

New Jersey

Federal Policies Have Cost New Jersey \$4.2 Billion over the Past Four Years

Federal Policies Affect New Jersey Revenue and Spending Levels, 2002-2005

Cost to
New Jersey

- *Federal Tax Changes:* Recently enacted federal tax cuts reduce state revenue directly. \$54 million
- *Remote Sales:* States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions. \$1.5 billion
- *Internet Access:* States are generally prohibited from applying tax to Internet access charges. \$130 million
- *Unfunded Mandates:* Federal government imposes responsibilities on states but provides insufficient funding. \$2.1 billion
- *Medicare/Medicaid Dual Eligibles:* Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs. \$936 million
- *Federal Fiscal Relief:* Congress approved temporary grants in 2003. (\$561 million)

TOTAL COST (net of fiscal relief), 2002-2005:

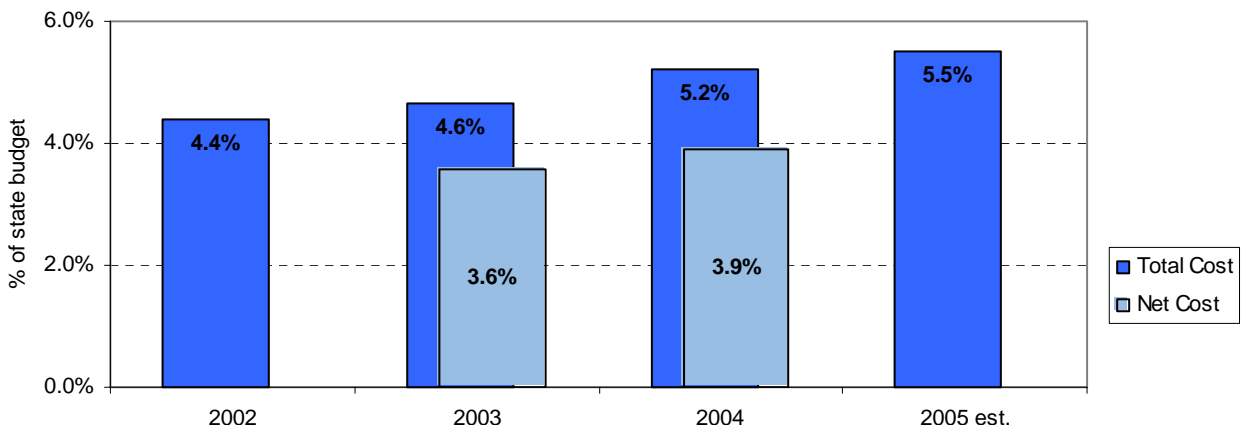
\$4.2 billion

Federal Policies Have Worsened New Jersey's Fiscal Problems

Ranking among 50
states plus D.C.

- Total cost as percent of General Fund budget (2002-2005): **5.0%** **46th**
- Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005): **4.4%** **46th**

Net Cost of Federal Policy to New Jersey as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.