

Issues with Setting Intra-Fiscal Year Targets for the BIG3 Taxes: The New Jersey Experience

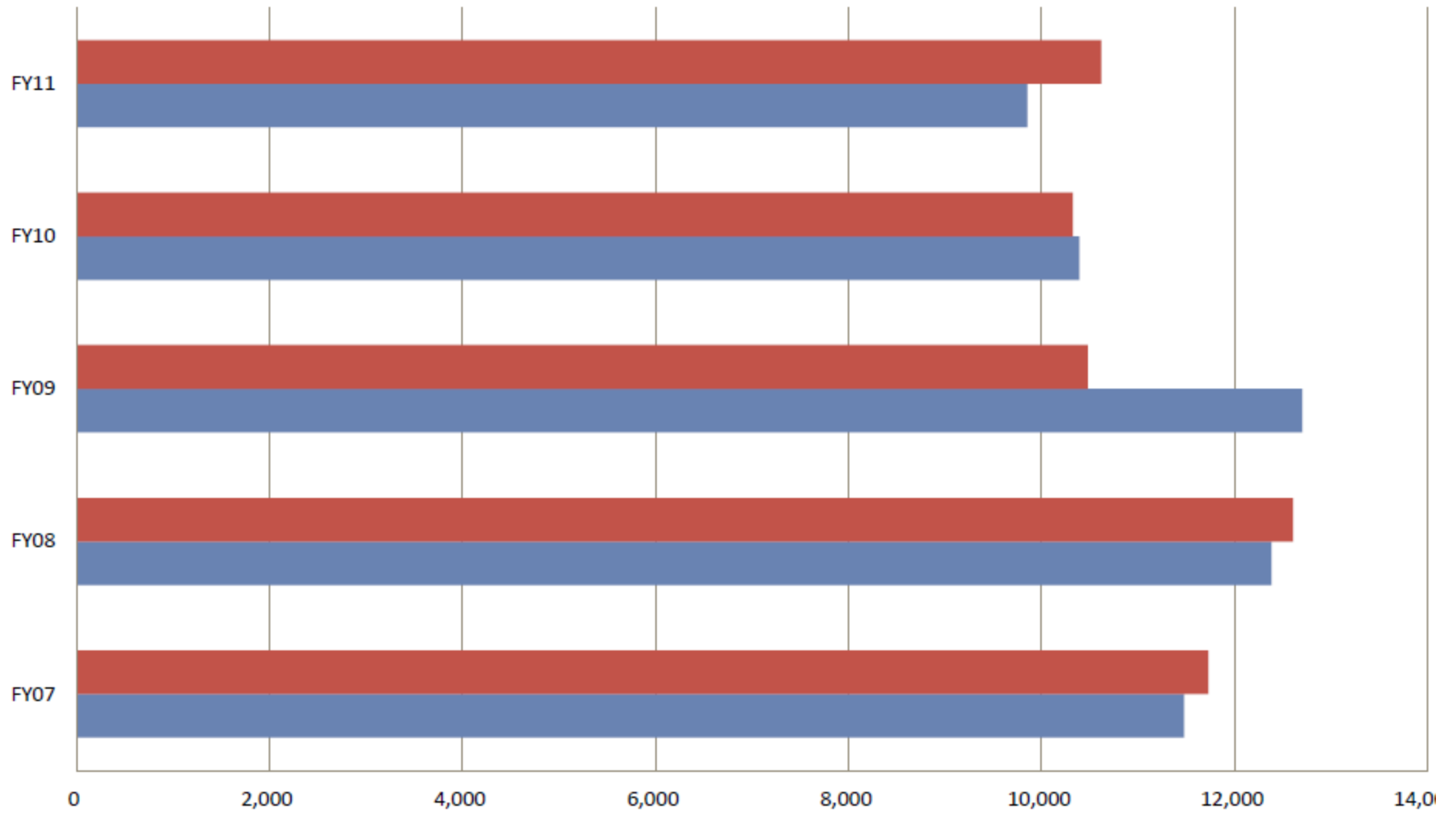
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**FTA Conference Providence, Rhode Island
October 23, 2012**

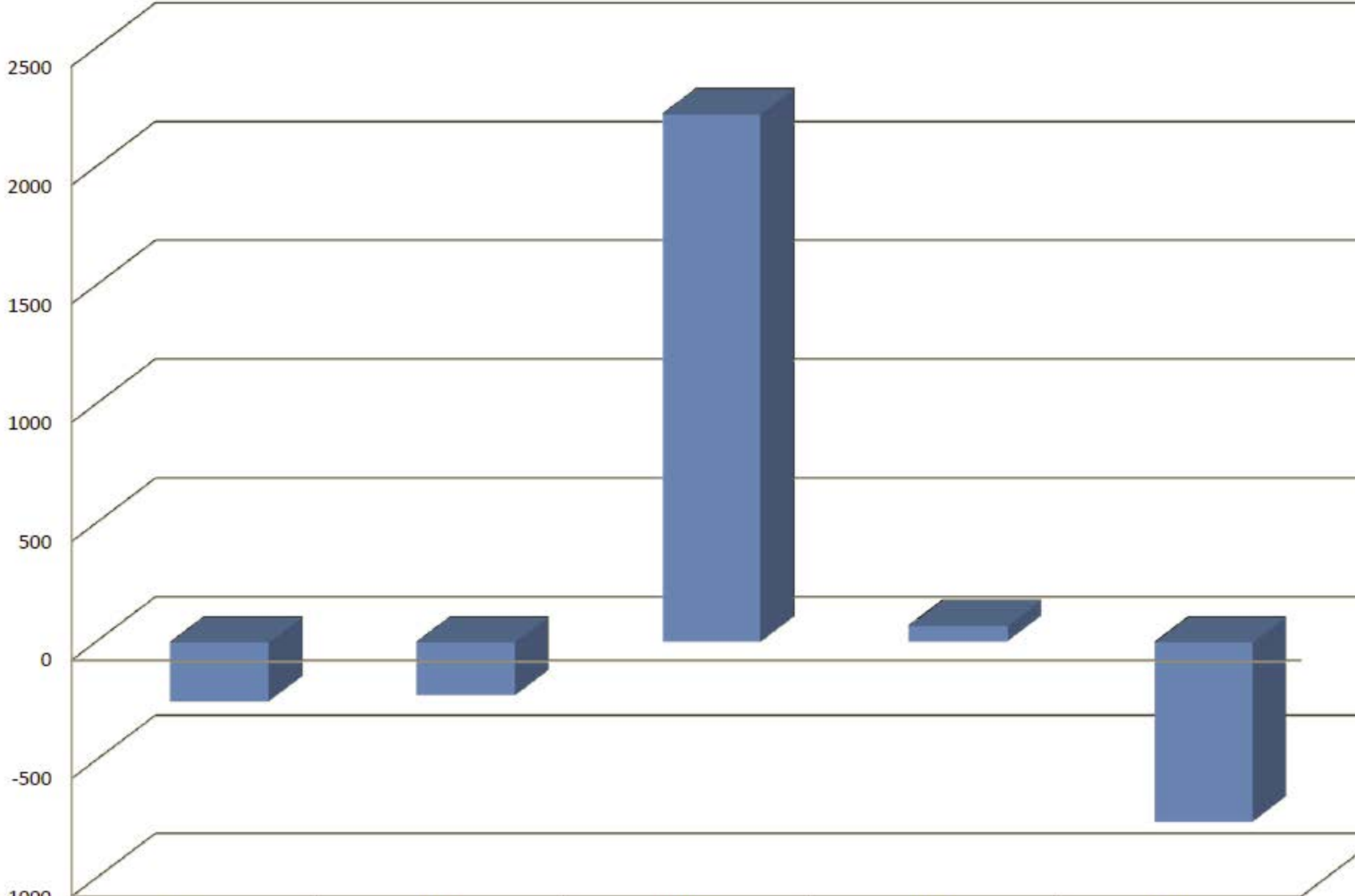
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- *All numbers are preliminary and not for citation.*

GIT Estimated vs. Actual CAFR Revenues



	FY07	FY08	FY09	FY10	FY11
■ GIT [A]	11,727	12,606	10,476	10,323	10,617
■ GIT [E]	11,475	12,379	12,700	10,393	9,855

GIT \$ Diff [E-A]



■ \$ Diff

FY07

-252.192

FY08

-227.354

FY09

2223.7

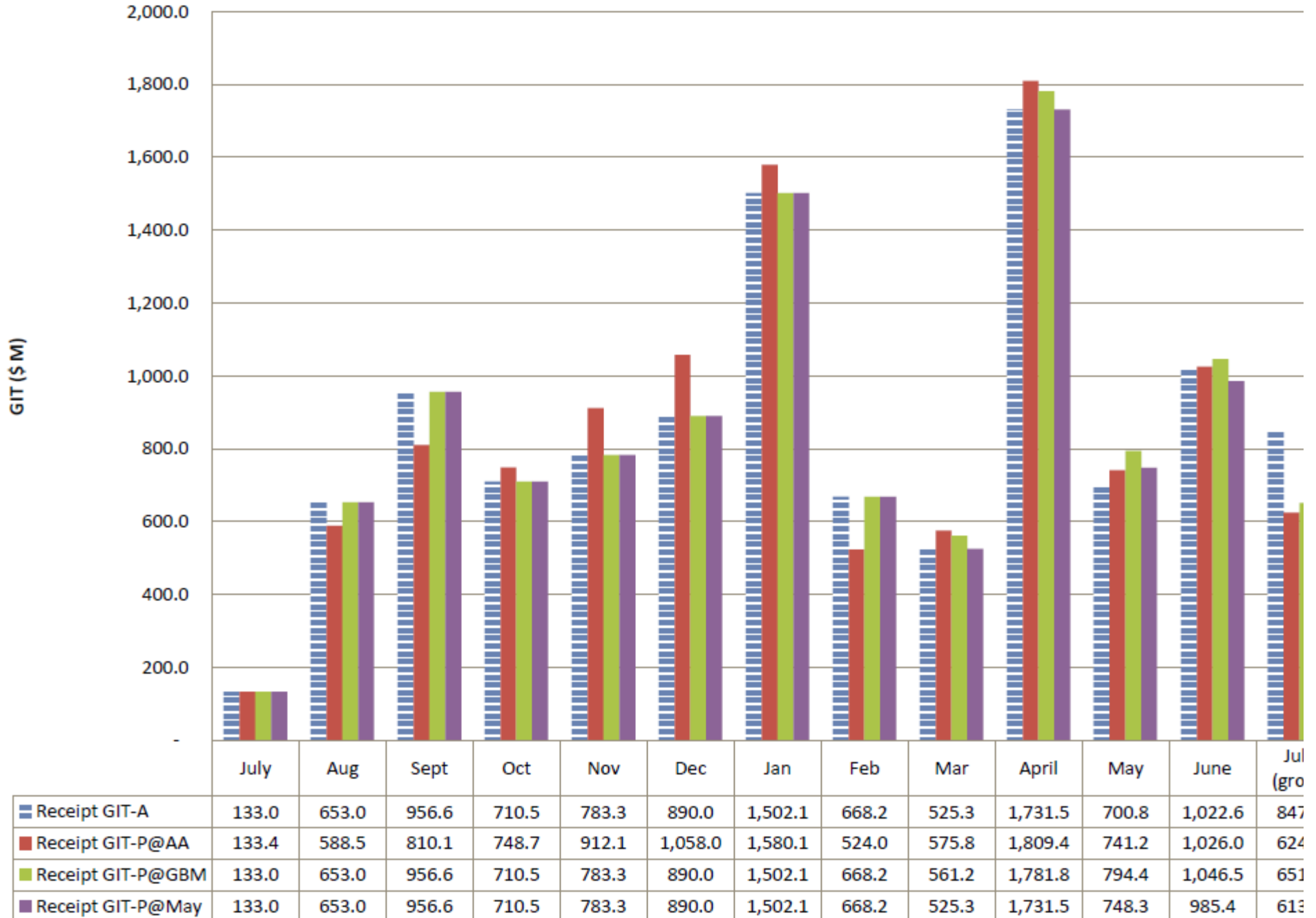
FY10

70.1

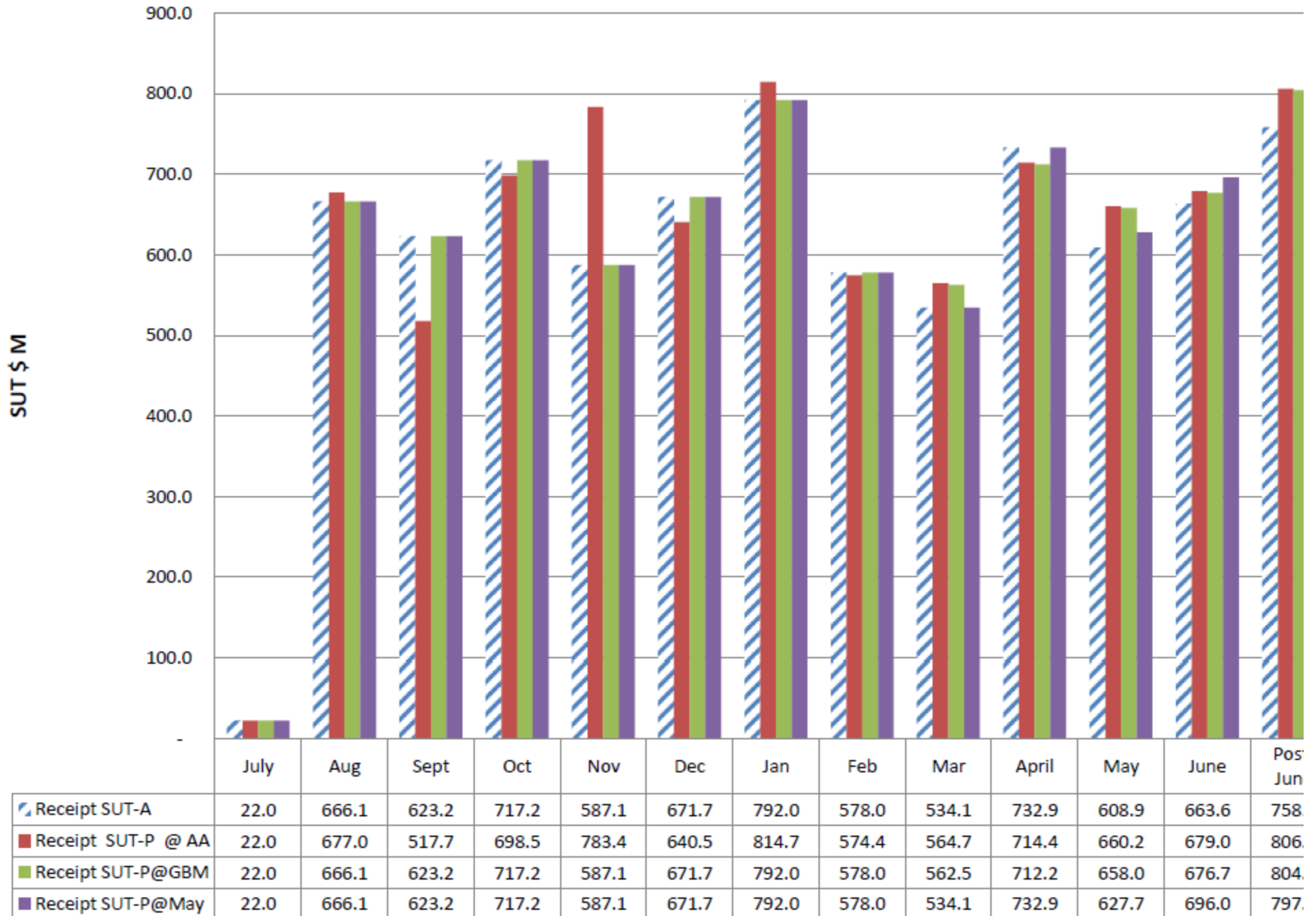
FY11

-761.936

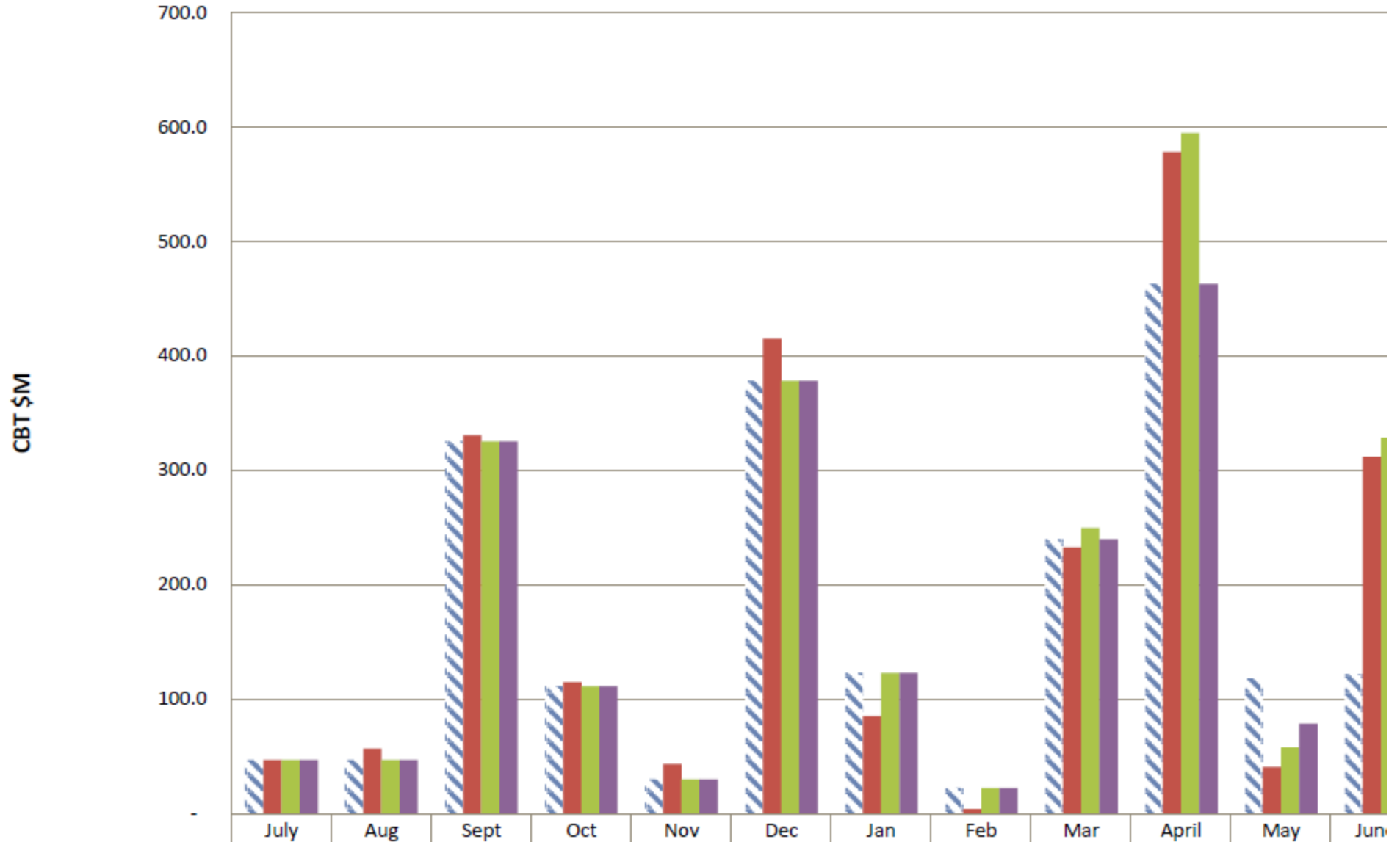
Monthly Distribution of FY12 GIT Revenues: Actual vs. Projections



Monthly Distribution of FY12 SUT Revenues: Actual vs. Projections

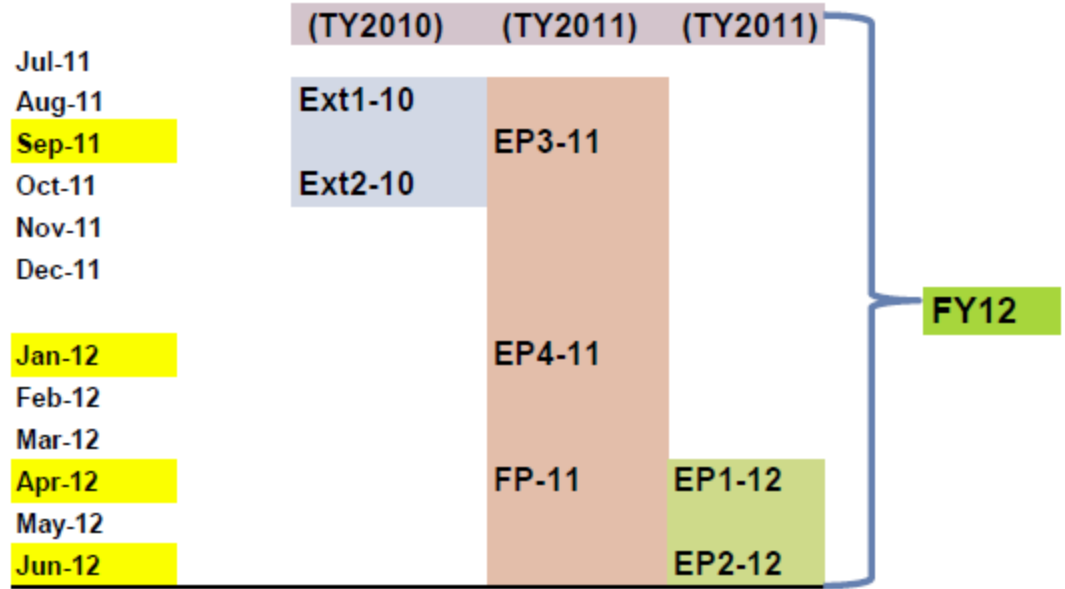


Monthly Distribution of FY12 CBT Revenues: Actual vs. Projections



Receipt CBT-A	47.0	47.0	325.3	111.5	29.9	378.1	122.9	22.2	239.8	463.0	118.4	122.9
Receipt CBT-P @ AA	47.0	57.0	330.7	115.0	43.3	415.2	85.1	4.0	232.8	577.9	41.1	311.0
Receipt CBT-P@GBM	47.0	47.0	325.3	111.5	29.9	378.1	122.9	22.2	249.4	594.5	57.7	328.0
Receipt CBT-P@May	47.0	47.0	325.3	111.5	29.9	378.1	122.9	22.2	239.8	463.0	78.7	448.0

GIT TIMELINE: Fiscal Year 2012



Forecasting Challenges:

- * Revenues for a particular TY spans across mutiple FYs and vice versa
- * Difficult to project a complete cashflow cycle by TY
- * Various timing issues relating to:
 - Processing
 - Enforcement revenues
 - Refund outflows
 - Law changes
 - Filing extensions and other special situations



State of New Jersey

Department of the Treasury

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Year-to-Date Revenue Figures Track Treasury Forecasts Despite Less-Than-Robust Collections of 6 Key Funding Sources

TRENTON – Year-to-date revenue collections through August were less than 1 percent higher than the forecasts made by Treasury for the Fiscal 2012 budget, Treasurer Andrew Sidamon-Eristoff said.

“For the second month in a row, revenue collections suggest that the resources available to the state are closely tracking figures certified by the Governor in the Appropriations Act for Fiscal 2012,” the Treasurer said. “At present, there is no data to support theories of revenue collections significantly beyond responsible estimates.”

Total collections from six of the largest sources of state revenue lagged budgeted revenue forecasts for the first two months of the fiscal year.

Casino revenue collections were below estimates by 17.5 percent, motor fuels taxes by 11.5 percent, corporation business taxes by 9.6 percent, transfer and inheritance taxes by 9.4 percent, sales taxes by 1.6 percent and Lottery proceeds by 1.2 percent. Larger-than-expected income tax collections offset the drops in other revenue, allowing the state to meet estimates for total revenue for July and August.

“Going forward, the ongoing malaise in the national economy and the fiscal crisis gripping European governments raise serious questions about the outlooks for incomes, job creation and, with them, state revenues,” said Charles Steindel, Treasury’s chief economist. “In such an uncertain economic environment, prudence dictates a cautious approach, especially in the early months of the fiscal year.”

Revenue Tracking Happens Daily

- We receive daily updates on New Jersey's three major taxes.
- The best information comes from three sources
 - Daily Revenue Report
 - Electronic Payments Report
 - Daily Deposit Report

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Report of Daily and Month-to-date Collections for May 2012 versus May 2011

(In Thousands)

Date	SALES TAX				CORPORATION BUSINESS TAX				GROSS INCOME TAX			
	May - 11	%	May - 12	%	May - 11	%	May - 12	%	May - 11	%	May - 12	%
1	-	-	1,048	0.2%	-	-	2,596	3.3%	-	-	1,795	0.2%
2	2,282	0.4%	(3,241)	-0.5%	-	0.0%	23,624	30.0%	(10,978)	-2.0%	109,265	14.6%
3	7,111	1.1%	(405)	-0.1%	-	0.0%	34,890	44.3%	13,697	2.5%	140,305	18.7%
4	7,177	1.1%	(1,629)	-0.3%	22,997	23.7%	56,138	71.3%	205,018	36.8%	178,959	23.9%
5	9,508	1.5%			29,205	30.1%			235,223	42.2%		
6	12,672	2.0%			29,356	30.3%			248,774	44.6%		
7	-	-	4,341	0.7%	-	-	63,293	80.4%	-	-	152,194	20.3%
8	-	-	(2,624)	-0.4%	-	-	76,316	97.0%	-	-	162,717	21.7%
9	15,444	2.5%	170	0.0%	40,649	42.0%	77,824	98.9%	235,145	42.2%	323,347	43.2%
10	23,801	3.8%	6,314	1.0%	42,716	44.1%	69,946	88.9%	261,456	46.9%	341,933	45.7%
11	14,103	2.3%	5,633	0.9%	47,886	49.4%	81,300	103.3%	349,141	62.6%	332,854	44.5%
12	18,223	2.9%			48,327	49.9%			336,089	60.3%		
13	21,431	3.4%			57,711	59.6%			355,700	63.8%		
14	-	-	16,058	2.6%	-	-	82,362	104.7%	-	-	345,367	46.2%
15	-	-	26,404	4.2%	-	-	85,130	108.2%	-	-	374,428	50.0%
16	34,662	5.5%	39,823	6.3%	79,222	81.8%	87,249	110.9%	355,913	63.8%	474,022	63.3%
17	48,906	7.8%	81,759	13.0%	80,490	83.1%	87,963	111.8%	361,928	64.9%	463,557	61.9%
18	84,111	13.4%	222,412	35.4%	82,462	85.1%	91,507	116.3%	490,062	87.9%	471,403	63.0%
19	147,675	23.6%			83,702	86.4%			475,075	85.2%		
20	558,670	89.3%			98,598	101.8%			483,718	86.7%		
21	-	-	543,376	86.6%	-	-	94,762	120.4%	-	-	450,202	60.2%
22	-	-	587,097	93.5%	-	-	101,210	128.6%	-	-	477,466	61.3%
23	615,078	98.3%	601,607	95.8%	99,590	102.8%	102,347	130.0%	462,744	83.0%	587,413	78.5%
24	611,494	97.7%	603,362	96.1%	101,402	104.7%	103,071	131.0%	469,368	84.1%	592,569	79.2%
25	613,790	98.1%	601,000	95.7%	102,471	105.8%	102,561	130.3%	555,052	99.5%	603,651	80.7%
26	617,753	98.7%			93,292	96.3%			541,295	97.0%		
27	621,625	99.4%			93,822	96.9%			556,155	99.7%		
28	-	-			-	-			-	-		
29	-	-	601,297	95.8%	-	-	108,199	137.5%	-	-	596,038	79.7%
30	-	-			-	-			-	-		
31	623,954	99.7%			94,644	97.7%			555,926	99.7%		
1st	622,832	99.6%			94,644	97.7%			555,927	99.7%		
2nd	625,585	100.0%			96,866	100.0%			557,797	100.0%		

Treasurer's May Testimony 627,700

Treasurer's May Testimony 78,700

Treasurer's May Testimony 748,300

CORP. Refunds	Amount
May Actual - FY 2012	53.0
May Actual - FY 2011	22.5
YTD Actual - FY 2012	608.9
YTD Actual - FY 2011	459.4

GIT. Refunds	Amount
May Treasurer's Testimony	207.2
May Actual - FY 2012	221.6
May Actual - FY 2011	260.1
May Treasurer's Testimony	1,868.4
YTD Actual - FY 2012	1,821.9
YTD Actual - FY 2011	1,913.0

			150,202	66.27%
-	-		457,466	61.1%
462,744	83.0%		587,413	78.5%
469,368	84.1%		592,569	79.2%
555,052	99.5%		603,651	80.7%
541,295	97.0%			
556,155	99.7%			
-	-			
-	-		596,038	79.7%
-	-			
555,926	99.7%			
555,927	99.7%			
557,797	100.0%			

Treasurer's May Testimony 748,300

GIT. Refunds	Amount
May Treasurer's Testimony	207.2
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Comparing Today with Last Year

Will we meet our monthly forecast?

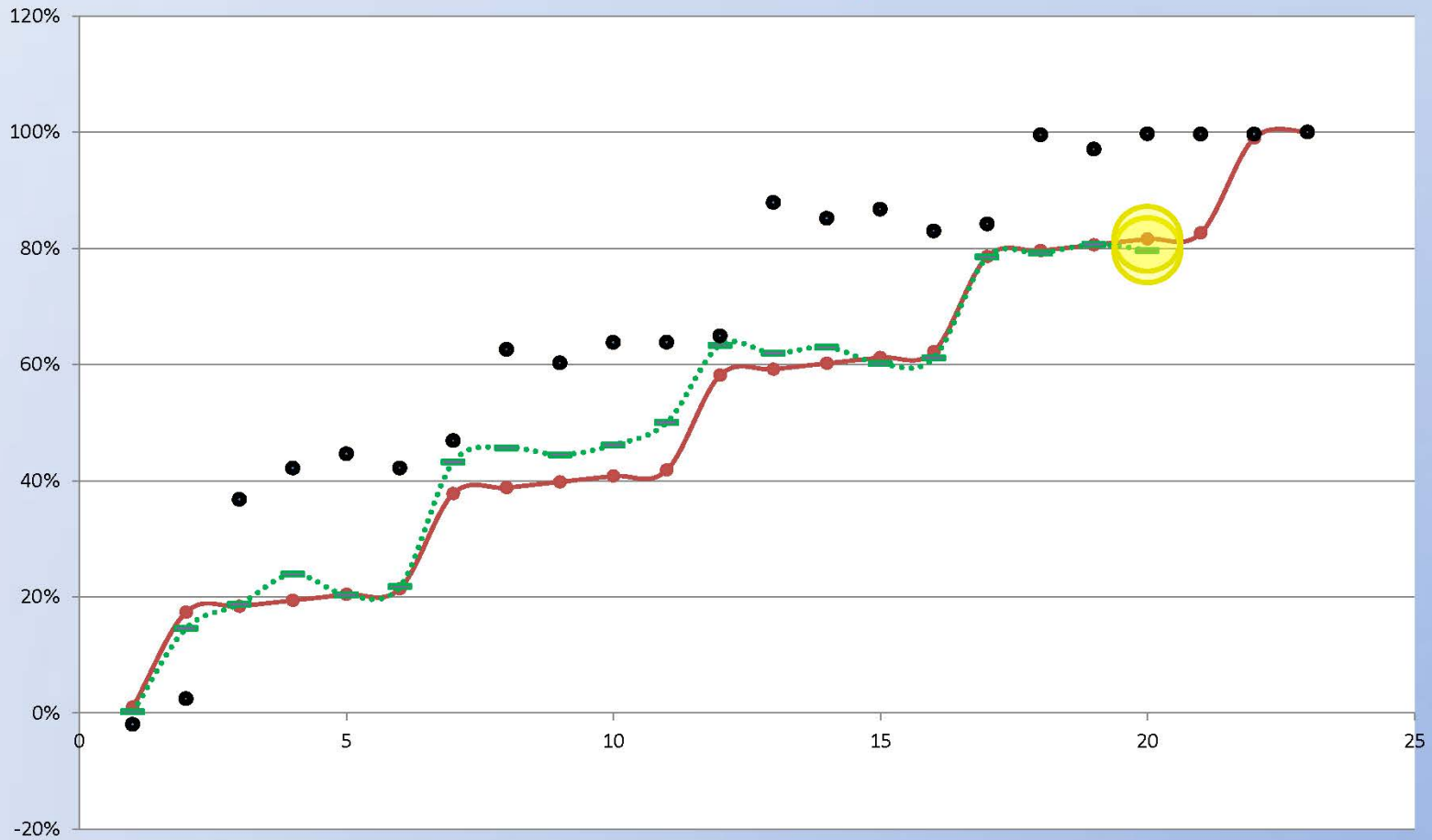
- Calendar Day to Calendar Day
- Reporting Day to Reporting Day
- Adjustments
 - Payment Deadlines
 - N'th Day of the Year
 - N'th Day of the Month
 - N'th Day of the Week
 - Closures and Disasters
 - Smoothing Normal Fluctuations

New Jersey's Evolving Approach

- Estimate separate regressions based on prior year's data for the 3 major taxes.
 - Functional form changes depending on the characteristics of the tax.
 - Dependent variable is the percent of total revenue for the month.
 - Use the fitted equation to estimate current month collection percentages.
- Plot the results to create a visual picture.

Gross Income Tax Daily Cash Projection for May as of 5/29/2012

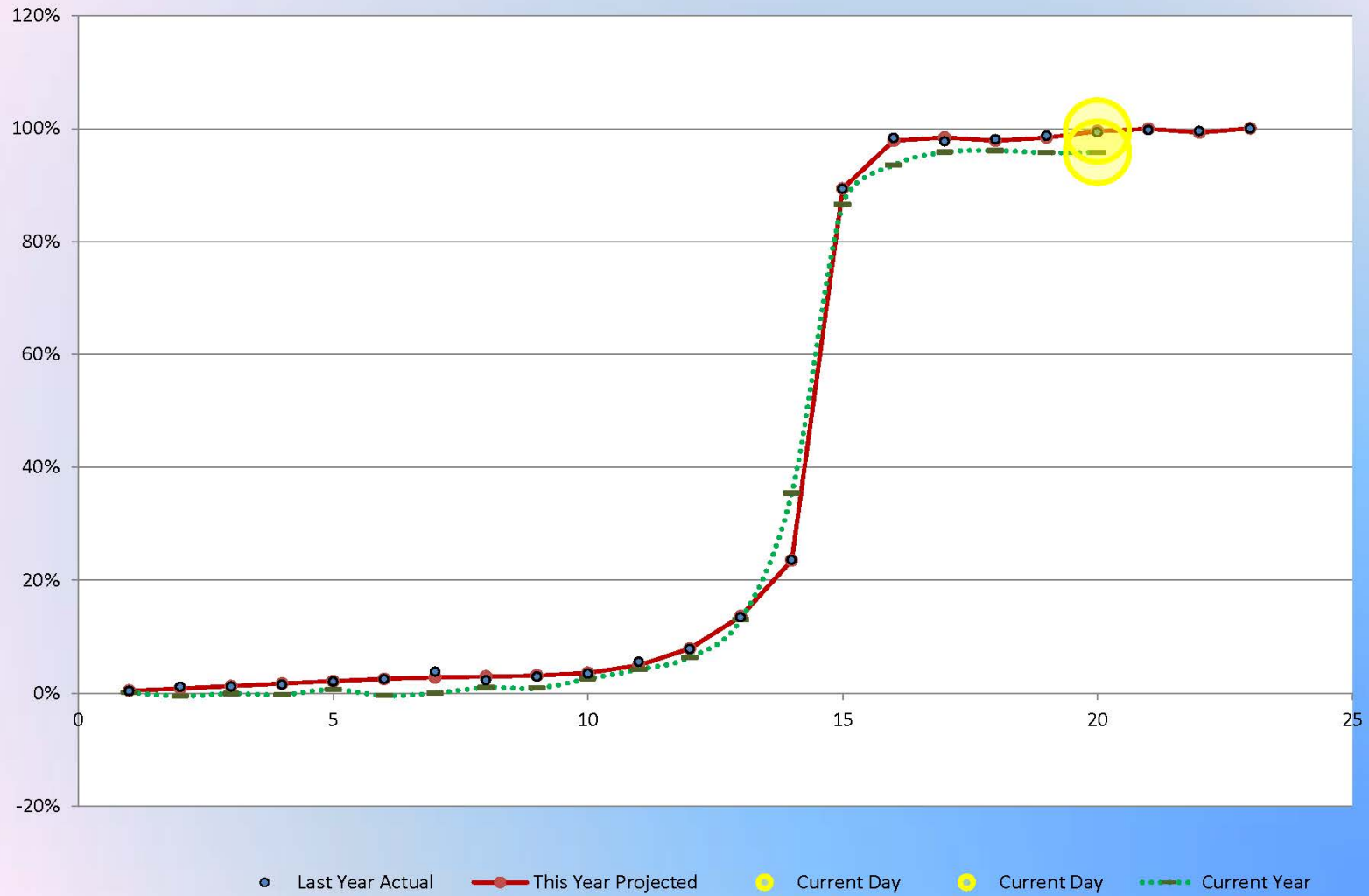
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● Last Year Actual ● Last Year Smoothed ● Current Day ● Current Month ● Current Day

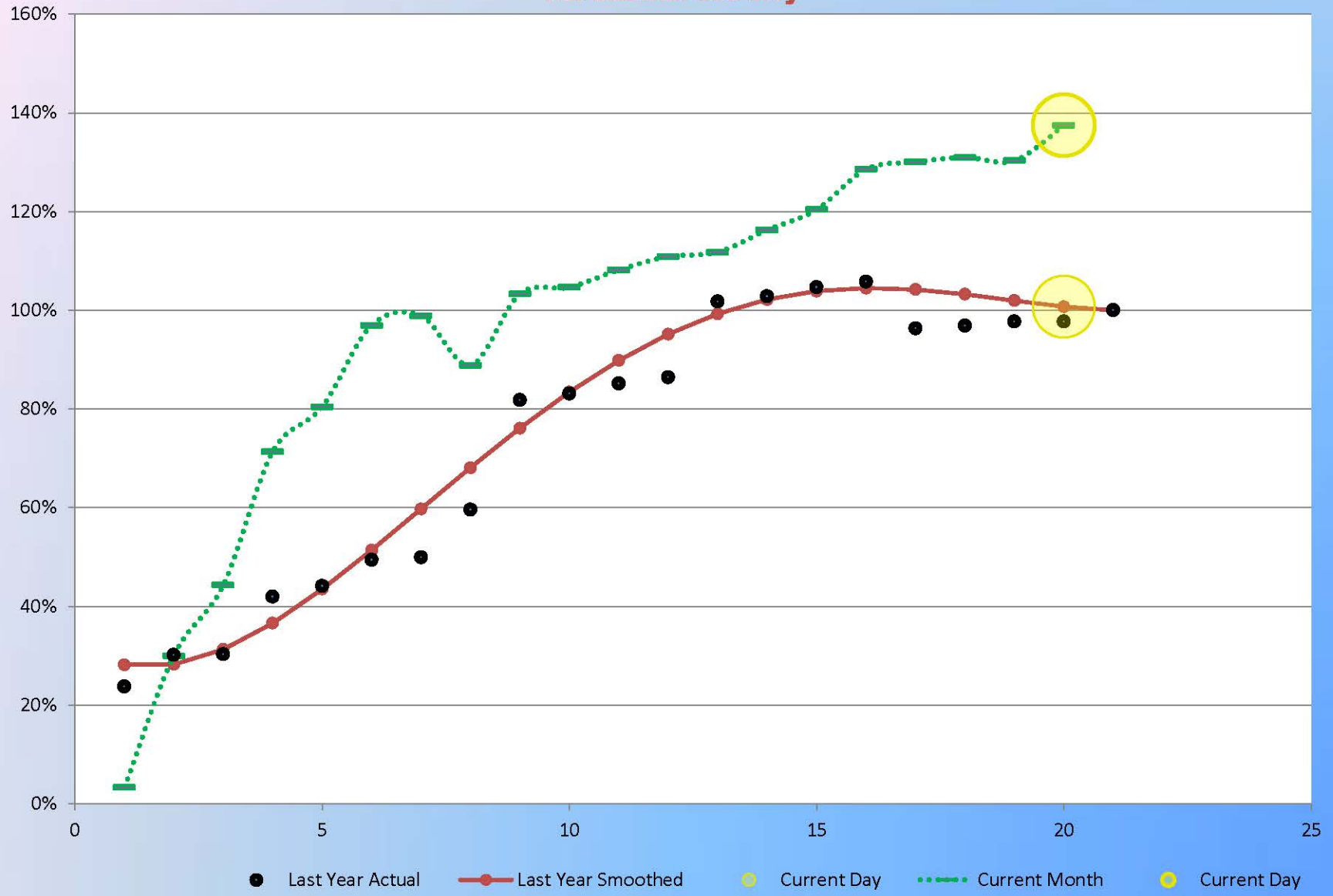
Sales and Use Tax Daily Cash Projection for May as of 5/29/2012

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Corporate Business Tax Daily Cash Projection for May as of 5/29/2012

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OREA/OCE Dashboard

	Current as of	OCE Forecast		Blue Chip 2012 Consensus: May Avg.		
		2011	2012	2012	2013	4th Q/Q
US GDP Growth	2.2% Quarter 1 of 2012	1.8%	2.7%	2.3%	2.5%	2.6%
US CPI	2.3% April, 2012	3.2%	2.6%	2.4%	2.2%	2.1%
US CPI Core	2.3% April, 2012					
US Unemployment	8.1% April, 2012	9.0%	8.6%	8.1%	7.7%	8.0%

	Current as of	Year over Year	Over Last	OCE Forecast		
		Jobs Added	Month	2011	2012	2013
NJ Employment Y/Y	1.0% May 17, 2012	39,600	2,600	0.2%	1.4%	1.9%
NJ Private Employment y/y	1.2% May 17, 2012	40,000	6,300			
NJ Unemployment Rate	9.1% May 17, 2012			9.3%	8.6%	8.3%
NJ Wage Growth	0.0% Quarter 4 of 2011			2.3%	4.9%	5.7%
NJ Personal Income y/y	3.0% Quarter 1 of 2011			4.0%	3.7%	4.4%

Revenues (\$000)	Year to Date - Revenue as of May 29, 2012						
	Current	Forecast			Last Year		
		Amount	Difference	Pct Over	Amount	Difference	Pct Over
Total	17,569,921	17,970,520	(400,599)	(2.2%)	17,171,501	398,420	2.3%
GIT	9,149,477	9,350,799	(201,322)	(2.2%)	8,937,776	211,701	2.4%
CBT	1,894,897	1,987,330	(92,433)	(4.7%)	1,868,633	26,264	1.4%
Sales	6,525,547	6,632,391	(106,844)	(1.6%)	6,365,092	160,455	2.5%

Month to Date - Revenue as of May 29, 2012							
Total	1,305,534	1,314,975	(9,441)	(0.7%)	1,272,424	33,110	2.6%
GIT	596,038	610,748	(14,710)	(2.4%)	556,155	39,883	7.2%
CBT	108,199	79,273	28,926	36.5%	94,644	13,555	14.3%
Sales	601,297	624,953	(23,656)	(3.8%)	621,625	(20,328)	(3.3%)

Where Do We Go From Here?

- Monthly targets have to add up to the FY target
- Major inputs?
- Problems of separating historical patterns from emerging ones
- How to deal with turning points, especially, during the post-Great Recession era?
- Options to forecast post-June within the monthly cash forecasting model?
- X-12, Other methods and track record?