

By ANGELA DELLI SANTI . 12.23.08, 10:00 AM EST



With the economic recession showing no sign of loosening its grip on New Jersey, Gov. Jon S. Corzine said he will be forced to consider layoffs, tax increases and other harsh fiscal measures in a re-election year.

While the state is in better shape than some because of \$600 million in spending cuts enacted in the current budget, the more daunting task will be putting together the fiscal 2010 budget as tax collections of all types continue to decline, Corzine said Monday.

"What's going to be a much harsher challenge is putting together a budget that reflects the cumulative falling off of revenues that is occurring and sustaining itself through the year." said Corzine, who will introduce the new budget in February.

He said layoffs, wage freezes and furloughs are all "on the table" and said saving jobs will require cooperation from unions.

The state work force has 4,000 fewer employees than when he took office. But an early retirement incentive package failed to attract the number of workers the administration had hoped, mainly because the economy had already begun to sour.

New Jersey's Constitution requires a balanced budget, and Corzine said his choices are to cut programs and services or raise taxes to sustain them, as New York Gov. David Paterson has proposed.

"None of those things are attractive in the best of times." Corzine acknowledged.

BERGEN RECORD

Painful '09 for N.J.

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BY ELISE YOUNG

TRENTON BUREAU

The national economic recession probably will worsen, Governor Corzine said Monday, possibly exposing the state's 77,000-member workforce to layoffs, wage freezes or furloughs.

"All of these things are on the table," he said during a year-end recap with reporters at Drumthwacket, his official residence in Princeton.

Corzine also would not rule out tax increases in the vein of those proposed in New York State last week on about 140 goods and services, including music and video downloads, and soft drinks.

He said he will wait until January to disclose any taxation plans — or a possible replacement for his failed toll-roads proposal, conceived to help pay down New Jersey's \$30 billion debt but roundly rejected this year at town-hall-style meetings throughout the state.

Corzine, 61, a onetime chairman of Goldman Sachs, called the year-old financial crisis "the most unprecedented economic conditions in my lifetime."

"I would expect a year from now we will be coming out of it," he said. "I would expect that in six to nine months we will see a turnaround, but we've got to get it stable first. As it is now, it's falling like a rock."

Although he has made no formal announcement, Corzine appears ready to run for a second term in 2009 and would do so against the backdrop of that troubled economy and a state budget nearly \$5 billion short by his estimates.

The governor spoke broadly and proudly about his administration's accomplishments in 2008, including a new school-funding formula, paid family leave and a \$44 million fund for cash-poor hospitals.

His administration's priorities for 2009, he said, will be economic stimulus and government-ethics reform.

Here are some of the topics he covered:

Government finances: Corzine told a House of Representatives panel this month that he prefers a federal stimulus that would channel up to \$800 billion to states for budgets, construction projects, special education, Medicaid and other needs. On Monday, he said he can't convey an accurate picture of New Jersey's next budget until President-elect Barack Obama and Congress decide on aid. "We're simply trying to make an intellectually honest estimate of what the [budget] hole will be, with some assistance from the federal government," he said.

Ethics: Reform, he said, has "less than wholehearted support in the Legislature."

He said he increasingly will rely on the work of Matthew Boxer, the state comptroller — a position Corzine created — to identify potential ethics lapses and other flaws.

Property taxes: The governor is holding out hope that the Legislature will approve a proposal to allow municipalities to defer part of their contributions to the employee pension system. "I can't say this enough: Under normal circumstances, I never would have proposed the pension deferral," he said. Without such a delay, he said, towns could

be forced to raise property taxes dramatically — and even more so if the state lessens school and municipal aid as a result of falling tax revenue. In the fiscal year started July 1, those collections have been down about \$460 million.

Gay marriage: Corzine said that he would sign a bill that permits same-sex couples to marry, as recommended this month by New Jersey's Civil Union Review Commission. But he suggested that's not where the Legislature is spending its time.

"I believe we ought to be truly focused on the economy and, I believe, the ethics agenda," he said. Gay marriage "needs to come in at a second position."

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Corzine: No easy fix to N.J.'s financial woes in '09

By Jonathan Tamari

Inquirer Trenton Bureau

PRINCETON - Gov. Corzine will start 2009 focused on the same issues that consumed much of 2008: solving New Jersey's budget problems and weathering the national financial crisis.

> Corzine said yesterday that he expected to detail hundreds of millions of dollars in additional spending cuts shortly after the new year to help the state cover a projected \$1.2 billion shortfall in the budget that runs through June 30.

> Standing before an ornate fireplace at Drumthwacket, the official governor's residence, Corzine talked with reporters about 2009, a year in which he faces reelection, and 2008, a year that began and ended with major policy setbacks but had a number of fiscal accomplishments in between.

> "It has been a challenging year by anybody's standards," Corzine said. "All aspects of people's lives, I suspect, have been colored by the nature of the economic circumstances."

> For New Jersey, it meant plummeting revenues and restrictions on hiring.

- > In November, Corzine announced \$400 million in budget savings. Yesterday, he said his administration had identified "almost that much again" and would detail the cuts after Jan. 1.
- > Republicans have criticized Corzine for failing to publicly lay out his plans in the face of a growing deficit.
- > "The people of New Jersey want to know what Gov. Corzine is doing to make sure our government lives within its means and avoid further tax increases," Senate Minority Leader Thomas H. Kean Jr. (R., Union) said in a recent news release.
- > Corzine said he was in a good position to close the current budget gap by June 30, the end of the fiscal year. But the 2009-10 budget he will introduce in February faces a more daunting shortfall, projected as high as \$5 billion.
- > Corzine said he is considering wage freezes, furloughs and layoffs to cut labor costs in the next budget.
- > "I prefer to save jobs, but that means I need cooperation from [people] who have contracts," Corzine said, referring to labor unions.
- > At several points yesterday, he said his plans would have to mesh with a desired federal stimulus, which governors expect to assist struggling states.
- > This year began with hopes to remedy past fiscal problems.
- > After narrowly securing the passage of a new school-aid plan in the first days of 2008, Corzine turned his attention to a much-anticipated proposal to steeply raise tolls to halve state debt and fund decades of transportation projects.
- > Lawmakers and the public balked at the cost and crushed the plan.
- > Asked what he might do differently, Corzine joked, "I probably wouldn't have had so many town hall meetings," at which he pitched the plan but also absorbed a barrage of criticism.
- > But those meetings spurred other changes. Corzine pushed through limits on state borrowing and cut the state budget by \$600 million, months before the worst of the economic problems hit.
- > Corzine said he wished he had recognized the depth of the economic crisis sooner, but the June budget reductions made the current shortfall more manageable.
- > Saying the economy has been his "Number One, Two and Three priorities" the last few months, Corzine pointed to recently approved economic stimulus plans, which include

tax breaks and incentives for businesses, money to spark lending to small companies, and aid for home-heating bills and homeowners facing foreclosure.

> But Corzine acknowledged that his last major proposal, which would have let towns defer \$1.3 billion in pension payments to deal with falling revenues, is not one he would usually embrace.

> "Under normal circumstances, I would never have proposed the pension deferral. I think it's bad long-term fiscal policy," Corzine said. "I think it's good fiscal policy when the only alternative is to see either significant layoffs or a hike in property taxes for the public."

> The plan is stalled in the Senate.

> Corzine noted other accomplishments, including sending funding to long-starved school districts and taking steps to reduce greenhouse gas emissions. The state also won praise for progress in changing its child-welfare system.

> Corzine said he hoped that the economy would begin to turn around within nine months, but that "there's a lot of choppy waters between here and there."

> Looking back, Corzine said, "It's not a year anyone should be drinking champagne on."

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Only a Bold Stimulus

By Jon S. Corzine
Wednesday, December 24, 2008; A11

When New York Gov. Franklin Delano Roosevelt delivered a commencement address at Oglethorpe University in May 1932, the economic crisis that had befallen the United States three years earlier had already morphed into the Great Depression: One in four Americans was out of work, banks were failing at a rate of 10 per week and the gross national product was at half its pre-crash level.

FDR called on the federal government to "correct, by drastic means if necessary, the faults in our economic system." The times called for "bold, persistent experimentation," he declared.

Strictly by the numbers, today's economic crisis is, fortunately, not as severe as the Great Depression was. But that's cold comfort to the millions of Americans who have lost their jobs, homes, health care and retirement savings. We are living through the toughest times since the 1930s. People reasonably expect government to act boldly.

I've spoken at length about the current economic crisis with other governors, including Deval Patrick (Mass.), David Paterson (N.Y.), Jim Doyle (Wis.), Jennifer Granholm (Mich.) and Ted Strickland (Ohio). We agree that our states -- however diverse they may be -- have similar needs and problems that should be addressed by the economic recovery package being developed in Washington. That can best be achieved if Congress and the new administration keep in mind the following principles:

First, the states, local governments and the federal government must be full partners in the recovery process. Working with counties and municipalities, states have mechanisms in place to pump stimulus funds into the economy quickly and responsibly. But we don't have the federal government's financial capacity or borrowing authority. Any recovery effort should reflect our mutual strengths.

Second, the package should be large. Some estimates put the cost of the economic crisis next year at \$700 billion, or about 4 percent of gross domestic product. To offset this, the cumulative value of the stimulus plan should be \$1 trillion over two years. This is a large sum, but if the spending is executed effectively, it should be a significant investment in our country's physical and human resources that will pay long-term dividends while also creating and saving jobs.

The stimulus should be roughly divided into five categories: infrastructure, countercyclical programs, housing, education block grants and middle-class tax cuts.

- For every billion dollars we spend on infrastructure, we can put upwards of 20,000 people back to work. On one hand, we've learned painful lessons about the need to modernize our bridges and levees. On the other hand, we must think broadly about the idea of infrastructure: How many hours do people waste circling airports because our air-traffic control systems are outdated? We must commit to improving our transportation system, energy grid, Internet technology, ports, public housing and school facilities.

- Unless we also help states shore up their safety-net social programs, the economic impact of the federal stimulus will be negated.

Most states are constitutionally required to balance their budgets. Given the sharp decline in state revenue, we are not able to support, let alone increase, spending to meet growing demands for basic needs such as unemployment insurance, food assistance programs and health care -- including mental-health services to those with developmental disabilities.

Most states are facing cuts to these essential services, reductions that will exact an enormous toll on our most vulnerable citizens and remove money and jobs from the economy just when we need to promote growth. Put another way, even if the federal government dedicates a large sum to infrastructure, cutbacks in state and local safety-net programs would cancel out much of the effect of the stimulus.

Over two years, the federal government should boost its countercyclical spending by at least \$250 billion. It can do so by increasing the Federal Medical Assistance Percentages;

the federal share of Medicaid costs; and other health-care-related programs such as reimbursement to hospitals for treating the uninsured, Temporary Assistance for Needy Families and child-care grants.

Many state unemployment trust funds are already depleted. Rising unemployment rates and reduced revenue over the next few months are likely to trigger major payroll tax increases in 2009. This harm could be partly mitigated by doubling proposed federal funding for state unemployment trust funds under the Unemployment Insurance Modernization Act, which would provide incentives to cover vulnerable low-wage and part-time workers who are often denied benefits.

- Unless we strike at the cause of the meltdown -- the collapse of the housing market -- our economy will continue spiraling downward. The federal recovery package should include funding for state housing mortgage authorities and for programs that help people restructure their mortgages, stay in their homes and find new shelter if evicted.

- If we are to pursue relief *and* recovery, it's essential that we continue developing a workforce that is able to meet the demands of the 21st-century economy. At least \$250 billion in preschool-through-college education block grants would help states meet their school budget obligations; more important, such grants would enable greater strides toward universal early childhood education and fully funded programs for special-needs students -- improving the situation today and laying the foundation for a better tomorrow.

- A sizable middle-class tax cut is key. Over the past decade, median family income has failed to keep pace with inflation, especially given the sharply rising costs of health care and education. Most Americans have lost ground. Relief for the middle class would help our families weather the storm and also boost economic demand.

In 1932, Roosevelt warned against being of "faint heart, fearful of change, sitting tightly on the rooftops in the flood." His words are still prescient today. We must be bold -- \$1 trillion bold. America has abundant resources and a generous, ambitious spirit. If we work together, we'll emerge stronger and more prosperous than ever.

The writer, a Democrat, is governor of New Jersey.