

Early Indications...

While we continue to have the highest per capita income in the country, in the last three years, tax revenue from capital gains has fallen 65% from \$1.17 billion to \$395 million.

- Governor Jim McGreevey

“Repeated past failures to make those difficult choices and reductions has resulted in funding gaps that further exacerbate the State’s precarious structural budget imbalance.”

– Governor Jon Corzine, Executive Order 103

“Insanity: Doing the same ineffective thing again and again expecting a different result.”

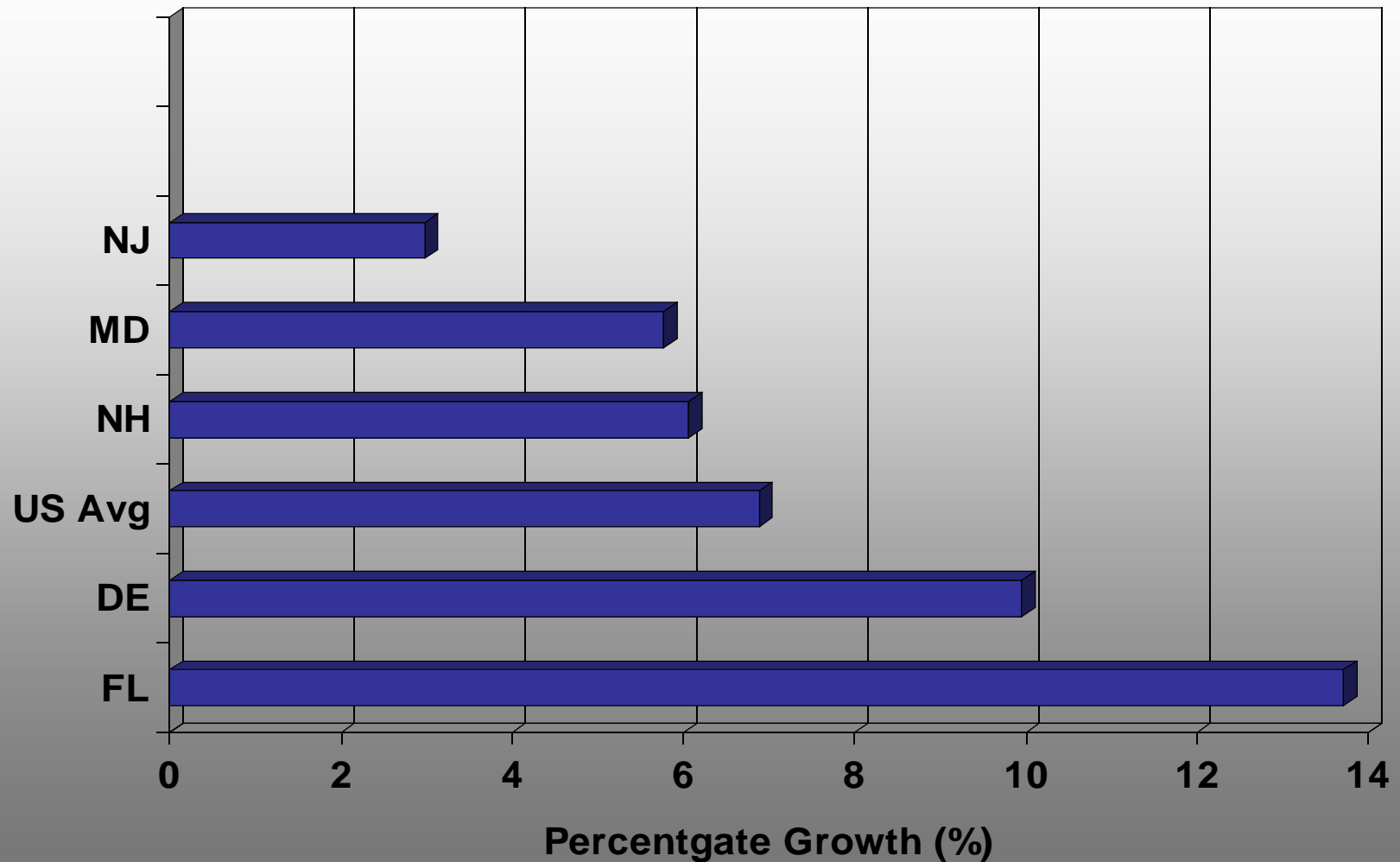
– Albert Einstein

Outward Migration Trends

- Population decline every year for past 10 years
 - Net loss of ~336,000 people between 1997 and 2007
 - Over 1/3 of these people moved since 2005
 - **\$12.8 billion in income & wealth left our state**
- Third highest outbound rate in nation
 - Dissatisfaction with state
- Pennsylvania, New York and Florida: Top 3 places NJ residents moved to in 2007

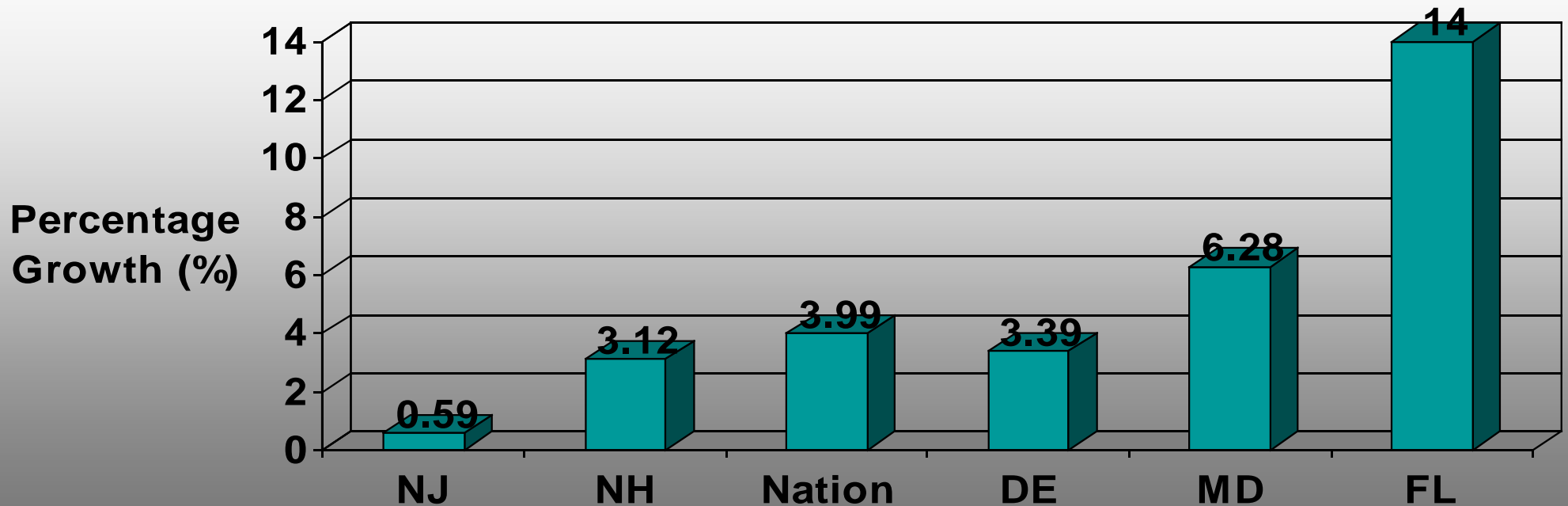
Population Growth: NJ vs. Nation

Population Growth 2000-2007



Job Growth: NJ vs. Nation

Job Growth 2000-2007; Private Sector



- NJ's average wage growth is not competitive with its neighbors or the nation

- Avg. wage per job growth was 1.09% compared with 9.36% for MD, and 3.31% nationally

Income Tax: Take a Look Around....

| State | Marginal Rates & Tax Brackets |
|---------------------|-----------------------------------------------------------------------------------------------------------------|
| Connecticut* | 3.0% > \$0 5.0% > \$10,000 |
| Delaware* X | 2.2% > \$2,000 3.9% > \$5,000 4.8% > \$10,000 5.2% > \$20,000 5.55% > \$25,000 5.95% > \$60,000 |
| New Jersey* | 1.4% > \$0 1.75% > \$20,000 3.5% > \$35,000 5.525% > \$40,000 6.37% > \$75,000 8.97% > \$500,000 |

| State | Marginal Rates & Tax Brackets |
|-----------------------|---------------------------------------------------------------------------------------|
| New York* X | 4% > \$0 4.5% > \$8,000 5.25% > \$11,000 5.9% > \$13,000 6.85% > \$20,000 |
| Pennsylvania X | 3.07% > \$0 |

** Doubles bracket widths for joint filers*

X Local rates excluded

NJ Income Tax Revenue

- Projected FY'09 income tax revenue to be \$12.7 billion
 - Increase of \$100 million since FY '08, growth rate of 0.8%
- January 2009; Gross income tax -13.8% below target (\$229.9 million)

| | Jan 08 YTD | Jan 09 YTD | % Change |
|----------------------|---------------|---------------|----------|
| Gross Income Tax* | 6,009,564 | 5,585,314 | (7.1%) |

“Based on January’s activity, we will clearly need to revise the projected shortfall for the fiscal year ending June 30 of this year.”

– Treasurer Rousseau (2.17.09)

** Number in Thousands (000)*

NJ's Property Tax Relief Fund

- Core components: (\$16.7 billion)
 - \$2.5 billion direct relief to taxpayers
 - \$11.5 billion pre-school-12 education
 - \$1.8 billion aid to municipalities
 - \$800 million other local aid

| Direct Relief | School Aid | Municipalities | Other Aid |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property Tax Rebates Rebates for Tenants Senior Property Tax Freeze Property Tax Reduction Act Veteran's Tax Deductions Senior/Disabled Tax Deductions | Formula Aid Preschool Programs Other Aid Teacher's pension & Annuity Fund Post Retirement Fund Debt Service on Pension Obligation Bonds Teacher's Social Security School Construction Debt Service Aid | Municipal Property Tax Relief Energy Tax Relief Trenton Capital City Aid Municipal Efficiency Promotion Aid 2008 Municipal Tax Assistance Municipal Homeland Security Assistance Open Space Highlands Protection Regional Efficiency Special Muni Aid Extraordinary Aid Consolidation Fund SHARE | County College Aid Transportation Trust Fund Aid to County Psych Hospitals Employee Benefits Local Governments Urban Enterprise Zones-Sales Tax Deductions County Solid Waste Debt General Assistance Admin Library Aid DCA-Housing Asst. Voter Verified Paper Audit County Prosecutors County Env. Health Act SJPC Reserve Fund (pilot) |



“Have we the courage and the will to face up to the immorality and discrimination of the progressive tax, and demand a return to traditional proportionate taxation?”

The Lonegan Plan

- Overturn Abbott.
- School Vouchers.
- Flat Tax.

Flat Tax: Projected Totals

| | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-----------|-------------|-------------|-------------|
| Flat Rate | 2.9% | 2.5% | 2.1% |
| Revenues | \$9.5B | \$9.5B | \$9.5B |
| Tax Base | \$328B | \$380B | \$452B |