
THIS WEEK IN TRENTON



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April 9, 2010

Budget Hearings Begin

Both the Senate and Assembly began their budget hearings this week. As is customary, both the Senate Budget and Appropriations Committee and the Assembly Budget Committee began their hearings with testimony by David Rosen, the Legislative Budget and Finance Officer followed by testimony from the State Treasurer, Andrew Sidamon-Eristoff. Dr. Rosen began his remarks by saying that New Jersey state government is in the midst of an “extraordinary and unprecedented” tax revenue decline and it could take until the second half of 2013 for its financial situation to return to where it was in 2008.

For the current fiscal year, ending on June 30, 2010, Rosen forecasts \$27.64 in revenue, \$81.7 million less than the Christie Administration. The OLS estimate for the income tax is \$70 million more than the Administration’s while the OLS estimate for the sales tax is \$153 million below the Administration’s, the estimate for the corporation business tax is \$44 million below the Administration’s and the estimates for all other revenues are \$45.3 million above the Administration’s estimates.

For Fiscal Year 2011, Rosen forecasts \$28.1 billion in revenue, \$167.7 million less in revenue than the Christie Administration. The OLS estimate for the income tax is \$54.9 million above the Administration’s and the estimate for the corporation business tax is \$55 million above the Administration’s while the OLS estimate for the sales tax is \$160 million below the Administration’s, and the estimates for all other revenues are \$117.6 million below the Administration’s estimates.

Treasurer Sidamon-Eristoff did not dispute the difference in revenue projection by OLS but did point out that the \$167.7 million difference is one half of one percent of the total budget. The Treasurer also pointed out that in crafting the Fiscal Year 2011 budget, the Administration had to close a \$10.7 billion gap, about 36% of the Fiscal Year 2010 budget. According to the Treasurer projected spending for FY2011 – including \$2.8 billion in projected growth – would have been \$38.4 billion, \$10.7 billion more than projected revenue of \$27.7 billion. According to the Treasurer the \$10.7 billion gap was closed by cutting \$1.9 billion in baseline spending and \$7.1 billion in projected growth, eliminating programs for a \$200 million savings, identifying \$600 million in additional revenue sources, tapping non-state resources to support \$400 million in spending and

projecting the receipt of \$500 million in enhanced federal Medicaid funding. The Treasurer reiterated the Governor's pledge that he will not sign any broad-based tax increases.

Both hearings were, at times contentious. Democrats on both Committees assailed the Governor's proposed budget as an assault on the middle class, the poor and senior citizens. Republicans praised the proposal as breaking the state's addiction to overspending and making painful choices in a difficult budget year.

Privatization Task Force Announces Public Hearings

The New Jersey Privatization Task Force, formed by Governor Christie, announced dates for its three public hearings. The meetings will be open to the public and the Task Force will be inviting experts from a variety of fields to testify. In addition to input received at the public hearings, proposals can also be submitted via email at NJPrivatization.TaskForce@gov.state.nj.us.

The first public hearing took place on April 7 at the State House. Government watchdogs told the task force that the Christie Administration must learn from past efforts to privatize state services and must guard against potential waste and abuse. Advocates of privatization told the task force that using private companies would produce lower taxes and more responsive services. Labor leaders testified that using profit-driven companies could potentially harm the public.

The second public hearing will take place on April 14 at Summit High School in Summit and the third will take place on April 21 at Camden County College's Cherry Hill Campus in Cherry Hill.

The members of the Task Force are Chairman Dick Zimmer, Todd Caliguire, Kathleen Davis, John Galandak and Dr. P. Kelly Hatfield. The Task Force is expected to recommend next month how the state can save \$50 million through privatization.

"PSI on the Tube"

Public Strategies Impact partner Bill Maer will appear on this week's New Jersey Now program. New Jersey Now airs on My9/WWOR TV on Sundays at noon.

Legislative Action

Next week, the Assembly Budget Committee will review the budgets of the Departments of Health and Senior Services and Environmental Protection on April 12 and will review the budgets of the Departments of the Treasury, Banking and Insurance and Military and Veterans' Affairs on April 14. The Senate Budget and Appropriations Committee will review the budget of the Department of Education on April 13 and will review the budgets of the Departments of Human Services/Medicaid and Labor and Workforce Development on April 15. The Senate Community and Urban Affairs Committee will

hear testimony concerning the recommended modifications to the Urban Enterprise Zone program proposed in the budget on April 12.