

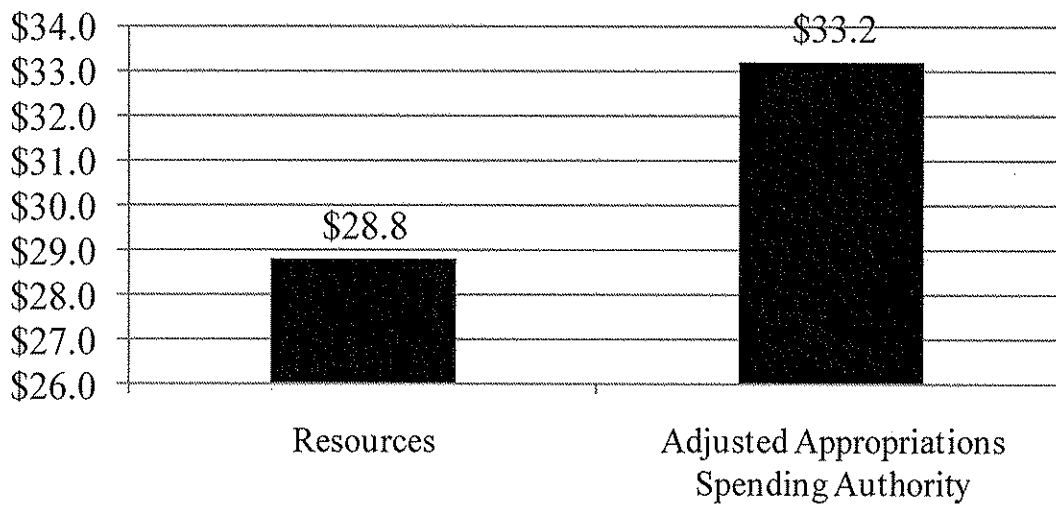
**FY 2009 – FY 2010  
UPDATES**

**May 19, 2009**

*Fiscal Year 2009 Update*

# Fiscal Year 2009 Shortfall \$4.4 Billion

(In Billions)



## Summary of Shortfall

(In Thousands)

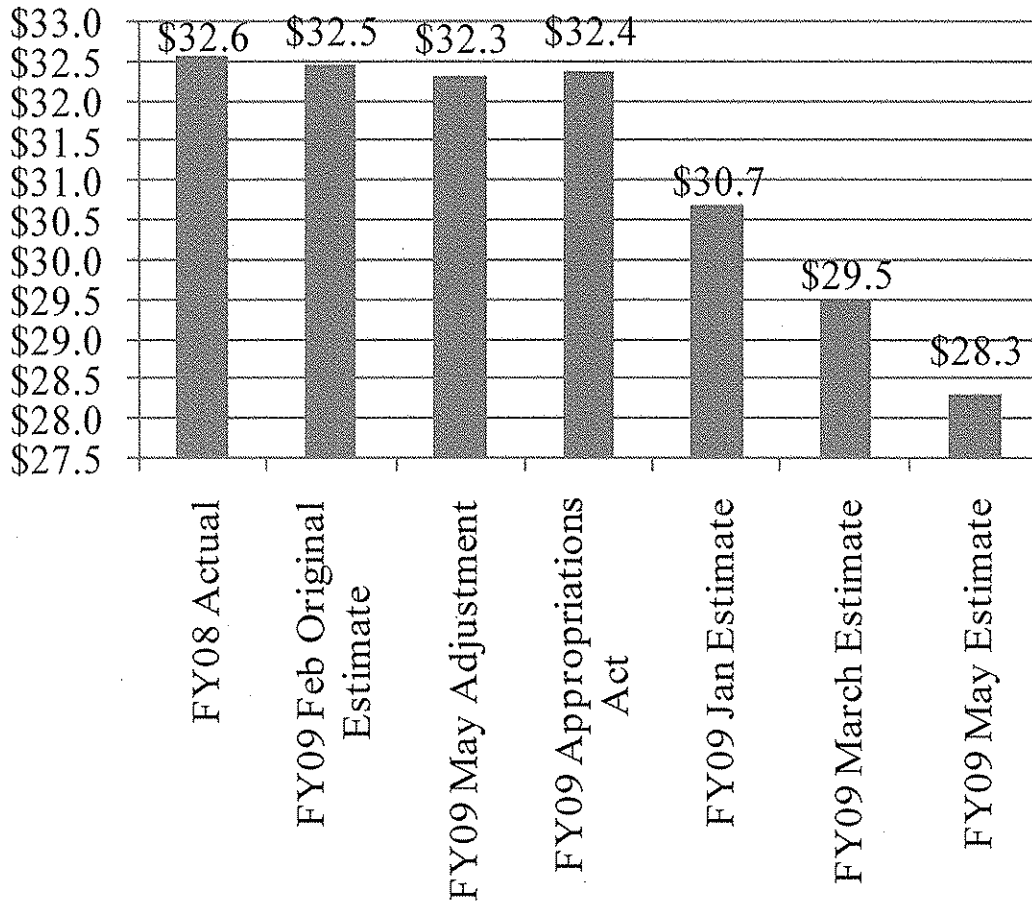
	<u>Jan 2nd</u>	<u>Added Feb 17</u>	<u>Added Mar 10</u>	<u>Added May 14</u>	<u>Added May 19</u>	<u>Total</u>
Revenue Shortfall	\$ 1,683,000	\$ 1,146,189	\$ 66,117	\$ 1,126,358	\$ 34,000	\$ 4,055,664
Added Spending Needs	276,308	42,282	(92,744)	26,047	(2,665)	249,228
Payment to UI Fund	-	270,000	(120,000)	(30,000)	-	120,000
Total*	<u>\$ 1,959,308</u>	<u>\$ 1,458,471</u>	<u>\$ (146,627)</u>	<u>\$ 1,122,405</u>	<u>\$ 31,335</u>	<u>\$ 4,424,892</u>
Cumulative Total		<u>\$ 3,417,779</u>	<u>\$ 3,271,152</u>	<u>\$ 4,393,557</u>	<u>\$ 4,424,892</u>	

Revenue shortfall accounts for nearly 92% of the \$4.4 billion shortfall in FY 2009.

\*If the loss of anticipated Additional Federal Stimulus of \$87.8 million were included, the total shortfall would be \$4.5 billion.

# History of FY 2009 Revenues

(In Billions)



## FY 2009 Revenues

(In Millions)

	<u>FY2009 Approp. Act</u>	<u>FY2009 Adjusted**</u>	<u>Change \$</u>	<u>%</u>
Income	\$ 12,700	\$ 10,280	\$ (2,420)	(19.1)
Sales	8,578	7,770	(808)	(9.4)
Corporate	2,670	2,300	(370)	(13.9)
Other*	<u>8,420</u>	<u>8,482</u>	<u>62</u>	0.7
<b>Total</b>	<b><u>\$ 32,368</u></b>	<b><u>\$ 28,832</u></b>	<b><u>\$ (3,536)</u></b>	<b>(10.9)</b>

\* All Sales Tax and Corporation Business Taxes on Energy are included in Other.

\*\*FY 2009 includes solutions.

## FY 2009 Revenues

(In Millions)

	<u>FY2008 CAFR</u>	<u>FY2009 Adjusted</u>	<u>Change to CAFR</u>	
			<u>\$</u>	<u>%</u>
Income	\$ 12,605	\$ 10,280	\$ (2,325)	(18.4)
Sales	8,395	7,770	(625)	(7.4)
Corporate	2,993	2,300	(693)	(23.2)
Other*	<u>8,591</u>	<u>8,482</u>	<u>(109)</u>	(1.3)
<b>Total</b>	<u>\$ 32,584</u>	<u>\$ 28,832</u>	<u>\$ (3,752)</u>	(11.5)

•All Sales Tax and Corporation Business Tax on Energy are included in Other

•FY 2009 includes solutions

•CAFR – Comprehensive Annual Financial Report

## Summary of Actions

(In Thousands)

	<u>Jan 2nd</u>	<u>Added Feb 17</u>	<u>Added Mar 10</u>	<u>Added May 14</u>	<u>Added May 19</u>	<u>Total</u>
Budget Cuts	\$ 812,199	\$ 472,943	\$ 475,112	\$ 304,894	\$ 6,234	\$ 2,071,382
School Aid and BEIP Deferral				453,000		453,000
Transfer from Long Term Obligation and Capital Expenditure Fund to Property Tax Relief Fund	365,000	-	-	-		365,000
FY 08 Added Surplus	207,578	-	-	-		207,578
Spend Down Opening Surplus				347,410		347,410
Federal Medicaid (a)	300,000	300,000	(66,990)	6,152	(12,300)	526,862
Additional Federal Stimulus	-	250,000	-	(87,761)		162,239
Balances Redirected from Trust Funds	-	156,876	-	-		156,876
Tax Amnesty	-	100,000	-	-	100,000	200,000
<b>Total</b>	<u>\$ 1,684,777</u>	<u>\$ 1,279,819</u>	<u>\$ 408,122</u>	<u>\$ 1,023,695</u>	<u>\$ 93,934</u>	<u>\$ 4,490,347</u>
Cumulative Total		<u>\$ 2,964,596</u>	<u>\$ 3,372,718</u>	<u>\$ 4,396,413</u>	<u>\$ 4,490,347</u>	

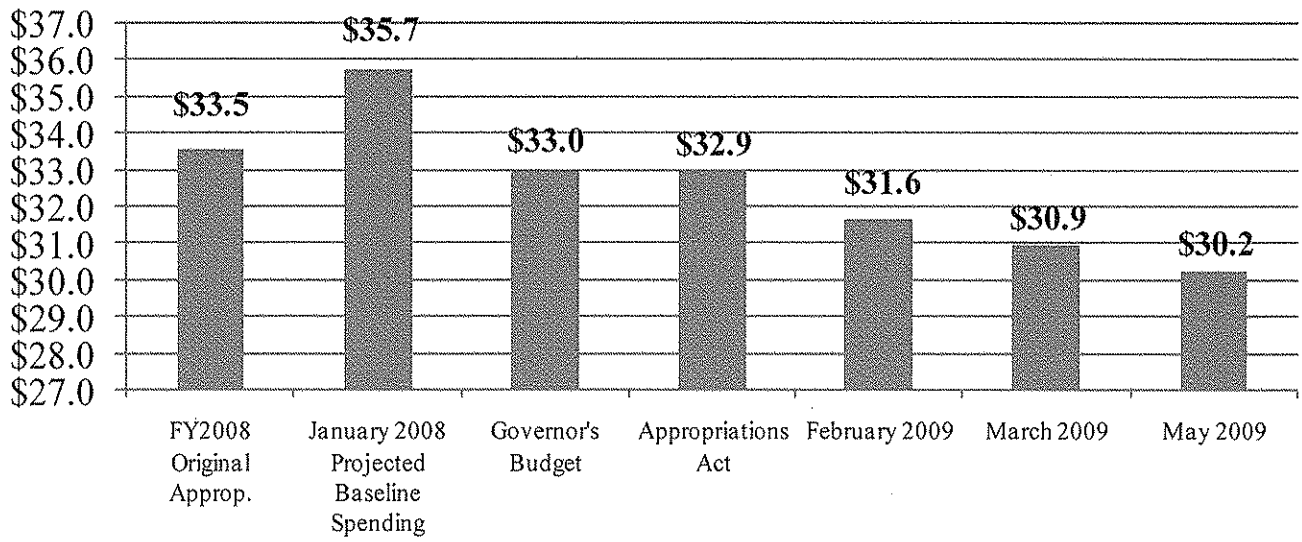
(a) In March, \$66,990 of the Federal Medicaid funds were used to offset costs in the Department of Human Services.

Approximately half of the \$4.5 billion in solutions needed to balance the current year budget were derived from restraints on spending.



# FY 09 Budget History

(In Billions)



# *Fiscal Year 2010 Update*

## FY 2010 Projected Shortfall

### March

FY 2010 Total Projected Model		35,711,605
FY 2010 Base Revenue		28,560,514
FY 2010 Projected Shortfall	\$	7,151,091

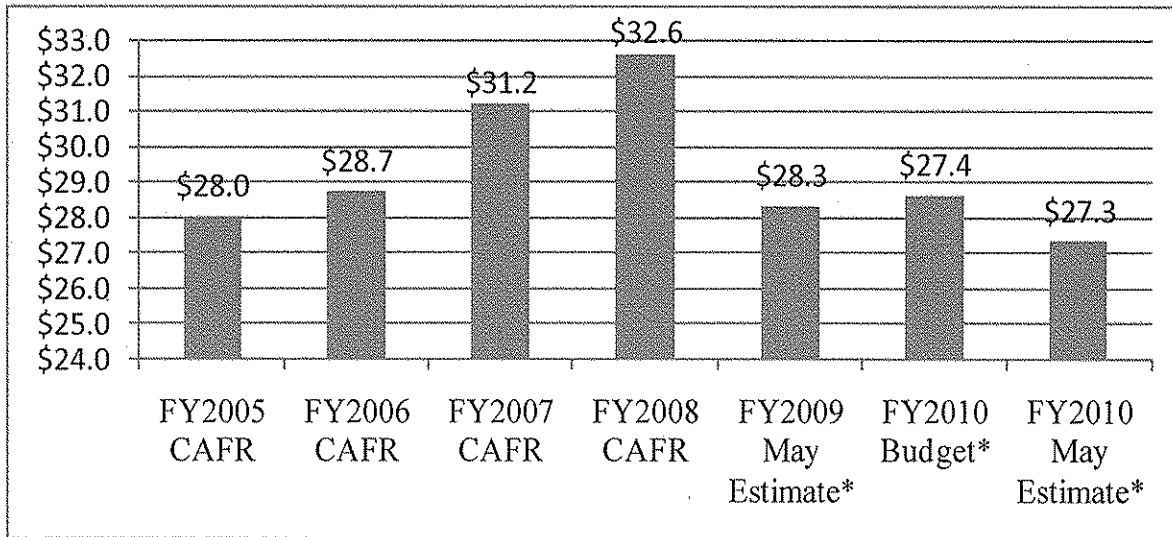
### May

FY 2010 Total Projected Model		35,742,892
FY 2010 Base Resources		26,984,113
FY 2010 Projected Shortfall	\$	8,758,779

# Revenue History

## FY 2010 Base Revenue Below FY 2005 Actual Revenue

(In Billions)

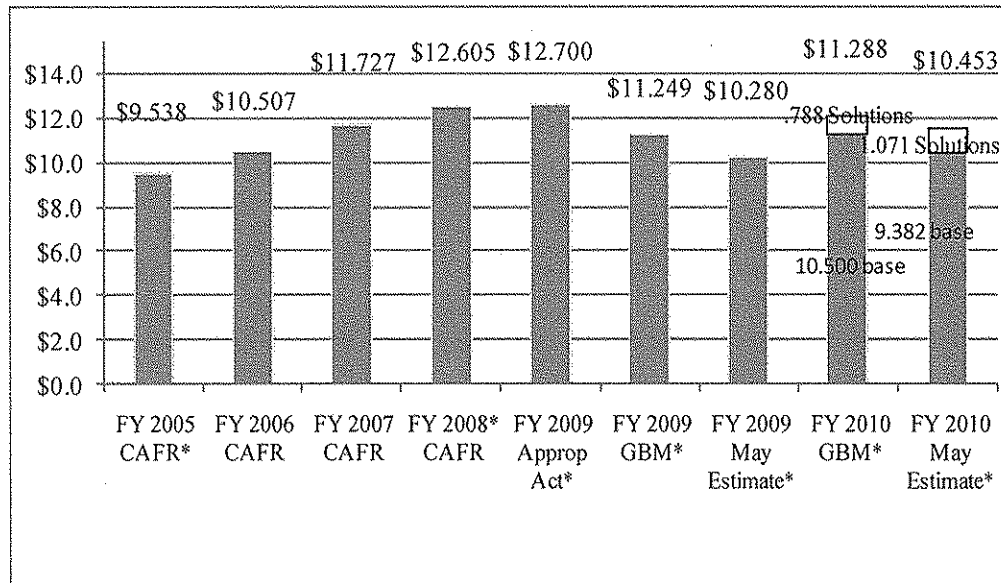


\*Without solutions

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## Base Income Tax Revenue Below Actual FY 2006 Collections

(In Billions)



\*These revenues include changes in tax policy.

FY 2005 – Tax rate increase on incomes of \$500,000 or greater

FY 2008 – EITC Expansion (AA - \$36 million; Revised - \$40 million)

FY 2009 – EITC Expansion (\$60 million)

FY 2010 – EITC Expansion (\$55 million), one-year rate increase on income over

\$500k (\$620m); one-year suspension of property tax deduction for non-seniors

with incomes greater than \$150,000 (\$160m), one year rate increase on income between

\$400-\$500k (\$83m), one year rate increase on income over \$1m (\$200m).

CAFR – Comprehensive Annual Financial Report

# The FY 2010 Budget

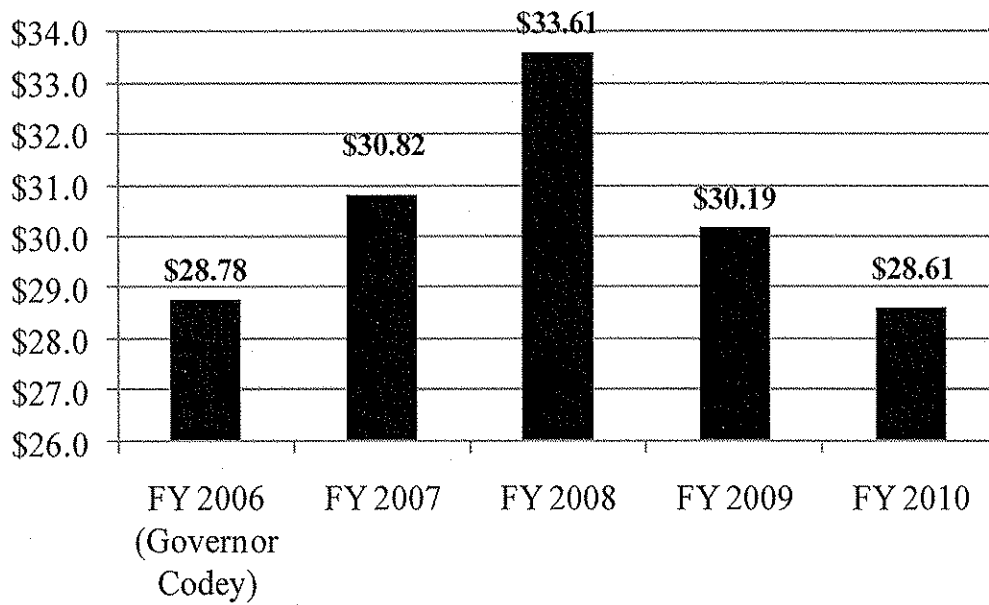
(In Millions)

	FY 2009		FY 2010	
	March 10	May 19th	March 10	May 19th
<b>Opening Surplus</b>	\$ 1,308	\$ 1,308	\$ 702	\$ 319
Revenues				
Income	11,309	10,340	11,343	10,508
EITC Expansion	(60)	(60)	(55)	(55)
Sales	7,925	7,770	8,085	7,965
Corporate	2,350	2,300	2,030	2,224
Other	8,456	8,482	8,238	8,160
<b>Total Revenues</b>	\$ 29,980	\$ 28,832	\$ 29,641	\$ 28,802
Lapses	1,760	2,530		
Enhanced Medicaid Funding	533	521		
Long Term Obligation and Capital Expenditure Fund	365	365		
<b>Total Resources</b>	\$ 33,946	\$ 33,556	\$ 30,343	\$ 29,121
Appropriations				
Original	\$ 32,868	\$ 32,868	\$ 29,841	\$ 28,613
Supplemental	376	369		
<b>Total Appropriations</b>	\$ 33,244	\$ 33,237	\$ 29,841	\$ 28,613
<b>Fund Balance</b>	\$ 702	\$ 319	\$ 502	\$ 508

Fiscal Year 2009 projected spending \$30.2 billion

# Corzine Administration Spending Less Than FY 2006 Spending

(In Billions)



## How FY 2010 Budget Balanced

(In Thousands)

	<u>Governor's Budget</u>	<u>May 19 Update</u>
FY 2009 Adjusted Appropriation	\$33,244,317	\$33,244,317
FY 2010 Net Growth	2,467,288	2,498,575
FY 2010 Total Projected Model	35,711,605	35,742,892
FY 2010 Base Revenue	28,560,514	27,371,514
Loss of Opening Surplus		(387,401)
FY 2010 Projected Structural Gap	7,151,091	8,758,779
<b>ACTIONS TO CLOSE STRUCTURAL GAP</b>	<b>\$ 7,151,091</b>	<b>\$ 8,759,076</b>
<b>Reductions to Base Budget</b>	<b>\$ 2,516,089</b>	<b>\$ 3,601,578</b>
Pensions	895,306	940,306
Homeowner and Tenant Rebates	517,100	976,100
Debt Restructuring	361,000	446,000
Operating Budget and Interdepartmental	184,485	258,200
Furlough and Other Employee Actions	156,600	156,600
Medicaid/PAAD	85,847	314,472
NJ Transit	62,000	62,000
Municipal and County Aid	50,545	78,760
Higher Education	22,199	24,334
Hospitals	20,800	20,800
Other	160,207	324,006
<b>Elimination or Reduction of Projected Growth</b>	<b>\$ 1,108,976</b>	<b>\$ 1,180,231</b>
Limit School Aid Increases	306,575	336,575
Salary Freezes for Public Employees Including Colleges	261,939	261,939
No Inflationary Increase for Municipal Aid	103,841	103,841
Offset Family Care Inflation with Federal SCHIP Funding	85,000	85,000
No Inflationary Increase for Rebates	77,700	77,700
No Rate Inflation for Nursing Homes	50,030	50,030
No Inflationary Increase for Higher Education	30,183	30,183
Other	193,708	234,963
<b>Subtotal</b>	<b>\$ 3,625,065</b>	<b>\$ 4,781,809</b>
<b>Federal Fiscal Stimulus</b>	<b>\$ 2,220,892</b>	<b>\$ 2,263,292</b>
Enhanced Medicaid Funding	1,060,000	1,060,000
Fiscal Stabilization	1,091,000	1,128,000
NJ Transit	59,100	59,100
Other	10,792	16,192
<b>Revenue Solutions</b>	<b>\$ 1,080,783</b>	<b>\$ 1,479,783</b>
Revenue Adjustments - Policy	916,500	1,315,500
Other Revenue Actions	164,283	164,283
<b>Added Reductions in FY 2009 to Generate Excess Surplus</b>	<b>\$ 199,460</b>	<b>\$ 199,460</b>
<b>Growth Offset by Other Sources</b>	<b>\$ 24,891</b>	<b>\$ 34,732</b>



## How FY 2010 Budget Balanced

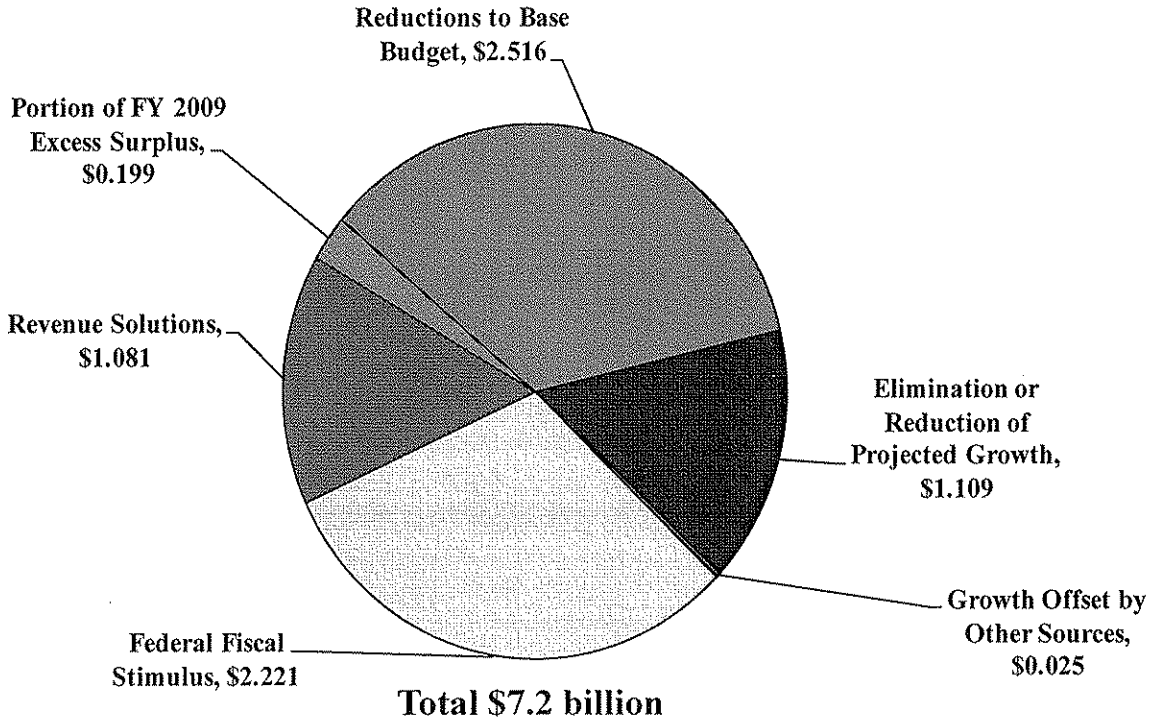
(In Thousands)

	<b>May 19 Update (Changes Only)</b>
FY 2010 Net Growth	31,287
FY 2010 Total Projected Model	31,287
FY 2010 Base Revenue	(1,189,000)
Loss of Opening Surplus	(387,401)
FY 2010 Projected Structural Gap	1,607,688
<b>ACTIONS TO CLOSE STRUCTURAL GAP</b>	<b>\$ 1,607,985</b>
<b>Reductions to Base Budget</b>	<b>\$ 1,085,489</b>
Pensions	45,000
Homeowner and Tenant Rebates	459,000
Debt Restructuring	85,000
Operating Budget and Interdepartmental	73,715
Medicaid/PAAD	228,625
Municipal and County Aid	28,215
Higher Education	2,135
Other	163,799
<b>Elimination or Reduction of Projected Growth</b>	<b>\$ 71,255</b>
Limit School Aid Increases	30,000
Other	41,255
<b>Subtotal</b>	<b>\$ 1,156,744</b>
<b>Federal Fiscal Stimulus</b>	<b>\$ 42,400</b>
Fiscal Stabilization	37,000
Other	5,400
<b>Revenue Solutions</b>	<b>\$ 399,000</b>
Revenue Adjustments - Policy	399,000
<b>Growth Offset by Other Sources</b>	<b>\$ 9,841</b>

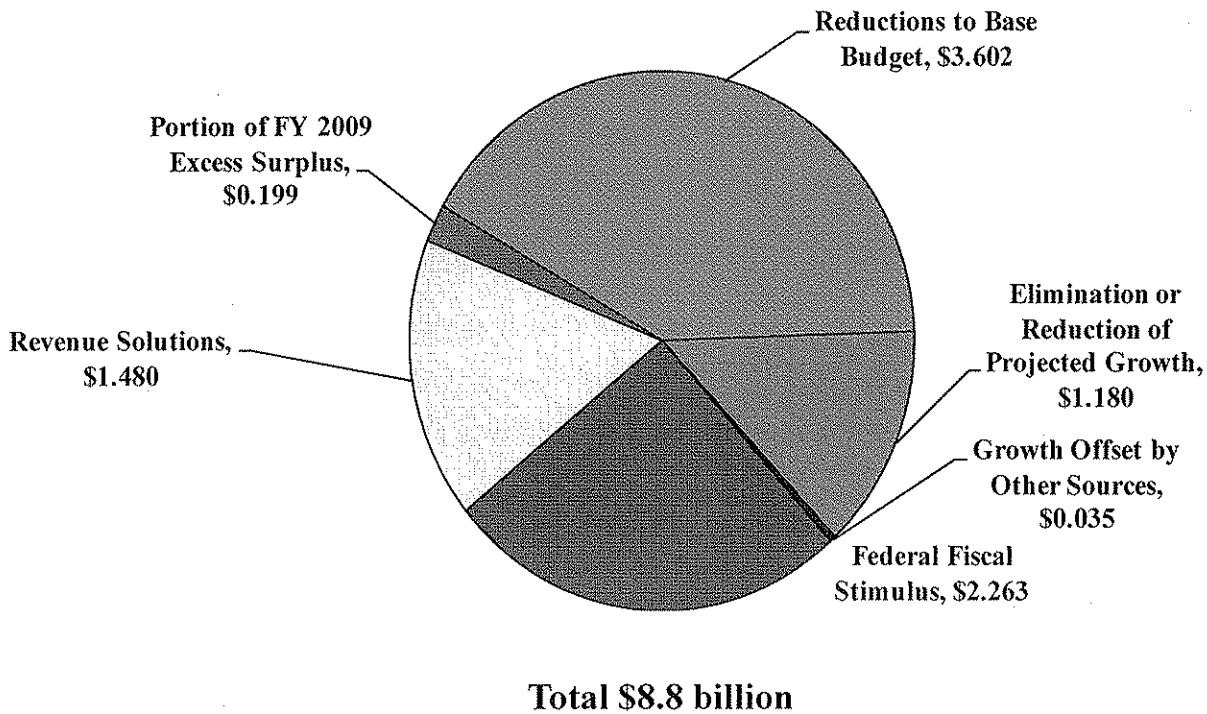
# FY 2010 Actions to Close the Gap

(In Billions)

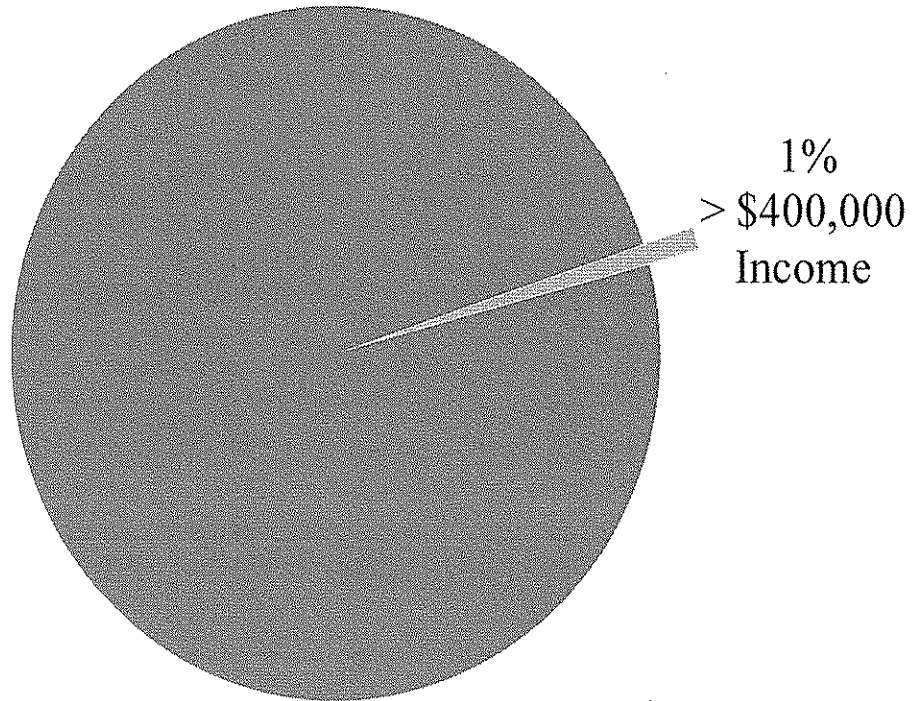
## Governor's Budget



## May 19 Update



## Impact of Proposed Income Tax Increase



Only 61,300 or approximately 1% of the nearly 3.9 million income tax filers are impacted by the proposed income tax changes.

# Funding for Property Tax Relief

## More Than Half of Budget Funds Property Tax Relief

(In Millions)

<u>Programs</u>	<u>FY 2009 Adjusted Approp.</u>	<u>FY 2010 May Update</u>	<u>\$ Change</u>
School Aid	\$ 11,480.6	\$ 11,199.3 * \$	(281.3)
Municipal Aid	1,834.3	1,778.1	(56.2)
Other Local Aid	888.4	814.5	(73.9)
Direct Taxpayer Relief	<u>2,439.5</u>	<u>1,267.1</u>	<u>(1,172.4)</u>
<b>Total Direct Aid</b>	<b><u>\$ 16,642.9</u></b>	<b><u>\$ 15,059.0</u></b>	<b><u>\$ (1,583.9)</u></b>

\* Includes \$1,057 million in federal stimulus funding.

## Direct Property Tax Relief

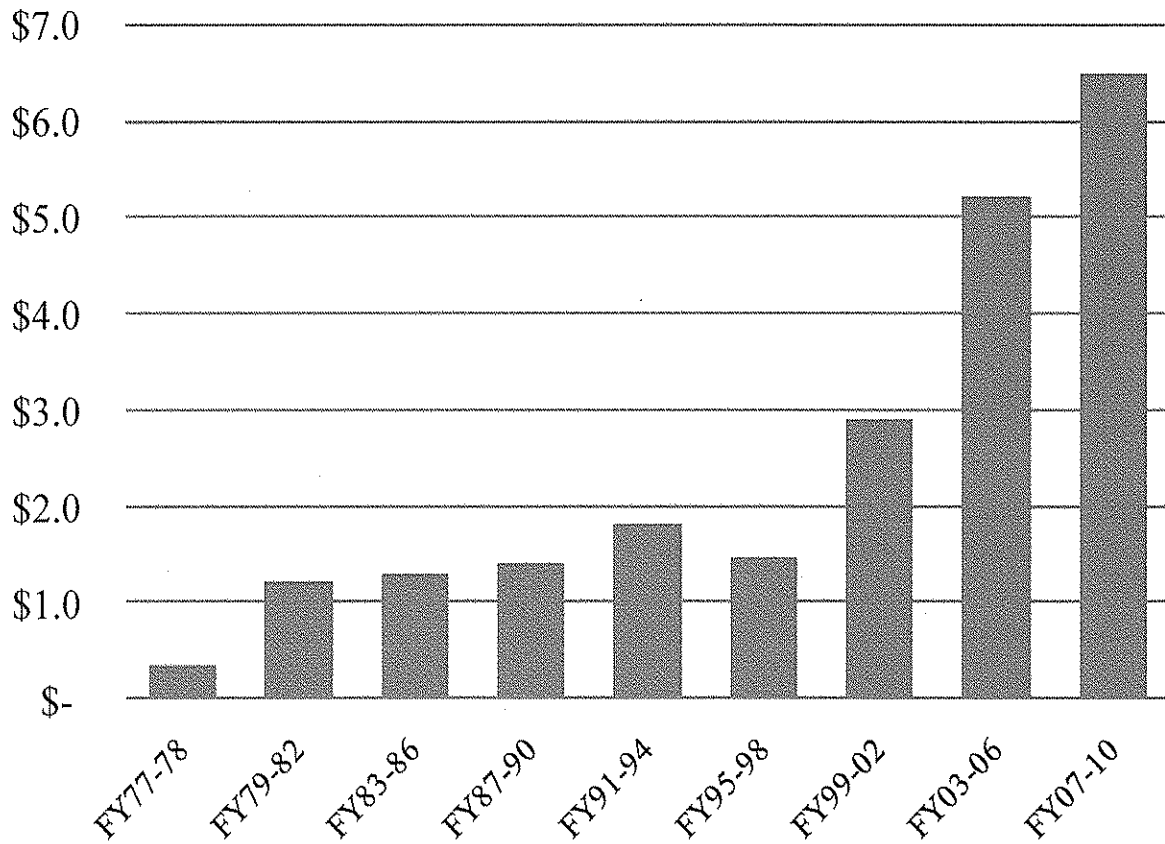
(In Millions)

	<u>FY 2009 Adjusted Approp.</u>	<u>FY 2010 May Update</u>	<u>\$ Change</u>
Homestead Property Tax Credits/ Rebates for Homeowners	\$ 1,583.5	\$ 640.1	\$ (943.4)
Homestead Rebates for Tenants	124.0	74.5	(49.5)
Senior/Disabled Citizens Property Tax Freeze	169.0	172.5	3.5
Property Tax Deduction Act	471.0	291.0	(180.0)
Municipal Reimbursement - Veterans' Tax Deductions	71.5	69.5	(2.0)
Municipal Reimbursement - Senior/Disabl Citizens' Tax Deductions	20.5	19.5	(1.0)
<b>Total Direct Property Tax Relief</b>	<u>\$ 2,439.5</u>	<u>\$ 1,267.1</u>	<u>\$ (1,172.4)</u>

# Direct Property Tax Relief Expenditures FY 1977 – FY 2010

Corzine Administration Provided \$6.5 Billion  
in Direct Property Tax Relief

(In Billions)



Programs Included: Homestead Rebates for Homeowners, Homestead Rebates for Tenants, Senior Tax Freeze, NJSAVER, Senior and Disabled Citizens' Property Tax Deduction and Veterans' Property Tax Deduction.

**FY 2010**  
**Property Tax Relief Benefit Levels**

<b>Homeowner Income (Seniors)</b>	<b>Projected Recipients</b>	<b>Percent of Property Taxes</b>	<b>Average Benefit</b>
\$0-100,000	468,000	20%	\$1,295
\$100,001-150,000	36,000	10%	\$763

<b>Tenant Income (Seniors)</b>	<b>Projected Recipients</b>	<b>Maximum Benefit</b>
\$0-100,000	108,000	\$860

<b>Senior Freeze</b>	<b>Projected Recipients</b>	<b>Average Check</b>
First Time Recipients	40,000	\$225
Repeat Recipients	126,000	\$1,298

# School Aid

## \$ 271 Million Increase in Funding for Classrooms

### School Aid Represents 35% of Total Budget

(In Millions)

	FY 2009 Adjusted Approp.	FY 2010 May Update*	\$ Change
Formula Aid	\$ 7,795.4	\$ 7,941.4	\$ 146.0
Preschool Programs	543.8	596.1	52.3
Extraordinary Special Education Aid	52.0	130.0	78.0
Adult Education	10.0	-	(10.0)
Other Aid	129.8	134.5	4.7
<b>Total Direct School Aid</b>	<b>\$ 8,531.0</b>	<b>\$ 8,802.0</b>	<b>\$ 271.0</b>
Teachers' Pension and Annuity Fund	\$ 693.3	\$ 95.7	\$ (597.6)
Post Retirement Medical	750.1	775.5	25.4
Debt Service on Pension Obligation Bonds	112.5	122.3	9.8
Teachers' Social Security	731.1	768.7	37.6
<b>Total Direct State Payments for Education</b>	<b>\$ 2,287.0</b>	<b>\$ 1,762.2</b>	<b>\$ (524.8)</b>
School Construction and Renovation Fund	\$ 559.5	\$ 570.9	\$ 11.4
Debt Service Aid	103.1	64.2	(38.9)
<b>Total School Building Aid</b>	<b>\$ 662.6</b>	<b>\$ 635.1</b>	<b>\$ (27.5)</b>
<b>Total School Aid</b>	<b>\$ 11,480.6</b>	<b>\$ 11,199.3</b>	<b>\$ (281.3)</b>

\* Includes \$1,057 million in federal stimulus funding.



# Municipal Aid

(In Millions)

	<u>FY 2009 Adjusted Approp.</u>	<u>FY 2010 May Update</u>	<u>\$ Change</u>
Consolidated Municipal Property Tax Relief Aid (CMPTRA) / Energy Tax Receipts	\$ 1,597.4	\$ 1,565.3	\$ (32.1)
Special Municipal Aid	145.4	117.4	(27.9)
Trenton Capital City Aid	35.6	34.9	(0.7)
Extraordinary Aid	25.0	24.5	(0.5)
Consolidation Fund / SHARE	3.0	8.0	5.0
Highlands Protection Fund Aid	12.0	12.0	-
Open Space - Payment In Lieu of Taxes (PILOT)	10.0	10.0	-
Regional Efficiency Aid Program (REAP)	<u>6.0</u>	<u>6.0</u>	<u>-</u>
<b>Total Direct Municipal Aid</b>	<b><u>\$ 1,834.3</u></b>	<b><u>\$ 1,778.1</u></b>	<b><u>\$ (56.2)</u></b>

# Higher Education

(In Millions)

	<u>FY 2009 Adjusted Approp.</u>	<u>FY 2010 Governor's Budget</u>	<u>FY 2010 May Update</u>	<u>FY09 Adjusted to FY10 May Update</u>	
				<u>\$</u>	<u>%</u>
<b>Colleges and Universities</b>					
Senior Public Colleges and Universities	\$ 1,456.7	\$ 1,481.8	\$ 1,508.6	\$ 51.9	3.6
County Colleges	221.6	219.2	226.7	5.1	2.3
Independent Colleges and Universities	18.4	17.5	17.5	(0.9)	(5.2)
<b>Student Financial Assistance</b>	<b>288.5</b>	<b>322.4</b>	<b>322.4</b>	<b>33.9</b>	<b>11.7</b>
<b>Educational Opportunity Fund</b>	<b>41.2</b>	<b>41.2</b>	<b>41.2</b>	<b>-</b>	<b>-</b>
<b>Facility and Capital Improvement Programs</b>	<b>88.1</b>	<b>76.4</b>	<b>76.4</b>	<b>(11.7)</b>	<b>(13.3)</b>
<b>Other Programs</b>	<b>10.4</b>	<b>9.3</b>	<b>8.8</b>	<b>(1.6)</b>	<b>(15.1)</b>
<b>Total Higher Education</b>	<b><u>\$ 2,124.9</u></b>	<b><u>\$ 2,167.8</u></b>	<b><u>\$ 2,201.6</u></b>	<b><u>\$ 76.7</u></b>	<b>3.6</b>

## Higher Education (In Millions)

	FY 2009 Adjusted Approp.	FY 2010 Governor's Budget	FY 2010 May Update	FY09 Adjusted to FY10 May Update
<b>Senior Public Institutions</b>				
Rutgers University	\$ 309.5	\$ 294.0	\$ 309.4	\$ (0.1)
UMDNJ	218.5	218.5	218.5	-
UMDNJ - Stabilization	-	30.9	30.9	30.9
NJIT	45.1	42.1	45.1	-
Thomas Edison State College	5.6	5.3	5.6	-
Rowan University	36.2	34.4	36.2	-
New Jersey City University	30.7	29.1	30.7	-
Kean University	39.4	37.4	39.4	-
William Paterson University	38.7	36.7	38.7	-
Montclair State University	45.5	43.2	45.5	-
College of New Jersey	34.5	32.8	34.5	-
Ramapo College of New Jersey	19.0	18.0	19.0	-
Richard Stockton College of New Jersey	23.5	22.3	23.5	-
<b>Subtotal Senior Publics Direct Aid</b>	<b>\$ 846.2</b>	<b>\$ 844.9</b>	<b>\$ 876.9</b>	<b>(b) \$ 30.7</b>
Senior Publics Salary Funding	-	-	-	-
Senior Publics Net Fringe Benefits	610.5	636.9	631.7	21.2
<b>Total Senior Publics</b>	<b>\$ 1,456.7</b>	<b>\$ 1,481.8</b>	<b>\$ 1,508.6</b>	<b>\$ 51.9</b>
<b>County Colleges</b>				
Operating Support(a)	\$ 149.1	\$ 141.6	\$ 149.1	(b) \$ -
Fringe Benefits	34.5	36.3	36.3	1.8
Chapter 12 Debt Service	38.0	41.4	41.4	3.3
<b>Total County Colleges</b>	<b>\$ 221.6</b>	<b>\$ 219.2</b>	<b>\$ 226.7</b>	<b>\$ 5.1</b>
<b>Total Independent Colleges and Universities</b>	<b>\$ 18.4</b>	<b>\$ 17.5</b>	<b>\$ 17.5</b>	<b>\$ (0.9)</b>
<b>Student Financial Assistance</b>				
Tuition Aid Grants (TAG)(b)	\$ 250.5	\$ 283.2	\$ 283.2	\$ 32.7
Part-time TAG for County Colleges	6.0	7.1	7.1	1.1
NJSTARS I & II	14.7	17.8	17.8	3.1
EOF Grants and Scholarships	41.2	41.2	41.2	-
Loan Forgiveness for Mental Health Workers	3.5	3.5	3.5	-
Other Student Aid Programs	13.8	10.8	10.8	(3.1)
<b>Total Student Financial Assistance</b>	<b>\$ 329.7</b>	<b>\$ 363.6</b>	<b>\$ 363.6</b>	<b>\$ 33.9</b>
<b>Other Programs</b>				
Capital Grants and Facilities Support(c)	\$ 88.1	\$ 76.4	\$ 76.4	\$ (11.7)
All Other Programs	10.4	9.3	8.8	(1.6)
<b>Total Other Programs</b>	<b>\$ 98.5</b>	<b>\$ 85.7</b>	<b>\$ 85.2</b>	<b>\$ (13.3)</b>
<b>Grand Total Higher Education</b>	<b>\$ 2,124.9</b>	<b>\$ 2,167.8</b>	<b>\$ 2,201.6</b>	<b>\$ 76.7</b>

(a) Includes funding from Supplemental Workforce Fund for Basic Skills of \$16 million in FY 2009 and FY 2010.

(b) FY 2010 May Update includes funding from Federal Fiscal Stabilization of \$34.08 million for TAG and \$39.6 million for senior public institutions and county colleges operating support.

(c) Includes use of off-budget fund balances totaling \$1 million in FY 2009.