

**APPENDIX**



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To: Senate President Sweeney, General Assembly Speaker Coughlin, Senate Budget & Appropriations Chairman Sarlo, and Assembly Budget Chairwoman Pintor Marin

From: Christopher Emigholz, Vice President Government Affairs

Date: September 28, 2020

RE: Concern Over Borrowing in FY2021 State Budget & Being Approved Today

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Good afternoon! My name is Christopher Emigholz, and I am the Vice President of Government Affairs for the New Jersey Business & Industry Association (NJBIA) covering tax, budget and economic development issues. On behalf of our member companies that provide 1 million jobs in our State and make NJBIA the largest statewide business association in the nation, thank you for the opportunity to **express our concerns today regarding the borrowing included in the FY2021 state budget. We understand the borrowing is already contained in the balanced budget that passed the Legislature, but we still hope that it can be further limited as the fiscal year advances.**

We were **opposed to the \$4.5 billion in borrowing** in the state budget, not because we wanted to slash state spending with an austerity budget, but because the shortfall was never that large since we:

- think revenues could be at least \$1.4 billion higher than budgeted per OLS projections
- did not think it appropriate to increase the surplus (a cushion to stabilize the budget in an unexpected crisis, not to build up during that very same unexpected crisis) by over a billion dollars from the start of FY2020 during the current health and economic crisis while simultaneously using very conservative revenue estimates
- were disappointed to see the significant level of new spending unrelated to the current health and economic crisis

The COVID-19 pandemic may have created a shortfall for which borrowing is **permissible per the recent New Jersey Supreme Court decision, but that shortfall is not \$4.5 billion.** The Court said "To avoid borrowing in excess of what the law allows, and to be faithful to the Emergency Exception, the Court requires that the Governor or the Treasurer certify the State's projected revenue figures and the shortfall resulting from the pandemic before each tranche of borrowing." A shortfall has two sides, and increased surplus and spending on local projects unrelated to the crisis should not be used to inflate the spending side of that shortfall, and revenue estimates that historically under-perform the OLS projections should not be used to augment the shortfall on the revenue side.

NJBIA asks you to do as much possible to keep the amount the State of New Jersey will borrow to a minimum and only as much as truly necessary. **We refer you to Senate President Sweeney's quote in this past weekend's nj.com op-ed – "And just because the state borrows the money, it doesn't mean we will spend it."** Any decrease in borrowing will lessen future debt service and the fiscal cliff resulting from grappling with a future

budget after borrowing proceeds have ended. Businesses would rather see tax dollars spent on investments in infrastructure, innovation and workforce development, and we worry that those good investments will get crowded out by significant debt obligations.

The **\$4.5 billion in borrowing you are advancing today can and should be reduced if:**

- state revenues actually reflect the more realistic OLS revenue projections rather than Governor Murphy's overly conservative estimates.
  - Any increase in revenue beyond what is budgeted should translate to less borrowing and not new spending.
- NJ receives any additional federal COVID-19 relief dollars that can be used to balance the state budget.
  - Any additional federal dollars that can be used in our state budget should be used to reduce the borrowing and not for new spending unrelated to essential COVID-19 expenses.
- the structural reforms promised at the income tax deal press conference and promoted in Senate President Sweeney's recent op-ed are undertaken in FY2021 that may reduce state expenses.
  - Any savings from these reforms should reduce our borrowing and not lead to new spending.

Additionally on the borrowing, **NJBIA was relieved** to see that the Murphy administration's borrowing plans did not appear to rely on 35-year bonds or prohibit early payment, and we hope that it includes consistent payments over the 12 years.

NJBIA looks forward to working with the members of this panel and the entire Legislature to move our state to a more fiscally responsible budget, and we would be happy to take any questions!



**TO:** Members of the Select Commission on Emergency COVID-19 Borrowing  
**FROM:** Hilary Beckett, Manager, Government Affairs, CCSNJ  
**RE:** Proposed issuance of \$4.5 Billion General Obligation Bonds  
**DATE:** September 28, 2020

The Chamber of Commerce Southern New Jersey (CCSNJ) is the region's largest and most influential business organization representing businesses in the seven most southern counties of New Jersey, as well as greater Philadelphia and northern Delaware. The CCSNJ has more than 1,100 member companies, approximately 85 percent of which are small businesses that employ less than 50 people. Thank you for the opportunity to provide our thoughts on the proposed issuance of \$4.5 billion in General Obligation Bonds.

The CCSNJ is not naïve to the fact that some borrowing would be necessary to address the economic impact of the COVID-19 pandemic in New Jersey; however, it should be done so sparingly and with due consideration to the long-term impacts on the state's fiscal health. The longstanding impact of any borrowing plan cannot be understated – adding to the state's already enormous debt, which can only lead to higher taxes on an already overburdened residents and businesses.

New Jersey is already one of the most indebted states in the country, with the fourth highest debt ranking in the nation. Should \$4.5 billion in borrowing be approved, it will come with extraordinarily high levels of interest that would take decades to pay off – all on the backs of New Jerseyans. It is also quite likely that this level of borrowing will cause New Jersey to receive a downgrade in credit rating and overall fiscal outlook.

CCSNJ members that are coping with the challenges presented from COVID-19 continue to struggle with operating in an extraordinarily high-cost, high tax and heavily regulated state. With the new budget comes the added increase of the rate of taxation on incomes in excess of \$1 million from the current rate of 8.97 percent to 10.75 percent. Additionally, the fact remains that New Jersey has the highest property taxes in the nation, highest Corporation Business Tax in the nation and a slew of other taxes and fees that impact business operations. Borrowing will inevitably lead to higher taxes, which businesses can simply not sustain.

There are several options worth considering outside of borrowing – most obviously, cuts in state spending – but, it should be done on a short-term basis, not spread over many years adding enormous amounts of debt service to the state's bottom line.

It is for these reasons that the CCSNJ asks that the members of the Select Commission on Emergency COVID-19 borrowing should vote no on the proposed issuance of \$4.5 billion in General Obligation Bonds. Thank you for the opportunity to present our position.