<u>A BUDGET RESOLUTION PROPOSING CHANGES TO GOVERNOR MURPHY'S FY 2023 STATE BUDGET PLAN</u>

Submitted by the Republican Members of the Senate Budget & Appropriations Committee on May 26, 2022

Senate Republicans Propose $8 Billion of New Tax Relief, Bolstering Surplus, Doubling Debt Repayment & Increasing Oversight in Budget Plan

I. SUMMARY AND OVERVIEW

$8 billion of recently "discovered" tax overcollections have been left unallocated by Governor Murphy in his proposed 2023 budget. Additionally, the Governor's proposed budget again fails to allocate the remaining $3 billion of a $6.2 billion federal block grant received more than one year ago for which the administration has never produced a comprehensive plan. That's $11 billion of funds in total – all derived from either State or federal taxpayers – that sit in state accounts while inflation approaching 10% destroys its value. It is infuriating that the Governor simply hoards the money -- refusing to either: give back overcollections to taxpayers, as he should; or, propose a clear spending plan to be vetted in public and enacted by the full Legislature.

This document, known as a "budget resolution," sets forth a proposal by the Republican members of the Senate Budget Committee to fill the void. In the absence of his concern for taxpayers and lack of leadership, we propose clearly allocating the $11 billion and making other changes to achieve three main goals:

1) Provide substantial tax relief (~$8 billion).

2) Prepare for a likely recession though a balanced approach that includes a net reduction in recurring spending, more than doubles the Governor's proposed payment of $1.3 billion towards debt reduction and avoidance, restraining excessive spending proposals, advancing longer range financial reforms, allocating one-time revenues for infrastructure improvements, and growing the surplus to a reasonable $5 billion.

*3) Eliminate budget provisions that delegate the power to appropriate funds to the Governor or the little-known and secretive Joint Budget Oversight Committee with respect to federal **<u>and</u>** state discretionary funds, and similarly eliminate a loophole that allows the Governor and JBOC to use the debt avoidance and reduction funds for new spending that is unrelated to actually reducing or avoiding debt.*

Our proposal stands in stark contrast to what we have seen from the Governor and his allies in the past and what can be expected in the coming weeks. Once again, they seem likely to meet behind closed doors and emerge to introduce and adopt a budget in a span of a week. Their budget will likely fail to embrace substantial tax relief, meaningful spending restraints or reforms, or an end to the abusive and secretive concentration of appropriation power into the hands of the Governor and the secretive Joint Budget Oversight Committee.

Their final budget will, sadly, almost certainly give the Governor what he has proposed – a budget that continues to fleece taxpayers – with more than 100 special line items that reward favored groups to the exclusion of thousands of local governments and nonprofit social service providers with similar needs. It will leave billions of dollars in extraordinarily open-ended slush funds that they will spend later, with actual expenditures to be whacked up behind closed doors by the Governor alone or with a rubber stamp of approval from the Joint Budget Oversight Committee. And there will be language provisions in the budget that give the Governor a "blank check" and dictatorial authority to increase spending as he sees fit.

Our resolution fills the leadership vacuum and brings the State in a fundamentally new direction. We propose clear allocation for all $11 billion of currently unallocated funds for the purposes summarized above, and more clearly explained below.

We are proud of our proposal which shows a better way forward. It is why we are sharing it publicly one month in advance of the need to adopt a budget. We hope the Governor and his allies finally listen.

II. EXPLANATION/DETAIL OF THE THREE TENETS OF THE REPUBLICAN RESOLUTION/CHANGES

1. PROVIDE SUBSTANTIAL TAX RELIEF (~$8 BILLION)

When crafting this resolution, Republicans have been ever mindful of the undeniable reality that excessive and extraordinary revenue collections in the current year is not simply coming from nowhere. That money is coming out of the pockets of taxpayers and is billions of dollars beyond what was budgeted or needed for the State's budget. It is not something to rejoice about. It's an embarrassment that while inflation approaches 10%, Governor Murphy took so much more than even he has said was needed. It's way past time to give back to taxpayers – and not just a few crumbs that are left after Trenton engages in its annual ritual of creating massive new programs and adding hundreds of line items of pork to the budget

But we are also mindful that this level of revenue collection is an extraordinary event and not likely to be a recurring one. Because of the extraordinary nature of this overcollection event, much of the tax relief we propose is also designed as one time tax reductions. We are proposing a $4.5 billion one-time, immediate return of overcollections though a "Give it Back" proposal we introduced in March when the Governor first announced a similar amount of overcollections of $4.5 billion. We are newly proposing $3.5 billion of additional tax relief, some of which would be permanent, and some not.

The $1 billion of employer and employee payroll tax relief we propose amounts to a one-time use of federal block grants to restore solvency to the Unemployment Insurance Fund in lieu of scheduled tax increases on employers and employees. $600 million of federal funds are proposed to be made available on a one-time basis to local governments to help them move forward with needed capital programs without saddling property taxpayers with debt. These shorter-term relief measures will provide relief to people without exacerbating the State structural budget imbalance. The reductions will put money back into the hands of people and employers, will strengthen the economy going forward, and help protect against a recession, or help cushion the impact, should one occur.

The balance of tax relief is permanent, and for good reason. We are proposing structural changes in our tax policy that help prevent the flight of people and capital. They will help grow the economy and strengthen our nonprofit sector which is a critical partner in our state's economy and budget. And though we have shared the short-term annual value of these tax reductions, the policies they effectuate will help build our economy over time and correct for short-sighted tax policies that negatively impact revenues longer term. Short term revenues losses will gradually be reversed.

There will be those who say these tax cuts will dig a future budget hole, and for the reasons above (and below), we strongly disagree. To the contrary, providing substantial tax relief with a mixture of short-term and long-term strategies is precisely what will help mitigate the potential recession. These policies will help our economy, and budget revenues, recover more quickly.

- **"Give it Back" Refundable Income Tax Rebates/Credits - <u>$4.5 billion</u>**
    - More than half of the $8 billion of newly "discovered" revenue should be returned immediately to taxpayers in the form of the "Give it Back" rebates" this spring to more than four million homes as a refundable income tax credit.
        - $1,000 per family for every family with income less than $500,000. (S-2243, Oroho, O'Scanlon)
        - An additional $500 per family for everyone earning up to $250,000. Gas Price and Inflation Tax Credit Act (S-2290, Durr)
        - This return of taxpayers' money is far more meaningful than the Governor's proposed $225 million increase in total rebates through a gimmicky consolidation and renaming it "Anchor Rebates."
            - The amount of returned tax money under our proposal is twenty times the amount of the Governor's net increase in rebates under his proposed elimination and consolidation of rebate programs into one Anchor.
            - Our proposal does not eliminate existing tax relief rebates programs that already provide more relief for hundreds of thousands of renters and homeowners than Anchor.
            - Our proposal provides relief to millions more people than Anchor rebates.
            - Our proposal automatically returns funds as part of income tax filings already submitted this year and rebates would be received this spring. Anchor rebates require a new bureaucratic process and won't be received for another year (May 2023) which means inflation will further weaken the relief by the time it is received-- if the promised rebates survive Trenton's history of canceling promised relief.
- **Property Tax Relief - $1.038 Billion**
    - Bipartisan restoration of ETR/CMPTRA municipal aid cuts. ($165 million impact in FY 2023 and doubling in FY 2024)
        - Specifically, enact S-330, sponsored by Senator Singleton and cosponsored by Republican Senators and passing with unanimous Senate support.
        - This bill restores prior years' funding cuts over two years to all of the State's municipalities and requires the funds to be used to lower property taxes.
    - Restoration of cut in school formula aid to almost two hundred school districts. (Use of $200 million of federal ARA funds on temporary basis, so no impact on State budget.)

        - These districts are still reeling from COVID, and they are experiencing changing demographics that make planning for future student populations uncertain.
        - There is no need to cut funding to any district which would result in property tax increases when the State has a record surplus and billions of dollars of federal block grants. And now is certainly not the time to mindlessly enact funding cuts pursuant to a formula enacted years ago -- as though nothing has changed since its enactment.
    - Extraordinary Special Education Aid Full Funding (-$43 million)
        - This is the amount of funding necessary to fully cover the mandatory costs related to appropriately supporting children with special learning needs.
        - Current costs are underfunded by approximately 10%, leaving property taxpayers to pick up costs.
    - Constitutional Amendment to Increase Veteran Property Tax Deduction for First time in 23 years (- $30 million)
        - Veterans receive a $250 property tax deduction pursuant to the NJ Constitution. The amount has not been increased since 1999 so their recognition/ benefit has decreased in real dollars by more than 50%.
        - Similar to indexing income tax rates to eliminate bracket creep, we advocate doubling the deduction to $500 immediately.
        - This measure has been advocated by Senator Holzapfel. Various legislation over the years has advocated on a bipartisan basis to gradually phase in the increase over five years. In light of strong revenues, a phase in is not required.
    - $600 million of Local Government Capital Grant Allocations from remaining federal ARA block grants.
        - As noted elsewhere, $3 billion of federal ARA funds are available for allocation. Without timely guidance, funds will likely sit in idle accounts while its value is eroded by inflation.
        - Allocating some of these funds in support of local projects will not only move critical projects along more quickly, it will save property taxpayers money who would otherwise be left picking up the tab.
        - As part of our proposal to allocate all of the ARA these funds in the budget process, we recommend the following grant programs be established with an open, transparent, and fair process for selecting recipients:
            - <u>$200 million grant Program for local parks and recreation, with funding being permitted to improve State parks as well.</u> There are countless worthy projects for park and recreation improvements. Through a fair grant program of this size, we expect funds would reach hundreds of local governments and nonprofits, and support projects, including these that have been advocated for by our colleagues. For example, Senator Durr has advocated consideration for substantial funding for Parvin State Park improvements being advanced by the Parvin State Park Appreciation Committee that would pay for capital structures; dredging of a lake; a dam spillway replacement; public restroom replacements; trail improvements; bridge and bulkhead replacements, and an

educational/interpretive center. He has also advocated for $1.5 million for a Pennsville – Riverview Beach Park Revitalization that includes improvements to walkways and athletic courts, with an emphasis on accommodations for people with disabilities. Senator Connors has advocated for $1.25 million for Lacey Township Park and Recreation Improvements which would include: modernization of lighting at Vincent Clune Park football fields and William Hebrew Park soccer and softball fields to address safety issues; and improvements to Hebrew Park including rebuilding walkways to address ADA accessibility and lighting for safety, and replacement of aging and unsafe picnic facilities. Senator Bucco has advocated for additional park assistance improvements including, but not limited to, $250,000 for Chester Township and $330,000 for Mountain Lakes; and Senator Doherty has advocated $2.2 million to address an emergency need for Bound Brook to replace their community pool which provides opportunities for the socially underserved youth and senior citizens during the heat of the summer.

- <u>$200 million grant program for water/sewer projects.</u>
    - New Jersey has traditionally provided strong support for water and sewer improvements through the Environmental Infrastructure Trust and related programs.
    - However, important projects that advance clean drinking water and proper treatment of sewerage have long been underfunded, and inflation has only increased the costs of projects that are close to being shovel ready. There are countless worthy projects in need of additional support to avoid ballooning local debt that impacts all taxpayers with regressive property taxes and sewer and water bills.
    - Through a fair grant program of this size, we expect funds would reach hundreds of local governments and nonprofits, and support projects, including several that have been advocated for by our colleagues. In particular, Senator Bramnick has advocated for $320,000 so the Berkely Heights Wastewater Treatment Plant can make critical repairs to the plant's digester and systems to protect against excessive odors to the area, ensure functionality of the system, and to comply with environmental laws. And as Senators Thompson and Oroho have noted in budget hearings, sewer treatment plants and utility payers in central and norther parts of the State are likely going to be required to pay tens of millions of dollars in additional costs related to complying with new State mandates concerning the discharge of Nitrates -- even though plant operators argue the rules may be excessively burdensome. Senator Schepisi has advocated for $1 million for a drinking

water project in Mahwah mandated by DEP and $3 million for a drinking water project in Oakland.

- <u>$150 million grant program for flooding, stormwater, dam bridge safety projects, including appropriate engineering solutions, environmental initiatives that will lessen flooding, and dam safety support.</u>
    - New Jersey has consistently failed to provide meaningful support to local governments and nonprofits in their efforts to address flooding issues.
    - Regional causes and solutions frustrate the advancement of projects. This sad reality is occasionally noted when regional flooding kills people and destroys private and public property. However, finding funding support always seems to disappear into the rearview mirror as news coverage fades and destruction is forgotten.
    - There are countless worthy flood prevention projects in need of additional support so that ballooning local debt can be avoided that impacts all taxpayers with regressive increases in property taxes and sewer and water bills. Through a fair grant program of this size, we expect funds would reach hundreds of local governments and nonprofits, help avoid debt, and save lives and property.
    - Several projects have been advocated for by our colleagues and could be funded with a program of this size. In particular, Senator Schepisi has advocated for: $2 million for the replacement of the Hillside Avenue Bridge to address a structure that is dangerous and near collapse; $6 million of funding for a bridge project in Oakland; $12 million for a regional flood control project that entails the dredging of Electric Lake to stabilize the stream and flow of water in the Pascack Brook which affects several towns including Westwood, Hillsdale, and others. Additionally, Senator Durr has advocated for $5 million for Salem County to repair/replace Watsons Mill Pond Dam & Ballingers Mill Pond Dam. Both dams are in poor condition and have roadways going over them that are maintained by Salem County. Mill Pond Dam provides for the attenuation of large storm events, protecting downstream homes and infrastructure from flooding. Rehabilitation of the dam will protect against a potential dam breach and flooding. Ballingers Mill Pond Dam was constructed for recreation purposes, but it now carries County Route 635. Though life and property protection are critical, the dams also make it possible for 8,000 young people in the region to recreate at these facilities.
- <u>$20 million grant program for Dredging/Maintenance of Lakes.</u>

- New Jersey has also consistently failed to provide meaningful support to local governments in their efforts to dredge and maintain local waterbodies where the need is not predominantly flood control. However, as with flood control issues, regional causes and solutions frustrate the advancement of projects.
- Last year, $20 million was appropriated for lake management, the Governor lapsed (deleted) $10 million of the appropriations. Project funding will help improve local environments, restore waterbodies for recreational use, and improve local economic activity.
- Several projects have been advocated for by our colleagues and could be funded with a program of this size. In particular, funding needs for Lake Hopatcong and Greenwood Lake, as funded last year, are continuing along with lake management throughout the State.

- <u>$30 million grant program for Fire/EMS First Responders.</u>
  - One year ago, Republicans advocated allocating substantial funds to a grant program advanced by a thoughtful group of first responders to help address their capital needs. The Governor only recently announced that $10 million would be available to improve fire department readiness, which is woefully inadequate.
  - This proposal would increase funding an additional $30 million and broaden the program so it can reach all first responders with needs, especially EMS and other first responders who have received extraordinarily little state support. A grant program of this size with more broad funding eligibility would be able to reach far more traditional first responder organizations with important needs, but also fund a request for $115,000 from the New Jersey Civil Air Patrol which helps address disasters and is one of the only state organizations that does not receive state support. All senators have been supportive of additional funding for first responder readiness, and Senator Stanfield, in particular, has advocated for broadening eligibility.

- It should be noted that this proposal will not only provide property tax relief, it will prevent the local debt issuances which can save even more money for taxpayers than dedicating resources to avoid state debt. This is because local debt frequently has higher interest costs and transaction fees than state debt -- particularly in urban and rural areas that are charged higher interest rates due to problems attracting competition when issuing bonds or debt.

        - The source of payment for local debt is almost always the regressive property tax or other regressive fees, so this assistance will help ameliorate particularly odious taxes.
        - Advancing and incenting needed local government infrastructure improvements throughout the State will help ensure the emergence of good construction jobs as the economy approaches a recession – but without the delays, interest, and other expenses that would come with new debt.

- **Structural Tax Reductions to Prevent Flight, Support the Nonprofit Sector, - $765 Million**
    - **(- $160 million) Raise retiree income exclusion to $250,000.**
        - A tax reduction like this will continue progress in increasing incentives for older residents to remain in New Jersey who would otherwise leave the State.
        - Keeping these older residents in New Jersey means their capital, and the economic activity it creates, will stay here too.
        - The current exemption has been steadily increased over the past five years and is capped at $150,000 . This proposal would increase it accordingly.
    - **(- $75 million) Deduction for NJ Charitable Contributions from income for GIT (effective October 1, 2022)**
        - There is overwhelming bipartisan support to establish a tax incentive to donate to New Jersey nonprofit organizations. It is sound public policy. It encourages private support of a sector that provides services to those in need and that plays an important part in our economy. These organizations are more in need than ever, and we propose finally enacting tax benefits for contributions made after October 1. In the last session, S-2360 establishing the tax deduction passed the full Senate unanimously. S-2013 (Oroho, Singleton) serves as the template for this year's proposal and is currently pending in the Senate Budget and Appropriations Committee.
        - Nonprofit hospitals, food pantries, home care nursing services, organizations that support the disability community, visiting nurse associations, are all providing more help than ever at exactly the time economic uncertainties are impacting fundraising. Nonprofit educational institutions, museums, theaters, and other organizations that are important parts of our communities and economic engines continue to suffer considerably.
        - Enacting permanent tax benefits effective October 1 will have a quarter year impact for CY 2022 income tax liabilities supporting 2023 and a likely impact of $75 million of lost revenue reflecting the midpoint of a range of revenue losses projected by OLS. The full annual loss of revenue due to this reduction is estimated by OLS to be $246.5 million to $422.6 million. However, it must be considered that New Jersey residents give more than $7 billion annually to charities, but since New Jersey does not allow for a tax deduction, billions of dollars of contributions are flowing out of New Jersey to other states. New Jersey charities will benefit and pressure on the New Jersey budget will decline.
    - **(-$400 million) Elimination of "Temporary" CBT Surcharge One Year Early**
        - A corporate business tax surcharge was enacted in recent years on the premise that revenue shortfalls required it on a temporary basis.

        - Sponsors acknowledged that the tax would be bad public policy if made permanent, so they provided for its phase out.
        - The phase out of this tax was to happen in the midst of COVID 19 when the administration was projecting massive revenue shortfalls that never materialized. It was extended again though January 1, 2024 on the premise the State could not sustain any revenue losses in the short term.
        - This proposal simply acknowledges there is no longer a revenue shortfall that can justify the continuation of this tax increase and it speeds the phase out by one year -- to January 1, 2023.
        - The full-year value of the reduction is $800 million.
    - **(-$130 million) Moderate an automatic State CBT tax increase (due to 2017 federal law provisions being tied to the NJ Tax Code.)**
        - This proposal would moderate a part of our State's corporate tax structure to greatly reduce a competitive barrier to job growth by bringing our tax treatment of certain corporate income in line with neighboring New York State.
            - In 2017, the federal Tax Cuts and Jobs Act created a Global Intangible Low Tax Income as a way to calculate a certain income of a U.S. multinational company.
            - The federal change was a part of federal tax reform, but it impacts state corporate taxation because our tax laws are directly impacted by federal policy changes.
            - Of all the states, New Jersey is one of only twenty that began taxing this income and we tax it at the highest rate along with ten other states.
            - This highly volatile and complicated tax creates yet one more outlier in our tax system that discourages growth in New Jersey.
            - It makes our tax structure revenue forecasting more difficult, due to its complexity.
            - New York recognized the competitive disadvantage their inclusion of the tax was creating in 2019 and adjusted the increase such that only 5% of certain additional revenues were being taxed.
- **Halting Planned New Tax and Toll Increases (AKA, "Helping the Governor Keep His Pledge Not to Raise Taxes") ~$2 Billion**
    - **Halt income tax bracket creep by indexing the income tax brackets for inflation. (-$366 million)**
        - This proposal is to prevent automatic income tax increases attributable to inflation and "bracket creep" by passing S-676: sponsored by Senators Bucco and Oroho with bipartisan co-sponsorship from Senator Sarlo.
        - S-676 adds to the State personal income tax a common-sense taxpayer protection called inflation indexing that has been provided under the federal income tax since the 1980s. Inflation indexing means that tax brackets are revised annually to reflect nominal price and wage increases that result from inflation. When tax brackets are not indexed for inflation, it results in what is called "bracket creep," which is an increase in effective tax rates caused by inflation.

        - Higher income can bump a taxpayer into the next tax bracket, even if that higher income is merely keeping pace with inflation. A lack of inflation adjustment can also push more of a taxpayer's income into the highest bracket for which they qualify. The final result is a tax increase that occurs without any legislation being passed. Indexing addresses this by altering each bracket level each year by the level of annual inflation.
    - **Halt the next two 10% increases in employee payroll taxes that replenish the Unemployment Insurance Fund - $100 million (Using $100 million of federal ARA funds to offset foregone revenue increase, so no budget impact.)**
        - New Jersey is one of only two states that impose a tax against every salaried employee's earnings up to the first ~$40,000 called the wage base.
        - This tax is one of the most regressive in the State because it isn't collected against capital gains, bonuses, dividends, or even lottery winnings.
        - Every year, under existing law that has been in place for several decades, the Department of Labor increases unemployment benefits by average wage increases across the State, and then increases this horribly regressive employee payroll tax to pay for that benefit increase.
        - This past January, the department took steps to increase the regressive tax on employees by 10% to pay for a 10% benefit increase. It was done very quietly by publishing something in an obscure register.
    - **Halt planned increases in employer payroll taxes for next two years - $1.066 billion (Using federal ARA funds to replenish Unemployment Insurance Fund in lieu of tax increases, with no impact to budget.)**
        - This proposal is to use federal ARA funds to restore solvency to the Unemployment Insurance Fund in lieu of three planned tax increases on employers in the next 16 months.
            - There will be a July 1, 2022 increase in tax collected for the Unemployment Insurance Fund on employers and it will result in employers paying an additional $216 million in FY 2023 and again in 2024. In lieu of this tax increase over the next two years - $432 million of ARA funds would be used to restore solvency to the fund.
            - Similarly, there will be another July 1, 2023 increase in tax collected for the Unemployment Insurance Fund on employers and, according to OLS, it will result in employers paying an additional $234 million in FY 2024. In lieu of this tax increase, - $234 million of ARA funds would be used to restore solvency to the fund.
            - Taxes would also increase on employers automatically to cover a projected $400 million debt in the Unemployment Insurance Fund as of a certain date when the tax increase is triggered. To prevent this particular tax, $400 million of ARA funds will need to be used to eliminate the debt.
        - The increases were to have taken place much sooner under longstanding statutory law as one of the only ways to resolve solvency to the unemployment fund. In 2020, amendments to the law provided some tax relief by phasing the

increases in more slowly. However, shortly after those amendments were enacted, the federal government provided State's with funds that could be used to restore solvency to all unemployment funds without tax increases. Most states used funds as needed to avoid further damaging employers with crippling tax hikes while they recovered from COVID impacts. New Jersey has failed to do so despite bipartisan calls for action.

- **Halt the January 1, 2023 toll hike on highways. (No impact to State budget.)**
  - OLS indicates the three percent toll increase scheduled for January 1, 2023 would increase total toll collections by approximately $172 million over prior year collections, including $119 million from the NJ Turnpike, $44 million from the Garden State Parkway, and $9 million from the Atlantic City Expressway.
  - Halting this tax/toll increase would not impact the State's budget. A larger State subsidy of NJT to offset the current practice of using $700 million of toll revenues to subsidize other people's NJ transit rides should not be necessary, because NJT reliance on toll revenue is reportedly being reduced next year.
- **Halt the one-time $600 million tax increase on Horizon Blue Cross Blue Shield (ratepayers.) (No impact to State budget.)**
  - This tax increase was statutorily established over the unanimous objection of Republicans more than one year ago as a condition of the health insurance company change to its structure. The law takes $600 million of Horizon Blue Cross Blue Shield's reserves which were paid by ratepayers. It's available now for rate stabilization or to benefit ratepayers and should be given back.
  - Ironically, the Governor and others still insisting on the tax increase know they want the ratepayers' money, but they don't have a plan for how to use it. Revenue is not currently anticipated or being allocated in the budget. It's classic Trenton, "We want your money… and we will figure out how to spend your money later – after we have it."
  - If the tax increase is not rescinded, as it should be, there should at least be a plan to utilize funds in this budget so it can be vetted and approved by the full Legislature. When the funds are received, they will almost certainly be spent by the Governor unilaterally through many budget provisions that allow him to increase spending as he sees fit for various programs, or though nontransparent process outside of the ordinary appropriations process.

2. PREPARE FOR A LIKELY RECESSION THOUGH A BALANCED SPENDING APPROACH THAT INCLUDES:

- **Primarily allocating one-time revenues to one-time, nonrecurring purposes, including: pay-as-you-go capital infrastructure investments; restoring the Health of the Unemployment Insurance Fund; and paying down existing debt.**
- **Advancing longer term reforms that make our economy stronger;**
- **Establishing additional restraints in recurring spending in amounts that far outstrip proposed increases to address unfunded priorities.**
- **Leaving a surplus that grows to a healthy $5 billion (10% of budget.)**

Democrats, of late, have been panicking. They know they are passing budgets with massive spending increases that are unsustainable over the long term, and built on massive tax increases that are volatile. We have warned against spending increases and volatile tax increases to deaf ears for years.

With the worst inflation in 40 years due to failed national policies and economists warning of a recession, they want to protect their 40% spending increase over four years. It's a spending increase that includes massive programmatic increases that escalate in future years and hundreds of line items of pork that we have long argued to restrain.

They have ignored even modest proposals to end obvious excesses. They have consistently resisted even modest reforms in the areas of public employee compensation, and pension and health benefits. And they want to continue relying on volatile tax increases that they know will eventually turn south -- causing their spending to be in jeopardy.

Democrats are desperate for the unsustainable gravy train to move full steam ahead, which is why they won't give back substantial funds to taxpayers and why they want to hoard massive amounts of tax overcollections in an oversized surplus and various slush funds. They will do this even as inflation means the purchasing power of the hoarded money will gradually be destroyed – all to protect a bloated budget from even a modicum of restraint for yet another year.

Republicans have a better way to prepare for a coming recession. We will grow the surplus to a $5 billion -- 10% of the budget -- but in conjunction with the other strategies discussed below.

- **Allocating one-time ARA block grant funds to one-time, nonrecurring purposes, including: pay-as-you-go capital infrastructure investments; restoring the health of the Unemployment Insurance Fund; and paying down existing debt.**
    - Republicans advocated last year that one-time federal ARA block grants funds be allocated for short-term capital or temporary needs and debt reduction. We do so again. None of the funding is advocated for spending that would last in perpetuity and dig a deeper structural budget hole when funding disappears. To that end, this budget updates our plan submitted last year and sets forth how to use the $3 billion of federal ARA block grant that remains unallocated.
    - As previously noted, $1.166 billion of those funds are proposed to restore the health of the unemployment insurance fund in lieu of tax increases, another $600 million is proposed to advance capital projects at the local level in lieu of property taxes, and additional funds are also recommended to hold school aid harmless while schools recover from COVID.
        - Republicans similarly dedicate all of the remaining funds ARA block grant funds to unmet one-time State, local, and nonprofit capital projects and debt reduction/avoidance.
            - We continue our ignored advocacy from last year's budget process to allocate $400 million to replace the state's antiquated IT and computer

systems. They are barely functioning and provide awful services to the public. In particular, the States' systems in the areas of motor vehicle services, unemployment services, taxation, pensions, human relations, and finance are all grossly outdated. One wonders if we do not fix these systems now, when they ever will be fixed.

- We advocate using $400 million of these funds to support higher education capital needs and avoid the Governor's intention to issue $400 million in new debt against prior debt authorizations. Projects will be less expensive (no professional fees or interest costs) and more flexible (no IRS restrictions on projects.)
- We advocate using $40 million to fund security and emergency preparedness improvements in the education and nonprofit sectors. Public and private preK, K-12 schools, community colleges and public and private universities would be eligible to apply as well as nonprofit institutions. Significant funding has been provided for this purpose in past in bond acts, and this funding would help bridge unmet needs and expand eligibility.
- $5 million is recommended to support additional assistance to local governments to equip police with body cameras
- $4 million is recommended to equip public school buses with safety equipment per Emma's Law sponsored by Senators Corrado and Bramnick.
- Funding to achieve 100% auditable voting machines - $10 million. Funding to fully implement auditable, paper-trail voting machines and electronic poll books is inadequate. $10 million is proposed to provide counties with additional funds in order to offset these important initiatives.
- We advocate an additional $175 million grant program for health care emergency preparedness.
    - This would build upon the prior allocations of funding in the amount of $550 million that supports just four regional hospitals.
    - A grant program of this size more broadly available to the health care community could reach important projects like: the $20 million needed to provide health care professional education and training at Morris Community College, and a request for $14.5 from St. Clare's advocated by Senators Bucco, Pennacchio, and Oroho; $2 million for Hunterdon Healthcare to build an emergency management and storage center; $50 million to support Atlantic Health System's Overlook Medical Center, Union County and its level 1 trauma center advocated by Senator Oroho. And a request by Virtua for $50 million to address critical health needs including: expanding capacity at two hospitals that serve vulnerable communities and addressing

health care workforce shortages through a partnership with Rowan University that will benefit the entire region.

- **Advancing longer term reforms and initiatives that make our economy stronger: Repatriating taxes paid to New York; and pension and benefit reforms that target abuses and allow the option for new employees to select a more stable 401K style defined contribution plan. ($600 million in revenues and savings in year one, potentially growing to billions of dollars annually.)**
  - **Repatriating Tax Payments Being Grabbed by New York to New Jersey – and Lowering the Tax Rate for our Residents in the Process ($500 million in year one, potentially growing to billions of dollars annually.)**
    - New York State has been inappropriately taxing New Jersey residents' income when they work almost exclusively from home for New York corporations. It's basically theft and New Jersey sits back and watches it happen while New York pursues these funds with overly aggressive and debatably constitutional tax rules and enforcement actions. A large portion of the approximately $4 billion of taxes New York collects from New Jersey residents should not be collected by New York at all and should be collected instead by New Jersey -- and at lower rates.
    - Traditionally, many of these employees commuted to New York as a rule, and only worked from home as an exception. The old paradigm of New York collecting taxes from income earned in New York made some sense. However, with technology changes over several years, many such workers now rarely step foot in New York -- if they even have office space there at all. During the pandemic employees were directed by their employers to stay away from their New York offices due to COVID 19 and to work from here in New Jersey. As COVID fades, New York corporations are realizing that they can function fine -- sometimes even better -- under the arrangement where their employees' offices are really at their homes, or even a satellite office, in New Jersey. But New York keeps taxing our residents as if they work there.
    - New York's taxation is not fair or reasonable. The employees aren't putting a demand on New York government services or expenses. To the contrary, these folks work from New Jersey and receive New Jersey services.
    - In many instances, the continued taxation of New Jersey based employees by New York corporations on the tenuous legal premise that their official/assigned workplaces are in New York isn't even legal. In fact, this practice may violate New York's own source allocation rules. Furthermore, New York's position may violate the United States Constitution.
    - Despite Republicans raising this issue repeatedly, Governor Murphy has done next to nothing. The State's only "action" was to support New Hampshire with an Amicus Brief with respect to unsuccessful federal

litigation they brought against Massachusetts over a similar, but not identical, issue.

- Though filing an Amicus Brief was appropriate, it was a lazy approach to a serious problem, and it ignores additional options.
- New Jersey should have a much more aggressive plan of action to address this unfair, and almost certainly unlawful, practice.
    - Our Division of Taxation should be warning New York corporations with New Jersey offices to stop allocating New Jersey employees and their income to New York for tax purposes when they aren't stepping foot in the city to work and are even prohibited from doing so.
- Most importantly, New Jersey should actively court New York corporations to set up satellite offices in New Jersey -- if that is even needed -- to help them allocate their employees to New Jersey for tax purposes which would benefit their and their employees' bottom lines. Such an approach would incent employers to effectively do the right thing which would reduce their employees' taxes and keep money in New Jersey where their employees already create the need for services.
- New Jersey should encourage New Jersey residents to assert their rights and offer legal assistance should New York continue to try and tax our people at higher rates than they would pay in New Jersey. Though our State provides tens of millions of dollars in legal assistance to people in various situations, they incomprehensibly draw the line at fighting to help taxpayers – and the state – keep more of our own money.
- Finally, our Governor should be marshalling our United States Senators, and our entire congressional delegation, to unanimously insist on federal law changes. For some reason, our Governor has failed to do so, and our representatives in Congress, with few exceptions, have done precious little.
- In short, sitting in a lawn chair and clapping for New Hampshire while New York overtaxes our citizens and eats our lunch wasn't leadership. It was a lazy way to avoid truly engaging the issue and it is costing our residents money and our State billions in revenue every year.

▪ **Republicans have long called for additional reforms in the area of pension and health benefits, and we do so again with proposals that are consensus oriented and would be supported by most public employees -- common sense reforms that end abuses and give new public employees the right to choose a 401k-style retirement plan in lieu of the unstable defined benefit plan. ~100 million.**

- Many bipartisan reforms were made to pension and health benefits during the Christie Administration that significantly reduced long term expenses. Though some of us propose deeper reforms, we should all be able to agree on ending certain abuses that have not been addressed and giving younger employees the option to move into 401k style plans if that is their choice.   Both of these approaches would help to reduce our existing costs, and more importantly, move towards a more stable and structurally sound budgeting system over time.

- However, our current defined benefit pension plans and health benefits system continue to have obvious abuses in them for many older employees. We propose ending these abuses.
    - Certain grandfathered employees are still able to receive full time pension credit for as little as $1,500 of "work" every year.
    - Though most public employees now pay reasonable premium sharing towards their health care on a sliding scale tied to salary, families with dual public employees can game the system by choosing to receive health benefits through the lower paid spouse. It creates situations that are grossly unfair where a middle-class public employee who is a single parent with three children, pays far more than a married couple with a combined $200,000 of pay with no dependents.
    - There are still public employees in PERS, JRS, and TPAF retiring at a very early age and who immediately receive health benefits for life -- even though they are obviously of working age and retired from pension systems that do not require employees to pay more for such benefits.
    - Some public employees continue to be paid a "bonus" for not taking health insurance – even when they have health insurance available from a second job – or a spouses' job. Premium sharing -- which was imposed more than a decade ago – now serves as a disincentive to accepting health insurance when another option is available, so paying someone to decline insurance when other insurance is available is no longer always necessary. We propose that public employees seeking compensation for declining health insurance should have to disclose when an insurance option is available through another employer or spouse's employer. If the alternative health care is through a public employer, no extra compensation should be available for not accepting a plan. If the other plan is available through a spouse's private employer, then there should be additional limits on compensation for not accepting the public employer health insurance.
- Additionally, defined benefit pension plans are inherently volatile for the State's budget and moving towards 401k or cash management style plans would obviously create structural budget improvements. New Jersey, unlike almost all private employers, many public employers elsewhere, and even public universities in New Jersey and the United States Military, has refused to embrace 401k style plans or even cash

management plans – even on a voluntary basis. Many new employees and younger workers would choose 401k style plans if they were given a choice, because they can control their own funds, and bring their retirement accounts with them should they leave a public employer:

  - Though some of us may propose going farther, we support giving younger employees the right to join the same Defined Contribution Retirement Plan (DCRP) available to other public employees in New Jersey if that is their choice. Giving new employees this choice doesn't only help the State move towards a more predictable and sustainable benefits system, it could draw talented employees who might shy away from a defined benefit system that they may not prefer.

- **Establishing additional restraints in recurring spending in amounts that far outstrip proposed increases to address unfunded priorities.**

We recommend the spending adjustments listed below. We have proposed increases in support of generally neglected needs, but we have also proposed spending restraints that exceed these increases. We note that last year the Legislature adopted a budget after months of review that failed to substantively reduce a single line item proposed by the Governor except for technical spending adjustments, while adding spending -- including hundreds of line items earmarked for favored recipients over thousands of similarly situated local governments and nonprofits whose needs were dismissed. That approach of budgeting will bankrupt the State and is unfair.

Addressing unmet needs:

- **Higher education restoration of cuts and parity - $15 million.** The appropriations for our state public universities and colleges are arbitrary and has resulted in Ramapo losing 3% of its aid, Montclair State losing 8.6% of its aid, and Stockton losing 11.3% of its aid. Numerous senators have advocated restoring aid, including Senators Testa and Polistina who have noted reductions to Stockton University and have supported proposals by the University community to restore funding. Additionally, William Paterson loses funding for an important childcare project that was advanced on a bipartisan basis last year by Senators Corrado and Pou, and it is underfunded compared to other university and college increases. $15 million would allow for a restoration of funds and ensure these universities and colleges receive an increase that's at least comparable to those being received by other institutions.
- **County Colleges Inflationary Adjustment - $15 million.** The Governor's budget allocates a total of $144 million for all of our State's county colleges. This represents no meaningful increase in funding from the previous fiscal year. County colleges have sought a $15 million increase -- reasonable in light of their mission, inflation, and impacts of COVID.

- **Restoration of a Proposed Reduction in Charity Care - $10 million** The Governor has inexplicable proposed to cut $10 million in hospital funding that compensates hospitals for providing emergency care to people without insurance or an ability to pay. With inflation approaching 10% and all of the volatility and uncertainties caused by COVID, now is not the time to reduce their aid.
- **Student Tuition Assistance Grant (TAG) Program Expansion - $40 million** TAG cannot currently be used to help students pay the costs of summer courses, despite Federal Pell grants allowing for this in recognition that summer courses help students complete their education faster -- or on a more flexible basis. Implementation for summer TAG would cost an estimated $30 million which would be offset by students finishing earlier and therefore not needing TAG in future semesters. Additionally, certain universities' students receive far less in TAG grants than other institutions including Thomas Edison University and Stockton University. An additional $10 million is recommended to bring parity to the students attending these institutions.
- **Restoring funding for private universities and institutions to approximately 2010 levels and redirecting obviously unnecessary assistance from Princeton University to all other private universities - $5 million.** Direct state operating aid for independent colleges and universities is $8.5 which is less than provided in 2010. An increase of $5 million would bring this operating aid close to 2010 funding levels. However, it is also recommended that the funding be restricted to those private institutions with a true need for State assistance which means reallocating Princeton University's funding to the other private universities
- **Establishing fund to encourage sustainable contracting and initiatives - $1 million.** New Jersey institutions of higher education have successfully partnered with New Jersey nonprofit organizations to develop and offer support and assistance to local governments, school districts, and other governmental contracting agencies to function in a sustainable and environmentally responsible manner, and to use resources efficiently. This proposal is to bolster these efforts with a cost-effective $1 million appropriation which will pay economic and environmental dividends far into the future.
- **Fund the mental health hotline (created by S-311) without a fee set forth in the legislation. $1,000,000.**
- **Partial reversal of the diversion of 9-1-1 fees to support county emergency response systems - $21 million**. Republicans, including Senators Testa, Bucco, O'Scanlon and others strongly support a proposal by the New Jersey Association of Counties to support a partial reversal of the diversion of 9-1-1 fees. Though the diversion of fees is much larger, they have requested that $21.0 million of diverted fees be used to fund county 9-1-1 centers with a $1.0 million grant for each county to regionalize, upgrade, or maintain its 911 system with a precise, accurate, and reliable communication network.

- **Ending the Diversion of Licensing Board Fees - $38.5 million** The Department of Law & Public Safety at (https://pub.njleg.state.nj.us/publications/budget/governors-budget/2023/LPS_response_2023.pdf) provides an accounting showing plans to increase diversions from the professional licensing boards from $8.5 million to $38.5 million, and there is budget language to effectuate that on page D-277. This diversion is bad government in any year, and funds are needed by the boards to improve IT capabilities and improve the workforce crisis existing in many of the occupations they license.
- **Restoration of funding for municipal Open Space/PILOT Compensation - $3.5 million.** Of the very few places the Governor decided he would actually reduce spending in the midst of an unrestrained spending binge, was a $3.5 million reduction in payments the state makes to rural and suburban communities. The reduction (33%) reduces State compensation provided to hundreds of predominantly rural communities whose property tax base has been impacted by State land purchases. In many of these communities, the level of services is so low (i.e., no paid fire or garbage services) and so efficient (i.e., a handful of nonunionized employees performing multiple functions and a plethora of shared service agreements) that the reduction in aid is impossible to address. Ionically, before a reelection last November when rural communities overwhelmingly rejected him, the Governor supported this funding. In a budget bloated with massive programmatic spending increases and Governor-proposed pork for single towns that exceed this entire cut, the proposed reduction is little more than a senseless act of political retribution.
- **Increased payments to blind/paraplegic veterans in NJ - $400,000.** This proposal is to increase State payments to veterans (and surviving spouses) who became blind, paraplegic, or hemiplegic as a result of wartime service. Payments would increase from $750 to $3,000. Senator Testa had proposed a bill (S-591) that sought to increase these payments from $750 to $3,000 annually and that amount is still achievable. However, his bill was merged with a bill proposed by Senator Greenstein with a lesser increase because Democrats would not support a larger amount. The cost for this support is $400,000 annually.
- **Increased support to social service providers and nonprofits - $225 million.** Republicans are concerned that the budget fails to provide adequate increases in support of social service providers and other nonprofit agencies that have had to address challenges, including: increased demands for services, a tightening labor market that makes it challenging to find employees, and state mandates and employee/employer tax increases that impact their capacity. For this reason, Republicans support $225 million to address various needs of the nonprofit service providers in various fields including, but not limited to, health care, service providers for the people with special disabilities, and services for seniors. Some of the many requests made by providers that have our strong support include:

- A request by the Visiting Nurses Association of Central New Jersey to increase state-funded rate support for agencies to ameliorate a federal CMS Home and Hospice Care reduction in reimbursement which has a devastating impact on the home and hospice service lines as well as the ability of the Visiting Nurses Association of Central New Jersey and other providers to continue to support the community-based programs which serve our most vulnerable. Without support, to this and other non-profit providers of community-based, family and child-oriented health and wellness programs, they will have to shutter or shrink these programs and limit hospice care for vulnerable populations.
- Requests by the hospitals and mental health care professionals and advocates to expand the New Jersey Child Collaborative Mental Health Pilot Program for Children and Adolescents by $7 million in light of increasing demands for mental health services by children impacted by COVID and other societal changes.
- A request by the Mayo Performing Arts Center in Morris County for $100,000 to maintain and enhance services to the community supported by Senator Bucco.
- A request by Hackensack Meridien Health to expand by $10 million the Carrier Clinic Pediatric Behavioral Health Expansion Project to address increased demands for behavioral health challenges.
- Increased funding in the amount of $20 million for nonprofit schools and support for families needing transportation to private schools. These schools are facing the same pressures of addressing COVID, inflation, employee retention (including a growing crisis to find enough school bus drivers), though their aid is largely flat. Similar to the issue whereby hundreds of public schools are receiving cuts in aid or insufficient increases well below inflation, not increasing funding is unreasonable and unsound public policy. While select public school districts are receiving increases of up to 92% -- or more than $100 million in one case -- these private schools are being shortchanged even though they are a critical component of our overall education system. We support requests for categories of reimbursement rates for private schools though three support programs, increasing the rate for compensatory education to $1,300, and raising the ceiling for nonpublic school transportation to $1,150.00.
- A request by the Center for Evaluation and Counseling for $500,000 to help children and their families who have experienced abuse, neglect and violence. The Division of Child Protection and Permanency and the Superior Court rely on their assessments and programs to aid at-risk families and juveniles. Their services which assist families in all 21 counties are highly specialized and the increased funding will enable them to reach more clients as well as help them retain experienced staff.

- A request for $100,000 by the Jersey Battered Women's Center in Morris County to continue providing quality services to battered women and their children.
- Provide $2 million ($1 million each) to promote Science Technology, Engineering and Math (STEM) careers pursuant to bipartisan S-1754 (Oroho and Beach) and robotics pursuant to bipartisan S-S2204 (Oroho/Greenstein) A significant concern we hear from manufacturers and those in STEM/innovation fields is the inability to find skilled people or even anyone that wants to go into these sorts of jobs. People frequently do not understand the high wages and benefits in these jobs that don't always need a college degree. Many manufacturers and STEM advocates have advocated a marketing campaign to educate the public about the benefits of these careers. S-1754 with bipartisan support does just that. Similarly S-2204 which was enacted last year and promotes robotics and STEM careers though a PILOT program run by the Department of Education is in need of $1 million of funding.
- A request by the New Jersey Association of Mental Health and Addiction Agencies to increase funding by $1.1 million for the Early Intervention Support Services programs and an additional $10 million to expand the School Based Youth Services Program.
- A request by ACCSES New Jersey for an additional $4,475,000 for the purpose of providing employment supports to individuals with disabilities employed on state and federal set-aside contracts. These agencies are more important than ever, as the parents and loved ones of their clients address continuing impacts of COVID and childcare issues and these agencies costs skyrocket due to inflation and other factors.
- A Personal Care Assistant (PCA) Program rate increase advanced by health care providers. This proposed $1/hour rate increase equates to $17 million. Additionally a $4/hour increase to the private duty nursing rate would require a $16 million appropriation.
- Help the Intellectual and Developmental Disabilities Community (IDD) sustain services for individuals and families by including a rate increase for residential services at a cost of $69 million. This appropriation receives a 50% federal match.
- Increase Medicaid reimbursement rates for assisted living facilities, comprehensive personal care homes and assisted living programs by three percent. That would bring them to $89.61, $79.31 and $69.01, respectively, at a cost of $1.4 million.
- Support two initiatives advanced by the United Way of NJ: (1) invest $1 million in United In Care to raise NJ's childcare subsidy rate to levels consistent with federal recommendations and (2) raise the line item for Volunteer Income Tax Assistance in DCA by an additional $750,000 to a total of $1 million to help with tax preparation and filing services for low-income individuals.

- A request for full statutory funding requested of libraries made by the Library Association. This would fully fund Library Per Capita State Aid with a $10.6 million appropriation.
- A request by Legal Services Corporation to increase their funding to address a loss of federal funding and meet significant additional demands due to COVID Impacts and an increasing inability of poor and lower middle-class people being able to afford efforts to seek justice. Their case load has increased significantly over prior years.
- Increased funding for services necessary to prevent people released early from jail by the Governor from committing additional crimes, including a request for $3.4 million in additional funding from the Reentry Corporation and a restoration of $2 million to Volunteers of America for re-entry services.
- A proposal by ARC NJ to increase funding for respite care a cost of $9.5 million so that an existing program in the Department of Children and Families can be expanded to allow additional hours of care.
- Increase the appropriation to NJ Cancer Education and Early Detection Screening Program (NJCEED) an additional $1.9 million to a total of $5 million to catch up on critical cancer screenings that have been delayed since the start of the pandemic.
- $1.5 million to support the efforts of Project Self-Sufficiency in Newton to help grow their Nurture NJ Program which builds a safe, high-quality, equitable system of care and services for all women during prenatal, labor and delivery, and postpartum care as well as supporting programs.
- A request by Cheshire Home for $2 million and rate changes to prevent closure of a unique facility that provides rehabilitation and care to people with spinal cord injuries. They advise that without this support, they would have to close the facility and move their clients to geriatric nursing facilities with no spinal cord injury expertise.
- A request by the Vineland Historical and Antiquarian Society as supported by Senator Testa for $150,000 for the maintenance and preservation of the Society's 110-year-old museum. The Society is dedicated to collecting and preserving artifacts and records related to Vineland and the South Jersey Region, and to sharing that material with visitors though exhibits, programs and appropriate venues.
- A request by the Bayshore Center in Bivalve, Cumberland County and supported by Senators Testa and Holzapfel for $332,000 in additional funding to ensure the continued operations of the organization, including its museum and unique operation of the New Jersey tall ship AJ Meerwald. They recently lost funding from a critical donor. Increased fundraising activity is being pursued but is insufficient to allow the organization to continue without additional assistance. The

New Jersey tall ship AJ Meerwald is homeported in Bivalve and provides programming in Point Pleasant Beach during the summer months.

Spending Reductions

Below is a list of $659.5 million of reductions in the Governor's proposed budget that should be eliminated or moderated as indicated. Many of the individual reductions are aimed at eliminating the Governor's arbitrary favoritism of some groups over others and his participation in the pork process -- in conjunction with our proposals to establish grant programs that create a more reasonable, fair, and open process for allocating funds. Some proposed cuts simply moderate unsustainable increases. Others are possible with little impact because of proposals discussed elsewhere in this document. These reductions more than pay for the recurring spending changes proposed above to address unmet needs. A serious Governor and Treasurer would help identify more restraints.

- $240 million – The net increase in rebates (one rebate program was proposed to be created and two others eliminated/replaced) under the Governor's inadequate Anchor rebate consolidation proposal was $240 million. In lieu of that inadequate proposal which can be eliminated, Republicans separately propose returning $4.5 billion in "Give it Back" rebates.
- $100 million – Enact legislation to end certain pension abuses grandfathered in for some employees under previous reforms and allow new employees to voluntarily enroll in defined contribution plans in lieu of the less stable defined benefit plans. (See discussion elsewhere in this document for further details.)
- $70 million – Eliminate the following, and similar, proposed pork funding by the Governor that amounts to little more than rewarding allies with favoritism to the exclusion of thousands of similarly situated local governments and nonprofit organizations that have equal, or more compelling, needs. These projects are not necessarily opposed, but all of these -- and other beneficiaries -- of the Governor's proposed pork should apply though appropriately funded grant programs that Republicans are proposing for parks, water and sewer infrastructure, lakes management, flood control, and healthcare and EMS services that would be available Statewide upon open application and reasonable prioritizations based on publicly available standards established by departments. When questioned about these line items before the Senate Budget Committee, the Lt. Governor claimed these were legislative budget items, but in a written response for clarification, she later acknowledged they were all items proposed by the Governor. However, she refused to provide any explanation about how the items were chosen or any documentation as to how the funds would be used: Woodbridge - Park Expansion, $1,000,000; Union County Clark Reservoir, $4,000,000; Union City 41st St. Park, $1,700,000; Union Twp. Recreational Park Development, $2,000,000; Lambert Castle Visiting Center, $3,600,000; 46th Street Park - North Bergen, $4,600,000; Branch Brook Park, $5,000,000; Woodbridge Acacia Youth Center Project, $1,000,000; Camden County Historical Society, $250,000; Hawthorne Supportive Housing, $250,000; Brick City Peace Collective, $3,000,000; Camden County Housing First, $500,000; Bergen Volunteers – Mentoring, $200,000; Communities in Cooperation - Reentry Services, $100,000; I Have a Dream Foundation, $150,000; Propagation House at Mapleton Preserve – Kingston, $150,000; Newark Alliance - Workforce Development, $500,000; Willingboro Community Center, $1,000,000; East Orange – Capital, $2,000,000; Union Twp. Recreational Park Development, $2,000,000; Pennsauken Community Center, $5,000,000; Hudson County Jail, $4,800,000; Essex County Jail, $3,000,000; Capital Philharmonic of NJ, $75,000; Seton Hall Student Facility, $2,900,000. Similar favoritism appears throughout the budget proposed by the Governor which is obviously irrational and

driven by politics.

- $60 million – The state's $6.2 billion of ARA federal block grants (and even more federal money that is intended to last several years) is being invested in Treasury Bills which receive horribly low investment returns. Smarter, and still very low risk, investments could easily increase investment returns. Short-term cash investments by the State have traditionally received anemic investment returns (as opposed to stronger returns of the pension funds) because the funds have been invested in Treasury Bills and other low-interest vehicles to maintain cash liquidity. It's well-past time that the State begin investing large cash balances in things like short-terms municipal loans, which would not only let the State significantly increase its investment returns, but also help local government obtain lower interest rates that they pay on such borrowings from private banks. $60 million in investment returns is a reasonable assumption if Treasury only moderately restructures cash investment strategies to maximize safe returns. These additional funds could be used to pay for certain costs of Treasury and provide for a corresponding reduction in General Fund appropriations.
- $50 million – The state-funded workforce is 1,800 positions higher than the number of actual employees in the prior year. In addition, non-state-funded positions are funded at a 1,438 more than the actual employee count in the prior year. This is a combination of two issues. There has been a historical overfunding of positions because the budget appropriate far more money than will ever be spent on employee salaries. It is also a function of proposed new bureaucratic programs and hires. The Administration might say this funding level is necessary to backfill positions left vacant by the Administration's vaccine policy (retirements and firings) or to fund new programs. Even if all these positions were critical (they are not), there is no possibility that this number of new employees will be brought on in one year. This funding reduction can be made easily without impacting the ability to pay salaries of critical positions that can actually be filled in a year.
- $30 million – International Event Improvements & Attraction. No information has been provided regarding this appropriation in response to a request from OLS for more information. It is believed that the request is to subsidize costs associated with attracting the World Cup soccer tournament. However, money should only be appropriated if explained and justified along with an understanding of final venues for the World Cup.
- $40 million – Eliminate preschool expansion, which simply is not sustainable over time.
- $25 million – Electrical Vehicle Infrastructure. This is something that should be the responsibility of the private sector.
- $20 million – Reduce the proposed new funding for a down payment assistance program from $25 million to $5 million. This new program being proposed by the Governor has not been explained. Creation of a new $25 million program cannot be supported without additional information and assurances a program is sound and sustainable. $5 million is recommended on a pilot basis, pending more information.
- $10 million – Reduced Need for Stabilizing Aid – Cut in half the Department of Education's $20 million discretionary funding that is used to address hardships caused by the Governor's proposed funding reductions. Our separate proposal to restore funding so no school has its aid reduced makes this funding largely unnecessary, though $10 million is retained to address the few hardships that could possibly exist by our separate proposal to cap individual school aid increases at 30%.
- $8.5 million – Eliminate taxpayer-funded legal services to undocumented/illegal immigrants to fight the Biden administration's enforcement of immigration laws.
- $6 million – Continued funding from last year's initiative to extend welfare programs (General Assistance) to convicted drug distributors.

- **Putting and additional $1.8 billion of additional funds towards debt retirement and avoidance and leaving a surplus that grows to a healthy $5 billion (10% of budget.)**
    - When all is said and done, the changes above would leave $6.8 billion unallocated as a surplus in 2023. That is too much money to simply leave in surplus.
    - $5 billion is 10% of the budget and is an appropriate surplus if our balanced approach to preparing for a recession is followed. This is an enormous growth in the planned surplus to a record level and it is $800 million more than proposed by the Governor just three months ago.
        - A healthy surplus is important, but ignoring our balanced approach and leaving more than necessary in the surplus will subject more of the taxpayers' money to inflation than is advisable.
    - Therefore, we propose depositing the balance, $1.8 billion in the debt reduction and avoidance fund – in addition to the $1.3 billion already proposed by the Governor for that purpose. This debt reduction builds on proposal discussed elsewhere in this resolution that that would use federal block grants to pay for higher education projects in lieu of $400 million in new debt as proposed by the Governor. It would also build upon our proposal discussed elsewhere in this resolution to use another $400 million of federal block grants to restore solvency to the unemployment insurance system in lieu of issuing debt to be paid back with higher taxes as proposed by the Governor.
    - As discussed below, we want safeguards that the $1.8 billion in additional funds for debt reduction truly retires debt or avoids new debt being issued under existing authorizations. We do not want the additional money to simply pay for new spending authorized behind closed doors.

3) Eliminate budget provisions that delegate the power to appropriate funds to the Governor or the little-known and secretive Joint Budget Oversight Committee with respect to federal <u>and</u> state discretionary funds, and similarly eliminate a loophole that allows the Governor and JBOC to use the debt avoidance and reduction funds for spending unrelated to actually reducing or avoiding debt.

This budget is full of special language provisions that give far too much spending power to a very few people who can appropriate public money behind closed doors. Here are the provisions we would eliminate.

- Federal Block Grants – Need for Transparency
    - As noted throughout this document, we have openly and transparently set forth how we would use the remaining $3 billion of a $6.2 billion federal block grant received one year ago. We believe a plan should be available for the full Legislature to review, vet with public input, and enact. The Governor has not produced a plan and neither has the Democrat legislative majorities. They are fighting over whose secretive process for whacking up the money is best – letting the Governor be a dictator and spend it how he sees fit… or giving the plan to a secretive Joint Budget Oversight Committee so a few

people can make sure their "needs" are addressed. Neither is appropriate and both are debatable under our New Jersey Constitution which requires all revenues of the state to be appropriated by the full Legislature – not by a king or some backroom committee that rubberstamps deals made in private.

- End Blank Check Provisions in the Budget
  - Over the past 30 years, legislatures of both parties have increasingly inserted little-known provisions in the budget at the request of governors that give the administration in power broad authority to spend far more than what is appropriated for particular matters. We are recommending that one such provision in existence for many years be eliminated and that three new requested provisions be denied. They are as follows:
    - A longstanding provision allows the Governor to appropriate such funds as are needed to settle litigation matters. This blank check resulted in the Governor being able to pay $53 million towards a lawsuit – without public accountability, explanations, or assurances that problems are being fixed -- with families who suffered tragedies due to his administration's incompetence at State nursing homes during COVID. It resulted in similarly large settlements relating to administrative abuses at Edna Mahan – again without public accountability, explanations, or assurances that problems are being fixed. While settlements for people being victimized by administrative negligence are appropriate, the executive branch should have to come to the Legislature and account publicly for why the funds are reasonable, what led to the settlement in the first place, and what steps are being taken to ensure incompetence, tragedy and waste never happens again.
  - Three new positions were proposed by the administration that should be denied.
    - A request by the Governor that he be permitted to spend as much money as he wants – above and beyond appropriations – to the free and reduced school meals program. We would be less concerned if the measure capped additional spending and limited it to cover current entitlements. But we are exceedingly concerned this blank check provision in the hands of any governor – let alone one who spends other people's money as freely as this one- could be used for a large- scale increase in entitlements that cannot be sustained.
    - A request by the Governor that he be permitted to spend as much money as he wants – above and beyond appropriations – to subsidize health insurance bought through the State exchange . Again, we would be less concerned if the measure capped additional spending and limited it to cover current entitlements. But we are exceedingly concerned this blank check provision in the hands of any governor – let alone one who spends other people's money as freely as this one- could be used for a large-scale increase in entitlements that cannot be sustained.
    - Finally, a request by the Governor that he be permitted to spend as much money as he wants – above and beyond appropriations – to provide free insurance to the children of illegal/undocumented immigrants. That particular provision accompanies a new program being advanced by the Governor in this year's budget funded with $11 million, when the governor admits his goal is to

provide free insurance to 60,000 people – which by anyone's basic math will wind up costing far in excess of $200 million when fully phased in. This blank check provision is obviously intended to allow the Governor to hide the true costs of a program that is obviously unsustainable.

- Close Loopholes in the Debt Reduction and Avoidance Funds
  - The debt reduction and avoidance funds can currently be used for new capital spending that is not BOTH authorized under the constitution and existing statutory debt authorizations. That is a convenient loophole that should be closed. Otherwise, we fear that funds will be used through a secretive allocation by the Governor and JBOC to pay for new initiatives – not actual debt reduction -- and even be a new vehicle for awarding pork funding.
  - The balance of funds (almost $800 million) in these accounts has been tentatively earmarked by the Governor for just two capital projects in Newark and Camden, for which no debt is currently authorized. The Governor has failed to produce spending plans as requested by the nonpartisan Office of Legislative Services for these two proposals and the delegation of vast amount of decision-making to the Governor and JBOC for these funds needs to end.
  - We propose that all funds for debt retirement and avoidance – including the increase for these funds that we are proposing -- be appropriated by the full legislature, after receiving a proposal by the Governor that truly lives up the spirit of the law that created the funds.