SENATE REPUBLICAN BUDGET MEMBERS' PROPOSED CHANGES TO GOVERNOR MURPHY'S FY 2024 STATE BUDGET PLAN

June 2, 2023

More than $6 Billion of Tax Relief Focused on Property Tax Relief;

More Debt Reduction, Spending Moderation, and Reforms to Prepare for a Recession;

Transparency and Fairness Instead of Secretive Slush Funds and Favoritism.

I. SUMMARY AND OVERVIEW

Republican members of the Senate Budget and Appropriations Committee are once again proposing comprehensive and thoughtful changes to the Governor's proposed budget. They are similar to changes offered last year that were ignored by the Governor and Democrat Majority.

Once again, Governor Murphy proposed a fundamentally flawed budget .

He relies far too heavily on new taxes in the midst of an affordability crisis. In particular, his proposal leaves property taxes to balloon out of control. He has proposed cutting aid to every municipality despite record high inflation. His administration has jacked up local government health care premiums by 22% and local pension bills by almost 12%. He has proposed reducing aid to almost 200 school districts and has proposed a level of school aid for other districts that doesn't keep up with inflation.

He unwisely hoards massive amounts of taxpayer cash that is being destroyed by record inflation. Though we believe the proposed surplus of almost $8 billion is only moderately higher than necessary, he unwisely proposes that another $6 billion of taxpayer funds be left unallocated in three large slush funds undemocratically controlled by a handful of people. Between surplus and slush funds, the Governor has amassed $14 billion of taxpayer money that is wasting away from inflation. Worst of all, he openly refers to the slush funds as, "My money," and hands it out in unprioritized and unreasonable dribs and drabs, all too frequently basing funding decisions on political considerations as to what projects will -- or won't -- be funded.

This document, known as a "budget resolution," sets forth constructive improvements that achieve three main goals:

1) Provides substantial tax and toll relief of more than $6 billion with an appropriate mix of short and long-term relief.

2) Prepares the State <u>AND</u> local governments for a likely recession through a balanced approach that includes: utilizing OLS's more conservative revenue projections; appropriating $1 billion more for debt reduction than has been proposed by the Governor; proposing a net reduction in recurring spending; advancing longer range financial reforms; allocating of one-time revenues for *one-time tax relief or infrastructure needs – and leaving a more than $6 billion surplus that is almost 12% of the budget.*

3) Establishes greater transparency and fairly allocates what has become secretive slush funds: this includes a major proposal to share $4.3 billion of the Debt Defeasance and Avoidance Fund with local governments for their local debt reduction and avoidance which gets better savings than similar state efforts and lowers property taxes; it includes the timely allocation of Federal COVID funds that have sat unallocated for two years – an especially timely and important initiative in light of President Biden announcing a bipartisan agreement on the federal budget that includes clawing back unobligated funds; and it includes preventing the creation of a third slush being proposed by the Governor – sole authority for his Administration to dole out – without a plan spending proposal, public input, and legislative appropriation -- $700 million in new taxes collected from Horizon premium payments.

Our suggested changes to the Governor's proposed budget stand in stark contrast to what the Governor has proposed -- and what has been enacted -- time and time again by Democrats who have run the Legislature for 20 years.

If history is a guide, they will meet behind closed doors in the coming weeks and emerge at the end of June to introduce and adopt a budget in less than a week's time with little discussion or debate.

Their budget will likely fail to embrace:

- Substantial, sustained tax relief;
- a balanced approach to planning for the future;
- meaningful spending restraints or reforms.

Their budget will likely dole out taxpayer money to politically favored groups through approximately 100 special line items that exclude thousands of local governments and nonprofit social service providers with equal, or more compelling, needs. No explanation of the new line items will be publicly provided until after the budget vote – if any are ever provided at all -- in clear violation of Joint Senate and Assembly rules.

Their budget will likely leave billions of dollars in extraordinarily undemocratic slush funds that will be spent by the Governor alone or with a rubber stamp of approval from the Joint Budget Oversight Committee. And there will likely be language provisions in the budget that give the Governor a "blank check" and dictatorial authority to increase spending as he sees fit.

In contrast, our budget plan as presented in this resolution brings the State in a fundamentally new direction. We are proud of our proposal which shows a better way forward. It is why we are sharing it publicly well in advance of the need to adopt a budget. We hope the Governor and Democrat Legislative Leadership finally listen.

II. THE THREE PILLARS OF THE SENATE REPUBLICAN BUDGET MEMBERS' BUDGET PROPOSAL

MORE THAN $6 BILLION OF TAX RELIEF FOCUSED ON PROPERTY TAXES

When crafting this resolution, Republicans have been ever mindful of the affordability crisis and the undeniable reality that excessive and extraordinary revenue collections exacerbate the crisis. Overcollections come out of the pockets of taxpayers and amount to billions of dollars beyond what was budgeted or needed for the State's budget.

It's an embarrassment that while inflation is at historic highs, Governor Murphy and the Democrat Legislature took so much more from taxpayers than 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.

We are mindful that recent overcollections of revenue are not likely to continue as the economy slows down and the federal government limits its reckless excesses with federal taxpayer money. Because of the extraordinary nature of revenue overcollections, much of the tax relief we propose is funded though smart, one-time uses of off-budget accounts the Governor and Democrat Legislature has allowed to mostly waste away from inflation while they gradually piddle large amounts based on political favoritism.

A major component of what we propose -- supported by our entire Republican Caucus, the League of Municipalities, and Association of Counties -- is to share with local governments and give back to property taxpayers $4.3 billion from the State's Debt Defeasance and Avoidance Fund though Senate Bill No. 3906.

We have proposed other one-time uses of federal funds that would negate the need for impending tax increases on low-wage employees and all employers to bolster the weakened Unemployment Insurance Fund.

And we have proposed halting automatic toll increases on drivers.

The balance of the tax relief we here propose is permanent, and for good reason. We are proposing structural changes in our tax policy that help prevent the flight of people and capital from New Jersey. These tax policy changes 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.

There will be those who say that these tax cuts will dig a future budget hole. To the contrary, providing thoughtful tax relief based on a mixture of short-term and long-term strategies will responsibly grow our economy and protect budget revenues from a potential recession.

- **Property Tax Relief - $4.3 billion for Local Government Debt Reduction and Avoidance otherwise Paid by Property Taxpayers**
  - Over the past two years ago, largely at the insistence of Republicans and with the strong support of former Senate President Sweeney and current Senate Budget and Appropriations Committee Chairman Senator Sarlo, the State has appropriated approximately $9 billion to a special fund (The Debt Defeasance and Avoidance Fund.)
  - Though approximately $7 billion of the Debt Reduction and Avoidance Fund has been allocated – half for debt reduction and the other half for capital projects that have been very slow to move -- Approximately $2 billion has sat in the fund for a year without any proposed use at all.
  - Another $2.35 billion – bringing the unallocated balance to approximately $4.3 billion -- is proposed by the Governor to be appropriated into the fund before the end of the FY 2023 fiscal year – an appropriation we support and want to grow by an additional $1 billion for a $3.35 billion additional appropriation before June 30.
  - **Neither the Governor nor Democrat Legislature have proposed substantial uses of the remaining and proposed balances of the Debt Defeasance and Avoidance Fund. Rather than leave the balance of the fund waiting forever for State to figure out how to use it, Republicans in the Senate have unanimously proposed legislation (S-3906) to turn over the $4.3 of unallocated funds to local governments for their debt reduction and avoidance. This would leave $1 billion for additional State use.**
  - S-3906 would distribute the $4.3 billion within 30 days of enactment based on a fair and equal "per capita" basis: $3 billion would be provided to municipalities; and $1.3 billion would be provided to counties.
  - The same restrictions on the State's use – debt reduction or avoidance – would apply to local governments.
    - First, local governments could decide to use funds to immediately reduce their own debt.
    - Second, local governments could decide to use funds for road, park, water, sewer, open space, and other long-life capital projects in lieu of issuing debt. Generally, this would mean they could pay cash for projects that would otherwise be funded under local bond ordinances adopted pursuant to the Local Bond Law.
  - For taxpayers, it makes sense to focus the next round of debt reduction at the local level as opposed to the State level.
    - Focusing efforts at debt reductions on the local level will save more for taxpayers than retiring State debt. Much of the outstanding local debt that could be reduced has far higher interest rates than State debt. This is especially true for distressed governments and smaller local governments where banks typically command high interest rates.

    - Local governments can frequently retire their debt more easily than the State. That is because they typically borrow – even for long term projects -- through one-year notes that are "rolled over" every year as they come due. Rather than "roll them over," they can pay them off.
    - In cases where funds are used to avoid new debt, local governments – unlike the State -- frequently have shovel-ready projects already supported with local bond ordinances. Debt that is imminent for things like roads, parks, flood projects, etc. will be avoided and funds won't sit wasting away from inflation as is frequently the case with State allocations for its own uses.
    - Republicans are prepared to consider proposed state uses of unallocated funds if proposed uses are explained fully and are sensible. However, to date, no such proposals have been received.
    - It is clear billions of dollars can, and should, be directed to local governments to save property taxpayers money… and Republicans will not support simply leaving money on the table to be destroyed by inflation or be spent by the Governor in an undemocratic process on political favors because he thinks it is "My money."

- **Additional Property Tax Relief and/or School and Municipal Aid Increases- $363.5**
  - Municipal Aid Increase (ETR and PILOT Aid): $168.5Million
    - Bipartisan restoration of the Governor's proposed $75 million cut to Municipal aid -- he proposed cutting last year's Energy Tax receipts (ETR) -- and growing that restoration to $165 million.
      - Specifically, enact S-330, sponsored by Senator Singleton and cosponsored by Republican Senators and passing with unanimous Senate support. The legislation restores all funding cuts of ETR/CMPTR aid over a two-year phase in and requires the funds to be used to lower property taxes.
    - Restoration of last year's $3.5 million cut to Municipal Open Space PILOT Aid which is critical support for predominantly rural local governments whose ability to raise their own revenues have been destroyed by large state land purchases.
      - 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. Ironically, 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.

- School Aid Increases (restoration of formula aid cuts, fully funding Extraordinary Special Education Aid, and increasing aid for transportation services): $165 Million.
  - Restoration of school formula aid to almost two hundred school districts.
    - 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. The formula is in bad need of an overhaul.
  - Full Funding of Extraordinary Special Education Aid ($80 million)
    - According to OLS, $80 million would allow the State to fully cover 100% of statutorily recognized costs related to appropriately supporting children with special learning needs.
    - Current costs are underfunded, leaving property taxpayers to pick up costs.
  - Supplemental Transportation Growth Aid ($31.6 Million)
    - Schools have experienced extraordinary increases in transportation costs due to ordinary inflation and a decrease in available drivers. The school funding formula fails to recognize this special challenge.
    - S-3788 requires the Commissioner of Education to provide Supplemental Transportation Growth Aid to a school district, in addition to the amount of State school aid the district is receiving in the 2023-2024 school year. The amount of aid allocated to a school district would be the sum of:
      - $40 multiplied by the number of students who are transported without any special services; and
      - $275 multiplied by the number of special education students who have special transportation requirements.
- 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.

- Grant Program to Offset Emergency Management Needs (COVID Funding)
  - As with prior years, it is recommended that federal funds be made available to support Emergency Management Needs ($30 million). Local emergency management needs are well-documented. Funding is proposed to be allocated through reasonable and fair grant processes.

- **Deduction for NJ-based Charitable Contributions from income for GIT - $75 million.**
  - There is overwhelming bipartisan support to establish a State tax incentive encouraging donations to New Jersey-based nonprofit organizations. It is sound public policy. It generally supports charitable giving for a sector that provides services to those in need and that plays an important part in our economy. Most importantly, it gives donors who make a certain level of donations every year to choose New Jersey-based organization instead of sending their money out-of-state. Our New Jersey organizations are more in need than ever, and we propose finally enacting tax benefits for contributions made after October 1, 2023. In the last session, S-2360 establishing the tax deduction passed the full Senate unanimously. S-2013 (Oroho, Singleton), which remains in the Senate Budget and Appropriations Committee, serves as the template for this year's proposal.
  - Nonprofit hospitals, food pantries, home care nursing services, organizations that support the disability community, visiting nurse associations, are all providing more help than ever while economic uncertainties are impacting fundraising. Nonprofit educational institutions, museums, theaters, and other organizations that are important economic engines in our communities continue to struggle as they recover from COVID closures.
  - Enacting permanent tax benefits effective October 1 will have a quarter year impact for CY 2023 income tax liabilities supporting 2024 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 was previously estimated by OLS to be $246.5 million to $422.6 million.

        - New Jersey residents give more than $7 billion annually to charities, but since New Jersey does not allow for a tax deduction for State-based charities, billions of dollars of contributions are flowing out of New Jersey to other states. Though New Jersey would lose some revenue, New Jersey charities will benefit considerably and pressure on the New Jersey budget will decline.
- **Halting Planned New Tax and Toll Increases (AKA, "Helping the Governor Keep His Pledge Not to Raise Taxes"): More than $1.2 Billion**
    - **Halt income tax bracket creep by indexing the income tax brackets for inflation. (~$500 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 and a majority of other states' income taxes 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.
        - 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 upcoming January increase in employ<u>ee</u> payroll tax that replenishes the Unemployment Insurance Fund - $50 million (Using $50 million of federal ARA funds to offset forgone 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.
        - 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.
        - Last January, the Department increased the regressive tax on employees by 10% to pay for a 10% benefit increase. It increased again this January by publishing something in an obscure register.
        - This proposal is to prevent the next increase of approximately 5% on January 1, 2024.

        - S-2758, bipartisan legislation sponsored by Senators Testa and Sarlo, would accomplish this proposal, though it would need amendments to update the bill's effective dates. It sits in the Senate Budget and Appropriations Committee.
    - **Halt planned increase in employ<u>er</u> payroll taxes July 1, 2023 - ~$500 million (Using federal ARA funds to replenish Unemployment Insurance Fund in lieu of tax increases, with no impact to budget.)**
        - This proposal is to use a portion of the remaining federal COVID block grants to restore solvency to the Unemployment Insurance Fund in lieu of the third planned tax increases on employers which would take effect on July 1, 2023. This has been done in many other states. Funds could be used quickly, which is critically important to prevent claw-backs of unspent relief funds which is part of a bipartisan plan to increase the debt ceiling.
            - There will be a July 1, 2023 increase in tax collected for the Unemployment Insurance Fund on employers and it will result in employers paying something between $350 million and $700 million in additional taxes. Early estimates of the tax increase impact were $350 million. However, at a recent Senate Budget and Appropriations Committee hearing, the Commissioner of Labor indicated the increase in revenue next year from the employer tax could be as much as $700 million -- with some portion of that attributable to factors other than the tax increase (higher wages and additional employees.) The actual increase is unknown, so $500 million (a reasonable estimate) of COVID Block Grant funding would be used to restore solvency to the fund.
        - 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. Early 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 states 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. ($172 million)**
        - OLS previously indicated a 3% 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. Another toll increase scheduled for January 1, 2024 is believed to have a similar impact.

- Halting this tax/toll increase would not impact the State's budget. It would lessen reserves in various toll road authorities whose reserves can easily be reduced without impacting planned project improvements. To the extent reserves needed to be bolstered, federal COVID block grants could be used to offset revenue impacts.

PREPARE FOR A LIKELY RECESSION THROUGH A BALANCED APPROACH THAT INCLUDES:

- **Primarily allocating one-time revenues to one-time, nonrecurring purposes, including: $4.3 billion of local government debt reduction and pay-as-you-go capital infrastructure investments; restoring the health of the Unemployment Insurance Fund; and paying down existing State debt.**
- **Advancing longer term reforms that make our economy stronger;**
- **Proposing increases in spending for various priorities that will strengthen the State, but funding them with 2:1 offsetting spending restraints – for a net reduction in State spending.**
- **Growing the surplus to a healthy, but not excessive, $6.445 billion (12% of budget.)**

Democrats 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 many years.

With the worst inflation in 40 years due to failed national policies and economists warning of a recession, Democrats want to protect the more than 50% increase in spending they implemented over five years, including massive spending increases proposed again this year. The increases include new programs that escalate in future years and hundreds of line items of pork that we have long argued to restrain or eliminate.

Democrats have ignored even modest proposals to reform obvious abuses in pension and post-retirement health benefit reforms that were grandfathered under older reform laws

In the area of employee and retiree health benefits, the Governor and Democrat Majority have even rejected proposals advanced by public employee unions who are concerned about increased health insurance premiums paid by active and retired members.

And they want to continue relying on volatile tax increases that they know will eventually turn south -- causing their spending to be in jeopardy. Most recently, some Democrats have proposed an about-face on prior promises to finally let the corporate business tax surcharges expire. These surcharges were initially enacted as a promised short-term response to feared COVID revenue losses. The surcharges made New Jersey the highest taxing state for corporations in the entire country, so they were structured to sunset to prevent businesses from incorporating them in long-term location decisions.

Democrats are desperate to avoid even the most moderate of reforms and spending restraints. They want the unsustainable gravy train to move full steam ahead. It's why they won't give back substantial funds to taxpayers and why they want to hoard $14 billion 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 taxpayer money will steadily 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 $6.445 billion -- 12% of the budget. But we will give back hoarded cash and embrace other approaches listed below to prepare for a recession.

- **Allocating Debt Defeasance and Avoidance Fund and one-time COVID Block Grants to one-time, nonrecurring purposes that will have lasting impacts.**
  - Republicans have advocated for the past two years that balances of the **Debt Defeasance and Avoidance Fund** federal **and one-time COVID Block Grants** be allocated quickly for appropriate purposes. 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 in the prior two years and sets forth how to use large balances that are wasting away from inflation.
  - As previously noted, the two cornerstones of these allocations are: $4.3 billion to help local governments reduce debt and avoid new local debt; and $550 million to restore the health of the unemployment insurance fund in lieu of tax increases scheduled for employers on July 1 and employees on January 1.
  - Another proposed major use is to advance a $250 million Health Care Professional Preparedness Initiative.
    - In the past, funds for the hospital and health care sector improvements have been grossly politicized. $720 million of the State's COVID Block Grant was provided to about a third of the State's hospitals outside of any competitive or rational allocation process. In fact, the Commissioner of Health indicated at this year's Senate Budget and Appropriations Committee hearing that her department – which oversees hospitals and the health care industry -- had no input on how the $720 million was given out. They had no participation in reviewing proposed spending plans or recommending how to allocate limited funds.
      - 2/3 of hospitals were simply cut out from sharing in the federal COVID Block Grant.
    - Additionally, a glaring and obvious need to address professional health care staffing shortages has gone unaddressed with the federal COVID Block Grant. For these reasons, we propose $250 million of federal funds be set aside for the Department of Health to award through a rational and competitive process to improve the health care system. Substantial funds

should be made available for improvements to capital facilities including hospitals, nursing homes, and other nonprofit health care providers. And substantial funds should be allocated to address the shortage of nurses and other professionals, including $10 million for each of the Hospital Association's: *Nursing Faculty Loan Redemption Program and a Behavioral Healthcare Provider Loan Redemption Program*

- Additional proposals that we advance include:
  - $40 million for school and nonprofit safety and security preparedness.
  - $30 million for local emergency management preparation;
  - $25 million for charter school facility improvements.
  - $10 million to replace ballot machines as appropriate with more reliable models that have paper auditing.
- **Advancing longer-term reforms and initiatives that save money while making our economy stronger: ($600 million in combined new 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: Enacting a variation of S-3128 and A-4694 and more aggressive Executive action ($500 million new revenue 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 possibly unconstitutional 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 and to work from home 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.
- Republicans, and especially Senator Oroho, raised this issue repeatedly. After years of doing nothing, the Administration half-heartedly supported New Hampshire's legal efforts 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.
- Nine months ago, the Administration finally proposed legislation addressing some of the recommendations discussed below. Unfortunately, the legislation languishes and the Governor seems unwilling to spend political capital to get the legislation enacted. The Senate version of the legislation is S-3128 and is pending a final vote in the Senate. The Assembly version is A-4694 and was recently passed by the General Assembly. The legislation is a strong start towards a resolution of the situation with: tax credits to support private litigation against New York; support for employers to allocate employees to NJ offices; and retaliatory action against New York citizens working for corporations in New Jersey.
- Though worth supporting, the legislation does not go far enough and 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.
- New Jersey should directly sue New York and encourage New Jersey residents to assert their rights by offering direct legal assistance – not just tax credits for private litigation -- should New York continue to try and tax our people at higher rates than they would pay in New Jersey. Though our State provides direct legal

assistance to private parties in litigation on other matters, this administration has incomprehensibly refused to provide similar help to litigants whose success would not only benefit the litigants, but also the State's coffers as money is repatriated for our State's budget and services.

- Finally, our Governor should be marshalling our United States Senators, and our entire congressional delegation, to unanimously insist on federal law changes that make New York's abuses more certainly violative of federal law. For some reason, our Governor has failed to do so.
- Clapping for New Hampshire, waiting years to introduce legislation which could be stronger and then letting it languish, and not having an aggressive Executive plan to combat New York while they overtax our citizens and eat our lunch – isn't leadership. It's a lazy way to avoid truly engaging the issue and it is costing our residents money and our State budget billions in revenue.

▪ **Republicans, the Comptroller, and public employee unions have all called for additional reforms in the area of pension or health benefits that have gone ignored by this Administration. We do so again with proposals that are consensus oriented. Many would be supported by most public employees. A least $100 million.**

- More than a decade ago, bipartisan reforms were made to pension and health benefits that significantly reduced long term expenses. However, our current defined pension benefit pension plans and health benefits system continue to have obvious abuses in them for many older employees who were "grandfathered in" from reforms. We propose ending certain abuses.
    - Grandfathered employees are still able to receive full time pension credit for as little as $1,500 of "work" every year.
    - Most public employees now pay reasonable premium-sharing towards their health care on a sliding scale tied to salary. However, 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: a middle-class public employee who is a single parent with three children can pay far more than a married couple with a combined $200,000 of public employee income and no dependents who select coverage under the lower paid spouse..
    - 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 did not

require them to pay more -- as do police and fire personnel -- for such benefits.

- Some public employees other than State 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 spouse's job. Premium sharing -- which was imposed more than a decade ago – now serves as a disincentive to an employee accepting health insurance when another option is available, so paying a public employee to decline insurance when other insurance is available is no longer necessary as a means to incent declining coverage. We propose that public employees seeking compensation for declining health insurance should have to disclose when an alternative insurance option is available to them through another employer or spouse's employer. If the alternative health insurance is through a public employer, no extra compensation should be available for declining coverage. If the alternative health insurance is available through a spouse's private employer, there should be additional restrictions on compensation for declining public employer health insurance.
- The Comptroller has recommended beefing up the Division of Pension and Health Benefits' special enforcement sections enforcement powers to guard against certain significant abuses in the pension system. We agree with the Comptroller that enforcement powers, including subpoena powers, should be expanded.
- Finally, defined benefit pension plans are inherently volatile for the State's budget and moving towards 401(k) 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 401(k) 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 would help the State move towards a more predictable and sustainable benefits system, and it could draw talented employees who might shy away from a defined benefit system that they may not prefer.

- As a final note, it's possible for policy makers and union leaders in good faith to work together and find a way to provide a cost-of-living-adjustment (COLA) or COLA equivalent for some rank-and-file public retirees. An across-the-board return to COLAs for every retiree is not sustainable. The nonpartisan OLS notes it would result in additional State debt of $35 billion and property taxes and State taxes would be pushed higher to pay pension costs which would increase annually by more than $3 billion. But we are willing to work with unions and retiree advocates to identify a way forward to provide a COLA or COLA equivalent to some retirees provided we don't create a massive new State debt or inevitable tax increases. Options could include:
    - only retirees with modest rank-and-file worker pensions and previously impacted by the COLA freeze for a certain number of years could be made eligible;
    - and only those retirees who live or pay income taxes in New Jersey could be eligible for COLAs with COLAs provided though the income tax filing process in lieu of the ordinary pension system;

- **Addressing unmet needs, but more than paying for them with additional restraints in recurring spending.**

As we did last year, we are also proposing limited additional funding to meet critical needs that went unaddressed in the Governor's proposed budget. We also propose corresponding reductions that more than pay for meeting these needs and others we have identified elsewhere in this resolution.

This stands in contrast with our Democrat colleagues. Last year, they adopted a budget after months of review that added hundreds of millions of dollars in new spending to the Governor's proposed budget, but that failed to substantively reduce a single line item beyond technical adjustments to account for changes in program use assumptions. Their new spending included 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 so where we propose addressing unmet needs, we also propose how to pay for it.

- **Addressing unmet needs:**

In addition to proposals noted elsewhere in this document, we are proposing to meet unaddressed needs in the areas of education, community development, public safety, transportation, and nonprofit health care and service providers who provide critical services. These recommendations were discussed with the public, our constituents, and service providers.

Many of our Republican and Democrat colleagues are supportive of these requests and where similar resolutions have been submitted by others, we support them.

PUBLIC SAFETY

$4,000,000– Double Supplemental Safe and Secure Program Grant

The existing Safe and Secure Communities Grant Program is designed to provide eligible municipalities with higher-than-average crime rates to support law enforcement personnel costs to help address crime in a community-oriented manner. The Department of Law and Public Safety, through OAG, administers the Safe & Secure Grant Program. The intent of this funding would be to provide a long overdue increase in this program. In conjunction with a separately introduced and supported resolution restoring Energy Tax Receipts that the Governor cut from local aid for all municipalities, it would help local governments preserve and expand law enforcement efforts to combat rising car theft and other crimes – especially at a time when State mandated local costs are increasing for things like SHBP and pension costs.

EDUCATION

$20,000,000 – K-12 Nonpublic School Support

Nonpublic school providers and families are recommended to benefit from an additional $20 million in support for the following:

- An increase for nonpublic school transportation support to $1,300.00 in order to provide opportunities for students to receive rides to school. Due to bus driver shortages, it is difficult to get bids on nonpublic school routes at the current rate.

- An increase from $1,040.33 to $1,300.00 per service for compensatory education (remedial instruction in math and language arts). The current amount for these services has caused a reduction in services to nonpublic school students.

Nonpublic schools are a critical component of our educational system and frequently support under-served communities. They save the public school system money and provide essential options for parents. They are facing significant inflation, difficulty recruiting teachers in certain subjects, a shortage of bus drivers, and the need to address lingering impacts of COVID on children's education.

This additional funding will help nonpublic schools provide essential services.

This proposal has also been strongly supported by Senator Durr and others.

$20,000,000 – County Colleges – Increased Operating Aid

The NJ Council of County Colleges has requested that the State Legislature increase state operating aid for community colleges in the FY 2024 state budget by $20 million to help keep community colleges affordable and innovative. They have experienced inflation, public sector health insurance costs increases, staffing challenges, and have traditionally experienced State underinvestment.

New Jersey is currently ranked 47 of 50 nationally regarding funding by the state to community colleges. Following the pandemic New Jersey's community colleges appear to be experiencing an uptick in enrollment for the first time in a number of years.

New Jersey community colleges are continually expanding to include innovative new collaborations and program offerings.

Unfortunately, while the costs of labor and inflation are rising across industries, there was no appreciable increase at all in operating aid for community colleges in the Governor's proposed FY24 budget.

This request would establish a $169.1 million level of support for state operating aid for community colleges - an increase of $20 million from FY 2023.

$4,000,000 – Independent Universities – Increased Operating Support

Independent Universities have requested an increase in the operating aid line item from $11.5 million to $15.5 million.

This increase is still well below a long-abandoned statutory funding formula which, though more complicated, generally requires private institutions to receive ¼ of the per-student funding being provided to public universities. If "fully funded." the private universities would be receiving closer to $23 million so this increase only gets them part of the way to where they should be. They are an important component of educational opportunities for families in New Jersey and should be properly supported.

Thomas Edison State College; $4,557,000

This Budget Resolution would restore the FY23 base appropriation for Thomas Edison State University and fund focused awareness and recruiting services to attract non-traditional New Jersey students in response to "non-public online competitors" aggressive marketing within New Jersey. Thomas Edison is an important component of higher education opportunities in New Jersey and fills a need among students seeking the more flexible option of online education to accommodate their families and work lives.

Additional Support for Public Four-Year Higher Education Institutions - $15 Million

This resolution supports a request made by the New Jersey Presidents Council and various public higher education institutions during the budget process. Funding would first restore net operating aid reductions in FY 2024 for the State's four-year universities (other than Rutgers which is expected to receive additional undisclosed funding from the Governor pursuant to his union negotiation commitments) and generally provide additional support for public four-year institutions.

TRANSPORTATION

Private Transportation Carrier Support - $85 million (Federal Funds)

Ridership on private carrier bus routes is still well below what it was prior to the COVID pandemic and may never recuperate given short work weeks instituted by many businesses, allowing staff to work remotely.

Inflated cost of doing business, increases in fuel and parts, the struggles to find qualified drivers, and lower ridership, has produced a significant negative impact on private carrier operations.

Without additional assistance, bus carriers will continue to cancel routes and eliminate services which will impact people who are unable to drive and don't have access to public other transportation services.

This proposal is to authorize up to $85 million in federal COVID Block Grant funds to be used to stabilize private carrier services that may otherwise be lost or become unaffordable.

ECONOMIC/COMMUNITY DEVELOPMENT

Funding in support of Manufacturing / S-1754 and A-2455 - $2 Million

- $1 million to fund (A-2455/S-2204/PL 2021, c.320)
    - NJBIA supported the new robotics law that passed the Legislature 70-0 and 38-0. This law created a pilot program and a new Department of Education fund that will support workforce development in the manufacturing and innovation/STEM fields, but it did not have any appropriations. NJBIA requested a budget

resolution to create a new Department of Education line-item with $1 million to support this program as the law is not operational until it is funded.

- $1 million to fund S-1754 (Beach, Testa)
  - One of the top concerns NJBIA hears from manufacturers and those in STEM/innovation fields is the inability to find skilled people or even anyone that wants to go into their jobs. The public does not know the high wages and benefits in these jobs which don't always need a college degree. Many manufacturers support a marketing campaign to educate the public about the benefits. S-1754 does just that and has passed the Senate State Government committee 5-0. This funding would support a program regardless if the new law passes.

New Jersey Community College Consortium for Workforce and Economic Development - $5,500,000

This proposed budget resolution would increase the allocation to the New Jersey Community College Consortium for Workforce and Economic Development by $5.5 million (from the $6 million proposed in the Governor's proposed FY2024 state budget to a total of $11.5 million.) This would allow for the expansion of a statewide New Jersey Pathways to Career Opportunities initiative, to support and expand education/industry partnerships that prepare individuals for careers in manufacturing and other key industries of the state.

Lake Restoration - $17,000,000

New Jersey has consistently failed to provide meaningful support to local governments in their efforts to maintain lakes. This funding is intended to be disbursed through a competitive grant program administered by DEP to help restore waterbodies for purposes including recreational uses.

Funding should be adequate to support projects including Lake Hopatcong and Greenwood Lake maintenance and restoration as well as lake management projects throughout the State.

NJ Emergency Medical Services Task Force (NJEMSTF) - $787,500

The requested funding would be utilized to pay for much-needed items including annual replacement of PPE for members and costs associated with maintenance and training.

The New Jersey EMS Task Force has served as New Jersey's frontline EMS response since its inception in 2003. They have responded to countless deployments including flooding events, evacuations, wildfires, threats of civil unrest, and played a critical role during Sandy. The NJ EMSTF was a vital resource to the state during the pandemic response, helping to transport hundreds of thousands of COVID-19 vaccine doses and coordinating EMS vaccine vans following a shift away from vaccination mega-sites.

Despite their vital contributions to New Jersey, they do not currently receive designated funding through the Department of Health. The requested funding would be utilized to pay for much-needed items including annual replacement of PPE for members and costs associated with maintenance and training.

9/11 EMS Memorial - $100,000

The EMS Council of New Jersey is seeking funding for its 9/11 EMS memorial in Keansburg, NJ. The monument at 1 Beach Way will be the only one of its kind in the United States, dedicated solely to EMS personnel who died on 9/11, as well as those who still suffer lasting effects from their service after the attacks. It will include a section of World Trade Center rubble and steel and sit six miles across the Raritan Bay, in direct line to where the Twin Towers stood.

NJ YMCA State Alliance - $500,000

During FY22 & FY23, the NJ YMCA State Alliance received a $1M grant-in-aid that enabled them to address some of the State's most pressing community recreational needs throughout the State.

In the aftermath of the pandemic food insecurity, learning recovery, and social isolation are a struggle for many children and families.

The Governor's proposed FY24 budget includes $500,000 -- a reduction of $500,000. Restoring $500,000 in order to bring the NJ YMCA State Alliance up to the level of funding they've had for the last two years will help support essential programming while also dealing with the rise in community needs and increasing costs.

SOCIAL SERVICE PROVIDER RATE INCREASES

Throughout the budget hearing process, considerable testimony was provided by various nonprofit social service and health care providers that inflation, state mandates, worker shortages, and minimum wage increases had all compromised their ability to continue providing services without a provider rate increase.

These nonprofits provide services for the sick, elderly, disabled, and some of our most vulnerable citizens.

We support rate increases that have been proposed by institutional service providers including hospitals and other institutions as well as rate increases for providers of services in community settings and at home.

The needs of the nonprofit service sector are considerable and will be ongoing. It is why we have additionally advocated for a charitable tax deduction against the income tax for private giving to in-state nonprofits. In addition to providing adequate rate increases, we must structure our tax code to help them obtain untapped resources from the private sector which are currently flowing out-of-state.

The listing of supported requests below are proposed to be funded though the General Fund. However, we may not have addressed every reasonable request for a rate increase or capital needs, which is why we have separately advocated for $250 million in federal funds for a $250 million Health Care Professional Preparedness Initiative.

Increased Charity Care Reimbursement - $40,000,000

NJ hospitals provide approximately $550M in documented Charity Care services to NJ Residents, while the State's proposed reimbursement for Charity Care is only $342M.

The State should make greater progress towards fully reimbursing hospitals for uncompensated care which hospitals are required to provide.

In addition to inflationary pressures, the volume of Charity care services is expected to increase throughout the year due to the State's Medicaid eligibility redetermination process – now moving forward after a two-year freeze during the Federal Pandemic. Basic care will likely be sought at local hospitals once a large number of individuals (up to 300,000 NJ residents) will no longer have access to Medicaid providers.

Charity Care program dollars are matched by the federal government, so additional resources will be pulled into New Jersey with $40 million of additional State support.

*** Language changes to Medicaid Disproportionate Share Hospital(DSH) may also be needed.

DSH payments are federally-required payments designed to offset hospitals uncompensated care costs for serving Medicaid and uninsured patients. New Jersey Medicaid DSH payments are primarily made through the Charity Care program. Federal law establishes hospital-specific DSH limits/caps under the program. An annual Medicaid DSH audit must be conducted to certify that DSH payments did not exceed each hospital's DSH limit. In the case that they did exceed the limit, those excess funds must be returned to the federal government since New Jersey does not have a retrospective Charity Care redistribution policy.

Significant investments by the State in other programs like the county option hospital fee program has led to anticipation that some hospitals will exceed their DSH caps which may not be discovered until after an audit.

New Jersey should not leave potentially helpful funding on the table to be sent back to the federal government simply because we have not chosen to implement a retrospective Charity Care redistribution policy for FY24.

PACE Home Health Aides - $2,500,000

Testimony was received by the "Program of All-inclusive Care for the Elderly (PACE) which justifies a funding request to support their workforce.

PACE serves individuals aged 55 or older, clinically certified to need nursing home care, able to live safely in the community, and residing in a PACE service area. PACE programs currently operate in 11 counties: Atlantic; Burlington, Camden; Cape May; Cumberland; Gloucester; Hudson; Mercer; Ocean, Monmouth; and Salem.

PACE addresses many challenges of aging at home by having a coordinated, interdisciplinary team provide medical, social and behavioral care, both in-home and at a PACE center. This helps participants to remain as physically, socially and emotionally independent as possible. Services include, but are not limited to primary care, medications, home care, meals and nutritional counseling, social work, occupational and physical therapy, and transportation – not only to attend PACE Center programs and services, but to access other services in the community.

While PACE participants are on average 2½ times as frail as the average Medicare beneficiary, participants typically have less than one emergency room visit per year, are hospitalized 24% less than the majority of nursing home residents, and have a low risk of being admitted to a nursing home for long term care, thus reducing related healthcare costs.

Similar to needs facing other programs receiving support for worker development, PACE programs are facing significant challenges as they compete to retain and hire staff. They are facing a critical shortage of home health aides. However, increases for worker support that is being provided for other providers is not proposed for PACE programs.

PACE seeks support to increase the reimbursement rate for home health aides provided through PACE programs to $24.52 per hour for personal care services which they estimate to cost $2.5 million. This parity of support with Medicaid will allow PACE programs to attract and retain a qualified workforce and continue providing existing high-quality services to those already enrolled and supporting the continued growth of the program in the state.

Rate Increases for Extended and Supported Employment for Workers Living with Intellectual and Developmental Disabilities - $13,653,952

Programs that enable the success of workers living with intellectual and developmental disabilities is of critical importance and providing services has been particularly challenging for ACCSES NJ members as they seek to find their way forward in a post-pandemic reality. Extended Employment providers have had to navigate through the challenges of rising inflation, higher wages, and other workforce and supply-chain related conditions. ACCSES New Jersey and its members have worked closely with their partners at the New Jersey Department of Labor and Workforce Development to find ways to continue to provide the highest quality level of services possible to those who rely on these programs.

ACCSES NJ has requested an increase in funding of 15.2% for Extended Employment programming which necessitates an increase in funding of $6,653,952. The increase is to address a high inflation rate and an increase in the minimum wage.

Additionally, they have requested a 15.2% increase in funding for Supported Employment. Supported Employment has been chronically underfunded for years and providers are experiencing substantial financial losses under the current funding structure, and some have been forced to close their doors or reduce services.

This funding would allow Extended Employment and Supported Employment programs housed in the NJ Department of Labor to be in line with increases to providers under the Department of Human Services, including the Division of Developmental Disabilities (DDD) and Division of Mental Health and Addiction Services (DMHAS). Providers funded by these agencies have used this funding to help meet the challenges of higher wages and a more expensive operating environment, and ACCSES NJ is seeking similar support for providers funded by the Division of Vocational Rehabilitative Services (DVRS).

Private Duty Nursing - $4 million

Bayada and other organizations made compelling public arguments for an increase in Medicaid support for Private Duty Nursing.

While the proposed budget enables a $1 per-hour increase for RNs and LPNs. The state should appropriate an additional $2 per hour increase to the Medicaid fee-for-service rate for Private Duty Nursing in order to recruit and retain highly skilled nurses. The reimbursement rate for RNs and LPNs would increase by a total of $3 per hour, for a total impact of approximately $4M state dollars, with a 100% federal match.

If NJ home care providers cannot compete to attract and retain highly qualified nurses for medically fragile adults, children, and their families, there will be increases in hospitalizations, ER visits, rehospitalizations, loss of work/jobs by family caregivers, etc.

By way of example, a 1-month stay in a pediatric ICU equals approximately 1 year of 24/7 private duty nursing care at home. At current staffing levels, 50% of cases were turned away due to lack of nurses and 560 cases went unfilled. A total of 1,260 nurses would be needed to fill all referrals.

Increase in the Personal Care Assistant Medicaid Rate - $35,000,000

A reasonable request has been made by the Home Care Hospice Association of New Jersey and Bayada to ensure adequate home health aides.

While the pandemic has exacerbated the workforce shortage, the decline of individuals choosing to become home health aides began before 2020. It is increasingly difficult to recruit and hire aides. Even with full time recruiters, relationships with schools, free training classes and other incentives providers are having an extremely difficult time finding individuals who want to work in the field and become a licensed certified home health aide.

Besides the aide shortage there are several factors that have contributed to the rise in costs for providers: a rise in minimum wage, inflation, and the cost of implementing the State mandated electronic visit verification program (EVV).

In January 2023, the minimum wage was increased to $14.13. The 2019 legislation that requiem minimum wage to increase every year required a one dollar increase every January until the wage was fifteen dollars. This past January, the rate was increased by more than one dollar due to the very high inflation the nation has been facing. Inflation has hit all New Jerseyans hard and has affected how much it cost to run a business. PPE, gas, rent and childcare are just a few examples of areas in which providers have had to pay more. On average providers stated that costs have increased 25% over the last few years.

More importantly, the human cost is the most dramatic. Home Care providers are unable to take all of the cases that the managed care plans offer them because they just don't have the aides to handle the cases. One provider alone turned away over 1500 cases last year because they did not have enough, while another turned away over 750. All providers need more aides and most say they need to hire several more hundred in order to keep up with demand. Unfortunately, finding and training those aides has been extraordinarily difficult.

A $2 increase to the PCA rate is reasonable and appropriate.

$31 million - Direct Support Professionals

The NJ Association of Community Providers, whose members serve individuals with intellectual and developmental disabilities (IDD), has had to absorb the costs of unprecedented inflation, fierce competition for staff, significant escalating overtime costs, and ongoing pandemic costs.

They have requested a reasonable increase in support, including a 10% increase in housing vouchers and a 3% rate increase across the board for fee-for-service rates for Intellectual and Developmental Disability services.

Increasing the reimbursement rate to support their Direct Support Professionals is critical if appropriate staffing is to be secured for some of New Jersey's most vulnerable citizens.

Behavioral Services - $600,000

The ARC of NJ urged the Legislature to increase Behavioral Rates within the Division of Developmental Disabilities by $600,000. This increase will make the rates comparable to the behavioral rates paid by the Department of Children and Families for similar behavioral services. Increased rates are needed to attract qualified professionals to serve individuals who have both intellectual and developmental disabilities, as well as significant behavioral challenges. In addition, they have requested that above and beyond the 3% increase to the fee for service rates that has been proposed by the Governor, they have also requested an additional 2.5% increase to the rates to bring them in line with their original 5.5% COLA request.

5% Increase Medicaid Beneficiaries in Assisted Living Residences, Comprehensive Personal Care Homes and Assisted Living Program - $15 million.

LeadingAge New Jersey & Delaware LANJDE made reasonable requests for rate increases. They represent more than 140 senior affordable housing, nursing home, assisted living, home and community-based service providers, and continuing care retirement communities in New Jersey.

Their non-profit members have been operating under small margins for years, caring for our state's vulnerable elders. Increased operating costs associated with inflation, workforce shortages, higher wages, COVID testing, personal protective equipment, additional staffing requirements, and technology needs have resulted in many of their members operating at a deficit. These increased costs, coupled with a reduced census, have severely impacted their members and have resulted in a disproportionate and unexpected effect on operating budgets across the board. Many mission-driven long-term care providers will be forced to make the decision whether or not to continue to care for elders as part of their ministry.

LANJDE requested increased reimbursement rates by 5% per day per Medicaid beneficiaries in assisted living residences, comprehensive personal care homes and assisted living program. A rate increase would help these providers care for seniors that want to age in place and keep them out of higher costs of care settings like nursing homes; in return, saving the state taxpayer dollars.

In addition to the nursing home and assisted living requests LANJDE requested a $2 increase to the Medicaid PCA rate and $3 increase for the Medicaid PDN rate for both LPNs and RNs.

NJ Coalition Against Sexual Assault - $5,340,000

The New Jersey Coalition Against Sexual Assault requested an additional $5.34M in state appropriations to expand support to Sexual Violence Survivors in NJ, including services provided by its 22 member organizations. Increased funding is needed to support sexual violence service providers across the state, which overwhelmingly continue to be impacted by inflation, accessibility gaps, and staffing attrition in the aftermath of the COVID-19 Pandemic.

The past three years have truly been unprecedented as sexual violence service providers have needed to respond to both the pressing needs of survivors and to the constantly shifting landscape impacting the delivery of services during a global pandemic. Providers have shifted to virtual accompaniment of survivors seeking forensic exams, telehealth and other virtual formats for counseling and support groups, and additional pressures on critical staff. Yet, programs have continued to ensure essential services are available to survivors.

In 2022, New Jersey’s rape crisis centers served approximately 22,000 survivors of sexual violence (a more than 5.5% increase over pre-pandemic levels).

Waitlists were up 22% in 2022.

As service providers moved past the third year of the COVID-19 pandemic, they are striving to meet the needs of survivors who may not have been able to access services during lockdowns, quarantines, or simply as they navigated competing priorities created by the public health crisis.

The proposed budget maintains an overall appropriation of $12.2 million in funding to provide 24/7 services to New Jersey’s survivors of contact sexual violence. This level funding cannot be presumed to provide level or sustainable services in this moment of significant need. Therefore, the New Jersey Coalition Against Sexual Assault requested increases to: mitigate the impacts of inflationary pressures; promote greater wage equity; expand programming for communities disproportionately impacted by sexual violence; expand services to meet the needs of survivors; and increase accessibility of sexual violence services (prevention, outreach, and direct services) across the state.

ALS Association - $1 million

$1,000,000 The FY 2024 Budget proposal includes $1.0 million in funding for the ALS Association (page D-160) within the Department of Health.

Compelling public testimony was provided before the public hearing of the Senate Budget and Appropriations Committee about the valuable services the organization has provided to people suffering from the disease and the inability of the organization to meet demands for services.

A doubling of support for this organization to continue and enhance services is strongly supported.

Huntington's Disease Center in NJ - **$750,000**

The Huntington's Disease Center in New Jersey (NJ HD) began in 1979 and is recognized as a Center of Excellence for services by its national group. However, current support is not enough to sustain the clinic that is supporting our NJ HD families. State support has decreased by 40% over the last 10 years. The latest reduction created a further crisis for over 800 NJ HD patients and their families with access to specialized doctors, nurses and social workers at the Newark, Piscataway and Stafford clinics and customized in-patient care at two residential facilities.

The impact of reduced funding over the past 5+ years has resulted in: increased waiting time for new patient appointments and follow up appointments; shorter appointments are scheduled to allow more patients to be seen in a single day; inability to hire a full-time social worker with adequate benefits; insufficient funding to support in-home safety visitation assessments, neuropsychological assessment or evaluations of for physical therapy, occupational therapy, speech and swallowing or cognitive therapy; Insufficient resources to conduct family support meetings and educational programming an in-service training for nursing home personnel on medication use and therapy management issues for HD patients.

Early Intervention Service Rate Increase for Providers DOH - **$8,000,000**

A rate increase request made the Alliance for the Betterment of Children with Disabilities before the Senate Budget and Appropriations Committee on March 21 was reasonable. They requested an $8 million line-item increase for Early Intervention Services in DOH which would allow for a rate increase above and beyond rate adjustments already planned by the Department of Health and announced during the department's budget hearings before the Legislature.

They noted the following in a March 21 request:

Despite an eroding system of early intervention services as evidenced by the No Practitioner Available waitlist, historically never exceeding 100 has remained since May of 2022 above 650 and is currently above 900 infants and toddlers waiting over 30 days for services, early intervention providers did not receive a rate increase in the proposed budget. We respectfully request your consideration of a 5.5% increase ($8 million State share) to help us create a more sustainable Early Intervention system to enable providers to continue to take on one of society's most important endeavors, preventing and minimizing permanent disability for infants and toddlers with developmental delays and disabilities.

Assessment/Plan Development and Monitoring Rates Division of Developmental Disabilities; $600,000

Individuals with intellectual and developmental disabilities (IDD) have significant behavioral challenges and struggle to obtain the care they need. The rate within the Division of Developmental Disabilities has not been increased since 2014 and does not fall in line with the rates paid for the same support by the Department of Children and Families.

There is a dire need for these services in both the adult system and in the children's system, but the DHS rates are much lower. Therefore when a child with IDD and behavioral health needs turns 21 they enter the adult system where the rates are lower but the need for services remains.

Reimbursement of Federally Qualified Healthcare Centers (FQHC) Medicaid Claw-back - $3,189,755

New Jersey's 23 Federally Qualified Health Care Centers provide primary and preventative care for over 569,000 New Jersey residents -- 93% of whom are low-income and 80% are Medicaid-insured or underinsured. They are cost-effective care providers for Medicaid beneficiaries and yet the state clawed back $3.19M of much-needed funding from them this year.

The NJ Division of Medical Assistance and Health Services (DMAHS) informed NJ FQHCs in January 2023 that there was a retroactive change to their Prospective Payment System (PPS) rate per encounter. This change actually occurred in March 2022 when the Centers for Medicare and Medicaid Services retroactively lowered the Geographic Adjustment Factor for NJ FQHCs: however, DMAHS failed to alert the FQHCs and apply the change until January of 2023.

DMAHS recouped $7.39 per visit for every Medicaid encounter to the FQHCs in the 3rd and 4th quarters: amounting to a total of $3,190,000. Due to the fact that the Division took almost a year to discover and make the rate change, and that they appeared to have the discretion to forgive the 1st and 2nd quarter visits, the State should reimburse the NJ FQHCs for the cost of that recoupment.

Federally Qualified Health Centers - Prospective Payment System (PPS) Rate

Federally Qualified Health Centers are experiencing significant financial distress and have already had to deal with a retroactive change to their 2022 PPS rate and a subsequent recoupment of over $3.18M.

A $7.39 add-on payment to the PPS rate would prevent a cut moving into 2024 like was seen in 2023. New Jersey's annual Medicaid collection per patient is significantly lower than the national and peer group averages.

NJ $688
NY $1,234
PA $1,001
US $1,1080

<u>Graduate Medical Education Program (GME)</u> - **<u>$2,460,000</u>**

The Governor's proposed GME budget and proposed distribution fail to provide adequate resources to two high quality and resident training programs in the state. The state should distribute the additional GME trauma center dollars to all trauma centers equitably using the existing GME program distribution methodology. Increasing the proposal by $7.4M would allow all trauma centers to receive additional resources to invest into their training programs. The State investments in the GME program trigger a 200% match in federal dollars, so requested $7.4M would only require $2.46 million in state funding.

<u>Family Support Organizations - $1,500,000</u>

New Jersey's 15 Family Support Organizations (FSOs) have been serving families with children experiencing diagnosed mental health and developmental challenges since the Children's System of Care initiated the service over 20 years ago. FSOs are financially supported by state contract, not Medicaid dollars; unlike the Care Management Organizations and Mobile Response Stabilization. They have been underfunded for years but despite this they were at the front line of service to families who were locked-down at home with their children suffering from mental and behavioral challenges.

A one-year short term "fix" to this funding system is needed while a potential new sustainable funding model is explored. $1.5M to be distributed evenly across the 15 FSOs would allow them to fund hourly peer support workers in a way that recognizes their necessity to the success of CSOC. Further, the funding will assist with agency infrastructure, including technology and data collection software.

<u>Court Appointed Special Advocates for Children (CASA) - $1,330,000</u>

CASA's appropriation in the Governor's Proposed Budget is $2,670,000. There should be an increase of $1,330,000--resulting in a final FY24 allocation totaling $4M. CASA is the only entity that is statutorily authorized in New Jersey to recruit, train, support, and supervise community volunteers who are appointed by Family Court Judges to advocate for the best interests of children and youth coming before the Court due to abuse and/or neglect.

As of December 31, 2022, CASA programs were serving 1,885 of the 3,258 children in placement on that date. And, while 10 of the 21 Counties have a CASA program serving more than 80% of their children in placement, there are still several counties that have children waiting for volunteers. CASA's State

Budget appropriation has remained flat (at $2.5 million) since FY19. In the meantime, CASA program costs have risen, and the needs of the children and families they serve have increased and changed. CASA's advocacy to reduce the overall time a child remains in placement saves the state millions of dollars each year (CASA estimates a savings of more than $6M last fiscal year based on a $2,000/month cost of placement).

Increased funding is needed in order to sustain current services, to continue the important initiatives and partnerships that CASA has begun, and to build capacity to execute CASA of New Jersey's 3-year plan to provide services to 85% of eligible children statewide.

Supplemental Tobacco Prevention and Quit Smoking Programs - $5,000,000

The American Lung Association has advocated for increasing funding for tobacco prevention and "quit-smoking" programs, and it is a reasonable request.

Investment in prevention is especially important given the ongoing youth vaping epidemic. New Jersey only funds tobacco control efforts at 8.7% of the level recommended by the Centers for Disease Control and Prevention (CDC). The American Lung Association urges decisionmakers to dedicate more funding to tobacco control and prevention to increase the resources available to prevent tobacco use in New Jersey and help people quit, and not switch to e-cigarettes.

More than paying for unmet needs through $1.514 billion of spending restraints.

- *$700 Million – Eliminate the Governor's request for another slush fund (Horizon Fund – potentially Replacing with a spending plan later if one is proposed and vetted.)*
- *$300 Million – Eliminate Special Line Items Never Explained and Outside any Fair or Reasonable Formula or Competitive Process and Cancel Old Balances*
- $150 million – End certain pension abuses and embrace certain reforms. Discussion earlier in this document for further details.)
- $100 million – Smarter Investments (More Muni Notes and Less T-Bills)
- $75 million – Grossly Overfunded Salary Accounts.
- $75 million – Embrace public employee unions' proposals to obtain SHBP savings
- $80 Million – Cancel 2/3 of EDA's unspent "Property Assemblage" and "Real Estate Projects Funding" added as pork in last year's budget. Only restore if they explain funding.
- $20 million – A relatively new down payment assistance program is proposed to increase. Flat funding of the program is recommended while the program is assessed.
- $8.5 million – Eliminate taxpayer-funded legal services to undocumented/illegal immigrants to fight the Biden administration's enforcement of immigration laws.
- $6 million – Discontinue funding from last year's initiative to extend welfare programs (General Assistance) to convicted drug distributors.

Discussion:

- *$700 Million – Eliminate the Governor's Request for Another Slush Fund (Horizon Fund)*

The largest proposed spending reduction relates to the Governor's recommendation to appropriate $700 million to a new account that would be called the "Health Care Affordability and Accessibility Fund." The source of funds for the appropriation is a new tax authorized over Republican objection 18 months ago. The money is finally being recognized as part of the FY 2024 Budget Proposal.

However, the new account simply does not exist. There are no statutory, regulatory, or other legal parameters for the fund. Furthermore, the Governor has no plans for how to use the money. And when various commissioners were asked how the funds would be utilized, their answer amounted to, "We don't know and can't tell you, but we will figure it out later… without an appropriate full legislative review or public vetting process."

It is unconscionable that nearly two years after the tax was statutorily authorized, the administration still hasn't put a plan on the table for public review. This Governor wants to spend the money with zero transparency through yet another slush fund like the Debt Defeasance and Avoidance Fund and Federal COVID block grant.

A specific plan for how to spend the new tax should be submitted by the Executive Branch for public review and comment. Only after that happens, should funds be considered for appropriation.

- *$300 Million – Eliminate Special Line Items Never Explained and Outside any Fair or Reasonable Formula or Competitive Process*

  Special line-item allocations to named beneficiaries which have been called "pork," "Christmas in July," and "earmarks" have increased dramatically in recent years. Though many of the line items may fund good projects, it's impossible to determine because legal obligations to publicly release explanations of these items have been repeatedly ignored. Regardless, this manner of appropriating funds shoves hundreds – potentially thousands – of organizations with equal or more compelling needs to the side.

We recommend eliminating at least $225 million of these sorts of line items that have newly been added by the Governor in his proposed FY 2024 budget.

Here is just a sampling of these line items:

UNEXPLAINED FAVORED MUNICIPALITIES AND COMMUNITY PROJECTS

Deal - Sephardic Youth Center Inc. Playground Expansion – 250,000

Jersey City - French Arts Museum – 12,000,000

Elizabeth - Institute of Music for Children – 5,000,000

Bergenfield - Little League – 25,000

Bergenfield - Police Athletic League – operating – 25,000

Bergenfield - Senior Activity Center – 100,000

Paramus - Public Safety – 25,000

River Edge - Public Facilities Improvement – 900,000

Hasbrouck Heights - Flood Mitigation – 100,000

Little Ferry – Roads – 1,000,000

Maywood - Public facilities – 430,000

Woodbridge Cypress Center – 1,000,000

Jerry Ust Recreation Complex - Capital, Sayreville – 1,000,000

JumpStart - Youth Development, Paterson – 200,000

Camden County Historical Society – 125,000

Perth Amboy Open Space – 1,000,000

Union City - social services – 5,000,000

Montgomery – Infrastructure – 3,000,000

West Orange – Recreation – 110,000

Fair Lawn - Public Facilities – 1,490,000

Lambert Castle – 3,600,000

FAVORED PUBLIC SAFETY

Princeton - First Responders Radios – 222,000

Newark, Mayor's Brick City Peace Collective – 5,000,000

FAVORED YOUTH/DAYCARE/COMMUNITY CENTERS

Pennsauken Community Center – 5,000,000

Woodbridge Acacia Youth Center – 1,000,000

SPECIAL K-12 EDUCATION FUNDING

Middlesex County Vo-tech - Administrative Infrastructure – 5,000,000

Paramus Schools - Athletic Fields Improvement – 1,500,000

Hillsborough School District – Capital – 626,000

Somerset County Vo Tech – Capital – 750,000

Newark - Bard Magnet High School – 250,000

FAVORED COUNTIES

Middlesex County - Art. Turf Fields (Cricket, Rugby, etc.) Tennis Courts – 20,000,000

Middlesex County - Other Infrastructure – 8,500,000

Middlesex County - Economic Development Projects – 8,500,000

Hudson County Jail – 4,800,000

Union County Reservoir – 4,000,000

Essex County - Branch Brook Park - Cherry Blossom Center – 5,000,000

Essex County Jail Substance Use Disorder Programs – 23,000,000

FAVORED HEALTH CARE SERVICE PROVIDERS

Camden Coalition of Health Care Providers - Pledge to Connect – 7,500,000

Camden County Coalition of Health Care Providers - Housing First Pilot – 500,000

FAVORED COMMUNITY GROUP / SOCIAL SERVICE PROVIDERS

Bergenfield - Dominos Club Operating Costs – 50,000

NJ Interscholastic Lacrosse Officials Association – 20,000

Spanish American Cultural Association of Bergenfield, Cultural Programs – 10,000

Shri Krishna Ndhi Foundation – 100,000

My Sister's Lighthouse – 214,000

Spanish American Cultural Association of Bergenfield, Cultural Programs – 10,000

North Jersey Community Research Initiative – 75,000

Similarly, we propose canceling at least $75 million of unexpended balances from these sorts of line items appropriated in prior years. More than a third of such balances -- $28 million – was appropriated in FY 2022 and FY 2023 to the French Arts Museum Project being undertaken by the Jersey City Improvement Authority – slated to receive another $12 million in 2024 despite not having spent what was previously appropriated and never justified.

In lieu of pork and earmarks, we support establishing a fair and reasonable allocation of State resources for local project support based on funding formulas that don't show favoritism. That's why we are proposing a large allocation of State Debt Defeasance and Avoidance Funds to all local governments on a per capita basis. And we support truly competitive grant programs where reasonable criteria guides decision-making.

Sadly, history suggests our calls for a more rational allocation process will be ignored. For that reason, we and most of our colleagues will submit individual budget requests of our own to those who control the budget process. Our requests will be explained fully in "budget resolutions" and we will release them publicly as is required by Joint Rules of the Legislature for all to see.

- <u>Miscellaneous reductions:</u>

- $150 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.)
- $100 million – The state's short-term cash holding which are anticipated to reach almost $40 billion by June 30, 2023 are being invested overwhelmingly in Treasury Bills which receive lower investment returns than almost equally safe New Jersey municipal short-term notes. New Jersey debt is safe because of our State's unique regulation of local government which allows the State to step in and take over local finances if a default seems possible. By shifting some short-term investments from Treasury Bills to New Jersey local government short term cash notes, the State would increase its investment returns. This would also help local governments who sell debt to obtain lower interest rates than they pay on such borrowings from private banks due to increased competition. Some of the local governments obtaining savings would, ironically, be distressed local governments whose operations are heavily subsidized by the State -- which would reduce the need for State subsidies. Finally, the proposal makes sense for another important reason. There will come a time when global and national market instabilities make it difficult or impossible for local governments to sell their bonds and access capital. Having Treasury, with its large cash balances, participating as a local investor will

prevent a local financial crisis. $120 million in additional investment returns is a reasonable assumption if Treasury only moderately restructures cash investment in this manner. These additional investment funds could be used to offset appropriations of taxpayer money to Treasury for certain services.

- $75 million – The state-funded workforce is budgeted to grow by thousands of positions. Even if all these positions were critical (they are not), there is no possibility that this number of new employees will actually be brought on in one year. There is clear and obvious padding in salary accounts beyond what will be spent and recommended appropriations can be reduced.
- $75 million – Treasury has refused to accept public employee unions' proposals to obtain SHBP savings, which include limiting certain health care provider payments to a function of Medicare rates. Similarly, Treasury has failed to enforce SHBP vendor contractual obligations that were intended to save the State money (the Navigator Contract) while paying the vendor for services not delivered. Finally, Treasury has refused to aggressively seek repayment of well-documented overpayments to health care vendors in 2020 and earlier prior to finally hiring a third-party claims auditor in 2021..
- $80 Million - EDA has been allocated more than $120 million for "Property Assemblage" and "Real Estate Projects Funding" and none of the money has been expended. Furthermore, EDA answers to OLS' requests for information about how the funds will be spent were evasive and even indicated $30 million of the funding would "not be competitive" which suggests the funds amount to little more than poorly masked pork. Two thirds of the funding that hasn't even been allocated should be canceled. If projects are ultimately identified and vetted, some level of restoration might be appropriate.
- $20 million – A relatively new down payment assistance program is proposed to increase. Flat funding of the program is recommended while rapidly expanding program is assessed.
- $8.5 million – Eliminate taxpayer-funded legal services to undocumented/illegal immigrants to fight the Biden administration's enforcement of immigration laws.
- $6 million – Discontinue funding from last year's initiative to extend welfare programs (General Assistance) to convicted drug distributors.

- **Putting an additional $1 billion into the Debt Defeasance and Avoidance Fund and leaving a surplus that grows to more than $6.4 billion (12% of budget.)**
    - The Governor has proposed an additional $2.35 billion appropriation to the Debt Defeasance and Avoidance Fund. As explained above, we concur, but have proposed allocating the new $2.35 billion along with entire $2 billion in existing fund balances to local governments for debt reduction and avoidance efforts that will benefit property taxpayers.
    - To ensure that there are some funds left to address additional State debt reduction and capital needs that have not already been addressed through $7 billion of prior fund uses, we propose increasing by $1 billion the amount of money being proposed to be added by the Governor.
    - 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.

- **Growing the surplus to $6.4 billion.**
  - The Governor's proposed budget, together with May's revised revenue projections, proposes a nearly $8 billion surplus. As noted previously, his proposal utilizes surplus (and another $6 billion of unallocated "slush funds") as one of the only ways to protect against a recession.
  - Together, with all the reforms we referenced above, a $6.445 billion surplus – 12% of the budget – would remain for a rainy day.

PROMOTING TRANSPARENCY AND FAIRNESS INSTEAD OF SECRETIVE SLUSH FUNDS AND FAVORITISM

Much of this resolution has already discussed major ways we propose to strengthen budget transparency. We have transparently and more fully proposed an allocation of balances remaining in the $6.2 billion COVID block grant and balances in the State's Debt Defeasance and Avoidance Fund. And, we proposed stopping the creation of a smaller -- but still inappropriately large -- third slush fund that would be funded with $700 million in new taxes paid for by businesses and families who have had paid health insurance premiums to Horizon.

The Governor, who has referred to these large pots of taxpayer money as "my money," should not have sole control of these funds with nothing but token "oversight" from the four majority members of the Joint Budget Oversight Committee. Concentrating more than $10 billion of appropriation decisions in the hands of five people fundamental begets secrecy and unvetted decisions. But it's more than unhealthy, it's undemocratic.

And, we have recommended a budget that fairly shares State resources with all similarly situated communities based on fair formulas – in lieu of parochial decision-making. We have refrained from proposing what the Democrat's budget will almost certainly do again – allocate scarce resources to favored communities to the exclusion of other communities with equal or more compelling needs. However, we are not naïve. We expect that the Democrat Majority will once again fund individual recipients' projects. For that reason, we and many of our Republican colleagues have separately and individually submitted proposed projects for consideration through the "budget resolution" process. The individual "budget resolutions" we -- and our colleagues -- have submitted reasonably explain what is proposed and we expressly authorize the Office of Legislative

Services to release all of these budget resolutions before the budget is voted upon as is required under Senate and General Assembly Joint Rule 42.

In addition to these changes, we also propose that several "blank check" provisions in the budget be eliminated. Over the past 30 years, legislatures of both parties have increasingly inserted into the budget these little-known provisions – now numbering in the dozens -- at the request of governors. They give the Governor broad authority to spend far more – sometimes with no cap -- than what is appropriated for particular matters. We are recommending that the Democrat Majority seek to restrain the Governor's unilateral spending authority generally, though we draw special concern several of the provisions:

- 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 filed by families who suffered tragedies due to his administration's incompetence at State nursing homes during COVID. The language 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.
- A provision -- new last year -- allowing the Governor to appropriate above and beyond budgeted amounts for 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 provision authorizing the Governor to appropriate as much money as he wants – above and beyond appropriations – to subsidize health insurance purchased 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 appropriate as much money as he wants – above and beyond budgeted amounts – to provide free insurance to the children of undocumented immigrants. That particular provision accompanies a burgeoning program created last year initially funded with $11 million. The Governor has stated he wants to expand the program to 60,000 people – which by anyone's basic math will easily wind up costing several hundred million dollars. This blank check provision is obviously intended to allow the Governor to cloak in secrecy the true costs of a quickly expanding measure.

III. SUMMARY

Our suggested changes to the Governor's proposed budget stands in stark contrast to what the Governor has proposed -- and what has been enacted -- time and time again by Democrats who have run the Legislature for 20 years.

If history is a guide, they will meet behind closed doors in the coming weeks and emerge to introduce and adopt a budget in less than a week's time at the end of June with little discussion or debate.

Their budget will likely fail to embrace:

- Substantial, sustained tax relief;
- a balanced approach to planning for the future;
- meaningful spending restraints or reforms.

It will likely dole out taxpayer money to politically favored groups through approximately 100 special line items that exclude thousands of local governments and nonprofit social service providers with equal, or more compelling, needs. No explanation of the new line items will be publicly provided until after the budget vote – if any are ever provided at all -- in clear violation of Joint Senate and Assembly rules.

Their proposal will likely once again leave billions of dollars in extraordinarily undemocratic slush funds that will be spent 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 brings the State in a fundamentally new direction. We are proud of our proposal which shows a better way forward. It is why we are sharing it publicly well in advance of the need to adopt a budget. We hope the Governor and his allies finally listen.