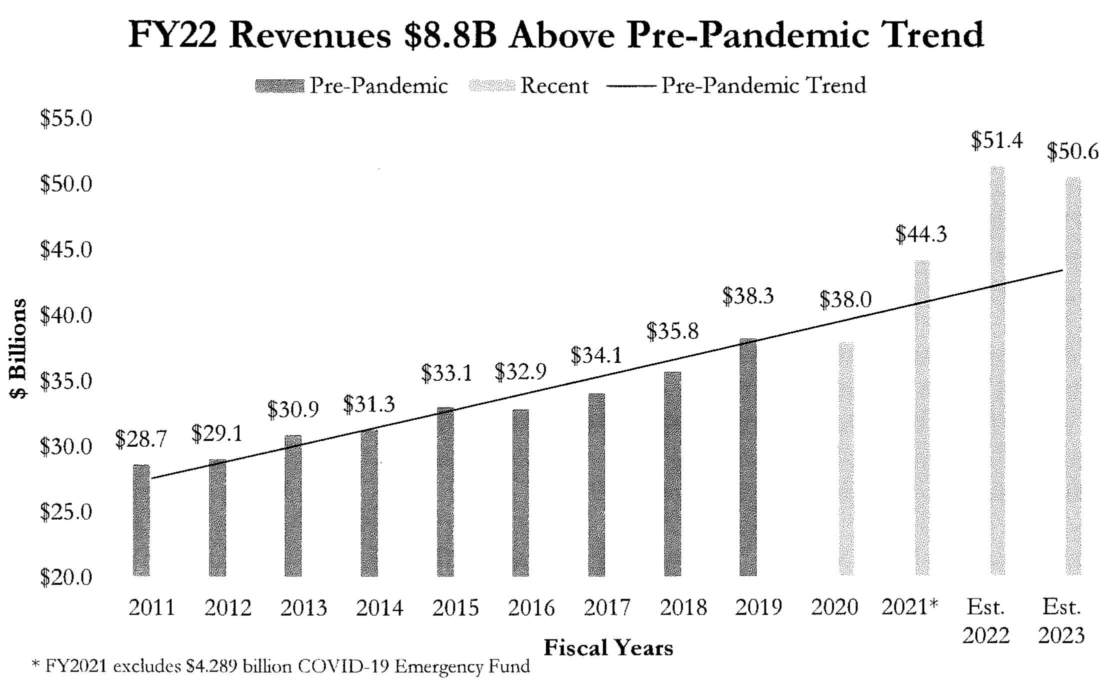
SENATE BUDGET AND APPROPRIATIONS COMMITTEE HEARING
Department of the Treasury
Testimony as Prepared for Delivery
May 12, 2022

Good morning, Chairman Sarlo, Vice Chair Cunningham, and members of the committee.

On behalf of Treasurer Muoio, I want to thank you for the opportunity to provide an update on the State's revenue outlook for Fiscal Years 2022 (FY22) and 2023 (FY23) now that the all-important month of April has concluded.

With me here at the table are: Chief of Staff Jo-Ann Povia, Acting Director of OMB Lynn Azarchi, Deputy Director of OMB Tariq Shabazz, and Martin Poethke, the Director of our Office of Revenue and Economic Analysis (OREA). As always, we are grateful to each of them, as well as our front office, and the staff of OMB, OREA, and our other divisions, many of whom have joined us here today.

I will cut right to the chase today. The State's fiscal picture is remarkably strong. The rapid revenue recovery last year, followed by the continued revenue surge this year, is unprecedented in New Jersey's modern budget history. From a low of $38.0 billion in FY20 when the pandemic hit, State revenues have now soared to an estimated $51.4 billion in FY22 – a stunning $13.4 billion jump, up 35.3% in only two years.



In sharp contrast, after the Great Recession it took the State seven long years just to return to the pre-recession revenue peak. Today we haven't just returned to the pre-pandemic peak or trend, we have soared $8.8 billion above the pre-pandemic trend line.

There is no precedent for this:

- Our revised FY22 revenue forecast of $51.4 billion is $4.5 billion above our early March forecast at the time of the Governor's Budget Message (GBM).
- Our revised FY23 revenue forecast of $50.6 billion is $3.3 billion higher than March.
- Our combined two-year forecasts are a remarkable $7.8 billion higher than our two-year forecasts from just a couple of months ago.
- Our combined forecast is also some $4.7 billion above the April forecast by our colleagues at OLS.
- Our combined forecast is now $919 million above OLS's revised forecast -- $452 million higher in FY22 and $467 million higher in FY23.

What happened?

As we noted when we appeared before you last month, we fully expected to raise our projections substantially in May for several reasons. Having had the opportunity to see the incredible March revenue numbers that came in after we finalized our forecasts for the Governor's Budget Message, the Treasurer noted at the time that it was understandable that OLS' forecast, which was issued after those numbers came in, was higher. Now, having had the chance to review the April numbers, we have revised our forecast even further.

Most of the upward revenue revisions are due to very strong collections in March and April from the PTBAIT – the Pass-Through Business Alternative Income Tax – and the Gross Income Tax (GIT). Combined, these two revenue streams account for $6.2 billion of the $7.8 billion upward revision over the two fiscal years.

The PTBAIT surged in March after the Governor's budget was released, collecting $709 million, or triple the amount collected last March. About one-third of this came from new taxpayers who had never paid PTBAIT previously. Our OLS colleagues had this information in April and appropriately revised their forecasts upward. We are doing the same now, forecasting $3.7 billion in FY22 and $3.4 billion in FY23, a combined increase of $1.3 billion since the GBM.

Even more impressively, the GIT surged to a record high in April. Previously, the largest April on record was the $3.6 billion booked in 2019. This April posted net collections of $5.15 billion. And that happened even with PTBAIT tax credits more than doubling to about $3.5 billion this year, which reduces Gross Income Tax liabilities. Final 1040 payments alone accounted for $4.4 billion in April; the previous highest April final payment total was $2.8 billion in 2019.

Given this massive "April Surprise," we are now forecasting the GIT at $20.3 billion in FY22 and at $20.1 billion in FY23. Combined over the two fiscal years, our GIT forecasts are $4.9 billion above our forecasts at the beginning of March.

Beyond the $6.2 billion two-year increase from the PTBAIT and GIT, our forecasts for a number of other revenues are also up $1.6 billion over the two fiscal years. You can find detailed revenue comparisons in the informational packet prepared by OMB, but I'll quickly run through a few more forecasting highlights:

- The Sales Tax forecasts are $394 million higher, combined over the two fiscal years;
- The CBT forecasts are $541 million higher (combined);

- The Realty Transfer Fee forecasts are up $87 million (combined);
- The Insurance Premiums Tax forecasts are up $135 million (combined); and
- Casino revenue forecasts are up $97 million (combined).

Most of this tax revenue surge is driven by the very strong year taxpayers had in 2021. Last year was a record year for New Jersey's labor market, as 212,400 jobs were restored and created. Moreover, through the end of March 2022, the State has recovered 92.7% of the jobs lost at the beginning of the pandemic, and the unemployment rate has fallen back to 4.2%. In 2021, wages and salaries rose 8.4% and State nominal GDP climbed 8.7%. Boosted by rising incomes and federal stimulus payments, retail sales soared 20.5% according to Moody's. New Jersey's hot housing market continued to grow and single family home prices rose 14.4%. Nationally, corporate profits jumped an estimated 36% in 2021, the S&P 500 Index rose 26.9%, and Wall Street bonuses were up 20%.

New Jersey is not alone. New York State recently closed its FY21-22 fiscal year with 33% higher revenues than they had originally forecasted last year – up $30 billion. Reports are also trickling in from many other states of unexpectedly strong April revenue collections. For example, Pennsylvania reported beating its April tax revenue target by $1.8 billion, and that they are $4.5 billion ahead of their year-to-date target.

But this revenue surge also comes with warnings:

- The Urban-Brookings Tax Policy Center's Lucy Dadayan, a long time expert on state revenues, says states are in a "fiscal bubble" and that current collection patterns are not sustainable.
- Home sales have been declining year-over-year for many months.
- The Federal Reserve has begun a series of interest rate hikes aimed at curbing inflation.
- Major economic forecasters have been lowering their GDP growth projections for 2022 and 2023.
- U.S. real GDP was down 1.4% in the first quarter of 2022.
- The S&P 500 index is down about 15% so far in 2022.
- National retail sales growth year-over-year slowed substantially in March to 6.9%, which is lower than the national CPI inflation rate of 8.5%, suggesting that consumers' real spending growth has peaked and is starting to decline.
- In New Jersey, April Sales Tax collections growth of about 7% will be the lowest growth so far this year, and a sharp slow-down from the 17% growth seen in March.
- Also in New Jersey, April quarterly estimated GIT payments bucked the strong final payments growth trend and actually declined by 24%, suggesting higher income taxpayers are cautious about the coming year.

Our FY23 revenue forecasts take these warnings seriously. We agree that current growth rates are not sustainable. Some revenues have peaked and should adjust back to more sustainable levels. We are assuming economic growth will continue, but revenue growth will right-size after the current fiscal bubble.

Therefore, our total FY23 forecast of $50.6 billion is down 1.6% from FY22. We see the Sales Tax growing more slowly by 2.0%. On the other hand, we anticipate declines in the GIT, CBT, PTBAIT, Inheritance Taxes, and the Realty Transfer Fee.

New Jersey is benefitting from a remarkable two-year revenue rise. We have achieved, at least for now, some structural balance between revenues and expenditures. We have dedicated a significant amount to debt reduction to improve the State's long-term fiscal conditions. We are fulfilling our commitment to fix the underfunded State pension system. We are substantially increasing property tax relief through the new ANCHOR proposal. We are committing record amounts of school aid on our way to fully funding the new school funding formula. And, we have built up a vital surplus to help provide a cushion for emergencies and protect the State from future negative downturns.

As we all know, vulnerabilities remain. Economic cycles will continue to rise and fall as they have throughout history. In the relatively short and mild 2001 "Dot-Com" recession, State revenues fell about 5% below targets. The very severe Great Recession of 2008-2009 saw State revenues fall some 20% below targets over two fiscal years. Even a moderate future economic downturn, falling somewhere between those two recessions, could easily see a 10% annual revenue shortfall, which would equate to approximately $5 billion for one year or $10 billion for two years.

We are in a very good place today, better than anyone could have hoped for 24 months ago. This is a good problem to have, but it will clearly serve as a temptation. We have to be cognizant of the economic news coming in on a daily basis.

The wealthy had a very good year, thanks to skyrocketing corporate profits across the globe last year, and this is reflected in our income tax revenues. On the opposite side of the coin, we've seen an increase in requests for assistance from our most vulnerable.

Both General Assistance and TANF (Temporary Assistance for Needy Families) caseloads have increased as of late and are now above pre-pandemic levels, likely due to the expiration of extended unemployment benefits. Take TANF for example - in the two fiscal years before the pandemic, enrollment <u>decreased</u> by an average of 18.4%. For the 7 months after the extended unemployment benefits expired, enrollment has <u>increased</u> on average, month-over-month, by 3.3%.

The Administration hopes to work with the Legislature to ensure that any future investments we make together are directed wisely where they are needed most – including property tax relief beyond what we proposed in March – while working together to continue shoring up our surplus.

We appreciate Senator Sarlo's support for building up our surplus and couldn't agree more. In fact, the administration would like to use some of the additional revenue that has come in to go above and beyond the $6 billion cushion he has suggested. This would put us at a healthy, widely-recommended level – one not seen in New Jersey in ages – as we face what appears to be an inevitable economic downturn. The administration would also like to use additional revenues to further reduce the State's debt load, going above and beyond the additional $1.3 billion we proposed last month and the total $5 billion that we have proposed over the last year. This, too, will better prepare us for an economic downturn by further reducing our annual debt service if revenues start to decline.

New Jersey has only received four credit rating upgrades in the modern era, dating back to the 1960's, and two of them have come in the past few months. This is clear recognition of the substantive progress we have made coming out of the pandemic. Now is the time to double down on prudent budget planning and locking in the gains we have made. Let's work together to make sure we secure the good fortunes we have been granted.

Department Highlights

At this point during last year's budget season, the majority of our testimony focused on the immediate response to the COVID-19 pandemic, as our divisions supported the fiscal and operational health of the State. Today I want to highlight how Treasury and its divisions have pivoted from crisis response to integrating lessons learned and modernizing our day-to-day work to better serve the people of New Jersey and our fellow State agencies.

The pandemic necessitated the implementation of technological solutions for much of State government, and Treasury weathered the growing pains of moving much of our work to the digital realm, ultimately embracing the efficiencies this created.

As a result, we nearly tripled our remote work capabilities in a six-month period early on during the transition to work-from-home.

Over the past two years, our divisions were able to maintain a high-level of service and meet the demands of their missions, while discovering additional ways to incorporate technology to expand the breadth, depth, and scope of what our department can offer.

At the Division of Pension and Benefits staff ensured uninterrupted access to critical services and benefits throughout the public health emergency, including via telemedicine, and were able to sustain the division's call center remotely to help walk members through what, in some cases, was the most difficult time of their lives. Despite the added challenges of the pandemic, the division was able to hire a full complement of call center counselors, resulting in dramatic service improvements with answer rates now up to 89 percent and average wait times as short as three minutes.

In November, the division launched a live web chat service, which is proving increasingly popular, currently assisting up to 400 members per week.

Treasury's Division of Revenue & Enterprise Services (DORES) has also instituted technological changes in recent years that have led to quicker and more efficient service on the State's part. This has reduced the time and effort businesses and taxpayers need to spend completing required transactions, so at the end of the day they have more time to focus on running their business.

DORES expanded its digital offerings and established an automated service platform that enabled record numbers of new businesses to form without the need to file paper documents. Today, roughly 95 percent of business formations flow through online channels.

Building upon those successes, DORES collaborated with the Division of Taxation to launch a new, simplified way for New Jersey employers to complete annual payroll tax filings with the State, easing another time-consuming process for busy businesses.

The Divisions of Property Management and Construction (DPMC) and Purchase and Property (DPP) have also been collaborating to modernize how businesses contract with the State, in compliance with legislation enacted in July 2020. Working hand-in-hand, these two divisions are combining their expertise to make it easier for contractors seeking classification or renewal to submit their application and pay electronically.

We understand that operational challenges faced by the State during uncertain times can be magnified at the local level. To that end, DPP extended our online procurement relationship with the vendor to essentially create a virtual marketplace where municipalities, counties, and public school districts can leverage the State's purchasing power through the NJSTART system at no cost to them, saving time and taxpayer dollars. To date, more than 90 local entities have registered to utilize NJSTART, building efficiencies across levels of government.

DPP also recently launched the new Equal Employment Opportunity online submission portal for vendors, reducing certificate processing times from 10-15 business days to 3-5 business days and allowing public agencies the ability to disburse payments to vendors in a more timely manner.

This year, the Division of Risk Management acquired and began installation of a new Cloud-based Claim Management System to replace the outdated system, which was more than 30 years old. By the end of calendar year 2022, bi-weekly disability payments will be moved to a paperless system, and tracking and payment of various types of files will transition from a manual to an automated filing system, greatly reducing the amount of time needed to process a claim.

And at the beginning of this year, a contract was awarded to move forward the enormous, multi-year task of modernizing our taxation systems. Our teams started active engagement on this long-awaited project with the vendor last month.

Throughout the department various updates and modernizations are enabling Treasury to nimbly adapt to current and future challenges.

The largest physical manifestation of these modernization efforts is the ongoing restoration of the Executive State House, which continues on-time and on-budget.

Significant progress has been made, from structural underpinning of the building up to the new blast resistant skylights and windows installed. Major structural changes have also progressed, including the installation of a complete fire suppression system, new mechanical systems, new interior stair towers, and major structural wall stitchings.

While these types of features may not have been of concern in the 1790s during the original construction, the refurbishment and updating of our historic capital will serve State government and the people of this State for generations to come.

Just last month, we announced another exciting potential development in our Capital City that, if realized, could benefit the people of Trenton and the State for generations to come.

Last fall the Capital City Redevelopment Corporation (CCRC) issued a request for offers to purchase and redevelop the former Taxation building at 50 Barrack Street on behalf of Treasury. In mid-April, the CCRC approved the first step toward innovative recycling company TerraCycle potentially taking ownership of the ten-story building and bringing new life – and hundreds of new jobs – to the heart of downtown Trenton.

Treasury collaborated with the CCRC and the NJEDA through the New Jersey Capital City Partnership to issue this novel request for a buyer committed to redeveloping and revitalizing the prominent building. There are still several steps remaining in this process and we look forward to keeping everyone updated.

You may recall that the Capital City Partnership was created by Executive Order 40 in 2018 and designed to revitalize Trenton through collaboration fueled by harnessing the State's economic power. The partnership has also been instrumental in advancing a number of other multi-year projects that will bring economic, recreational, housing, and transportation opportunities to the city.

Treasury's forward-looking efforts are also focused on more global challenges that will affect our state and its people in the long-term.

The ongoing electrification of the State's vehicle fleet, overseen by our Division of Administration, is a large part of the Murphy Administration's fight against climate change.

The location and installation of the charging stations will be key to the success of this initiative and the transition to a fully electric light-duty fleet. Treasury partnered with the departments of Transportation and Environmental Protection to identify locations across the state where these chargers will be most beneficial and help reduce emissions for a large number of residents. We anticipate installing enough chargers to serve roughly 1,300 electric vehicles (EVs) that are expected to be in the fleet in 2025.

The Division of Purchase and Property is also supporting this goal by ensuring that any and all EVs, plug-in hybrids, and hybrids available in the market are included in new procurements.

Treasury has also acted swiftly to support the State in the global response to the Russian-led invasion of Ukraine. As you know, Governor Murphy's Executive Order 291 and recently signed legislation sponsored by Senator Sarlo prohibits the State from doing business with entities owned by the governments of Russia or Belarus.

The Division of Investment is continually reviewing and updating its compliance measures with the Governor's Executive Order and the new divestment law. The Division got to work quickly, even prior to their implementation, to identify Russian investments and sell them consistent with its fiduciary duties.

Treasury is in the process of procuring a vendor to compile a list of companies that engage in prohibited activities with Russia or Belarus in order for all State agencies to comply with the law. To date, we have reviewed existing contracts, certifications, and licenses, and sent out 1,790 certification forms to various entities who do business with the state so that they can certify their compliance with these directives as well.

One of Treasury's most significant undertakings in this past fiscal year has been the responsible and sizable reduction of the State's debt, which will save taxpayers money and free up resources to continue moving the State forward.

Working together with the Legislature, $3.7 billion was deposited into the Debt Defeasance and Prevention Fund last June to improve the State's long-term fiscal health and substantially reduce outstanding debt. In doing so, $2.5 billion was earmarked for defeasing – or retiring – existing debt while $1.2 billion has been allocated to support capital construction in order to avoid incurring new debt.

Between November 2021 and February 2022, Treasury's Public Finance team managed the defeasance of $2.25 billion in State bonded debt principal over eight transactions. This series of transactions ultimately led to the retirement of more than $3 billion in combined debt principal and interest, saving taxpayers more than $600 million dollars.

The Governor's proposed budget continues to build on this progress. As I noted in my testimony last month, we are including another $1.3 billion deposit in the current year, for a total of $5 billion towards debt defeasance and prevention.

There are also a number of less publicized transactions that the Office of Public Finance has overseen, which have led to sizable savings for the state and our taxpayers.

In spring 2021, the Office of Public Finance managed the sale of $1.47 billion in Transportation Trust Fund Authority refunding bonds, which ultimately saved $383.4 million at a true interest cost of 2.6 percent.

These were extremely complex undertakings and our Office of Public Finance, along with the other professionals involved, deserve to be commended for both their diligence and expertise. At the end of the day, we have substantially reduced our debt load while securing real savings for the taxpayers of this state. In fact, the State's current debt load is now lower than it's been at any time since FY 2015.

Treasury has also been working closely with the Department of Labor and Workforce Development on updating contract language to include specific regulations requiring proper employee classification.

Our two agencies worked together again to investigate claims of worker misclassification and related allegations. Our Division of Taxation reassigned 20 senior investigators to its Revenue Opportunity unit, leading to 264 on-site examinations and reviews of 3,335 associated businesses for compliance, increasing collections from $450,000 per month to $1 million per month. This Administration will not tolerate the exploitation of Garden State workers through off-the-books employment, misclassification as independent contractors, or any other deprivation of the benefits and protections that employers are required to provide.

Throughout the year, Treasury also devotes significant resources to returning money and property that rightfully belong to the people of New Jersey.

Treasury's Unclaimed Property Administration is on-track to return approximately $160 million in property to owners in Fiscal Year 2022. Also, in February of this year, Unclaimed Property issued a record $3.9 million contribution to the Affordable Housing Alliance to assist New Jersey residents in need of help with utility costs.

Meanwhile, the New Jersey Lottery had a record $3.68 billion in sales in Fiscal Year 2021, 14.4 percent above FY20 sales. The total contribution to the State pension fund for FY21 was approximately $1.105 billion, tying the record contribution set in Fiscal Year 2019, and helping the State meet its commitment to making the full pension payment. And the good news continues -- Lottery is on-pace to exceed $1 billion in contribution to the pension for Fiscal Year 2022.

Over the past year, Treasury has also focused on expanding outreach to the public and connecting residents to both services and benefits that put hard-earned money back in their pockets.

Over the last six months, my office has spearheaded a concerted effort to promote the many new tax relief benefits available, particularly for veterans, such as the expansion of the veterans property tax deduction to veterans who served in peacetime.

In conjunction with Veterans Day 2021, we launched a new webpage to serve as a "one-stop shop" for veterans' benefits, services, and programs offered by Treasury and other statewide agencies. We then began extensive outreach to promote this resource, including sharing with all of your legislative district offices. I'd like to personally thank so many of you who helped promote these resources to your constituents.

Additionally, we've boosted promotion of a number of other important tax relief programs administered by the Division of Taxation, including the expanded Child and Dependent Care Credit, the Senior Freeze property tax rebate program, and the Middle Class Tax Rebate. To date, the Division of Taxation has issued more than 680,000 rebates, totaling nearly $290 million.

One of the largest outreach campaigns we've conducted has been the promotion of the expanded Earned Income Tax Credit. Over the last two tax seasons, Treasury's communications team has worked with the Division of Taxation and the Division of Administration's eDevelopment team to create an easy-to-use marketing toolkit that has been circulated to our sister cabinet agencies, legislative and congressional district offices, and stakeholders to spread the word about the credit and ensure that every eligible resident is taking advantage of this vital lifeline.

A number of other collaborations have helped boost awareness of key programs and services offered by the State.

The Office of Innovation and DORES collaborated to create an easy to use, one-stop web tool for aspiring entrepreneurs.

Last June, Treasury collaborated with the Attorney General's Office to offer training on the State's disabled veteran-owned business set aside program in order to engage a greater number of eligible businesses to make sure this program works the way it was intended.

Throughout the year we work on many issues that are complex and nuanced, so my office has teamed with the Office of Revenue and Economic Analysis (OREA) to develop an easy-to-understand quarterly publication to explain these topics to the public.

"OREA Explains," as it is dubbed, has covered the gas tax, gender inequities in the labor market, the real estate transfer fee, and the pass-through business alternative income tax, known as PTBAIT. By breaking down these complex topics into charts, graphs, and layman's terms, "OREA Explains" provides context and clarity on some of our most public-facing work.

At the most recent State Investment Council meeting, the Division of Investment announced the formation of an Emerging Manager platform to better diversify the investments of the State's approximately $95 billion pension fund. This new program will enable the State to engage smaller fund managers and newer funding options, including ground-floor opportunities with a wider universe of professionals.

At the same meeting the Division also announced the first proposed investment of this new program - up to $250 million in a separately managed investment vehicle with Barings Funds and Co-Investments. We are excited by the potential of this new investment avenue as well as the relationships and talent that may be developed through this initiative.

Last month, in conjunction with Financial Literacy Month, we created another marketing toolkit and outreach plan to promote the launch of Treasury's new, free financial wellness platform. NJ FinLit is an interactive website where New Jersey adults can find reliable information and tools to improve their financial resiliency at any stage of life.

During the throes of the pandemic, we saw how different communities in our state were disproportionately affected and understood the importance of financial resiliency in weathering unexpected challenges, and the results since launching NJ FinLit have been gratifying.

Within just the first month of the site being live, more than 70,000 pages of content on the platform were viewed – content explaining banking and mortgages, taxes and estate planning, saving and managing credit, and we look forward to continuing to provide this valuable resource to a growing number of New Jerseyans.

In order to appropriately serve one of the most diverse states in the nation, our office is also committed to updating and adapting our operations to better reflect the communities we serve.

Last week was Small Business Week, marking one year since my office waived the $100 fee for businesses to certify as Small, Minority, Women, or Veteran-owned Business Enterprises, removing a barrier that previously held back emerging businesses from certifying with the State. Since the fee waiver was enacted, we've seen a 22 percent increase in the number of businesses certifying with the State.

As part of Small Business Week, Governor Murphy also announced that LGBTQ+ owned businesses will now be able to certify with the State, helping more LGBTQ+ -owned enterprises successfully launch and gain a foothold in their respective industries.

As many of you know, certifying with the State can be beneficial in pursuing contracting opportunities at the state, local and federal level, as well as with the private sector. In some cases it can qualify a business to participate in a set aside procurement process. On that note, Treasury is making progress on the first statewide disparity study in roughly 20 years. Working with our vendor, our goal is to increase equity in State procurement and determine if additional set aside programs are warranted.

All of this work and progress has taken place against the backdrop of a pandemic that is now entering year three. While we are relieved that many activities have returned to normal, the necessity of adapting and pivoting to protect the health of our state – whether physical or fiscal – is not something we will take for granted.

We've talked about a "new normal" in relation to serving the public during a health and economic crisis, but as we move beyond crisis mode, we recognize that our "new normal" is a more efficient, modern, and resilient way to deliver the operational and financial support the State and the people of New Jersey expect of us. So I'd like to thank every Treasury employee who has made this transition possible.

I am happy to take your questions.

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FY 2023 Budget

May 16, 2022

STATE REVENUES
FISCAL YEARS 2022 AND 2023 ESTIMATES
(thousands of dollars)

	FY 2022 Budget	FY 2022 Revised	FY 2022 Change	FY 2023 Budget	FY 2023 Revised	FY 2023 Change
Major Revenues						
Gross Income Tax	$17,370,000	$20,346,000	$2,976,000	$18,155,000	$20,085,000	$1,930,000
Sales Tax	12,139,956	12,333,919	193,963	12,380,255	12,580,598	200,343
Sales Tax Dedication-PTRF	975,100	993,800	18,700	994,800	1,013,200	18,400
Energy Tax Receipts - Sales Tax	788,492	788,492	0	788,492	788,492	0
Sales-Energy	51,508	91,508	40,000	71,508	101,508	30,000
Sales Tax Dedication-General Fund	(954,700)	(972,400)	(17,700)	(974,400)	(991,800)	(17,400)
Corporation Business	5,179,800	5,495,680	315,880	5,000,000	5,225,000	225,000
Corporation Business-Energy	10,000	12,000	2,000	10,000	10,000	0
Business Alternative Income Tax	3,100,000	3,700,000	600,000	2,700,000	3,400,000	700,000
Motor Fuels	467,509	467,509	0	480,000	480,000	0
Motor Vehicle Fees	448,626	439,084	(9,542)	392,466	382,749	(9,717)
Transfer Inheritance	524,970	554,258	29,288	392,000	384,541	(7,459)
Estate Tax	2,500	3,000	500	1,300	500	(800)
Casino Revenue Fund	397,906	454,938	57,032	425,137	465,084	39,947
Insurance Premium	540,000	640,000	100,000	550,000	585,000	35,000
Cigarette	41,910	34,802	(7,108)	99,381	91,607	(7,774)
Petroleum Products Gross Receipts	1,573,460	1,573,460	0	1,515,747	1,515,747	0
Petroleum Products Gross Receipts-Capital Reserves	(770,648)	(770,648)	0	(654,811)	(654,811)	0
Corporation Banks and Financial Institutions	95,000	105,000	10,000	100,000	95,000	(5,000)
Alcoholic Beverage Excise	141,432	137,810	(3,622)	136,748	129,995	(6,753)
Realty Transfer	626,031	672,980	46,949	532,126	572,033	39,907
Tobacco Products Wholesale Sales	42,287	41,154	(1,133)	40,590	34,989	(5,601)
Public Utility Excise (Reform)	19,500	19,500	0	19,500	19,500	0
Total Major Revenues	**$42,810,639**	**$47,161,846**	**$4,351,207**	**$43,155,839**	**$46,313,932**	**$3,158,093**
Miscellaneous Taxes, Fees, Revenues, Transfers						
Other Energy Taxes	150,000	150,000	0	155,000	155,000	0
Assessment on Real Property Greater Than $1 Million	248,191	271,736	23,545	210,962	230,976	20,014
Medicaid Uncompensated Care	419,705	469,768	50,063	375,204	421,406	46,202
Good Driver	78,000	78,000	0	78,000	78,000	0
Hotel/Motel Occupancy Tax	117,809	117,809	0	124,613	124,613	0
Fringe Benefit Recoveries	1,001,250	1,009,305	8,055	1,139,989	1,148,103	8,114
Cannabis Regulatory, Enforcement Assistance and Marketplace Modernization Fund	4,006	4,006	0	19,055	19,055	0
Interfund Transfers	480,446	478,691	(1,755)	436,599	437,424	825
Casino Control	61,659	61,638	(21)	68,089	68,089	0
Gubernatorial Elections Fund	700	700	0	700	700	0
Other Miscellaneous	1,524,698	1,597,446	72,748	1,463,907	1,557,613	93,706
Total Miscellaneous Taxes, Fees, Revenues, Transfers	**$4,086,464**	**$4,239,099**	**$152,635**	**$4,072,118**	**$4,240,979**	**$168,861**
TOTAL STATE REVENUES	**$46,897,103**	**$51,400,945**	**$4,503,842**	**$47,227,957**	**$50,554,911**	**$3,326,954**

FY2022 Fund Balance

(In Millions)

	July 1 Approp. Act	Budget Revised	May Update	Change from Revised
Opening Undesignated Surplus	**$ 4,210**	**$ 4,437**	**$ 4,437**	**$ -**
Open Space Reserve	109	217	217	-
Surplus Revenue Fund	2,443	2,447	2,447	-
Revenues				
Income	$ 16,881	$ 17,370	$ 20,346	$ 2,976
Sales	11,350	12,140	12,334	194
Corporate	3,964	5,180	5,496	316
Business Alternative Income Tax	1,370	3,100	3,700	600
Other	8,714	9,107	9,525	418
Total Revenues	$ 42,279	$ 46,897	$ 51,401	$ 4,504
Lapses	-	1,008	1,139	131
Total Resources	**$ 49,041**	**$ 55,006**	**$ 59,641**	**$ 4,635**
Appropriations				
Original	$ 46,384	$ 46,384	$ 46,384	$ -
Supplemental	-	977	1,103	126
Debt Defeasance & Prevention Fund	-	1,300	1,300	-
Total Appropriations	**$ 46,384**	**$ 48,661**	**$ 48,787**	**$ 126**
Open Space Reserve	(301)	(103)	(118)	(15)
Surplus Revenue Fund	-	(4,463)	(5,193)	(730)
Undesignated Fund Balance	**$ 2,356**	**$ 1,779**	**$ 5,543**	**$ 3,764**
Surplus Revenue Fund Balance	-	4,463	5,193	730
Combined Fund Balance	**$ 2,356**	**$ 6,242**	**$ 10,736**	**$ 4,494**

FY2022 Fund Balance - by Fund

(In Millions)

	GBM	As of FY 2023 May Update: General and Other Funds	As of FY 2023 May Update: Property Tax Relief Fund	As of FY 2023 May Update: Total
Opening Undesignated Surplus	**$ 4,437**	**$ 1,892**	**$ 2,545**	**$ 4,437**
CBT Open Space Reserve	217	217	-	217
Surplus Revenue Fund	2,447	2,447	-	2,447
Revenues				
Income	$ 17,370	$ -	$ 20,346	$ 20,346
Sales	12,140	11,340	994	12,334
Corporate	5,180	5,496	-	5,496
Business Alternative Income Tax	3,100	3,700	-	3,700
Other	9,107	9,525	-	9,525
Total Revenues	$ 46,897	$ 30,061	$ 21,340	$ 51,401
Lapses	1,008	931	208	1,139
Total Resources	**$ 55,006**	**$ 35,548**	**$ 24,093**	**$ 59,641**
Appropriations				
Original	$ 46,384	$ 26,122	$ 20,262	$ 46,384
Supplemental	977	994	109	1,103
Debt Defeasance & Prevention Fund	1,300	1,300	-	1,300
Appropriation Flips between Funds	-	(1,007)	1,007	-
Total Appropriations	**$ 48,661**	**$ 27,409**	**$ 21,378**	**$ 48,787**
CBT Open Space Reserve	(103)	(118)	-	(118)
Surplus Revenue Fund	(4,463)	(5,193)	-	(5,193)
Undesignated Fund Balance	**$ 1,779**	**$ 2,828**	**$ 2,715**	**$ 5,543**
Surplus Revenue Fund Balance	4,463	5,193	-	5,193
Combined Fund Balance	**$ 6,242**	**$ 8,021**	**$ 2,715**	**$ 10,736**

Changes in FY2022 Lapses

(In Thousands)

Lapses as of FY2023 Governor's Budget Message	**$ 1,008,721**	
EFA Debt Service - College Share	26,061	*
NJSEA - Keegan Landfill Capping Postponement	20,000	**
Mental Health Community Services Trend	15,000	
Prior Year Lapse	15,000	
Tuition Aid Grants Trend	15,000	
Health Care Subsidy Fund Trend	11,418	
DDD Community Programs Enhanced Matching Funds	7,745	
Department of Health Salary Surplus	5,000	
Taxation Modernization Surplus	4,000	
Supplemental Security Income Trend	3,796	
Permit Modernization	2,750	***
Essex County Recidivism Program Surplus	2,500	
Treasury Salary Surplus	2,500	
Stabilization Aid Surplus	2,279	
Military and Veterans' Affairs Salary Surplus	(3,400)	
Miscellaneous < $2 million	1,074	
Total Increase/(Decrease)	130,723	
Lapses as of May Update	**$ 1,139,444**	

* Offset by a reduction in revenue.

** Offset by an FY2023 resolution to increase the appropriation.

*** Offset by a supplemental appropriation.

Changes in FY2022 Supplementals

(In Thousands)

Supplementals as of FY2023 Governor's Budget Message	**$ 2,277,384**	
Health Benefits Trend	39,377	
HMFA Capital Improvement Program (P.L.2022, c.8)	25,000	
Non-Contributory Insurance Trend	14,604	
Correction Officers Salary Increases (P.L.2021, c.406)	10,300	
NJSMART	9,210	*
SEMI/MAC Administration	8,618	*
Unused Accumulated Sick Leave Trend	4,200	
General Assistance Trend	4,101	
Lead Programs (P.L.2021, c.182)	3,900	
MVC Surcharge Debt Service	2,856	
Permit Modernization	2,750	**
Miscellaneous < $2 million	199	
Total Increase/(Decrease)	125,115	
Supplementals as of May Update	**$ 2,402,499**	

* Offset by increased revenue.

** Offset by a lapse.

FY2023 Revised Budget

(In Millions)

	FY2022 May Update	FY2023 GBM	FY2023 May Update	FY2023 Difference
Opening Undesignated Surplus	**$ 4,437**	**$ 1,779**	**$ 5,543**	**$ 3,764**
Open Space Reserve	217	103	118	15
Surplus Revenue Fund	2,447	4,463	5,193	730
Revenues				
Income	$ 20,346	$ 18,155	$ 20,085	$ 1,930
Sales	12,334	12,380	12,581	201
Corporate	5,496	5,000	5,225	225
Business Alternative Income Tax	3,700	2,700	3,400	700
Other	9,525	8,993	9,264	271
Total Revenues	$ 51,401	$ 47,228	$ 50,555	$ 3,327
Lapses	1,139	-	-	-
Total Resources	**$ 59,641**	**$ 53,573**	**$ 61,409**	**$ 7,836**
Appropriations				
Original	$ 46,384	$ 48,932	$ 48,997	$ 65
Supplemental	1,103	-	-	-
Debt Defeasance & Prevention Fund	1,300	-	-	-
Total Appropriations	**$ 48,787**	**$ 48,932**	**$ 48,997**	**$ 65**
Open Space Reserve	(118)	(409)	(438)	(29)
Surplus Revenue Fund	(5,193)	-	(5,215)	(5,215)
Undesignated Fund Balance	**$ 5,543**	**$ 4,232**	**$ 6,759**	**$ 2,527**
Surplus Revenue Fund Balance *	5,193	-	5,215	5,215
Combined Fund Balance	**$ 10,736**	**$ 4,232**	**$ 11,974**	**$ 7,742**

** Based on updated revenue performance, the Executive recommends maintaining the Surplus Revenue Fund in FY2023.*

FY2023 Revised Budget - by Fund

(In Millions)

		FY 2023		
	FY 2022 May Update	General and Other Funds	Property Tax Relief Fund	Total
Opening Undesignated Surplus	**$ 4,437**	**$ 2,828**	**$ 2,715**	**$ 5,543**
CBT Open Space Reserve	217	118	-	118
Surplus Revenue Fund	2,447	5,193	-	5,193
Revenues				
Income	$ 20,346	$ -	$ 20,085	$ 20,085
Sales	12,334	11,568	1,013	12,581
Corporate	5,496	5,225	-	5,225
Business Alternative Income Tax	3,700	3,400	-	3,400
Other	9,525	9,264	-	9,264
Total Revenues	$ 51,401	$ 29,457	$ 21,098	$ 50,555
Lapses	1,139	-	-	-
Total Resources	**$ 59,641**	**$ 37,596**	**$ 23,813**	**$ 61,409**
Appropriations				
Original	$ 46,384	$ 29,753	$ 19,244	$ 48,997
Supplemental	1,103	-	-	-
Debt Defeasance & Prevention Fund	1,300	-	-	-
Appropriation Flips between Funds	-	(3,422)	3,422	-
Total Appropriations	**$ 48,787**	**$ 26,331**	**$ 22,666**	**$ 48,997**
CBT Open Space Reserve	(118)	(438)	-	(438)
Surplus Revenue Fund	(5,193)	(5,215)	-	(5,215)
Undesignated Fund Balance	**$ 5,543**	**$ 5,612**	**$ 1,147**	**$ 6,759**
Surplus Revenue Fund Balance *	5,193	5,215	-	5,215
Combined Fund Balance	**$ 10,736**	**$ 10,827**	**$ 1,147**	**$ 11,974**

** Based on updated revenue performance, the Executive recommends maintaining the Surplus Revenue Fund deposit in FY2023.*

Changes in FY2023 Appropriations

(In Millions)

Appropriations as of FY2023 Governor's Budget Message	**$**	**48,932,062**	
State and Retiree Health Benefits Trend		111,859	*
Funding to Support Disasters and Emergencies		50,000	
NJSEA - Keegan Landfill Capping and Ventilation Installation		20,000	**
Non-Contributory Insurance Trend		13,728	*
General Assistance Trend		6,269	
State Police - Additional Salary Costs of 164th Recruit Class Acceleration		5,000	
State Police - Building 15 Network Power Back-Up Costs		3,500	
Charity Care		3,000	*
Criminal Justice - Forfeiture Transparency System (P.L.2019, c.304)		1,000	
Fenwick Manor Repairs		500	
Public Library Project Fund - Debt Service Correction		450	
Enforcement Staff - Board of Examiners of Electrical Contractors		400	
Enhanced Federal Matching Funds for Medicaid Programs		(150,973)	
Appropriations as of May Update	**$**	**48,996,795**	

* Offset by increased revenue.

** Offset by a fiscal year 2022 lapse.