



## Governor Christie Proposes 7<sup>th</sup> Consecutive Budget Without Raising The Tax Burden On New Jersey Families

*Continues Commitment To Fiscal Responsibility Through Bold Reforms And Meaningful Investments*

*"This is the seventh time I have presented a budget to this chamber, and I'm proud to say this for a seventh time. This budget is balanced. And once again it is balanced through fiscal responsibility, and not on the backs of our citizens – for the seventh straight year, this budget imposes no new taxes on the people of New Jersey."*

*- Governor Chris Christie, New Jersey State Budget Address, February 16, 2016*

The fiscal year 2017 budget continues Governor Christie's commitment to New Jersey taxpayers to get and keep New Jersey's fiscal house in order without resorting to tax increases. Governor Christie has made substantial progress addressing the irresponsibility of prior administrations, but entitlement costs continue to monopolize nearly all anticipated growth in state revenue.

Underscoring the need for even greater reform of the state's pension and health benefits systems, 95% of anticipated revenue growth in the fiscal year 2017 budget will be devoted to non-discretionary spending. Despite these financial constraints, this budget continues building on Governor Christie's record of fiscal responsibility and restraint, while delivering on key investments to support the most vulnerable New Jerseyans.

### The Governor's Proposed Fiscal Year 2017 Budget:

- The fiscal year 2017 budget calls for **\$34.8 billion** in State appropriations, a 2.2% increase over the fiscal year 2016 budget.
- This budget contains **\$2 billion less in discretionary spending** than the fiscal year 2008 budget.
- Includes the largest pension payment in New Jersey history with a **\$1.9 billion** contribution to the State's defined benefit funds.
  - This will bring total contributions by the Christie Administration to **\$6.3 billion**.
  - That will be nearly double the total contributions of every other governor combined since 1995.
- Maintains the Governor's commitment to higher education in New Jersey. Overall, higher education funding is maintained at a total of **\$2.2 billion** in fiscal year 2017.
- Proposes a sixth consecutive year of the highest amount of School Aid supporting Pre-K - 12 education in New Jersey history.

The fiscal year 2017 budget proposes spending more than **\$13.3 billion** on education, an increase of **\$548 million** from fiscal year 2016.

- The fiscal year 2017 budget calls for reasonable, new reforms that will save **\$250 million** in public employee and retiree health care costs to offset anticipated growth in entitlement costs. These reforms would additionally save local governments, school districts -- and the property taxpayers and ratepayers who fund them -- approximately \$200 million.
- Advances the Governor's efforts to take a smarter and more effective approach to how the State supports individuals with mental health and substance use disorders.

### Commonsense Health Benefits Reforms

The Governor's budget contains record high pension payment and investments in important State programs, which are made possible by a proposal to control public employee health care and prescription costs.

While revenues are projected to increase by approximately \$1 billion over 2016 fiscal year levels, the increased pension payment for fiscal year 2017 will absorb **\$555 million** of the growth and, absent changes, the remainder of the growth would be almost entirely absorbed by increases in public employee and retiree health care and prescription costs.

In the fiscal year 2017 budget, Governor Christie is calling for a combination of commonsense, new reforms that will save **\$250 million** in public employee and retiree health care costs to offset anticipated growth.

#### **Potential commonsense reforms that could generate these savings include:**

- Requiring the use of generic drugs when available,
- Modest increases in co-pays to discourage unnecessary visits, and
- Establishing new delivery methods for primary care services.

These reforms would additionally save local governments, school districts -- and the property taxpayers and ratepayers who fund them -- approximately \$200 million, without compromising quality of care.

These reforms would also provide cost controls as the State moves into plan year 2017 that would reduce State and local employee premium sharing.

### The Fight Against Drug Addiction

Governor Christie has consistently advocated for the need to change the way society views drug addiction and the misconceptions about who it impacts, how it affects lives, and how we deal with it. In the fiscal year 2017 budget, Governor Christie continues to provide unprecedented leadership on this issue by taking concrete actions to build on this commitment.

- **\$127 Million Investment In Substance Use & Mental Health Treatment** – The Governor is making a historic financial commitment to raise reimbursement rates and increase access to substance use and mental health treatment. A combined State and federal investment in fiscal year 2017 of more than **\$127 million**, will expand access to high quality health care providers for individuals with substance use and behavioral health needs.
- **Inmate Drug Treatment Program** – Continuing his commitment to help all individuals with substance use disorders, Governor Christie is investing **\$2 million** to re-open Mid-State Correctional Facility in 2017 as an institution dedicated to the treatment of inmates. The new Mid-State Correctional Facility substance use disorder treatment program will be licensed by the Division of Mental Health and Addiction Services (DMHAS).
- **Focusing On Treatment** – Governor Christie has followed through on his commitment to take a smarter and more effective approach focused on treating drug-addicted offenders by signing into law landmark legislation to put in place a statewide, mandatory Drug Court Program. The fiscal year 2017 budget recommends total funding of nearly **\$64 million** to support the

Drug Court program.

- **Recovery Coach Program** – As a direct result of the Facing Addiction Task Force's work, the Recovery Coach program launched in January 2016 in the five counties hardest hit by the addiction crisis. In fiscal year 2017, the budget provides an additional **\$1.7 million** in funding to expand this program into six more counties.

### Developmental Disabilities

Governor Christie is committed to fundamentally changing the way services and programs support individuals with developmental disabilities and their families, by moving away from a system that has historically focused on institutionalization to one that emphasizes home and community-based services and supports. To this end, resources have been refocused to provide people with intellectual and developmental disabilities with the ability to live as independently as possible with the proper supports.

Governor Christie's determination to provide services in the community includes funds to develop additional community placements and services that divert admissions to developmental centers. The fiscal year 2017 budget provides **\$48.8 million** of new State and federal funding to create community placements and services, including Olmstead.

Further, included in the fiscal year 2017 budget is a one-time community provider increase for a combined State and federal investment of **\$10 million**. These funds will allow providers that serve individuals with developmental disabilities to make the infrastructure improvements necessary to transition to fee-for-service.

### Tax Relief

Governor Christie has fought for and won tax relief that is making New Jersey more competitive as a place to live and work.

- **Over \$3 Billion in Business Tax Cuts and Reforms** – Beginning with the fiscal 2012 budget, Governor Christie tackled New Jersey's business tax climate with tax cuts and reforms that had stalled in Trenton for years. Among the tax reforms included were: long-awaited changes to a single sales factor formula that incentivizes businesses to invest in New Jersey; income/loss netting and loss carry-forward reform; a 25% reduction in the minimum tax on S-corporations, which is how many small businesses file their taxes; research and development incentives; and elimination of the Transitional Energy Facility Assessment.

The Governor's Fiscal Year 2017 Budget continues to provide this essential tax relief for New Jersey businesses of all sizes, fully phased in and unchanged.

- **Increase in the Earned Income Tax Credit** – In the summer of 2015, Governor Christie proposed and enacted into law an increase in the Earned Income Tax Credit from 20% to 30% of the federal benefit. Approximately 500,000 Garden State households will benefit from this tax relief, with the credit for an average working family rising by 50% from approximately \$420 to \$630.

The Governor's Fiscal Year 2017 Budget continues this critical tax relief for working families at this expanded level.

- **\$1 Billion in Tax Reductions by Eliminating Fraud in the Unemployment Insurance Trust Fund** – Vigorous monitoring and implementation of anti-fraud measures under the Christie Administration have saved taxpayers more than \$640 million in improper spending from the Unemployment Insurance Trust Fund. This responsible oversight has restored the solvency of the Trust Fund, now at a positive balance of more than \$1.1 billion, well ahead of schedule and has triggered annual, incremental tax rate reductions for employers that will save them more than \$1 billion over the next five years.
- **Building On A Record Of Capping Property Taxes & Delivering Reforms to Control the Cost of Government** – This tax relief builds on the Governor's record of successfully fighting to rein in the size and cost of government, including his historic Cap 2.0, which has forced local governments to end skyrocketing increases in spending and make choices to fund core

priorities.

The Cap is the centerpiece of a comprehensive property tax reform agenda to ease the burden on taxpayers that also includes: a 2% cap on interest arbitration awards, pension and health benefits reforms, and proposed shared services, consolidation and unused sick and vacation day payout reforms. Annual increases in property taxes have averaged just 1.97% since Governor Christie took office in 2010.

### Pre-K through 12 Education

Governor Christie has fought for and won sweeping reforms and historic funding to give every New Jersey child the education he or she deserves.

- **The Highest Level Of School Aid In New Jersey History** – This budget once again provides the highest amount of State support for education in New Jersey history, breaking the previous spending total for the sixth consecutive year. The fiscal year 2017 budget proposes spending more than \$13.3 billion on education, an increase of **\$548 million** from fiscal 2016. Of the total school aid, \$9.1 billion represents direct aid to schools, an increase of \$94.3 million over fiscal 2016. State support for school aid has increased by over 40% since Governor Christie took office in 2010.
- **Opportunity Scholarship Act** –The Christie Administration is once again recommending funding to support a pilot Opportunity Scholarship Demonstration Program. This support of \$1 million in fiscal year 2017 will provide additional opportunities to some of the most at-risk students in New Jersey.
- **Charters and School Choice** – The Christie Administration has increased the overall number of charter schools in New Jersey to 89 in fiscal 2016, while relentlessly focusing on quality and holding all schools accountable for results by closing 17 low-performing charter schools. A new funding category, Host District Support Aid, will ensure the base per pupil funding provided to charter schools in fiscal year 2017 is not less than the 2016 base per pupil funding. In addition, the Interdistrict Public School Choice Program is increasing educational opportunities for students and their families by providing students with the option of attending a public school outside their district of residence without cost to their parents.

The fiscal year 2017 budget supports more than **49,000 charter students and 5,200 choice students**.

- **Tenure Reform** – Marking the first extensive reform of New Jersey's tenure law in over 100 years, Governor Christie signed into law the Teacher Effectiveness and Accountability for the Children of New Jersey (TEACHNJ) Act, a sweeping, bipartisan overhaul of the oldest tenure law in the nation.

The fiscal year 2017 budget includes increased funding for arbitrators under this law.

### Higher Education

Among Governor Christie's highest priorities has been strengthening New Jersey's higher education community.

- **Tuition Assistance Grant Program (TAG)** – To ensure an affordable in-state college education is available to all, TAG grants are available at 56 public and private institutions across New Jersey. Since taking office, Governor Christie has increased State funding for the TAG program by over 60%, to a total of \$403.6 million in fiscal year 2017. Approximately 68,000 students, or one-third of all full-time undergraduate students attending school in New Jersey, will receive support from TAG.
- **Governor's Urban Scholarship** – The Governor's Urban Scholarship program will add a fifth class, and will now support an estimated 635 scholars in targeted school districts.
- **College Readiness Now** – Funded at \$1 million in fiscal year 2017, this program will help students prepare for college level

course work before they graduate high school. Funding will fully support partnerships between the county colleges and at least 60 high schools throughout the state, with at least one in each county.

- **Building Our Future Bond Act** – In November 2012, voters approved the issuance of \$750 million in bonds to provide matching grants to colleges and universities to build, equip and expand higher education with 176 projects on 46 campuses. Over \$715 million in funding has been obligated to date and construction is under way on many of the improvement projects, with remaining projects expected to move out of the design and planning phase in the near future. The remaining balance of the Building Our Future Bond Act funding, \$35 million, was made available for grant awards in fall 2015, along with an additional \$145 million in Higher Education Capital Improvement Program bond funds to assist with the repair and update of critically needed academic facilities.

### Investing in a Competitive New Jersey

Nothing is more important than making New Jersey more competitive in the global race to grow our economy and create good jobs. Under Governor Christie, New Jersey has seen six consecutive years of private sector job growth. The State has now added 222,000 new private sector jobs since February 2010. New Jersey's December unemployment rate of 5.1% is nearly 50% lower than when Governor Christie took office, and is now in line with the national rate.

- **Economic Opportunity Act of 2013** – In September 2013, Governor Christie signed sweeping economic development and investment incentive reform legislation that is making New Jersey notably more competitive as a place to invest, build and grow jobs. The Economic Opportunity Act of 2013 strengthened and streamlined New Jersey's economic development incentive programs into two categories: GrowNJ, which is now the State's main job creation incentive program and the Economic Redevelopment and Growth Program, which is now New Jersey's sole incentive program for developers.

Since the law came into effect, the New Jersey Economic Development Authority (EDA) has approved 195 active projects for a total of up to \$3.9 billion in assistance under the Economic Opportunity Act. These projects represent a leverage of more than \$6.0 billion in private investments, the creation of more than 26,640 new, permanent jobs and the retention of 19,170 jobs "at risk" of leaving the state.

- **Business Employment Incentive Program (BEIP)** – The BEIP program, put in place prior to Governor Christie's administration, promised businesses agreeing to invest and create new jobs in New Jersey a tax rebate through the Economic Development Authority. However, these grants were subject to annual appropriations. Governor Christie proposed and enacted legislation authorizing conversion of the grants that were unreliable and subject to the uncertainties of the budget process, into reliable tax credits, thereby restoring credibility to the program and allowing businesses to plan and grow accordingly.