

# Governor Murphy's Fiscal Year 2021 Budget Address

February 25, 2020

## Remarks as Prepared for Delivery

Lieutenant Governor Oliver.

Senate President Sweeney.

Assembly Speaker Coughlin.

Majority Leaders Weinberg and Greenwald.

Minority Leaders Kean and Bramnick.

Members of the 219th Legislature.

Chief Justice Rabner and Judge Grant.

Members of the Cabinet.

Former Governors McGreevey and Codey.

First Lady Tammy Murphy and the many special guests sitting with her before me.

Distinguished faith leaders, veterans, members of organized labor, honored guests, and my fellow New Jerseyans.

As President Franklin Delano Roosevelt said, "In our personal ambitions we are individualists. But in our seeking for economic and political progress ... we all go up, or else we all go down, as one people."

That was the ideal we brought to our first two budgets, and which we now bring to our third – for New Jerseyans to succeed individually, and for our state to succeed as a whole. That is our north star.

Ours is a vision of long-term and sustainable investment in our people and our communities – in their futures, and in ours.

The choices we make come from a belief that the conversations taking place around the kitchen table are more important to our future than those happening around any backroom table.

The answer to the question of affordability isn't found in rewarding the special interests. It is found in creating new opportunities that reward our middle class – fixing what's broken and addressing the everyday needs of New Jersey's families.

This has been our focus. And, because of that, New Jersey is confidently moving forward.

Our administration took office with a clear and unshakable goal – to grow and strengthen New Jersey's middle class. That means creating opportunity, shrinking inequalities, restoring fiscal responsibility, delivering property tax relief, growing our economy, and investing in our future.

We were told that all of this couldn't be done. We were told we were dreaming. We were told the math couldn't possibly work.

They said we couldn't be pro-growth and progressive, that we couldn't make New Jersey stronger and fairer.

But we have stayed true to our beliefs. We are who we said we'd be. And, today, we are proving the naysayers wrong.

Believe me, there is so much more work to do. But, today, property taxes are stabilizing for middle-class families and seniors.

Today, wages are rising and more New Jerseyans are working than ever before.

Our unemployment rate is below four percent for the longest period of time than at any other point in the past 20 years.

Our economy has supported the creation of more than 72,000 private-sector jobs, and, at the same time, we have kept our state workforce level.

More job-creating businesses are opening in New Jersey, and we are far outpacing our peers and, indeed, the nation, in their rate of growth.

Today, 8,500 residents are participating in one of 988 recognized apprenticeship programs, gaining the skills they will need to get good-paying, mostly union, jobs.

Hundreds of high school students in Burlington, New Brunswick, and Paterson are preparing for the STEM jobs of tomorrow in innovative P-TECH classrooms, working toward a high school diploma, a no-cost associate's degree, and workforce credentials, all at the same time.

And, right now, students in Trenton are preparing to join them.

Today, tens of thousands of three- and four-year-olds, in school districts up and down our state, have a fully-funded seat in a pre-K classroom – an opportunity nearly 6,000 of them, across over 90 districts, didn't have two years ago.

More than 7,500 qualified students are working toward an associate's degree – tuition-free – under the Community College Opportunity Grant program that didn't exist two years ago.

Nearly a quarter-million residents have been able to purchase affordable, individual health care plans under the Affordable Care Act and, at a time when health care costs are rising across the country, these policies are coming with lower average costs than before our administration took office.

And, we've secured the ACA's protections for millions more consumers.

Today, we have a stronger surplus, we have been disciplined and anticipate making back-to-back deposits into the rainy day fund for the first time in 20 years, and, we're putting the brakes to the financial roller-coaster our state has been on for far too long.

We are making progress not despite our progressive and forward-leaning policies, but because of them.

I stand here today with a vision for how our state can work for everyone, with a proposed budget built to see it to fruition, and with our progress as prologue.

Now, I know that the budget I receive back won't look exactly like the one I am handing you. But, I know that by working together, we will arrive at a budget that continues to restore the faith that we can work together for the common good, and that we can deliver upon the promises we've made to our middle-class families – and, just as importantly, to those striving to join our middle class.

To invest in them and to put their needs before those of the special interests. To make our state fairer for them and stronger for our future. And, to change the culture of Trenton so that it works for ordinary New Jerseyans.

The values we share will shape that final document.

A stronger state is a state that does more to invest in its people. A fairer state is a state which ensures all of its residents can be part of its progress.

We will continue to provide real property tax relief and meaningfully – and honestly – attack the core problems that have long vexed property taxpayers. And, we will continue to fight for middle-class tax fairness.

We're getting results and making progress.

We've relied upon reasonable revenue estimates and early indications are that we may, like last year, exceed them. I don't intend to stop our streak in Fiscal 2021.

Under this budget, we will also continue growing our surplus to a projected \$1.6 billion – triple the surplus of my predecessor's final budget proposal.

And, we will make another roughly \$300 million deposit into the rainy day fund – our second in as many years, and the first back-to-back deposits in 20 years.

It's not enough to have the resources to meet the challenges of today; we must ensure we can meet the unseen challenges yet to come.

A stronger surplus, and another payment into the rainy day fund, are important signs to New Jerseyans that we, like them, understand that we can't rush out and spend everything we have, without regard to future risks.

And, it sends an unmistakable signal to the credit-rating agencies that we will not follow the irresponsible ways of the past that led to 11-consecutive downgrades.

We've reduced our dependence on one-shot revenues. Those one-shots may help balance the books for one year, but always – always – lead to a mad scramble to close an even bigger hole the next. Today I propose bringing one-shots down to only eight-tenths of one percent of our budget – continuing our progress to build our state's fiscal house on a foundation of reliable and recurring revenues.

We're cutting back the raids and diversions that have been a key reason why so many residents don't trust us with their money in the first place. As with last year, the Affordable Housing Trust Fund will pay for affordable housing. We'll build on last year's progress and keep even more in the Clean Energy Fund to support projects that counter the threat of climate change.

And, we will ensure that millions more remain at-the-ready to build the modern, next generation, 9-1-1 emergency services infrastructure, our communities need.

And, because of the work we've done together over our first two years to restore our state's fiscal standing, we're also able to fulfill our obligation by making a nearly \$4.9 billion total payment into our pension system.

But, I know our work is not done.

The Senate President and I agree, we need to do all we can to ensure the stability of our pension system. So, in addition to a \$794 million increase for Fiscal 2021, our administration will make an extra \$279 million payment into the pension system this current fiscal year.

This is a roughly \$1.1 billion increase in our overall pension payment. This administration will have put more back into the system in just three years than the preceding one did in eight.

We can keep this progress going, but only with recurring and sustainable revenues. And there is no better alternative than a millionaire's tax. It's the way we both ensure tax fairness for our middle-class and fairness to the dedicated rank-and-file women and men of our public workforce.

After all, the millionaire's tax is a matter of fairness to our middle-class homeowners and renters, our seniors, and the countless working families reaching to pull themselves up and into the middle class.

The property tax is the most unfair, regressive, and cruelest of taxes. A middle-class family in Merchantville or Milford or Moonachie, after all, pays a greater percentage of their income in property taxes than a millionaire anywhere else.

It's easy to see how our middle class can feel cheated. Their tax burden is real and, when put side-by-side with that of the wealthiest in our state, proves to be the exact opposite of fair.

It isn't the wealthy who bear the burden of our tax system – it's the middle class.

Asking the wealthiest 22,000 New Jerseyans to pay two cents more, in income tax, for every dollar they make over \$1 million, so we can provide nearly \$500 million more in property tax relief to New Jersey's families is simple fairness.

As I noted in my State of the State Address six weeks ago, the 400 wealthiest Americans now pay a lower tax rate than the nation's middle class, the first time this has happened in our nation's history.

By the way, the number of millionaires in New Jersey keeps growing every year, and I do not begrudge their financial success. I want them, and many more, to come and stay.

And, they will. Why? Because of proximity to the best job opportunities in America, to the best schools for their kids in America, and the best communities to call home in America.

There is not one iota of hard economic evidence that has proven the myth of millionaire tax flight, and, yet, I have heard from countless middle-class families and seniors, who are afraid that they may have to leave because of high property taxes.

They should be our focus in making New Jersey more affordable, and tackling income inequality. We go nowhere without our middle class, and right now, they're the ones getting squeezed.

Let's be clear – a millionaire's tax doesn't punish the rich; it lifts up the middle class and that's good for everybody.

So, I thank the Senate President and welcome his willingness to embrace a millionaire's tax in this budget. When we have tax fairness, we can continue our historic investments in our pension systems and in our middle-class families.

Let's secure hundreds of millions of dollars of constitutionally-dedicated property tax relief – for more school aid, for more Senior Freeze relief, for more and larger direct middle-class relief, to support more shared services, and to more fully secure the long-term stability of our pension system.

The millionaire's tax won't make us less competitive. It will allow us to continue fighting against high property taxes and allow us to become even more competitive.

We need to treat every discussion about spending as a family would around their kitchen table. And, we must properly invest in a way that will return dividends to our entire state and our taxpayers.

The evidence is clear: The steps we are taking are making a difference.

No other administration has done so much in its first two years to control property taxes, or to deliver more property tax relief.

In just our first two years of working together, we have achieved the first- and fourth-lowest year-over-year increases in property taxes on record. And, statewide property values have grown more in our first two years than at any point since the Great Recession.

We're helping families by protecting the single most-important investment most of them will ever make – their homes.

This hasn't happened by accident. It's happening because we're making critical investments in property tax relief for our communities – investments in our schools – investments to alleviate the other forces that drive up property taxes – investments that are making our communities stronger and fairer.

And, we're being honest with taxpayers – we're not going to defeat the decades-old, if not century-old, problem of property taxes with gimmicks, or in one fell swoop. But, we are making real progress and moving in the right direction.

This administration's approach, undertaken with your partnership, has been to combat – directly and consistently – the costs that drive property taxes higher in the first place.

The first budget I signed two years ago began what I pledged would be a ramping up of school funding to meet the needs of both our school districts and our property taxpayers.

Our public schools rank as the very best in the nation in large part because of our commitment to investing in classrooms in every community – in our highly talented students and our highly skilled educators and educational support professionals. School funding is an investment in our future.

But, just as important, school funding is property tax relief. Let's be absolutely clear – every new dollar in school funding is a new dollar of property tax relief. Every new dollar we provide is a dollar that doesn't have to come out of the pockets of property taxpayers.

Now is no time to let up. So, our budget proposes keeping us on our upward trajectory with an

additional \$336 million investment in our K-through-12 classrooms for the upcoming school year. On Thursday, I'll visit the Bound Brook School District as we release our state aid amounts.

And, we'll invest an additional \$83 million in pre-K, allowing us to expand opportunities for an additional 3,000 children. Funding pre-K, specifically, is directly making our communities more affordable for thousands of young families. And, it is making communities more attractive to prospective homebuyers.

In just three years we will have restored nearly \$900 million in direct formula aid to our public schools – a nearly 11 percent increase. In just three years. And, every penny is property tax relief.

And, through reforms championed by Senate President Sweeney, those new school funding dollars are working more efficiently and effectively.

Our schools benefit, and our property taxpayers benefit. And, because of that, our future benefits.

As we properly fund the school funding formula, we know that some districts continue to face challenges. So, our budget also includes \$50 million to stabilize their finances without cutting vital student programs.

School taxes make up more than half of the average property tax bill in New Jersey, so there is urgency in our action. And, as we make up for the years of aid cuts and flat funding that preceded us, taxes in more than 250 school districts are stabilizing. And, as we continue to reinvest, that number will grow.

It bears repeating – school funding is property tax relief. It is the most aggressive way we can attack the single-largest root-cause of our high property taxes.

Although we, in this building, do not set property taxes, the decisions we make can relieve the strain they place on our families and seniors.

That's why I am so proud of the work our administration has undertaken over the past year to seek out hundreds of millions of dollars in health care savings alongside our public workforce.

I've said it before, our public workers are not the enemy. They are our neighbors. They are the women and men who make our communities, our schools, and our state function. And, they, too, are property taxpayers, and when we can work together in partnership to ensure high-quality health care for them at a lesser cost to us all, it's the best kind of win-win.

And, this concept is at the heart of our work to provide Chapter 78 relief to our educators and ESPs, and we must deliver for them.

We are making real progress on health care. Even with inflationary cost pressures running rampant throughout the health care marketplace, overall spending on public employee health care across Fiscal 2020 dropped by \$300 million – more than nine percent.

But, the good news isn't just at the state level. For active local government employees enrolled in the State Health Benefits Program, premiums decreased 4.3 percent for the 2020 plan year. School districts enrolled in the School Employees Health Benefits Program saw an even bigger 4.5 percent drop in coverage rates for our educators and staff.

Health care costs continue to be one of the biggest drivers of local and school budget growth, and therefore one of the biggest drivers of property taxes. Lowering health care costs is property tax

relief.

In Fiscal Year 2021, we aim to reduce budgeted amounts for state- paid health-care benefits by another \$174 million. This will be a significant achievement in the face of national trends, and the first time in memory that we have year-over-year-over-year reductions in the overall cost of health care.

And, we will be more aggressive than ever in directly controlling the costs of health care delivery. We will close gaps that incent the use of costly out-of-network providers, or which misclassify certain services so providers can reap a big payday. We will no longer tolerate providers who send out big bills for reimbursement because they know the insurance company will settle by just sending a big check in return.

These seemingly small steps, alone, can save us, literally, tens of millions of dollars.

We're not simply cutting costs, we're cutting out the drivers of cost-increases while ensuring quality services.

It is in this same vein that we are so committed to promoting shared services. The goal should not be to deliver fewer services, or diminished services. Our goal should be to ensure the high-quality services that our people need, and expect, in a way that is more efficient and effective.

With the leadership of Lieutenant Governor Oliver and our shared services "czars," Mayors Nic Platt and Jordan Glatt, we recently passed the milestone of 1,000 shared service agreements. This budget will support their work and further our progress.

So, that is why our budget will maintain our \$10 million investment to keep bringing local governments and school districts together to share services.

We are also creating a new Grants Management Office – co-located in my office here and in our state office in Washington – to marshal resources and help county and local governments bring home more federal grant dollars to further alleviate the property tax burden.

One reason why we've been dead last in returning federal dollars to our state is because we've never had a whole-of-government approach to get them. That will change.

And, our budget will extend our commitment to direct property tax relief for middle-class families through the Homestead benefit and for our seniors through the Senior Freeze. And, I thank, in particular, Speaker Coughlin for his commitment to this.

In doing each of these things – funding our public schools and delivering direct property tax relief – providing high-quality health benefits to our public employees, educators, and educational support professionals at a lower cost both to them and to taxpayers – and, making it not only possible, but easier for communities to adopt shared services and better compete for federal grants – we are being more effective in combating our property tax crisis than any administration that has come before.

The two leaders behind me have made many of these efforts their key priorities, as have most of you. And, in partnership, we will continue, step by step, to challenge the property tax crisis that has been atop our state's to-do list for well over a generation.

When we do these things, we will continue to make New Jersey not only a go-to place for business, but a come-to place. We're already competing and winning. That's a fact.

Our economy is performing well, in large part, because we are keeping our promises and making transparent and stable investments.

The Census Bureau tracks the creation of what it calls “high-propensity business applications” – the newly-born businesses it sees as growing into enterprises with employees and payrolls, which is an important indicator for future economic growth, and one we track closely.

Throughout 2019, high-propensity business applications in New Jersey grew every quarter. The fourth quarter, alone, grew by 3.4 percent over the fourth quarter of 2018, which had, in turn grown by 3.5 percent over the fourth quarter of 2017.

And, our fourth quarter 2019 growth rate was nearly double that across the rest of the entire Northeast – New Jersey has become more attractive to – and supportive of – business creation than both Massachusetts and New York.

And, we far outpaced the national growth rate of 2 percent.

This is a strong indicator that businesses see the advantages of New Jersey. It’s a strong indicator that our economy will continue to create jobs in 2020. It’s a strong indicator that our policies are working.

This is why our budget will continue to invest in making New Jersey more competitive for businesses. In workforce development through Jobs NJ and in our successful apprenticeship programs. To ensure expedited permitting so more private investment, such as that from the offshore wind industry, can flow into our state to grow jobs and new opportunities. And, in the work of the Commission on Science, Innovation, and Technology, so we can prove ourselves worthy as the heirs of Thomas Edison and Bell Labs, and fully reclaim our place as the true home of the global innovation economy.

And, let’s also acknowledge that our work to deliver property tax relief by investing in our schools and communities also benefits our businesses, especially the small businesses in our downtowns and the startups that have outgrown their incubator and are looking to build their permanent homes.

And, at the same time, there are large corporations in New Jersey that do not provide health benefits to their employees and their families, or who offer policies that their employees cannot afford. When these families turn to Medicaid, it’s our taxpayers who pick up their health-care costs. New Jersey pays an average of \$1,000 per person – without any contribution by their employers. Our budget will require these corporations to pay their fair share through a Corporate Responsibility Fee.

Every page of our budget is filled with investments that will make our state stronger and fairer. I could name them all, but here are just a few.

Beginning the work of our new Office of Health Care Affordability and Transparency to lower the costs of health care for millions of our residents and build upon the successful out-of-network reforms championed by Speaker Coughlin.

Expanding eligibility for the Pharmaceutical Assistance for the Aged and Disabled – or, PAAD – and Senior Gold programs to thousands more New Jerseyans.

Investing an additional \$200 million to further lower the costs of health insurance for individuals purchasing plans through the ACA

Fully funding women's health care and family planning.

Maintaining our data-driven and whole-of-government fight against our opioid scourge.

Continuing the partnerships the First Lady has built to meaningfully combat the infant and maternal mortality disparities among our communities of color.

Investing in programs and services for youth so they don't get entangled in the juvenile justice system.

Fully funding the Amistad Commission.

Expanding the size of the Earned Income Tax Credit and making thousands more young adults eligible.

Helping ensure safe learning environments for our kids and communities of faith.

For the first time, exempting combat pay earned by our active-duty military men and women from taxes.

Making a down-payment for our communities to replace lead water-service lines and modernize our infrastructure.

And, building the futures of our college students through the Garden State Guarantee. The Garden State Guarantee will build upon the already successful model of the Community College Opportunity Grant program, and provide the first-two years of study at one of our four-year public colleges and universities tuition-free to thousands of eligible students. Tomorrow, I will visit William Paterson University to open a deeper discussion about this new initiative.

And, with the public health challenges we face, from the tragedy suffered at Wanaque to today's rightful concerns over the coronavirus, our budget will continue to invest several million dollars to partner with local health authorities to support infectious disease control.

I also call, once again, for you to join me in raising the cost of handgun permits for the first time since 1966. This is not about the 2nd Amendment. This is about public safety. These fees are meant to cover the costs of State Police background checks on prospective gun buyers – and, right now, they don't come close to doing so.

It's still just \$2 to get a handgun permit. It's still more expensive to buy a dog license. That's entirely backwards. Let's fix this, so we can keep guns out of the wrong hands.

Our budget will continue our work fixing NJ TRANSIT, increasing our investment by another \$132 million – to a record total of nearly \$600 million.

This increase will help train an additional 98 new locomotive engineers, fund service enhancements at both Newark and New York Penn Stations, and start a new Electric Bus program, among much more. It will also protect NJ TRANSIT's commuters from a fare hike for a third straight year.

This record investment will dovetail with the mission and values of NJ TRANSIT's forthcoming ten-year strategic and five-year capital plans.

This is an investment in NJ TRANSIT, but it is, even more, an investment in our commuters and our communities. It is an investment in giving New Jerseyans the freedom to leave their cars at home

and to take our trains and buses.

And, with the federal government's long-awaited green-lighting of the Portal Bridge replacement, we are finally moving forward in alleviating one of NJ TRANSIT's commuters' other headaches – wondering if a cranky, obsolete, century-old bridge is going to hold it together for another day.

The Portal Bridge is just one part of a much larger project. One new span doesn't in any way eliminate the need for new tunnels under the Hudson and it in no way signals our retreat in the fight to get Gateway done.

And, by the way, it bears repeating that had it not been canceled, the ARC Tunnel would today be open and serving our commuters. That ghost continues to haunt us.

But, make no mistake, the Portal Bridge decision is a big victory for our commuters – and I thank our federal delegation, in Congress, for their tireless help. It is also a big victory for the building trades. And, it is a big victory for a state whose economic lifeblood can only flow with modern infrastructure.

By now I bet you thought I was going to get through this speech without mentioning tax incentives. But this is too important. This is about who we stand with and what we stand for. This is about how we create jobs and for whom we create jobs.

These are our choices. Are we on the side of protecting taxpayers' hard-earned money, or with the millions of dollars spent with no oversight and, too often, with no results?

Are we on the side of small businesses, and the entrepreneurs, women, veterans, and people of color who want to start a business, or do we only welcome the big fish and the well-connected?

Are we on the side of communities and residents, or do we reward those who ignore them?

Are we on the side of transparency and accountability, or do we close our eyes to those, gaming the system?

We should all agree that a targeted program with strong compliance standards is a good thing. We should all agree that we need a program whose focus is on expanding our economy, not rewarding special interests.

And, we should all agree that just as much as we need strong compliance standards, we must have clear annual overall caps in place. Blank checks are bad policy. No family budgets that way. Neither should we.

As I've said countless times, most companies are good corporate citizens who play by the rules. But some are not. We are seeing progress in the name of our taxpayers in getting back some of the millions of dollars we now know were inappropriately awarded – the first \$11 million of some \$500 million being investigated.

I am committed to not reliving the mistakes of the past – the mistakes that put huge tax breaks for the well-connected before tax breaks for the middle class.

And, let's be perfectly clear – billions given away in open-ended corporate tax breaks will be billions we will not have to make our state more affordable for both residents and businesses.

Tax incentives cannot be about rewarding special interests. They must be about making our state more competitive, creating jobs, and growing the next great wave of New Jersey-based companies.

Period.

I am pro-jobs, pro-growth, and pro-accountability. That is why I am for reforming a failed incentives system, just as I am for reforming our ethics laws – to let more light shine in. When we reject transparency, in any forum, bad deals are made and taxpayers are hurt.

The public needs to see, unmistakably, that we work for them, and not the other way around. And, I ask you to join me in this cause.

The goal isn't to win for the sake of politics, but to win for the sake of our future.

That's also an apt way of thinking about our first two years. Two years speaking to our core value, that New Jersey is at its strongest when it is at its fairest. Two years speaking to the need for us to focus not on gimmicks, but on long-term and sustainable solutions, for real property tax relief. Two years speaking to the need to change the culture of Trenton, from one that shields the wealthy and special interests, to one that secures progress for our entire New Jersey family.

We're doing what no one thought possible. We're making real progress against high property taxes, restoring New Jersey's fiscal standing, growing our economy, repositioning our state for success, and, at the same time, investing in our future.

Here we are, with a record of unmistakable progress on all fronts, and with a budget that promises to keep us moving forward.

Thank you, all, very much. May God continue to bless the great State of New Jersey and the United States of America.