and CBT collections which can be credited to the State budget (the General Fund).

Figure G
Actual Public Utility Tax Revenue Fiscal Year 1998
($ Millions)

Revenue Source	On-Budget (State Use)	Off-Budget (Municipal Aid)	Total
Sales and Use Tax	$6.7	$510.2	$516.9
Corporation Business Tax	$3.9	$229.8	$233.7
Transitional Energy Facilities Assessment (TEFA)	$314.9		$314.9
Franchise and Gross Receipts Tax Water and Sewer Utilities	$68.4		$68.4
Public Utility Excise Tax Water and Sewer Utilities	$9.2		$9.2
Total	$403.1	$740.0	$1,143.1

Source: Department of Treasury, February 1999.

Figure H
Anticipated Public Utility Tax Revenue Fiscal Year 1999
($ Millions)

Revenue Source	On-Budget (State Use)	Off-Budget (Municipal Aid)	Total
Sales and Use Tax	$4.0	$522.0	$526.0
Corporation Business Tax	$63.0	$223.0	$286.0
Transitional Energy Facilities Assessment (TEFA)	$230.4		$230.4
Franchise and Gross Receipts Tax Water and Sewer Utilities	$68.4		$68.4
Public Utility Excise Tax Water and Sewer Utilities	$9.2		$9.2
Total	$375.0	$745.0	$1,120.0

Source: Department of Treasury, February 1999.

Figure I
Anticipated Public Utility Tax Revenue Fiscal Year 2000
($ Millions)

Revenue Source	On-Budget (State Use)	Off-Budget (Municipal Aid)	Total
Sales and Use Tax	$7.0	$529.4	$536.4
Corporation Business Tax	$65.6	$220.6	$286.2
Transitional Energy Facilities Assessment (TEFA)	$175.0		$175.0
Franchise and Gross Receipts Tax Water and Sewer Utilities	$68.4		$68.4
Public Utility Excise Tax Water and Sewer Utilities	$9.2		$9.2
Total	$325.2	$750.0	$1,075.2

Source: Department of Treasury, February 1999.

Figure J
OLS Anticipated Public Utility Tax Revenue Fiscal Year 2000 Reflecting Impact of Mandated Rate Reduction*
($ Millions)

Revenue Source	On-Budget (State Use)	Off-Budget (Municipal Aid)	Total
Sales and Use Tax, *Adjusted*	$0.0	$516.4	$516.4
Corporation Business Tax, *Adjusted*	$52.6	$233.6	$286.2
Transitional Energy Facilities Assessment (TEFA)	$175.0		$175.0
Franchise and Gross Receipts Tax Water and Sewer Utilities	$68.4		$68.4
Public Utility Excise Tax Water and Sewer Utilities	$9.2		$9.2
Total	$305.2	$750.0	$1,055.2

Source: Department of Treasury, February 1999.
* The OLS is estimating a $20 million impact from the mandated minimum five percent rate reduction for all electricity users. In order that the $20 million does not reduce the total amount of mandated off-budget municipal aid, this display shows a reduction in the on-budget sales tax of $7 million, a reduction in the off-budget sales tax by $13 million, and a shift of $13 million of on-budget CBT revenues off budget.

Estimated Annual Tobacco Settlement Amounts

The Governor's FY 2000 budget anticipates the receipt of $92.8 million as New Jersey's share of the initial settlement distribution. The receipt is recorded as General Fund revenue (see page C-13 of the budget document), but not via a direct deposit of the monies into the General Fund. Instead, the Governor recommends the creation of a new Tobacco Settlement Fund, administered by the State Treasurer, that would be established pursuant to language in the annual appropriations act (pages G-7 and G-8).[3] This fund would be the repository for payments made by the tobacco manufacturers under the national settlement. Amounts in the Tobacco Settlement Fund would then be transferred to the General Fund as anticipated revenue and be available for appropriation.

New Jersey is scheduled to receive a second payment of $247.9 million in FY 2000 under the distribution formula in the tobacco settlement agreement. The funds will be paid to the escrow agent in January and April of 2000 and the State will be able to draw them down no later than June 30, 2000 (assuming certain legal challenges to the agreement in New Jersey are dismissed by then, which is highly probable). Should the requisite number of other states also achieve final approval before June 30, 2000, New Jersey could receive this $247.9 million payment earlier in the year. In either case, the funds will be effectively received in FY 2000 for budgeting purposes.

The Governor's FY 2000 budget does not account for the receipt of this second payment. The language proposed by the Governor to establish the Tobacco Settlement Fund simply states that "If receipts [to the Fund] are more than anticipated, such sums shall be appropriated at a later date." Under this language, the additional $247.9 million would be retained "off budget" in the Tobacco Settlement Fund until a decision was made on whether and how to spend it. At such time, the funds would presumably be transferred to the General Fund, recorded as State revenue, and appropriated by the Legislature in accordance with determined spending priorities.

The Legislature should be aware of the likely availability of these additional monies while the FY 2000 budget is still under consideration. However, the issue of whether or not to anticipate them in the budget is a matter of budgetary policy. It is possible, for reasons discussed elsewhere, that the amount New Jersey receives in FY 2000 will be more or less than the $247.9 million estimate published by the National Association of Attorneys General. For instance, the April portion of the 2000 payment will be indexed by an inflation factor that should slightly increase the amount. On the other hand, if the volume of cigarettes sold nationally has declined, negatively affecting the manufacturers' operating income, the Master Settlement Agreement provides for a reduction in industry payments (the "volume adjustment"). There is also a chance, albeit a slight one, that actions of the federal government to recoup a portion of state payments, or to otherwise legislate or litigate in this area, could impact FY 2000 amounts. Finally, in an unlikely but worst-case scenario, appeals to the agreement could still be pending by June 30, 2000, delaying payments until the following fiscal year.

All things considered, the "volatility factor" with regard to the receipt and amount of this additional tobacco industry payment in FY 2000 is probably no greater than it is for any of the large State tax sources that are annually assumed as anticipated revenues. Nevertheless, the Legislature may want to consider the risks and benefits of budgeting these funds in advance as opposed to waiting until they are actually received in FY 2000 to take such action.

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[3] Should the Tobacco Settlement Fund or a similar fund be created in the FY 2000 appropriations act, it would expire at the close of the fiscal year and have to be renewed annually. Several bills have been introduced to create a permanent trust fund to receive and hold settlement payments but no legislation has been enacted to date.

Figure K below displays the estimated annual payments to New Jersey under the tobacco settlement. Amounts are from the National Association of Attorneys General web page (www.naag.org). Amounts are subject to change.

Figure K
Estimated Annual Tobacco Settlement Amounts
For New Jersey Through 2025

Year	Estimated Annual Amounts
1999	$92,807,911
2000	$247,942,134
2001	$267,737,675
2002	$321,474,801
2003	$324,517,212
2004 to 2007	$270,844,420
2008 to 2017	$276,219,545
2018 to 2025	$309,514,383
Total Through 2025	$7,576,167,918

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