

## Opinion: Murphy's budget at least starts moving NJ in right direction

Gov. Phil Murphy's first state budget proposal last year was pretty much all tax and spending increases. His fellow Democrats controlling the Legislature rejected most of his tax increases, reworked the spending in particular on schools, and prevailed after an imminent government shutdown forced a deal.

The fiscal 2020 budget Murphy proposed last week showed that he at least learned about budget politics last year. Maybe he is even starting to realize the need to address New Jersey's excessive spending. We hope so, but we'd have to see more fiscal responsibility to be convinced.

The governor highlighted \$1.1 billion in projected cost cutting — almost \$900 million from changes to public employee health coverage and \$212 million from trimming departmental budgets. That ensured a better reception for the budget proposal from legislators, who called it a good start with much more to be done.

The bulk of Murphy's savings depends on improving the management of public worker benefits and some ideas look pretty solid, such as making retired educators use Medicare Advantage plans. Others, though, are contingent on new ombudsmen getting workers to use in-network health providers, on tighter controls on prescription and medical claims, or on audits finding savings. Nearly a quarter of the savings — \$217 million — haven't even been identified by the governor's committee with union members, but are counted in the budget anyway.

Murphy's spending increase is definite, a little more than \$1 billion above the previous year. The biggest discretionary item is \$206 million more for schools, on top of a \$283 million increase last year.

That will help soften the continued phasing out of adjustment aid under last year's school-funding revision, but 200 districts will still get less state money — especially in South Jersey. Nearly 370 districts would get more aid, including an additional \$11 million for Atlantic City. But the governor's budget also would reduce commercial stabilization aid, which currently only Atlantic City gets, by \$12 million so the city could wind up with \$1 million less in state aid overall.

The budget would give NJ Transit \$25 million more, modest compared to last year's \$242 million increase. That's probably needed since the spending plan also ends or reduces diversions of funds to the train and bus service from the N.J. Turnpike Authority and the state's Clean Energy Fund, according to NJ Spotlight.

Another big spending increase — nearly \$600 million — was required by the pension funding schedule Murphy inherited from the Christie administration. This year's \$3.8 billion payment still falls short of stopping the growth of New Jersey's underfunded pension liability, which is now estimated at more than \$100 billion.

Last year Murphy got significant increases to business taxes, but was denied a higher tax on incomes of a million dollars or more and a higher sales tax (but given an increase on those making \$5 million a year). This year he's asking again for the millionaire's tax, and legislative leaders show signs of resisting again, especially with Assembly members facing re-election in the fall.

Murphy's proposed budget would make New Jersey less friendly to business but slightly improve its finances, which at least is a bit better than last year. Legislators have more substantial ideas on reducing spending and we hope the governor's more moderate starting point means they'll be able to negotiate some of them into the coming budget agreement.