



State of New Jersey

OFFICE OF THE GOVERNOR

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PHILIP D. MURPHY
Governor

June 26, 2018

Dear Senate President Sweeney, Speaker Coughlin, Senators, and Assembly Members:

Last week, you sent me a state budget for Fiscal Year 2019 that makes critical investments in our state. The budget that awaits my signature would start the process of fully and fairly funding our public schools, expand pre-K education, increase aid to NJ TRANSIT, promote property tax relief through the Homestead Rebate and an increased state property tax deduction, meet our pension obligation, and expand the Earned Income Tax Credit.

I am proud that we share this commitment to a New Jersey that works for all residents, and which invests in our middle-class and working families.

As you are well aware, however, we have not yet reached an agreement on how best to fund this better future both this year and over the long-term. I have met with leadership, and spoken directly with many of you multiple times. Through all of this, I have listened carefully to your concerns, and you have made many valid points which I have given great consideration.

I remain, however, unable to certify that the revenues contained in this budget are sufficient to fund the programs we all support. Failure to provide sufficient funding places all of these programs at risk, which would be the necessary but unfortunate result of signing the budget currently on my desk.

It is not too late for us to bridge this shortfall. This afternoon, I presented legislative leadership with a compromise proposal that would provide the sustainable revenues we need to invest in our state – our people and our infrastructure – both this year and for the long-term.

Specifically, I propose to you and your colleagues the following compromise based on input from the Senate President, Speaker Coughlin, and Caucus Members of both chambers:

- **A modified Corporate Business Tax surcharge, which will be in place on a recurring basis to stabilize our finances. This surcharge must be at a rate that does not make New Jersey an outlier nationally, as the bill that is on my desk currently would.**

- **A modest increase in the marginal tax rate on personal income in excess of \$1 million.**
- **A two-year, phased-in restoration of a seven percent sales tax rate.**

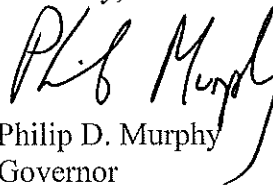
Combined, these resources will give New Jersey both a balanced budget that makes the investments we must make in the upcoming year and the sustainable revenues we will need to continue that progress over time. In addition, this demonstrates a significant compromise from the initial proposal I presented to the Legislature in my Budget Message in March. Last week's Supreme Court decision on remote sales tax enforcement, which broadened our sales tax base, provides some additional flexibility, but does not ultimately alter the need for new, sustainable General Fund revenues.

I believe this compromise fairly balances our mutual concerns while strengthening our fiscal foundation. Moreover, we will restore value and fairness to New Jersey.

In addition, I am prepared to accept additional compromises from the Legislature, including Speaker Coughlin's proposal to restore the Homestead Rebate to its prior level, funding for critical services and programs for our communities, \$195 million in savings and efficiencies, a one-time tax amnesty program supported by Speaker Coughlin, and a historic school funding formula modernization supported by Senate President Sweeney. However, without sustainable and real revenue sources, these investments are simply not attainable.

I ask you to join me in moving New Jersey forward, in tossing aside the old ways of doing business, and in proving to the people we serve that we have their backs. We can get this done, together.

Sincerely,



Philip D. Murphy
Governor