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Evaluating Governor Murphy’s Budget Proposal for Fiscal Year 2025

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With tax collections lower than projected and federal pandemic aid expiring, Governor Murphy found a way to maintain funding for New Jersey’s long-standing obligations and essential public services in his latest state budget proposal. At the center of the budget is a new tax targeted to the most profitable corporations to provide NJ Transit with its first-ever dedicated source of funding. The budget also includes another full pension payment and additional funding for public schools, health care, and affordable housing, in line with the governor’s vision for a stronger, fairer, and more affordable New Jersey.

However, while the governor’s proposal seemingly avoids dramatic cuts, the budget spends more than the state is projected to collect in revenue. This structural deficit, combined with a reduction in the state’s surplus, as well as NJ Transit’s intent to move forward with a double-digit fare increase, are clear signs that more revenue is needed beyond the new Corporate Transit Fee. There is also much that remains unknown about budget specifics — including the newly proposed Retire Ready NJ program, the future of costly property tax credit programs like StayNJ, and potential programmatic cuts — that will not be revealed until the full budget document becomes available.

Now that Governor Murphy has delivered his budget address for Fiscal Year (FY) 2025, here’s how it stacks up with the key benchmarks and priorities that NJPP identified last month.

Overall Fiscal Health

Bring Back the Corporate Surcharge on Big Businesses

Partially Included

Targeting corporations with more than \$10 million in net profits, the newly proposed Corporate Transit Fee will go a long way to ensure that large multinational corporations pay for the infrastructure that helps fuel their success. The new 2.5 percent tax should generate more than \$800 million in revenue from approximately 600 corporate filers, including the

world's most profitable businesses like Amazon and Walmart. Unlike the Corporate Business Tax surcharge, the tax would be permanent with no sunset date. To make up for revenue lost from the expiration of the original corporate surcharge, the new Corporate Transit Fee would be retroactive to January 1, 2024. This proposal, while historic, would raise additional revenue if it applied to corporations with at least \$1 million in annual profits, as the original corporate surcharge did.

Fully Fund Pensions and Schools

Included

This budget marks the first time that the state has fully funded both its pensions obligation and school funding formula – a monumental achievement worth celebrating. After decades of lawmakers kicking the can down the road, Governor Murphy remained steadfast in his commitment to fix the state's finances and fund its two biggest obligations, a move that will reflect well with credit rating agencies. However, despite fully funding the formula, many school districts will see less funding than the year prior, and the school funding formula remains long overdue for a constitutionally mandated update as learning standards and costs have changed significantly since 2008 when the formula was first adopted.

Maintain a Healthy Surplus

Partially Included

As with the current state budget, the budget proposed by the governor would once again run a structural deficit, spending more than it collects in revenue. As a result, the surplus will shrink to \$6.1 billion from more than \$8 billion a year ago. While this surplus remains higher than those of prior administrations, it remains lower than the national average and leaves little cushion to keep state government running in the event of an economic downturn.

Family Affordability

Expand and Improve Tax Credits for Working Families

Not Included

The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) remain funded at last year's levels, without any expansion of eligibility or increase in benefit amounts for either program. Given the success of these programs in helping low- and moderate-income families keep up with rising costs, lawmakers should expand the CTC so children up to age 12 are eligible, as well as the EITC so taxpayers who file with an Individual Tax Identification Number (ITIN) can benefit.

Increase Benefits in WorkFirst NJ to Reduce Poverty

Not Included

WorkFirst NJ, the state's anti-poverty cash assistance program for very low-income residents, saw no increase in funding and did not receive any mention in the governor's address or preliminary budget documents. A budget focused on affordability for low-income residents must include expanding funding for this critical lifeline by increasing the monthly grant amount to today's economic standards. For too long, the low benefit amount has left recipients in poverty and unable to meet the state's high costs.

Health Care

Expand Affordable Health Insurance Options

Partially Included

The governor's budget proposal includes \$100 million in additional funding for Cover All Kids, which allows all children to enroll in state-subsidized health insurance through NJ FamilyCare, regardless of citizenship or immigration status. However, the preliminary budget documents do not specify whether this funding is simply to cover children enrolled in the existing program or whether it will fund the next phase of the program's implementation. To ensure that no child is uninsured, the program must include coverage options for children who are not eligible for NJ FamilyCare and still excluded from the state health insurance marketplace.

Increase Outreach for NJ FamilyCare

Partially Included

The Budget-in-Brief references continued outreach for NJ FamilyCare through the Department of Human Services; however, no specific line item or funding amount is mentioned. Additional funding for outreach is needed to ensure families maintain continuous coverage instead of becoming uninsured.

Continue to Fund Harm Reduction Expansion

Included

Harm reduction services will receive the same level of state funding as last year, with roughly \$12 million in additional funding provided through the opioid settlement fund. The opioid settlement fund includes proceeds from lawsuits against opioid manufacturers, distributors, and retailers for their role in opioid overdose deaths. These investments will allow the state to continue expanding harm reduction services to every corner of the state.

Environment and Transit

Fully Fund NJ Transit to Avoid Drastic Fare Hikes

Partially Included

The proposed Corporate Transit Fee will be dedicated to fund New Jersey Transit in Fiscal Year 2026 and beyond. Because the agency has never had dedicated funding, this revenue will stabilize an often volatile budget while allowing the agency to invest in the capital and operating expenses that would make its services more reliable and sustainable. However, even with this new revenue stream, the raids to the agency's capital fund continue, and the agency is still moving forward with its proposed 15 percent fare increase set to begin on July 1, 2024. With a new source of dedicated funding, NJ Transit should reconsider this immediate, double-digit fare increase.

Use the Clean Energy Fund on Clean Energy

Not Included

The budget proposal continues the longstanding practice of raiding the Clean Energy Fund to pay for NJ Transit, though at a lower level than prior years (\$70 million, compared to \$82 million in FY 2023). The budget does not include language that ensures that any diversion to NJ Transit is restricted to use on transitioning to clean energy and thus help New Jersey reach its clean energy goals. If diversions continue, these funds should be restricted to clean energy initiatives within the agency, such as helping fund the electrification of NJ Transit's bus fleet.

Criminal Legal System

Eliminate the Cost of Communication for People Incarcerated

Not Included

The budget does not include any funding to eliminate the cost of communication for people incarcerated in state facilities. Currently, people who are incarcerated must pay private contractors for phone and video calls, and even short conversations can cost more than a day's pay. For a relatively low cost to the state at roughly \$10 million, lawmakers could follow in the footsteps of other states and alleviate this burden on people in incarceration and their loved ones.