

Blink and You Miss the Budget:

COUNTDOWN TO JULY 1ST

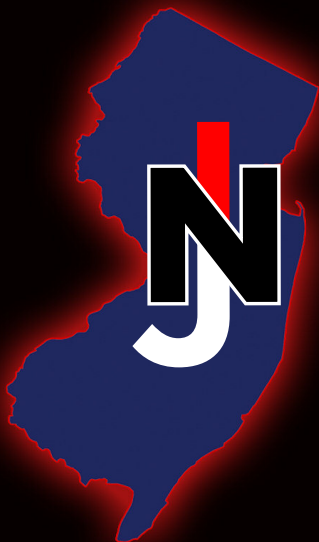
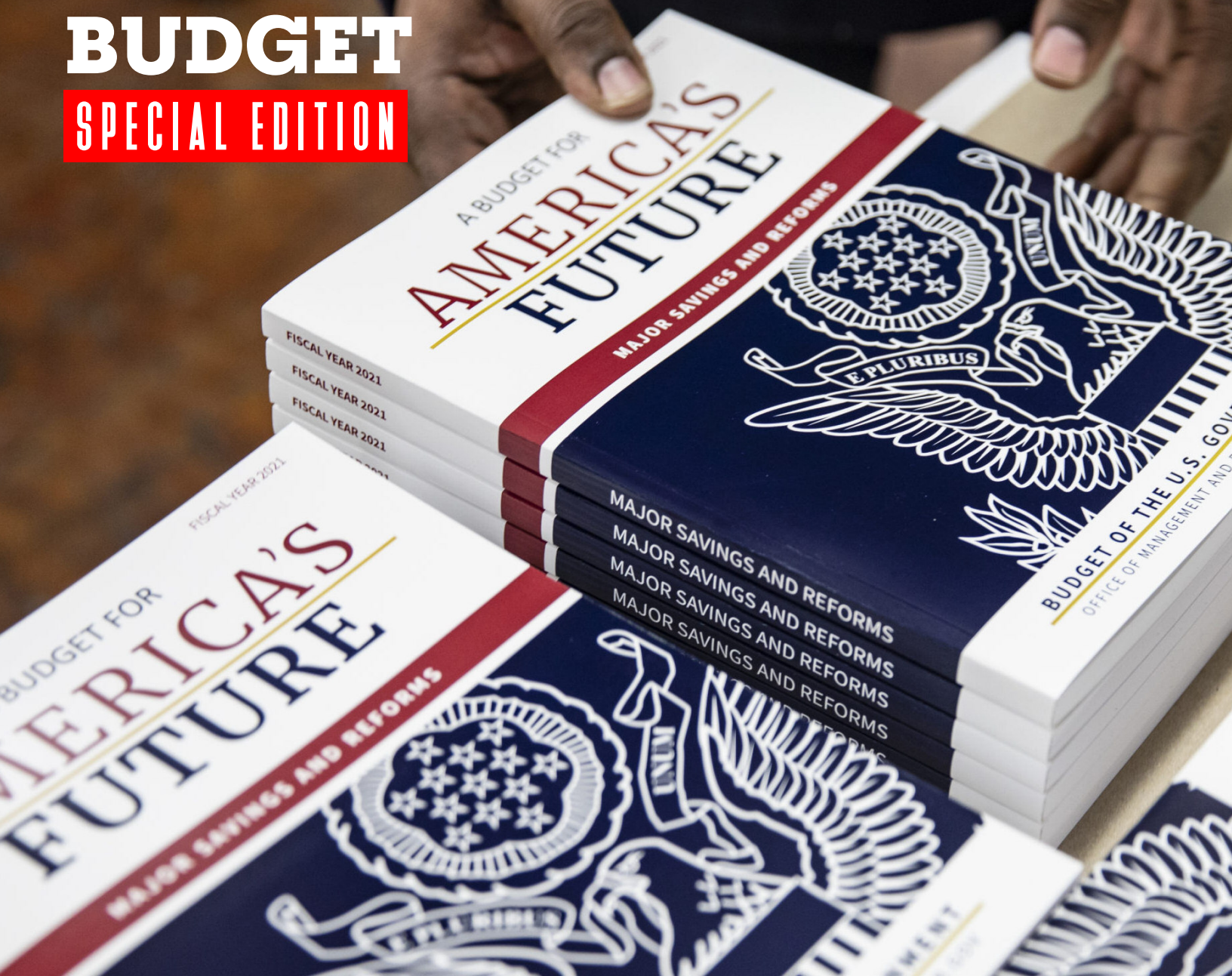


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Running the Train (wreck) on Time

The final train wreckage of time will likely not reveal a New Jersey budget as that single offending piece of timber on the tracks. The self-sustaining culture of government, wherein elected officials who simultaneously hold public jobs ratify spending for the rest of us, will probably emerge in the aftermath of a full investigation – if there’s anyone left at that point to investigate – as at least a major culprit.

But according to Governor Phil Murphy, Democrats in Trenton are doing their level best to avert total disaster or to at least assist taxpayers beset by bills on average totaling \$9,300 annually. In an ad released by his Stronger Fairer Forward PAC, the governor – standing in a Norman Rockwell neighborhood - gushes, “That [American] dream is out of reach for too many. That’s why we’re cutting taxes and making New Jersey more affordable.”

Making New Jersey more affordable.

It would be hard to find someone who actually believes that statement, even as Murphy, ever the effervescent Wall Street salesman, this week heads toward voting sessions in both the state Assembly and Senate, certain of lawmakers in his party passing the \$48.9 billion behemoth that is this year's state budget.

A strictly partisan divide has Democrats making a case that Murphy's budget (the first on his watch without political foe Senate President Steve Sweeney obstructing him; more on that in a minute) imperfectly but adequately balances making the public payroll, setting aside some surplus cash, and giving individual lawmakers a chance to champion different special projects in their respective districts. According to John Reitmeyer of NJ Spotlight: "Lawmakers last year tacked on \$1.6 billion in new spending eight days before the state's July 1 deadline for a new budget, with millions of that going to pet projects and other add-ons that are often referred to in the State House as 'Christmas-tree items,' a phrase that invokes the image of state largesse as a bounty of cheerful holiday gifts.

This year, a surge in tax revenue creating a giant budget surplus sparked legislators to hand in billions – yes, that's right – billions in special funding or "Christmas Tree" requests, hoping to have in-district money for things like hospitals, mental health facilities, and other projects, while potentially throwing a major wrench into Murphy's public-interest budget message. In the past, De-

mocrats have been unable to resist last-minute money for junkets and others trinkets, among them golf courses and patronage clubhouses.

Already irritated by Murphy's messaging for a variety of reasons, Republicans (outnumbered 24-16 in the senate and 46-34 in the Assembly) can't wait to spotlight Democratic Party overreach on the so-called Christmas Tree front as a way of augmenting their central argument: the abject rotteness of Murphy's budget.

There's some history here.

The ballooning of the budget from \$34 billion when Governor Chris Christie left office had last year's Republican nominee for governor, former Assemblyman Jack Ciattarelli, onstage proclaiming in the second of their two debates, "The budget is up \$11 billion. If he had cut property taxes in half, I wouldn't have run for governor, I would have endorsed him." Murphy fought back. The current \$4.2 billion is spoken for; on its way the \$3.8 billion in American Rescue Plan money.

While Democrats act like they're saving the world with this year's budget, Republicans would have people believe that Democrats are willfully wreaking havoc. In the end, few in either party would deny the fundamental structural problem of New Jersey's financial outlook. From NJ.com:

New Jersey's bonded debt climbed \$3.8 billion in fiscal year 2021 to a record \$48.2 billion, according to a comprehensive financial audit completed by the Office of the State Auditor. The state's long-term debt, which includes pension costs, rose to \$248.6 billion, according to the report.

“Murphy and lawmakers have begun chipping away at that new total through ‘defeasance’ of more than \$2 billion earlier this year, notes Reit-meyer. “The impact of that effort will likely be reflected in the audit for the current fiscal year once it is completed.”

Given the immediate challenges of inflation and economic uncertainty, Murphy and the Democrats argue that the combination of a tax rebate program, tax holiday and a prioritization of one-time line-item spending for in-district projects, will help embattled New Jerseyans. The Governor wants to replace the long-standing Homestead Rebate program with something he calls AN-CHOR. From Murphy’s Office: “The Governor’s plan will now be phased-in immediately and 1.1 million homeowners with household incomes below \$150,000 will receive an annual \$1,500 property tax credit directly applied to their property taxes while homeowners with a household income between \$150,000 and \$250,000 will receive a \$1,000 direct credit. Over 900,000 renters with household incomes below \$150,000 will receive a \$450 check from State Treasury.”

Assemblyman Roy Freiman (D-16) occupies one of New Jersey’s suburban battleground districts. He likes the overall direction of the budget.

“I think the budget builds on last year’s paradigm shift around taking action on affordability,” Freiman said. “This is a very unusual year for New Jersey finances given the surpluses and the timing of the American Rescue Plan. Understand, the dollars in the budget represent a one-year budget. Go back decades and we see evidence of fiscal shortsightedness. Now, I think, there is

much more sensitivity about balance. Of course, we’re not immune from making bad decisions, but there is a greater sensitivity around an urgency to take action and honest debate about what to do when you have surplus revenues. What do you give back? How much debt do I pay off? How much do I keep? How do I lower my overall expenses?”



Senator Pat Diegnan (D-18), who occupies the Senate Budget Committee and chairs the Senate Transportation Committee, concedes \$4 billion in new spending, as lawmakers undertake in the coming hours how the state will handle an additional \$8 billion. New Jersey will spend \$200 million in this budget on infrastructure projects, including reconstruction of the Perth Amboy Train Station, all of them a state complement to the projected \$12 billion federal Gateway Tunnel project.

Sensible, right?

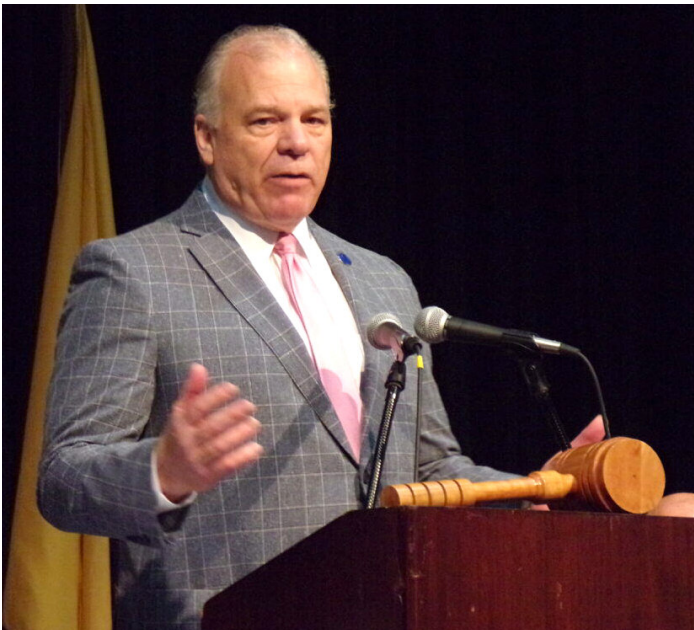
Sure, but it only tells part of the story.

INSIDER NJ



THE GOP RESISTANCE

“I’m always skeptical of these rebate programs,” said Morris County-based Republican Assemblyman Brian Bergen (R-25). “They’re gimmicky, when what we need to do is implement legitimate reform. The amount of money we have – it disgusts me. We have this much money – we ought to give it back to the people, the people we’ve taxed. To do this [the rebate program] without real reform behind it, it’s like buying votes. We should be looking at it not as a surplus we can spend, but in the sense that we overtaxed the public and now we need to reduce these taxes and these fees.



“Look, I had to stand up and protest state government giving \$2 million for the NAACP to have its conference in Atlantic City. It passed.

...It’s terrible spending. There’s no effort to make any reasonable cuts. I remember in 2020, [Assembly Majority Leader] Lou Greenwald said, ‘I’m open to any Republican proposal that can solve this problem without gutting police forces and services.’ Well, in the first place, Christmas tree items add up to millions of dollars every year. Remember the golf course in Essex County? They obviously don’t need to do that. They like to take money and disperse it where it benefits them. How about this? Stop with the endless government programs.”

Gonged out of office last year in a stunning upset, former state Senate President Sweeney (D-3) runs a think tank dedicated to making the colleagues he left behind – as long as they listen to Murphy – look like profligate spendthrifts. Now projecting all the furrowed browed gravitas of one who took a child’s delight in tripping up the Democratic governor come budget time, Sweeney wants more money in the budget surplus kitty. “Over \$8 billion in surplus would be needed just to cover the projected revenue shortfall caused by a mild recession,” warns a report issued by the Steve Sweeney Center for Public Policy.

On the other side of the state, in Newark’s Ironbound neighborhood, Assemblywoman Eliana Pintor Marin (D-29), chair of the Assembly Budget Committee, just scored a local political victory in the June 14th runoff election. Pintor

Marin chairs the local Democratic Party here, and even a week removed from Election Day, campaign signs hang over the neighborhood like movie billboards in *Once Upon a Time in Hollywood*.

The chairwoman's candidate for the East Ward Council seat, retired Policeman Mike Silva, defeated Anthony Campos, former police chief. It was like the last East Ward contest four years ago, with a lot of punches thrown by both sides landing below the beltline.

"I'm glad it's over," Pintor Marin told InsiderNJ. Now she could level her full attention on the state budget.

"There are a couple of things about this budget and why it's so much bigger than Christie's last budget," said Pintor Marin. "There's natural growth in the budget itself every year by two or three percent. Also, during the time when COVID hit, we didn't know what was going to happen. We ended up borrowing, and the initial money that came into the states is a larger amount of money than expected. Everyone was shocked in a good way."

She hears her colleagues on the other side of the aisle griping about the size of this budget. But she disagrees with their complaints. "I think that once we saw there was \$10 billion in surplus, Republicans were saying that's overtaxing, but there is no overtaxing, just following the law," said Pintor Marin. "The ANCHOR Program is a good idea, because it's only fair that a lot of the money should go back to the people. We also understand that it could pose a problem because whether or

not it's sustainable, only time will tell. For the moment, there is room in the ANCHOR for taxpayers to see some real savings. It's a good deal, especially with the costs of everything."



As for the so-called Christmas Tree or pork spending, Pintor Marin alluded to late discussions around two crucial needs in her home county of Essex. One is a study for a new hospital – or augmented hospital services – and the other is a proposed merger of Bloomfield College into Montclair State University.

"I think those are still being negotiated, but the larger picture is that everyone talks about Christmas tree items, when these are projects that are important not for one individual, as is sometimes suggested, but for an entire community," said the Assembly Budget chair. "When you look at the proposed merger, for example. Actual people would benefit as Bloomfield right now is struggling and Montclair can take that on. Why not do that? I hate it when it's called pork, because there's a larger picture to capital projects that benefit constituents and the economy."



IN THE NAME OF LIBERTY... STATE PARK



Not far from the Ironbound, Jersey City activist Sam Pesin, president of the Friends of Liberty State Park, found himself again confronting an attempt by lawmakers to ram a late \$250 million plan to revamp and privatize portions of Liberty State Park under the aegis of billionaire developer Paul Fireman. For Pesin, the commercialization of a public resource represents one of the more cynical late-in-the-budget-cycle plays undertaken by this legislature.

"I just heard that the senate budget committee... will hear the bill Monday and the assembly budget committee isn't posted yet," Pesin told InsiderNJ. "Facilitating a billionaire wanting to decide Liberty State Park's future. With grassroots involvement and God's help, we will prevail and defeat their plans and eventually have a Protection Act."

The Liberty State Park Prez said the plans ignore the Protection Act's support of 32K petition signers and 111 Coalition groups, and the DEP's 3600 survey responses, in addition to decades of tens of thousands who have overwhelmingly opposed commercialization and privatization plans. "By not putting protection language in this bill after decades of the sustained broad public consensus for a non-commercialized, non-privatized open space urban park with its current five million annual visitors, you will be dishonoring democracy and sending the clear message that the 46 years of the clear Voice of the Public doesn't mean a thing, Please don't facilitate a billionaire's pushing to decide and ruin the DEP's new vision so the park will live up to its true destiny as a free park behind the world's greatest symbol of freedom."

Calls to Budget Committee Chairman Paul Sarlo to comment on the bill went unreturned.



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The Context

Every budget season contains its last-minute allocation, its midnight rush-throughs, troughs with secret passageways and dramatic collisions.

Who can soon forget then-Speaker Vincent Prieto's picture plastered on the door to a locked statehouse, or then-Governor Christie crammed in a beach chair at Island Beach State Park during that same government shutdown?

In Murphy's first budget cycle, Sweeney – still irritated by having to run in the most expensive legislative contest in United States history – tried to make the former Goldman Sachs star look like a Statehouse fool.



Who can forget the Orwellian-named New Jersey Economic Opportunity Act, which incentivized corporate development in Camden, a city without a supermarket?

This time, deprived of the combative and theatrical likes of Christie and Sweeney intent on muddying either Prieto or Murphy, or, in Christie's case, bearing the burden of the ultimate indignity in his beach chair, and the Liberty State Park debacle ("It's a done deal," one insider proclaimed) promising some serious activist pushback, Republican lawmakers assumed their positions as feral budget hawks. To Bergen's point, with New Jersey facing deep structural debt, the rebate checks amounted to a gimmick.

Pushing back as the July 1st budget deadline loomed, Murphy and his fellow Democrats tried to wrestle another headline away from the GOP by, what else, generating another budget gimmick. They announced a back-to-school sales tax holiday as a part of the Fiscal Year 2023 Budget. The back-to-school sales tax holiday builds on the \$2 billion ANCHOR Property Tax Relief Program.

"Today we take another monumental step forward on my Administration's commitment to make New Jersey a stronger, fairer, and more affordable state for our residents," said Murphy. "A back-to-school tax holiday has been talked about for a long time, and as inflation is a central worry around many of our residents' kitchen tables, now is the time to do it. This program will cut the cost for the most essential items needed for educational success and help make New Jersey more affordable for our students and families."

The sales tax holiday will take place from August 27 to September 5. Under the sales tax holiday, tax exempt supplies and equipment include: (1) school supplies, such as pens and pencils, notebooks, and binders; (2) school art supplies, such as paints and paintbrushes, clay, and glazes; (3) school instructional materials, such as reference books, reference maps, globes, textbooks, and workbooks; (4) computers; and (5) school computer supplies, such as computer storage equipment, printers, and personal digital assistants.

“This tax holiday for school products may not make kids look forward to school more, but it certainly will make parents happier when shopping for the goods they need to get their children

in advance of the new school year,” said Senate President Scutari.

What did the GOP have to say about that?

Consumers expect to pay about \$434 dollars on school supplies and electronics. During the 10-day sales tax holiday, New Jerseyans would save a whopping \$28.75 on their back-to-school shopping. “It’s a shame that they don’t make a true commitment to provide long-term tax cuts like Republicans have. This is a red herring to make people think they aren’t being overtaxed when they are and continue to be with Democrats in charge,” said Assembly Minority Leader John DiMaio (R-23).





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The Juggling Act



Off the record, Democrats – while not radiating exactly a cold sweat vibe – concede the one-time only feel of the 2023 budget. The surplus puts state government in an unprecedented position. “One of the biggest drivers in this budget is infrastructure, but the other one is we’ll be running out of money, and the anticipation of an economic downturn.”

Speaking on condition of anonymity, the source did applaud – in the aftermath of Sweeney getting jettisoned from the statehouse - all three branches sticking together on property tax relief.

“You take one budget at a time,” said the source.

That said, rebates are gimmicky.

In the throes of this year’s budgeting balancing act, caucus members don’t want tax relief to deprive them of funding for their favorite fiefdom-building Christmas Tree items, or - to be kind - the real public needs of their districts. Late in the game, rebates were on a collision course behind the scenes with special projects.

“I’d rather have my special projects,” one lawmaker said. “They [constituents] notice a field in town. That’s what people want everybody wants.”

Forced to choose among paying down the debt, maintaining a surplus for difficult economic times ahead, and special projects, one source said she would eliminate property tax rebate checks. Allocate money to non-bonded debt, talk to members about where the important projects are, and maybe do a very targeted senior property tax cut.

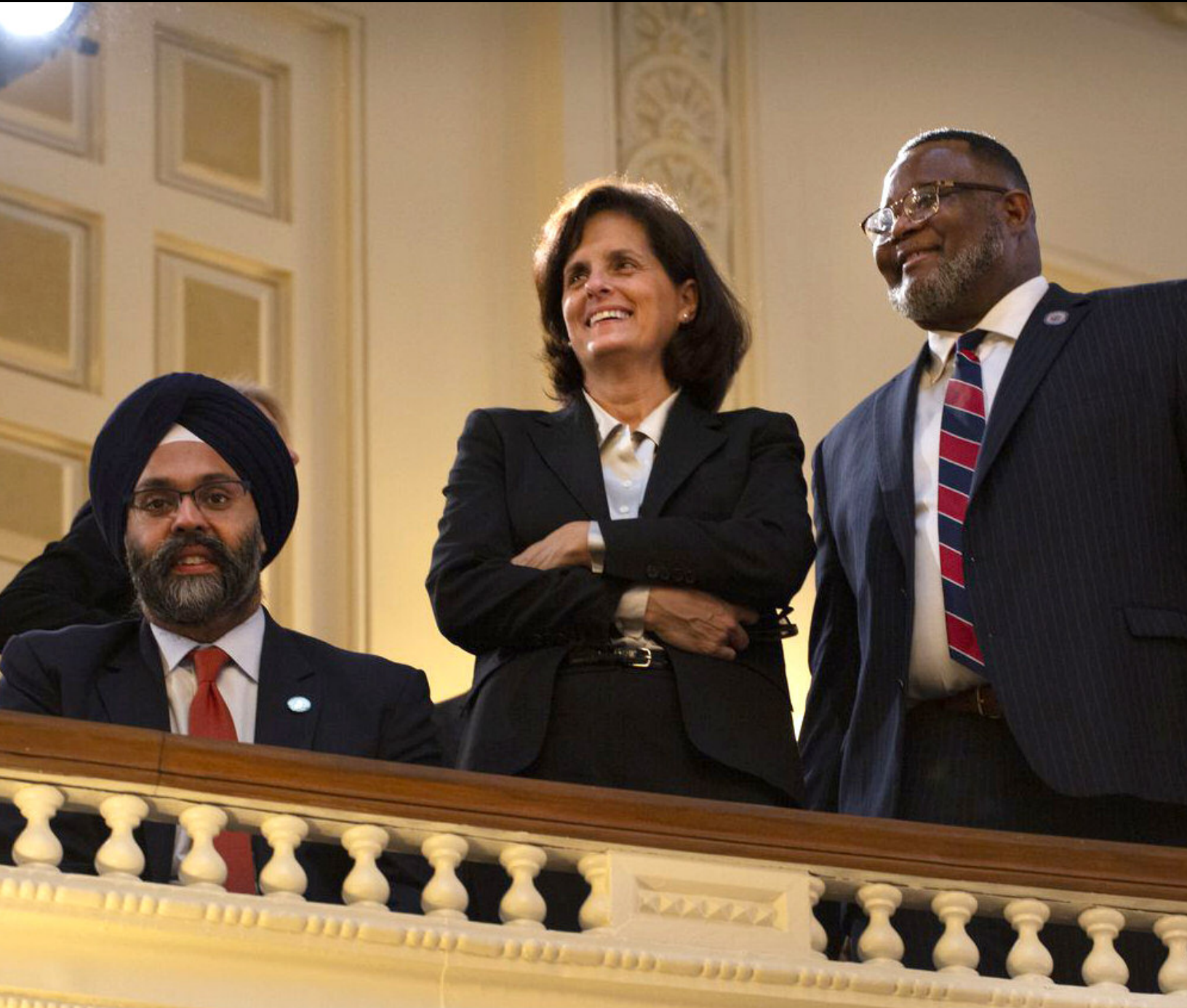
As it was on Friday, members pushed and shoved for special projects, ballooning into the billions a wish list of what they want Murphy to fund in this budget – in addition to spending down debt, dolling out rebate checks, and saving for the future.

“It’s complicated,” someone conceded – not happily.

The debt situation – and the Murphy administration’s response to it - further complicated matters – and opened a critical Republican attack line.

“I’d like to see more on that front, paying down the debt – but the emotion behind it is there is no immediacy,” said Assemblyman Freiman (D-16). But “the urgency of ‘we need something immediately’ [in terms of property tax relief] is legitimate. Last year, we had the largest single paydown of the debt - \$4 billion.”

Of course, it’s not enough – given the depth of that debt.



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TREASURER MUOIO VERSUS THE GOP



Making the case that New Jersey Treasurer Elizabeth Maher Muoio “intentionally misled legislators” on behalf of the Murphy administration to hide the state’s rapidly increasing debt, the Republican members of the Senate Budget & Appropriations Committee repeated their calls for the Treasurer to be held accountable by the committee in a letter to Senate Budget Chairman Sarlo.

The Republican senators also said the Treasurer should be called to respond to serious allegations

raised today by Bloomberg that the Murphy administration “deliberately looked the other way as a state vendor took tens of millions of dollars from the state despite failing to meet its contractual obligations to help lower health care costs.”

“At the same time that Treasurer Muoio was telling legislators that New Jersey’s debt had decreased to a seven-year low, her department was preparing to release the long-overdue state audit showing that debt actually climbed by \$44 billion in a single year,” said Senate Republican Leader

Steven Oroho (R-24), a member of the Budget Committee. “It’s clear the Treasurer knew her prepared testimony to our Budget Committee was grossly inaccurate. She must be called to appear before our committee to be held accountable for misleading the Legislature in what appears to be an intentional way and to address allegations of serious fiscal mismanagement by the Murphy administration.”

In testimony submitted to the Senate Budget & Appropriations Committee on May 16, Muoio said, “we have substantially reduced our debt load while securing real savings for the taxpayers of the state.” She continued, saying, “In fact, the State’s current debt load is now lower than it’s been at any time since FY 2015.”

On May 25, just nine days later, the Treasurer signed and released the Annual Comprehensive Financial Report for FY 2021, commonly referred to as the “state audit,” which contradicts her testimony to the Legislature. According to the audit, New Jersey’s long-term obligations last year increased from \$204.2 billion to \$248.6 billion, an increase of \$44.4 billion, or 21.7%.

“It’s unconscionable that we were provided information by Treasurer Muoio that was flat out wrong, and it seems certain she knew it was wrong since the audit with the true numbers was about to be released,” said Senator Declan O’Scanlon (R-13), the Republican Budget Officer. “This wasn’t just stretching the truth or leaving out facts that are unflattering to the Murphy administration. This was a deliberate attempt by Treasurer Muoio and the Murphy administration to hide New Jersey’s exploding debt from the

public and the Legislature. To make matters worse, we’re now learning that the administration is failing to properly manage contracts that could stop health care related debt from growing even higher.”

The \$44 billion debt increase revealed by the state audit includes a \$3.8 billion increase in bonded debt and a massive \$40.5 billion increase in pension and post-employment benefit liabilities.



“Governor Murphy keeps saying he’s responsible for fixing the pension system and cutting public employee benefit costs, but the numbers tell a different story,” said Senator Sam Thompson (R-12), a member of the Senate Budget Committee. “He’s trying to weave a narrative to prepare a presidential run without actually doing the work of lowering costs for New Jersey taxpayers now or in the future. In the process, his administration is hiding information that the Legislature needs to do the hard work that he has failed to do. That’s not something we should tolerate.”

According to The Record, a 2020 health benefit reform enacted by Governor Murphy that he said would lead to massive savings has backfired and is driving up costs for many school districts and property taxpayers.

Further, Bloomberg reported that the governor's office pressured state officials to stop an attempt to claw back tens of millions of dollars from the insurance company that manages health benefits for state workers after the insurer failed to deliver a contracted program to help employees find better care at lower costs.

Senator Michael Testa (R-1) said these Murphy administration failures and the Treasurer's misrepresentations are important to address since out-of-control health care costs contributed \$12 billion to the \$44 billion increase in the state's long-term obligations.



"I think there should be consequences when a member of the governor's cabinet fails to provide truthful testimony to the Legislature," said Testa, a member of the Senate Budget Committee. "We should hold her accountable for lying to us and for failing New Jersey taxpayers so miserably. I won't be surprised, however, if the Democrats

who run the Legislature continue to cower in fear of the Murphy administration and let Treasurer Muoio get away with it. Ultimately, it's taxpayers who will pay a greater price if we do nothing."

Prior to today's letter from the four Republican Budget Committee members, Testa made two prior requests for Treasurer Muoio to be called to appear before the Budget Committee with no response from Senate Democrats.

"We have never had the opportunity to question Treasurer Muoio," the South Jersey Senator told InsiderNJ. "She had COVID and she had her deputy testify for her. I raised the right to question Treasurer Muoio on information from the audit or debt report if it did not comport with the rosy picture of the deputy. Her report indicated New Jersey's debt had decreased in a way that we haven't seen since 2015.

"The budget committee has been completely misled," Testa added. "We never had the opportunity to review or audit the debt report. I don't understand how the budget can be passed without ample opportunity to review and audit the debt report. That is a bare necessity for the budget committee before passing a \$49 billion budget, or \$13 billion more than the last budget by then-Governor Chris Christie. We are increasing the budget astronomically, and it wasn't reported to us as the legislature. It had to be reported in a news story."

If one Democrat applauded the synergy among Murphy and the Democratic leadership in the assembly and the senate, Testa disagreed. "I have banged this same drum since the early days of COVID, and that is that legislature has been kept

out of the ballgame for the better part of two and a half years. Republican lawmakers have been kept out wholly.”

Testa did not hear back from Sarlo last Thursday.

“The administration and Treasurer Muoio owe the people of New Jersey an explanation,” he said.

“When I see a \$49 billion budget I see a bloated budget,” he added. “I said it during the lawsuit when Murphy wanted to borrow \$9.8 billion. This is not the time to borrow and bond. This is the time to make difficult decisions.”



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Assemblyman Ralph Caputo (D-28) disagreed. “The ANCHOR program is a good program, until we do deeper structural reform,” he said. “Do the Republicans have a suggestion? I understand it’s a political attack on their part, but we have the money now. What are we going to do in the future? This is what we have now. This is what you do with every budget.”

A military combat veteran, Bergen said the budget process underscores a culture of something for nothing. “Things should not be for free,” said the Morris Republican. “Everything should be an investment. I gave up five years of

my life in exchange for a West Point education. The military is not for everybody, but let’s come up with creative ways to give back, whether it’s fire department, local first aid squad. Let’s build some civic responsibility. They’re closing us out. The Republicans have good solid tax relief bills. Bracket the income tax to inflation. If there is any time to do it, it’s now. There are tons of good Republican proposals out there.

“It concerns me a lot, it really does,” added Bergen, referring to the masses of Democratic Party legislators who simultaneously occupy the public payrolls. “They have to benefit the way

they vote. It depresses the budget time frame and it depresses me. I don't understand. It's not like our lives have gotten better when you look at the budget, \$50 billion versus \$34 billion. School districts are losing millions of dollars a year. Just give the money to them."

In a sign of the unfolding debate, Assemblyman Benjie Wimberly (D-35) – vice chair of the Budget Committee – objected. "The ANCHOR program is going to impact over five million residents. This will make a difference for people to offset the costs of gas, food and clothing. This is \$2 billion going back into the economy."

Back in Hillsborough, one of those 2023 battlegrounds for incumbent Democrats, Freiman argued that the budget, for the most part, strikes a reasonable balancing act.



"I think a majority of the people of New Jersey will receive relief from this budget," he said. "I

don't think that's inappropriate in terms of balance. Everyone has differences in terms of the line items."

That part of the debate unfolded rapidly in real time.

"For the moment, understand that \$2 billion in property tax relief is a massive number and then consider the fact that last year we paid off \$4 billion in debt," said Freiman, a former Prudential executive who authored the debt pay-down mechanism he wants to see again invoked as part of this budget.

For the time being, he said he feels genuinely optimistic.

"If we really want to have a tax structure like other states, are we going to structure ourselves differently? Freiman said. "We take pride in New Jersey in how we drive decision-making down to the local level. New Jersey is unique. If we want a tax base to look closer to other states, we have to be willing to look like them in their structure. You're changing New Jersey culture. People want the outcome without the change. I'm not sure from an economics standpoint you're going to get there."

If New Jersey is indeed a runaway train late and overpacked with apoplectic commuters all complaining and crying and demanding that someone do something while careening into oblivion, it's our ride, after all, with a view of the seashore while it lasts, and a soundtrack by Sinatra before it irrevocably runs off the tracks. Maybe for now, at least, it will actually get done without a Trump mob laying siege to the Statehouse.



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BUCCO AND THE BUDGET

BY FRED SNOWFLACK



This is new ground for Sen. Anthony M. Bucco (LD-25).

He knows a lot about how state government works. Bucco has been in the Legislature for more than a decade and his late father, Anthony R. Bucco, got there in the mid-1990's.

To him and most other lawmakers and Trenton observers, late June has meant fighting over the budget in a state that occasionally struggled to

make ends meet.

With the June 30 budget deadline looming, there's still fighting, but it's different - very different.

"For the first time in my memory, we have ... more money than we really know what to do with," Bucco said in a recent interview.

All this does sound crazy.



But tax revenues are up big time, so much so that the estimated budget reserve – money not appropriated in the projected 2022-23 budget – is estimated to be in the range of \$8 billion to \$10 billion.

Having oodles of cash lying around isn't really a problem, but it is a dilemma.

What do you do? Pay down more debt? Save it for the proverbial rainy day? Or “give it back to the people?”

The answer may turn out to be a combination of all three. But at the moment, the “give it back” part of the equation is stirring debate.

Democrats have come up with a plan to increase property tax rebates, including a component that helps renters. There is merit here. All know how

high New Jersey property taxes are. But Bucco, like many Republicans, has doubts.

He said that idea is “great” in one sense, but then again, it can be a one-shot deal at the whim of the governor. Bucco also notes that under the Dems' plan, no benefits would go to homeowners until next year.

“Let's take some of that money and fix something,” Bucco says.

What he wants to fix is the state income tax.

As of now, state income tax brackets for married couples range from less than 2 percent for income between \$20,000 and \$50,000 to 10.75 percent on income of \$1 million and above. There are five brackets between the less than 2 percent bracket and the highest one.

Bucco says many salaries have risen to keep pace – somewhat – with inflation. But the problem is that families making more money can find themselves in a higher tax bracket. He says the higher tax can offset a family's higher income to the extent that they actually lose money.

This is not a unique problem.

The federal government indexes tax brackets for inflation. That means tax brackets are revised annually to keep pace with inflation.

Bucco wants to do likewise with the state income tax. His bill to do that has some bipartisan support, but he says that so far, a majority of Democrats do not seem inclined to go along.

“In other years, we are trying to balance the budget,” he explains. “This is the time to give some of that money back.”

Bucco said indexing would cost the state treasury about \$543 million, but he figures that’s not a major problem with a reserve in the range of \$8 billion.

Whether there is any movement on the bill before June 30 is debatable.

But if nothing happens, Bucco says he thinks he knows why. He speculated Democrats don’t want to give that money back because they want to spend it in the coming years.

