

Governor Phil Murphy

Governor Murphy Unveils Revised Fiscal Year 2021 Budget Proposal: "Stronger, Fairer, and More Resilient: Building New Jersey's Post-COVID Future"

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Governor's Budget Proposes that the Wealthiest Among Us – Millionaires and Large Corporations – Pay Their Fair Share in Taxes

TRENTON – Governor Phil Murphy today released his revised budget proposal for Fiscal Year 2021 (FY 2021), including targeted cuts across State government, fair and equitable revenue raisers, an emergency borrowing proposal, and additional plans to invest federal funding received to date to help close what would have been a nearly \$6 billion budget hole as a result of the COVID-19 pandemic.

"Besides setting off an unprecedented public health crisis, the COVID-19 pandemic also unleashed an economic crisis that can only be rivaled by two other times in our state's entire 244-year history – the Great Depression and the Civil War," **said Governor Murphy**. "Over the past few months, we have learned hard lessons, but also important lessons: that the old answers won't fix the new problems and that the old status quo didn't work for too many New Jerseyans. We must now have the unavoidable conversation about what it means to not only see our state through this emergency, but what we will look like when we emerge from it."

"This budget proposal is not simply about getting New Jersey back to where it used to be, but moving forward to where we need to be by building a new economy that grows our middle class and works for every single family, while asking the wealthiest among us to pay their fair share in taxes," **said Governor Murphy**.

The revised budget was proposed six months to the day after the Governor originally laid out his FY 2021 budget proposal. Since then, COVID-19 has ravaged New Jersey from both a public health and an economic standpoint, prompting the State to move important April tax filing deadlines to July and extend the fiscal year from the traditional June 30th ending to September 30th. As a result, the revised budget unveiled today addresses spending for only the nine-month period from October 1, 2020 through June 30, 2021.

For the traditional 12-month fiscal year, decreased revenue collections left the state facing a \$5.7 billion shortfall over what was projected during the Governor's Budget Message (GBM) in February. The Governor's proposed budget relies on a series of solutions to help close this gap and protect many shared priorities.

As a result, the Governor's revised budget overwhelmingly preserves many core state programs:

- It does not cut K-12 aid, post-secondary tuition assistance, or operating aid for senior public colleges and universities;
- It restores funding for the Homestead Benefit and Senior Freeze property tax relief programs and does not decrease core municipal aid; and
- It does not impose new burdens on Medicaid recipients or curb the Child and Dependent Care Tax Credit (CDCTC).

The Covid-19 pandemic has disproportionately impacted low income communities and communities of color. The Governor's budget recognizes those impacts and protects core programs to aid those communities in their recovery. The revised budget proposal also includes targeted growth to address long-standing disparities and ensure that the recovery includes all New Jerseyans.

Notably, the budget includes a new proposal – advanced at the federal level by Senator Cory Booker and prominent economists – to launch a statewide Baby Bonds initiative, which will provide a \$1,000 deposit for the approximately 72,000 babies born in 2021 into families whose income is less than 500 percent of the Federal Poverty Level, or \$131,000 for a family of four. When these residents turn 18, they can withdraw these funds to help them pursue higher education, buy a home, start a business, or pursue other wealth-generating activities. This will assist three of four children born in New Jersey.

In addition, the budget invests \$60 million into the Clean Water and Drinking Water programs to ensure safe and modern water infrastructure statewide, and increases the Earned Income Tax Credit (EITC) to 40 percent while proposing to expand EITC eligibility to assist tens of thousands more young adults.

The budget also includes a nearly \$4.9 billion contribution to bolster the state pension system, which equals 80 percent of the Actuarially Determined Contribution (ADC) and represents the largest percentage of the ADC contributed in 25 years. Additionally, it includes a robust \$2.2 billion surplus, which represents 5.59 percent of appropriations over the 12-month period. The Governor is committed to maintaining this surplus to address the very real possibility of another shutdown due to a resurgence of the novel coronavirus.

The Administration was able to protect these priorities, in part, by tightening state spending while making sure budget cuts were targeted and not draconian in nature, in order to avoid the same pitfalls that stymied recovery during the Great Recession. Governor Murphy's revised budget proposal includes \$1.25 billion in spending reductions and solutions across all executive state departments, including: Medicaid

solutions proposed by DHS totaling \$336 million; DOC's inmate population management initiative and other reductions totaling \$59 million; and \$66 million in solutions proposed by DCF, which will help fund the increased investment in the Children's System of Care.

In order to curtail painful budget cuts, and limit the size of emergency borrowing, the Governor is also proposing a selection of progressive tax policy changes that are estimated to yield just over a billion dollars for the nine-month FY 2021 period, including:

- Imposing the millionaire's tax on all income above \$1 million;
- Permanently incorporating the 2.5 percent corporation surcharge;
- Restoring the sales tax on limousines;
- Removing the tax cap on boats; and
- Applying a 5 percent surcharge to high-income individuals with federally Qualified Business Income (QBI) who have benefited from a regressive new deduction for pass-through entities created under the 2017 federal Tax Cuts and Jobs Act.

The Governor remains committed to tax fairness, and ensuring that most fortunate among us—millionaires and large corporations—pay their fair share.

The Governor's revised budget also proposes to borrow \$4 billion to help address the massive economic fallout created by COVID-19 and better position the State to weather any future public health and economic uncertainties. The proposed borrowing amount must first be approved by the legislative Select Commission on Emergency COVID-19 Borrowing.

Additionally, the Governor's revised budget proposal details the major recovery efforts the Administration has launched using a combination of federal and State funds.

Additional details on spending plans for the full \$2.39 billion in CRF funding, as well as the other components of the Governor's revised FY 2021 budget proposal, may be found online [here](http://d31hzhk6di2h5.cloudfront.net/20200825/88/b2/df/32/de79b8b5a48a7c430bdf57ed/FINAL_Report_on_the_Revised_FY21_Budget.pdf) (http://d31hzhk6di2h5.cloudfront.net/20200825/88/b2/df/32/de79b8b5a48a7c430bdf57ed/FINAL_Report_on_the_Revised_FY21_Budget.pdf).

For a one-page summary of the Governor's budget proposal, please click [here](https://www.nj.gov/governor/docs/fy2021_budget_glance.pdf) (https://www.nj.gov/governor/docs/fy2021_budget_glance.pdf).

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