



Memorandum

To: Clients of Capital Impact Group

Date: June 29, 2010

Re: New Jersey Fiscal Year 2011 Budget

In the early morning hours, the New Jersey Legislature debated, and ultimately approved, the \$28.4 billion State Budget for Fiscal Year 2011. The Governor is constitutionally mandated to sign this measure into law by the June 30 deadline. While he is not permitted to make any additions to the budget bill, he does have the power to line item veto spending items out of the budget. Ahead of schedule, he signed the budget this afternoon.

In an unusual move, the minority party, the Republicans, introduced the budget bill this year consequently requiring all Republican legislators to vote in favor of the Governor's budget. This move allowed the Democrats to provide only the few votes needed for the bill to pass and avoid a government shutdown. The state Senate passed Governor Christie's budget following about 90 minutes of debate. The spending plan passed 21-19 with Democrats supplying only the minimum number of votes (four) need to approve the budget. Those votes came from Senators Teresa Ruiz (D-29), Brian Stack (D-33), Sandra Cunningham (D-31), and Jeff Van Drew (D-1). The Assembly passed the budget 42-22-13 early this morning, again only supplying the minimum number of votes to avoid a government shutdown. Democrats that voted for the budget include: Assembly members Nelson Albano (D-1), Upendra Chivukula (D-17), Albert Coutinho (D-29), Joe Cryan (D-20), Matthew Milam (D-1), Sheila Oliver (D-34), Ruban Ramos (D-33), Caridad Rodriguez (D-33) and Assemblywoman Pou did not vote.

Proponents of the budget are pleased that they closed an \$11 billion budget gap without broad tax increases, while making tough budget decisions. Meanwhile opponents say the cuts hurt the most vulnerable and claim the Governor and Republican members of the Legislature raised fees/taxes to balance the budget. The State also skipped a \$3 billion pension contribution.

There are several pieces of “stand alone” revenue bills that accompany the Fiscal Year 2011 Annual Appropriations Act. All of these combined measures were passed to ensure a balanced budget for the upcoming year. Components of the Annual Appropriations Act and accompanying bills included revenue enhancers, for example, which would establish professional sports team specialty license plates and dedicates net proceeds to the General Fund. Additionally, a measure was passed which reduces benefits under State earned income credit program from 25 percent of federal credit amount to 20 percent beginning in Tax Year 2010.

Given the tough budget year, few items were restored to the Governor’s original proposed budget to reach a budget deal between the Republican Governor and Democratic Legislature. The items include:

- Funding For General Assistance: \$21,995,000
- Supplemental Security Income / Personal Needs Allowance For Community-Based Developmental Disabilities Clients: \$10,282,000
- Personal Assistance Home Care : \$9,669,000
- Education Services For Blind Children: \$20,000
- Adult Medical Day Care: \$2,379,000
- Sheltered Workshops for People with Disabilities: \$3,000,000
- Respite Care: \$800,000
- Hagedorn Psychiatric Hospital: \$6,370,000
- NJ After 3 Program: \$3,000,000
- NJ STARS Tuition Scholarships: \$1,000,000
- Educational Opportunity Fund (EOF) Opportunity Program: \$1,300,000
- New Jersey Cultural Trust: \$4,000,000
- Center For Hispanic Policy: \$1,400,000

Additionally, the Governor and Legislature agreed to restore funding for the State Commission of Investigation in the amount of \$3,539,000.

Aside from the budget, what will prove to be interesting is the ongoing debate on the property tax caps proposed by both Governor Christie and the Senate President. Governor Christie is calling for a special session on his proposed 2.5 percent constitutional limit on annual property tax increases, and 33 related measures. He needs legislative approval by July 7<sup>th</sup> to have this measure on the ballot for voters to decide in the November election. In contrast, Senate President Sweeney is calling for a cap of 2.9 percent, which would take into account health benefit premium increases, as well as a few other exceptions. The Senate President expects the Governor to call the Legislature into session later this week until July 7, but does not have any plans on voting on the Governor's proposal. The Assembly, under the leadership of Speaker Oliver, will be convening subcommittee meetings over the summer to vet the Governor's property tax plan.

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