

Governor Phil Murphy

Governor Murphy Signs Fiscal Year 2022 Appropriations Act into Law

06/29/2021

Fiscally Responsible Plan includes a Record Pension Payment, Sizable Surplus, Substantial Debt Reduction, and Long-Term Economic Investments

Budget Makes New Jersey More Affordable by Delivering Historic Levels of School Funding, Substantial Tax Relief, and Aid to Small Businesses

WOODBIDGE – Governor Phil Murphy signed the Fiscal Year 2022 (FY 2022) Appropriations Act into law today, working in partnership with the Legislature to develop a responsible and bold budget that meets the State’s current and future obligations, makes New Jersey more affordable for working and middle-class families, provides record investments in education, supports an inclusive pandemic recovery, and invests in small businesses and long-term economic growth.

“This year’s budget represents the culmination of a four-year journey to fix many longstanding problems in New Jersey,” **said Governor Murphy.** “This is a budget that invests in our middle-class and working families – supporting both those building their families and careers and those who are living out their richly-deserved retirements. It also puts a world-class education within reach for all while tackling our age-old property tax problem – ensuring a stronger, fairer, and healthier future for the generation born and reared in the shadow of an unprecedented pandemic.”

“Together, we are providing broad and equitable pre-K through higher education opportunities for more of our students, making sure every child in New Jersey has health care, delivering substantial tax relief to working and middle-class families, investing real dollars to make the dream of homeownership an affordable reality, helping seniors remain in their communities long into their golden years, and providing hundreds of millions in relief for small businesses,” **continued Governor Murphy.** “This budget also places a premium on fiscal responsibility – making good on our promise to public employees by providing above and beyond the full pension payment for the first time in a quarter of a century, responsibly setting aside funds to repay debt, and making New Jersey more resilient to weather future health emergencies.”

The Governor was joined by Senate President Sweeney, Speaker Coughlin, Lieutenant Governor Oliver, State Treasurer Muoio, Senate Budget Chair Sarlo, Assembly Budget Chair Pintor Marin, and Woodbridge Mayor John McCormac at Ross Street School #11 in Woodbridge where he signed the Appropriations Act to highlight its unprecedented investment in public education. As promised, Governor Murphy reversed years of chronic underfunding of public education, increasing direct pre-K through grade 12 spending statewide by nearly \$1.5 billion over the last four years and putting New Jersey on the path to fully funding the school funding formula that has been upheld as constitutional.

The FY 2022 budget increases formula aid by nearly \$750 million and Woodbridge is one of hundreds of school districts that have benefitted from the Governor’s multi-year increase in funding. The district will receive \$18 million in additional school funding next year through this budget, more than twice what it was in FY 2018. The budget also invests an additional \$50 million in pre-K, including \$26 million for new programs, and provides an additional \$125 million for Extraordinary Special Education Aid, a priority of the Senate President.

“This fiscal year budget shows our shared values of dignity and respect for human life in the face of adversity and collective commitment to making New Jersey the best place to live, work, be educated, and retire in the nation,” **said Governor Sheila Oliver, who serves as Commissioner of the Department of Community Affairs.** “We are paying



down the state's long-ignored obligations while continuing to focus on building a strong middle class and robust economy that everyone can participate in and benefit from. Together with the Legislature, we've achieved what they said was unachievable."

"This budget ensures that every resident will have the opportunity to rebound from the pandemic and benefit from the many opportunities that New Jersey offers. The investments are immediate and important, including direct assistance to working families, rebates for homeowners, as well as rental and utility assistance for those struggling most," **said Senate President Steve Sweeney**. "So during this process we fought to ensure that this budget included a wide range of vital investments. For those with intellectual and developmental disabilities, we boost the state's share of funding extraordinary special education and we fund an extra year of special education for those who lost a year to the pandemic. We are investing \$450 million that will improve our health care readiness in years to come. And for higher education, we restore fairness in aid, by setting a floor for funding of public colleges and universities. As we move beyond COVID-19, we can be confident that this spending plan will strengthen New Jersey and lift up those in need over the months and years ahead."

"I'm proud of the work done in partnership with the Governor and Senate President to produce a fair and responsible budget that looks toward greater economic vitality and growth that will benefit every New Jerseyan," **said Assembly Speaker Craig Coughlin**. "Thanks to \$5 billion in unanticipated revenues, this budget builds beyond the priorities we initially set out to achieve. Our spending supports the best public school education system in the country, puts forth nine meaningful new and expanded tax relief programs for working families, seniors and college students, and fulfills our full pension obligation for the first time in 25 years. With a record \$6.9 billion toward pensions, over \$100 million in new college savings, boosts to school aid by over \$650 million, \$10 million for anti-hunger efforts, and up to \$500 rebates for 760,000 hardworking families, these are not just line items. These are life-changing contributions that put money back in people's pockets, keep property taxes in check, and protect those left vulnerable by the pandemic. Expanding on our commitments to put New Jersey on a stronger fiscal footing, in this budget we've also taken big steps toward major debt payoff with \$3.7 billion locked-up for defeasance and lower cost long-term borrowing. Infrastructural capital investment projects as supported by this budget will move us forward on clean energy, safer drinking water, and healthcare access for safer, more equal communities. Together our budget forms an incredibly comprehensive and strategic spending plan for New Jersey, and we did it without any new taxes or fees."

"This budget presented us with an extraordinary and somewhat unprecedented opportunity to reimagine what we'd like our economy, our schools, our workplaces, and our communities to look like thanks to the dramatic about-face our economy has taken in recent months," **said State Treasurer Elizabeth Maher Muoio**. "We have seized that opportunity to make historic investments across our state, while keeping our commitment to fiscal responsibility – providing a record full pension payment for the first time in 25 years and substantially reducing debt – saving taxpayers billions in the long-term. This budget includes significant investments and direct relief that will benefit residents in every stage of life – from child care supports and the creation of new college tuition and savings programs, to middle-class tax rebates and an increase in the retirement income tax exclusion."

"This is a responsive and responsible budget that will help guide our recovery from the most devastating public health crisis of a lifetime. It prioritizes the health and safety of the state's residents and alleviates the economic consequences of the pandemic," **said Senate Budget and Appropriations Committee Chair Paul Sarlo**. "It uses resources wisely by creating a debt-reduction plan, an increased pension payment that will produce long-term savings, a significant surplus. These are sound fiscal practices that will prevent a fiscal cliff. It delivers tax relief by expanding tax credits for families, rebates for homeowners, deductions for veterans, and aid to make college and retirement more affordable. It establishes a partnership between the Governor and the Legislature for the use of the federal aid New Jersey received from the American Rescue Plan. This shared responsibility will ensure the best use of these funds over the next few years. This budget will effectively address the needs of the people of New Jersey and will help guide us through the state's recovery and resurgence."

"This budget invests in our economy, invests in our residents and will make us more resilient in preparing for future challenges," **said Assembly Budget Chair Eliana Pintor Marin**. "The impact of tax relief in this budget, particularly under the increase in the Homestead Rebate Program and expansion of the Earned Income Tax Credit, will ensure New Jersey is more affordable and a state where people can thrive and build a life. The budget also provides funding for COVID-related needs to protect the safety, health and well-being of New Jersey's nine million residents. We are also paying down debt and creating a \$3.7 billion debt defeasance fund to save taxpayers' money to pay down existing debt and avoid debt in the future. The budget does not include any tax increases, but it does ensure that approximately 760,000 New Jerseyans will receive an up to \$500 tax rebate. We are proud of this spending plan and all it does for the people who call New Jersey home."

The \$46.38 billion spending proposal includes a \$2.356 billion surplus, which is 5.1 percent of budgeted appropriations, well above the average of the previous administration. The FY 2022 budget agreement is built on a framework of fiscal responsibility, affordability, pandemic recovery, and economic growth.

Demonstrating Fiscal Responsibility

The budget allocates over \$4.2 billion to improve the State's long-term fiscal health and substantially reduce outstanding debt by setting aside \$3.7 billion for the Debt Defeasance and Prevention Fund Established through companion legislation. \$2.5 billion of this fund will go towards retiring State debt, which is expected to generate savings of over half a billion dollars. The other \$1.2 billion will support capital construction that replaces current or future debt issuances.

The budget also includes a record total payment of \$6.9 billion to the State Pension Fund, which includes the full \$6.2 billion pension contribution for FY22 (including Lottery proceeds) and an additional \$505 million pre-payment towards subsequent years. The State had been on a 1/10 ramp up plan as it worked its way up to meeting the full Actuarially Required Contribution and was initially slated to contribute 90 percent of the full pension contribution this year.

In February, the Governor proposed accelerating the "catch-up" plan and making the first full pension payment since FY 1996. The additional \$505 million pre-payment will offset the increase that was expected as result of the planned reduction in the assumed rate-of-return for FY 2023 and allow the State to make level pension contributions going forward. Combined, making the full payment and the pre-payment in FY 2022 will save the State more than \$1.5 billion over 30 years and put an end to years of unmet obligations and substantial growth in the unfunded liability.

The budget also includes significant direct appropriation investments, including **\$200 million for the Offshore Wind Port** and **\$200 million for current Schools Development Authority (SDA) projects** to reduce debt issuance; **\$75 million for the SDA's Capital Maintenance and Emergent Needs Grant** program; **\$60 million to support the continuation of the Drinking Water and Clean Water Infrastructure Fund**; and **\$93.6 million for critical capital improvements**, including emergent life safety and IT projects. These proposals will reduce the State's borrowing needs in the long-term.

Advancing Affordability

The FY 2022 budget builds upon the Governor's proposals for middle-class tax relief and new investments in health care, higher education, and housing.

The Appropriations Act will expand multiple tax relief programs, including those aimed at providing relief for seniors and middle-class families:

- **Middle-Class Tax Rebate:** Beginning in July, over 760,000 New Jersey families will receive up to a \$500 tax rebate due to the Millionaires Tax enacted by the Governor and the Legislature last fall. The estimated program cost is \$319 million.
- **Updating the Homestead Benefit:** For years, Homestead Benefit payments were based on 2006 property tax records. The FY2022 budget invests roughly \$80 million to update payments so that they will now be based on 2017 property tax information, which is the most recent payment information available – increasing the average benefit for seniors and disabled homeowners by over \$130 and the average benefit for lower-income homeowners by \$145.
- **Extending the Veterans Property Tax Deduction to Peacetime Veterans:** The Appropriations Act supports the expanded deduction approved through the 2020 ballot measure.
- **Expanding the Earned Income Tax Credit (EITC) Age of Eligibility of 21 to 18 and to Those Over Age 65:** The NJ EITC will continue to provide more money to more people than ever before by expanding eligibility to those 65 and older without dependents and to those as young as 18, which is projected to help another 90,000 residents – roughly 70,000 over 65 and 20,000 between the ages of 18 and 21.
- **Making retirement more affordable:** The budget agreement and accompanying legislation increases the threshold for retirement income that is allowed to be excluded from taxation from \$100,000 to up to \$150,000, helping nearly 70,000 more senior taxpayers.

The FY 2022 budget also includes a comprehensive **college affordability** package backed by Speaker Coughlin that helps those saving for college, current students, and those repaying loans, including:

- **The Garden State Guarantee** will provide two years of free tuition at four-year institutions of higher education for students in their third and fourth years with household incomes of less than \$65,000.
- For taxpayers making up to \$200,000, the budget agreement includes legislation that creates new deductions for:

a) contributions of up to \$10,000 into an NJ Better Education Savings Trust (**NJBEST**) **529 account**

b) up to \$10,000 for **in-state tuition payments**, and

c) up to \$2,500 in New Jersey College Loans to Assist State Students (**NJCLASS**) **payments**.

- To encourage college savings for lower-income residents, the budget also provides **matching payments up to \$750** for taxpayers with incomes below \$75,000 who contribute to NJBEST.
- Substantial increases in **Tuition Aid Grants** and the **Educational Opportunity Fund** spending over FY 2021.

The budget also aims to address many inequities by directing resources where they are needed most in order to build a stronger post-pandemic New Jersey. The Governor is committed to investing significant resources to ensure the State does not repeat the same mistakes made during the Great Recession when New Jersey was one of the last states to recover from the financial crisis after drastically cutting state aid.

To that end, the budget makes many significant quality of life investments to **create a healthier and more affordable New Jersey**, including:

- Launching the **"Cover All Kids"** initiative with the ultimate goal of ensuring affordable, accessible health coverage is available to nearly 88,000 children without coverage;
- Investing an additional \$25 million in **NJ Health Plan Savings subsidies**;
- Raising the income threshold by \$10,000 for the **Pharmaceutical Assistance for the Aged and Disabled and Senior Gold programs**, which will benefit over 20,000 seniors;
- \$19 million to support the new **Reproductive Health Care Fund**, which will cover costs for contraceptive, prenatal, labor, and delivery care for those without access to medical assistance;
- \$19.5 million for **Family Planning Services**, bringing the total the Governor will have provided over four years to nearly \$74 million, after years of defunding by the prior administration;
- \$8.5 million to **expand Medicaid coverage** for 365 days postpartum and \$2 million to create a new pilot program to support rental assistance for expecting mothers, both of which will advance the First Lady's Nurture NJ initiative;
- A \$57 million Affordable Housing Programs initiative, which includes \$20 million for the Housing and Mortgage Finance Agency's **Down Payment Assistance program** to fund nearly 2,000 mortgages for first-time homebuyers; and
- \$20 million for the Special Needs Housing Trust Fund.

Ensuring an Inclusive Pandemic Recovery

The budget agreement includes some of the first allocations of the federal American Rescue Plan's State Fiscal Recovery Fund (SFRF) dollars, which will improve school safety to ensure they can reopen in the fall, allowing parents to return to work, and also bolster New Jersey's public health infrastructure to make sure the State is ready for the next emergency.

The budget creates the School and Small Business Energy Efficiency Stimulus Program, which will provide \$180 million to promote the sustainability of HVAC and water systems within New Jersey schools and small businesses. The State will also use SFRF money for a **\$100 million Child Care Revitalization Fund**, which will fund facilities improvements, employee supports, and workforce development programming.

Additionally, **Level 1 Trauma Centers will receive \$450 million** in SFRF money to strengthen emergency preparedness infrastructure in each of the state's three regions.

The SFRF will also support an additional year of **special education** for three classes of students with disabilities, which

is estimated to cost approximately \$600 million over three years. In addition to the pandemic-related investments in **residential providers for individuals with intellectual and developmental disabilities** that the Governor proposed in February, the FY 2022 Appropriations Act strengthens multiple **social service programs**, including \$25 million more in state funds to help day programs.

The budget invests in many systemic upgrades to bolster the delivery of services and support in key areas. This includes **\$6.5 million to enable the Motor Vehicle Commission (MVC)** to streamline operations for new drivers, create a case management system to streamline internal operations, and automate the annual business license process, along with **\$2 million in SFRF money for MVC Mobile Agency Units**.

The budget also invests a total of **\$17.75 million to support Unemployment Processing Modernization and Improvements** at the Department of Labor and Workforce Development, including a doubling of State funds totaling \$7.75 million, along with \$10 million in federal SFRF money.

The budget also continues to build on the progress the Murphy Administration has made to address the inequities in New Jersey's criminal justice system by including funding to help lessen the burden on individuals seeking expungement of criminal records; equip local police officers and corrections officers with body-worn cameras; develop software to make law enforcement forfeiture actions more transparent; allow incarcerated individuals placed in isolated confinement to undergo daily examinations by health professionals; and support implementation of the "Earn Your Way Out" law.

Additionally, the budget includes both new and increased investments for the Juvenile Justice Commission (JJC) and the Department of Corrections (DOC):

- \$5 million to improve internet infrastructure for DOC's incarcerated population to access education, employment, and legal materials;
- \$4.2 million more for county Youth Services Commissions to reduce juvenile delinquency;
- \$3 million to help fund non-profits that facilitate re-entry;
- \$2.25 million for the Scholarship and Transformative Education in Prison Program; and at least \$2 million in support for a new career training program at JJC and an apprenticeship program and other career services for DOC inmates.

Investing in Economic Growth

The FY 2022 Appropriations Act maintains the Governor's proposed **\$200 million multi-departmental economic growth initiative** to invest in New Jersey communities and provides access to capital for minority-owned businesses, including the **Black and Latino Seed Fund**, and help government support sustainable economic growth.

This aid is in addition to the five bills the Governor signed last week that appropriated \$235 million in small business relief, including aid for child care providers and restaurants. The Administration and Legislature have agreed to dedicate additional SFRF dollars toward these critical programs. At this point the State has or will have dedicated over \$1 billion of state and federal dollars towards small business relief and economic growth programs.

The budget also makes long-term investments in impacted industries, including travel, tourism, and arts and culture. This includes \$25 million of SFRF for a new **Commuter and Transit Bus Private Carriers relief program** and a \$55 million fund in EDA for **Strategic Innovation Centers**.

Over the last four years, the Governor and Legislative leadership have **increased NJ TRANSIT funding to historic highs**, with the \$2.65 billion for FY 2022 representing a 15 percent increase over Fiscal Year 2019. This funding includes \$325 million from the recently finalized agreement with the Turnpike Authority, which will provide NJ TRANSIT with a dedicated and increasing funding stream of up to \$525 million by FY 2028 and every year thereafter until the capital to operating transfer is fully eliminated, or NJ TRANSIT operating revenues equal or exceed its operating budget. This year's budget includes the lowest capital to operating transfer in 15 years, while maintaining no fare hikes for the fourth consecutive year. Additionally, NJ TRANSIT is expected to receive roughly **\$2 billion from the American Rescue Plan**.

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