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## New Jersey State Budget Overview

### Governor Christie's Proposed Budget

On Tuesday, February 24<sup>th</sup>, New Jersey Governor Chris Christie delivered his sixth State budget to a joint session of the New Jersey State Legislature. The \$33.8 billion plan proposes a 3.1 percent increase or about \$1 billion more than budgeted for the current fiscal year. His budget address centered on a proposed plan to overhaul the public employees' pension system; a series of five pension programs in varying states of solvency. The pension proposal focused on freezing existing pension plans, additional employee contributions for health care benefits and instituting new retirement plans based on private sector models.

In addition to changes in the pension plans, the Governor proposed a \$1.3 billion payment into the pension system. The budget proposal reflects a 3.8 percent increase in projected revenues; this conservative projection is substantially less than last year's projection of 5.8 percent whose shortfall caused the deferral of pension payments

In addition to pension reform, the Governor proposed an \$811 million increase in education funding - a 6.8 percent increase over last year's budget and a \$33.5 million reduction in Homestead property tax credits.

### The Democratic Budget Proposal

On Tuesday, June 22 the Democratic majority in the New Jersey Legislature unveiled their \$35.3 billion budget proposal. The \$35.3 billion plan proposes approximately a 4 percent increase or about \$3 billion more than budgeted for the current fiscal year.

Under the Democratic proposal, the pension system contribution would increase from Governor Christie's proposed amount of \$1.3 billion to a total of \$3.1 billion; an addition of \$1.8 billion. Three key sources of revenue would be utilized to fund the monies 1) an income tax adjustment on any income over \$1 million; 2) a one year increase in corporate business taxes; and 3) an unanticipated increase in tax revenues.

In addition to the increased pension payment, the fiscal plan also provides \$20 million for New Jersey's most vulnerable citizens including victims of domestic violence, the developmentally disabled, Senior Citizens and the working poor. The proposed budget also devotes an additional \$39 million for Higher Education, \$37 million for K-12 education, \$12 million for Women's Services, \$19 million for Healthcare and \$38 million for miscellaneous priorities.

### The State Budget for 2016

For the second straight year, Democratic Legislative leaders crafted their own budget proposal. While it addresses a number of key fiscal and social issues much of the additional funding comes from new taxes. Democrats also based their proposed increased pension contribution on \$300 million in unexpected tax revenues collected by the State this year.

Governor Christie signed the 2016 State Budget on June 26<sup>th</sup> after redlining \$1.6 billion in line item vetoes. In addition he vetoed the income tax increase on high wage earners for the fourth time and the one time corporate business tax for the third time. With the veto of the two tax initiatives, the pension payment for 2016 will remain

at the \$1.3 billion level recommended in the Governor's budget proposal but for 2015 there will be an additional payment of \$212 million from the supplemental unanticipated revenues collected by the State. In a surprise move the Governor increased the Earned Income Tax Credit for a low wage earner from the Legislature's recommended 20% to 30%.

Although the Democrats retain a majority in both houses of the Legislature, the majority is not large enough to over ride the Governor's veto without support from the Republican side of the aisle. As has been the case previously, Republican legislators solidly stand behind the Governor's proposed fiscal plan.

As a result, it is anticipated that the final budget will closely resemble the budget introduced by Governor Christie in February with a few of the Democratic initiatives included. Such a budget produces a win for both sides; giving the Governor the opportunity to tell conservatives nationwide that he delivered a fiscally responsible budget and the Democrats with their eye on the 2015 Assembly races can contend they delivered a budget plan that would have restored pension stability and assist the most vulnerable in our society.