

ASSEMBLY BILL NO. 4100

To the General Assembly:

Today, I am returning the Assembly Committee Substitute for Assembly Bill No. 4100, with my signature, along with certain constitutionally permitted modifications set forth in the statement appended thereto.

As New Jersey, other states, and the world navigate through what is arguably the most severe and pervasive economic crisis since the Great Depression, we have enacted a FY 2010 Budget that is in tune with these difficult times. At \$29 billion, the Budget is approximately \$3.9 billion below the FY 2009 budget enacted last June - a 12 percent cut -- and \$1.8 billion less than the first Budget (FY 2007) I proposed in March 2006. It also spends approximately \$7 billion less than the budget otherwise would have totaled had it fully met the requirements of pre-obligated growth of grants-in-aid, services, and other fiscal priorities and mandates.

Over the last three years, the budget has re-prioritized spending to the critical areas of educating New Jersey's children; protecting the health and well-being of children; safeguarding New Jersey's most vulnerable citizens; securing public safety; and easing the property tax burden in New Jersey. While the FY 2010 Budget contains by far the largest dollar and percentage decrease in modern New Jersey history, these priorities continue to be shielded from the harsh but unavoidable reductions in spending.

Key elements of the FY 2010 Budget include:

- Reductions in about 850 - about 36 percent -- of the 2,400 line items in the budget;
- About \$4.5 billion in base cuts or reductions in projected growth;

- Cuts in the operational costs of State government of more than \$500 million;
- Increased funding for schools and preserved Homestead Rebates for more than one million households, including all seniors;
- Increased funding for higher education, with tuition and fees at senior public colleges capped at 3 percent.
- Health care premiums charged to economically disadvantaged children in the NJ FamilyCare program are eliminated, the \$605 million in funding for Charity Care is maintained, and municipal aid is held nearly flat; and
- More than half of all Budget spending is for property tax relief, inclusive of federal stimulus funding.

Defining and Solving the FY 2010 Shortfall Problem

As the last three budgets moved New Jersey closer to true structural balance - where recurring revenues match recurring expenses, the FY 2009 budget projected a succeeding fiscal year shortfall of between \$1.5 billion and \$2 billion. This estimate took into account one of the largest year-to-year spending reduction in State history, no new costly policies or government programs; and revenue assumptions built around a continuing slowdown of the national and regional economy.

The slowdown in the economy, however, quickly evolved into an overwhelming economic crisis of global proportions. As a result, a shortfall of nearly \$4.3 billion opened in New Jersey's FY 2009 budget, and restoring balance required the implementation of solutions that straddled both the current and new fiscal years.

With a shortfall for FY 2010 growing to an estimated \$8.2 billion, my administration relied on multiple approaches to meet the constitutional requirement for a balanced budget.

We closed the shortfall with the use of nearly \$4.5 billion in cuts or spending restraints. These cuts include the proposed imposition of a wage freeze and a furlough program for State employees. The balance of the shortfall was closed with the application of \$2.2 billion in federal stimulus monies and transitory changes in tax policy, including a one-time increase in the Gross Income Tax rate for the wealthiest 1% of New Jerseyans and increases in the taxes on cigarettes and alcohol, excluding beer.

Reducing Size and Cost of Government

In order to meet the State's funding priorities in the face of an extraordinary decline in fiscal resources, the FY 2010 Budget includes another major wave of cuts in the costs of the State bureaucracy. These reductions are on top of approximately \$2.7 billion in spending cuts and restraints in the original FY 2009 budget, plus an additional \$2 billion in mid-year cuts to keep the budget in balance.

Prominent among the FY 2010 reductions is approximately \$287 million in savings from a salary freeze (\$350 million FY10 and FY11) and imposition of furloughs over the course of the fiscal year. For the third straight year, operational budgets for State departments have been reduced. The FY 2010 budget assumes more than \$500 million in year-to-year spending reductions on departmental operations.

Putting Children First

For the second consecutive year, the Budget invests additional resources into New Jersey's school classrooms, increasing direct school aid by \$276.5 million to \$8.8 billion. This increase includes \$52 million more for existing preschool programs.

Formula aid represents about one-half of the increase, and no school district will receive less than it received in FY 2009, and more than 170 school districts will receive increases, most up to 5 percent.

Total school aid is funded at \$11.1 billion, which is well over one-third of the \$29 billion FY 2010 Budget. Combined, aid to K-12 schools and Higher Education represent 45 percent of the total budget.

Preserving and Continuing Property Tax Relief

The FY 2010 Budget includes \$15.4 billion in property tax relief, more than one-half of all spending, with more than \$1.1 billion being directed to the Homestead Rebate Program. When all funding for direct relief programs in FY 2010 is included, total spending in the four Corzine Administration budgets amounts to nearly \$7 billion, which is 35 percent higher than the cumulative total of any previous four-year administration.

Despite the unprecedented strains on State finances, rebates for all senior homeowners have been preserved at last year's levels, averaging \$1,300. This aid helps to ensure that seniors on fixed income can remain in their homes.

In addition, the Budget continues rebates for non-senior households with incomes below \$75,000. Non-senior homeowners with incomes between \$50,000 and \$75,000 will receive checks averaging about \$700, while those non-seniors with incomes below \$50,000 would receive rebate checks averaging \$900.

More than one million New Jersey homeowners will receive in excess of \$1 billion in rebates, averaging more than \$1,000. Two-thirds of homeowners who received rebates last year will continue to receive rebates.

The FY 2010 Budget also funds the Senior Property Tax Freeze program. Spending for this program rises by \$3.5 million to \$172.5 million. Senior Freeze checks averaged in excess of \$1,000 last year. The Governor and Legislature also enacted legislation last year that raised the income eligibility for Senior Freeze benefits.

The Budget also preserves the property tax deduction for 94 percent of taxpayers.

Conclusion

The \$29 billion Budget enacted today is an austere budget, appropriate for these difficult economic times, yet responsive to the core needs of educating and protecting our children, protecting New Jersey's health care safety net, and easing the property tax burden shouldered by all citizens.

Respectfully,

/s/Jon S. Corzine

Governor

Attest:

/s/William J. Castner, Jr.

Chief Counsel to the Governor