

December 29, 2008

Corzine to make budget changes

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It's a bad sign when mild-mannered nonpartisan legislative analysts start measuring the depth of the state's budget problems by how many decades back you have to look to find similar distress.

The answer, by the way, is three or four.

Then again, Gov. Jon S. Corzine says the economy is in "without doubt, the most serious recession" since the 1930s. That has created a big deficit in the current state budget and a massive one in the plan that must be adopted by the end of June.

Not to mention a throbbing political headache for Corzine and his Democratic colleagues in the Assembly in an election year that could test whether the voters' recent interest in change goes in both political directions or applies to cuts in popular programs such as rebates.

"We have an economic emergency. . . . There is a real problem out among the people of this state and across the country with regard to economic conditions. And they're not getting better," Corzine said. "Everyone has to adjust their thinking to the circumstances of the moment," he said.

The first adjustments will be made on the fly. More than \$1.2 billion in changes will be required for the current \$32.9 billion state budget, now that tax collections are expected to be less than \$31.5 billion this year. The state can drain its \$600 million surplus for part of that, but it expects to make lots of smaller changes as well, nibbling away at spending in a way officials hope can get them through when combined with new federal aid.

The unemployment fund is nearly broke. The transportation fund lacks long-term funding, as does the open space fund. New Jersey's income tax relies heavily on the year-end bonuses Wall Street has slashed. Car sales are down more than 40 percent, a direct hit on a big sales-tax driver. Businesses are losing money. New Jersey is down 34,400 jobs so far in 2008.

"It's about as bad as we've seen in several decades," said Sen. Barbara Buono, D-Middlesex, the budget committee chairwoman. "Unemployment, foreclosure, bankruptcy -- government is not immune to the fallout. Tax revenues support our budget."

In the fall, Corzine directed departments to renegotiate contracts with vendors and consultants and delay the purchase of equipment. He said \$400 million saved in the fall has been nearly matched by additional cuts identified since then.

Corzine plans on announcing specific budget cuts and freezes in early January. "I'd like to actually see first what the federal government is going to do, so we're not shooting in the dark about whether there will be additional resources," he said.

Senate Minority Leader Thomas Kean Jr., R-Union, said Corzine was elected to make tough choices, not wait for Washington to provide a bailout from President-elect Barack Obama and Congress.

"Gov. Corzine may be looking for that Hail Mary pass," Kean said. "And if Obama comes in with a trillion-dollar stimulus package, then Gov. Corzine can limp along through the next election season without making those hard decisions."

Such choices loom in next fiscal year's "much harsher challenge," as Corzine described it. Revenue for the fiscal year that begins in July is seen as coming in between \$29 billion and \$30 billion -- to support a budget the administration had projected, before any cuts are made, would grow to \$35.2 billion.

Driving that would-be spending increase was to have been \$620 million more for school aid, \$500 million more for pensions, \$500 million more for employees' salaries and benefits and \$225 million more for Medicaid.

"A high percentage of our expenditures are pass-through. They go to municipal aid, they go to school aid, they go to Medicaid and they go to rebates. So you're going to have to figure out which one of those, if you're looking for serious dollars, that you're going to have to deal with," Corzine said.

"I have a hard time understanding how we'll be able to hold spending level on anything that has any element of discretion," Corzine said.

Corzine has said it's likely that municipal aid will be cut. It's one reason he continues to hold out hope lawmakers will reverse course and approve his plan to let local governments defer half of the pension payment due in April -- because, he says, that's their only chance for property tax relief from the state next year.

"Under normal circumstances, I would never have proposed the pension deferral. I think it's bad long-term fiscal policy. 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. And that's the circumstance we live in today if we cut municipal aid. We don't have the money," Corzine said.

Corzine might look to save money by freezing employee wages or forcing workers to take unpaid furloughs -- if unions agree to such moves. Layoffs are also possible, although the governor said he wants to avoid that.

"I'd prefer to save jobs, but that means I need cooperation, because under the contract the only one of those you can execute independently are layoffs," he said. "I'd rather see people on payrolls with health insurance rather than accentuating a problem, but that may not be possible."

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