Issues Update:  
**Budget Problems Continue**

Over the month of April the State Legislature reviews the Governor’s proposed budget for the coming year and meets with the various departments to hear their budget needs and objectives. While the budget process this year has been cordial, it appears the pathway is becoming more contentious between the Governor and Legislative leadership.

Legalized Marijuana has been central in the discussion as the passage of the legislation raises nearly $600 million in the Governor’s budget. To date the Senate has not been able to garner the 21 votes needed to get the bill passed. This is due to lack of support from Republican members as well as many of the Senators from the urban and conservative suburban communities.

Additionally, tax incentive programs are continuing the divide. Programs under the Economic Development Authority came under scrutiny after a state comptroller’s report raised concerns that the agency lacked a system to properly confirm that companies were contributing to the economic growth of the state, leaving room for possible abuse. The Governor has focused his attack on Camden City and George Norcross, whose businesses and colleagues have experienced significant aid from the State as they invested in the revitalization of Camden through the GROW NJ Program. This program was passed and signed into law during the Christie Administration, and was supported by Senate President Sweeney and the Legislature. The Governor continues his inquiries, while the Legislature is adamantly defending the program they helped create.

New Jersey is paying more than $4 billion a year to chip away at the state’s $46.1 billion worth of debt. That number isn’t even touching on payments needed to strengthen the severely underfunded state pension fund. New Jersey is on track to ramp up payments to the fund, but still isn’t at capacity to properly address the $115 billion worth of funds needed to cover future outstanding payments. New Jersey consistently ranks among the most-indebted states in the U.S., coming in fourth for tax-supported debt per capita, according to an analysis by bond credit rating company Moody’s Investor Service last year.

The Garden State’s debt, the yearly payment of which took up about a tenth of the total 2019 budget, will be in the spotlight as the Legislature and Governor’s office gear up to negotiate the $38.6 billion proposed 2020 budget. Major fights are expected to be over controversial tax break programs, state employee pensions, the future of an agency that consumes $1 billion of that debt payment, and Governor Murphy’s support a “millionaire’s tax” – a tax increase on gross income over $1 million. The Governor has said that he would put $250 million towards property tax relief if the Legislature approves this tax, however, both Senate President Sweeney and Assembly Speaker Coughlin oppose this increase.

While debt service payments appear to stay stable over the coming years, New Jersey’s pension contributions need to significantly grow until the state hits the recommended payment so the money owed doesn’t continue to get out of hand. Gov. Phil Murphy’s 2020 budget proposal would pump a record-high payment of $3.8 billion into the fund that pays for state worker pensions, up from the $3.2 billion contributed during his first term.

Finally this week Governor Murphy said that New Jersey collected more in revenue than expected. June 30 is New Jersey’s deadline to approve a balanced budget.

Questions?
Please contact Kirk Ives, Director of Government Affairs at 518-880-6376 or kives@nrla.org.