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June 7, 2021

The Honorable Craig J. Coughlin  
Assembly Speaker  
New Jersey State General Assembly  
569 Rahway Ave.  
Woodbridge, NJ 07095

The Honorable Eliana Pintor Marin  
Assembly Budget Committee Chair  
New Jersey State General Assembly  
263 Lafayette Street, First Floor  
Newark, NJ 07105

Dear Speaker Coughlin and Chairwoman Pintor Marin:

In lieu of budget resolutions, I am sending this letter to you in solemn hope of bipartisanship. Our mutual goal is the greatest possible financial stability for the state and residents. The current budget proposal represents a failure to meet that goal, spending multi-billion dollars more than is expected in natural revenue growth, and a surplus that is comprised of more than fifty percent debt from mistakenly borrowing \$3.7 billion last year.

As you know, the only way to raise revenue to fill that gap is by taxing residents. Unfortunately, the taxes that generate the most revenue are regressive, adversely affecting the people in the state we want to help prosper by taking away the money they earn.

The below proposals will, in comity with the Senate Republican Budget and Appropriations Committee members, and hopefully with yourselves and your caucus, represent constructive action on behalf of the whole legislature for the 2022 fiscal year. If taken seriously, recurring revenue will be increased by at least \$1 billion, the neediest residents will be helped, and raising taxes will no longer be necessary.

## **1. Reinstating the Legislature's Power of the Purse and Proposals for Using Federal Aid**

Principally, the state Legislature must retain its full power of the purse by requiring our co-equal branch, in its entirety and through regular legislative process, to originate spending proposals for the entirety of the nearly \$6.5 billion of federal aid from the most recent COVID-19 relief bill. Comprising a nearly \$6.3 billion block grant to be used for government services, and an additional \$200 million block grant, this money should comply with the constitutional authority of the power of the purse, a bedrock principle of democratic and republican government. The \$2.4 billion in CARES Act funds was demonstrably used without urgency nor attention to the needs of the people we represent.

The fiscal year 2022 budget proposal must reflect the following changes to proposed budget language on page F-1, introduced as Assembly Bill 5606, with the language between brackets necessarily eliminated.

In addition to the federal funds appropriated in this act, there are appropriated the following federal funds, subject to the approval of the Director of the Division of Budget and Accounting: [emergency disaster aid funds including grants for preventive measures;] pass-through grants to political subdivisions of the State over which the State is not permitted to exercise discretion in the use or distribution of the funds and for which no State matching funds are required; the first \$500,000 of unanticipated grant awards plus an additional 25 percent of any remaining award amount that is greater than \$500,000, and up to 25 percent of increases in previously anticipated grant awards for which no State matching funds are required except, for the purpose of this section, federal funds received by one executive agency that are ultimately expended by another executive agency shall not be considered pass-through grants; federal financial aid funds for students attending post-secondary educational institutions in excess of the amount specifically appropriated, and any such grants intended to prevent threats to homeland security up to 100 percent of previously anticipated or unanticipated grant award amounts for which no State matching funds are required, provided, however, that the Director of the Division of Budget and Accounting shall notify the Legislative Budget and Finance Officer of such grants.

[Notwithstanding the provisions of any law or regulation to the contrary, in addition to the federal funds hereinabove appropriated, there are appropriated to the appropriate executive agencies, subject to the approval of the Director of the Division of Budget and Accounting, such additional federal funds received during this fiscal year pursuant to any federal law authorizing a federal economic stimulus program or any other similar federal program for the purposes, projects, and programs set forth in such law; provided, however, that if the federal law does not delineate the specific purposes, projects, and programs to be funded by the federal funds, the purposes, projects, and programs to be funded by the federal funds shall be subject to the approval of the Joint Budget Oversight Committee, and further provided, however, that the State Treasurer shall report to the President of the Senate, the Speaker of the General Assembly, the Chair of the Senate Budget and Appropriations Committee, and the Chair of the Assembly Budget Committee at least quarterly on the receipt and utilization of all additional federal funds

received during this fiscal year pursuant to any federal law authorizing a federal economic stimulus program].

It is proposed that those federal grants be used as such in accordance with federal guidelines:

- \$2.5 billion for the Unemployment Insurance Fund. The first billion to retire federal debt to pay unemployment benefits, and the rest to prevent employer tax increases and ensure the state can continue to provide income to beneficiaries.
  - I sponsor a bill with my colleagues, A5828/S3858, that would appropriate the \$2.5 billion as recommended and prohibit employer tax increases for three years to mollify employers struggling to recover from forced closure.
- \$1.5 billion over three years for capital projects, including schools, higher education, local governments, libraries, authorities and third-party service providers, to replace the need to issue more debt. How this money will be used will reflect our mutual priorities, such as quality learning environments and clean water.
- \$1 billion over the next year for nonprofit and small business grants to assist employers working hard to maintain their livelihood and that of their employees.
- \$500 million to modernize antiquated state information technology systems, including but not limited to the unemployment insurance and motor vehicle commission systems, which have provided outrageously poor service to residents during the pandemic, and purchasing technology that will provide the most accurate revenue projections possible.
- \$500 million to expand mortgage and rental assistance programs to reduce the number of foreclosures and evictions, and maintain more affordable housing.
- \$500 million for public schools to avoid cuts to districts and restore the education students lost during the pandemic.

## **2. Raising Revenue and Decreasing the Built-In Multi-Billion Dollar Budget Deficit**

### **Stand up to New York on taxation.**

To raise revenue by at least \$1 billion, we need to be New Jersey tough and stand up to New York for our residents who are unjustly being taxed at higher rates even though they are not working outside of the Garden State. New Jersey is willingly allowing New York to steal billions of our revenue without justification.

Governor Phil Murphy must direct the Division of Taxation to change work-from-home guidance to reflect the time a New Jersey resident works in each state during a tax year, similar to the “snow-bird” rule. The budget should include incentives for this action, such as providing legal aid for those that want to fight being unjustly taxed and provide funding for the EDA to encourage New York businesses to set up a satellite office in New Jersey. That would be more than paid for by no longer being bullied.

It is unfair, unreasonable and weak to allow another state to tax our constituents, at higher rates, even though they have worked in New Jersey for more than half of the year. By protecting our constituents, which we were elected to do, state revenues would increase significantly without raising any taxes.

## **Increase Revenue Estimates and Provide Consensus Revenue Forecasting**

The original budget proposal built-in a \$4 billion budget deficit by spending that much more than expected recurring revenue growth. It includes \$5 billion of non-recurring revenue, and an illusory \$6.3 billion surplus that is \$3.7 billion debt.

Revenue estimates can safely increase by \$1 billion in the fiscal year 2022 budget, quite possibly more. Each of the three major taxes – income, sales and corporation – are exceeding expectations. Each of the latter two could be \$500 million above projections, and income tax revenue may be equally underestimated, according to the state Consolidated Financial System.

Further, we can increase revenue approximately \$120 million by investing the \$6.5 billion combined federal block grants into short-term municipal loans to further help municipalities by providing them with lower interest rates while increasing the return on investment for the state. The grants will likely be invested in treasury bills, which typically earn less than one percent.

These estimations would be on more solid ground if New Jersey upgraded its revenue forecasting.

New Jersey is the only state in the nation that does not utilize economic modeling technology in some capacity. It would only cost about \$100,000 per year to allow the state to become far more accurate when estimating revenue. Moreover, it would enable the state to forecast revenue beyond the upcoming fiscal year, which is unanimously recommended by public finance experts as a best practice for state budgeting. This is a no brainer move, which would stop politicking from inhibiting progress in budget negotiations.

## **Delaying New Programs and Large Recurring Spending Increases**

Federal aid is providing many municipalities, and all school districts, with significant funding that enables the state to scale back spending in the interest of prudence. New programs cannot be afforded until there is no longer a multi-billion structural budget deficit, and the surplus does not include a cent of debt.

Without accepting the following proposed cuts, totaling approximately \$500 million, the state is doomed to regressive tax increases that will set back the state's most economically vulnerable residents, employers and nonprofits.

- At least \$100 million from moderating school aid to districts by as much as their federal funding. Districts would be held harmless overall, and the aid increases would still be among the largest in state history.
- \$40 million from undefined EDA programs announced by the Murphy administration that reduce revenue without substantial knowledge of their benefit
- \$67 million by eliminating the "Garden State Guarantee" program and increasing funding for the Community College Opportunity Grant program.
- \$60 million by eliminating a bailouts to financial institutions holding 2004 deficit bonds and renegotiating debt service.

- Reducing transitional aid by \$50 million to reflect federal aid to distressed municipalities. The cut would still allow for an increase of overall aid to traditional recipient towns.
- \$50 million by passing legislation that would prevent end-of-career pension boosts – increasing salaries for three years after a career of lower pay commensurate to work, and ending full-time pension credits for part-time work.
- \$50 million for preschool expansion, which can be delayed for a year and could be supplemented by future federal funding.
- \$50 million to be replaced by providing \$500 million of federal block grants to schools facing cuts for the next three years.
- \$25 million from expanding the NJ Health Savings Plan.
- \$19.5 million by eliminating funding for Planned Parenthood locations because a charity with \$1.6 billion in revenue is not in need of taxpayers' money.
- \$10 million by eliminating the First-Time Homebuyer Mortgage Program this year.
- \$8 million by eliminating legal services for illegal immigrants.
- \$6 million by eliminating extending general assistance services to convicted drug dealers for the first time.
- \$6 million by eliminating debt service on cash flow borrowing. The state is flush with federal cash and will not need to borrow.
- \$5 million for a redundant capital security committee.

This does not include the billions that could be saved if recommendations from the Path to Progress plan were actually implemented. As of now, it seems to be another farcical attempt at controlling the costs of state government.

### **3. Funding Increases to Help the State's Most Vulnerable, and Language Changes to Reflect Them**

Our obligation “to provide a thorough and efficient education” by fully funding schools is often the most violated part of the State Constitution. The incredible costs that have been forced onto providers of health care, child care and everyday people is often the most objectionable law passed by the legislature.

The fiscal year 2022 budget must reflect our commitment to keeping our schools, our heroes without capes, and all of our hardworking constituents. Below are suggested funding increases to do what is right by the people we represent.

- \$50 million for Extraordinary Special Education Aid.
- \$27 million to provide a \$2 per hour increase for at-home nurse reimbursement.
- \$16.8 million to increase wages to \$15 per hour for direct support professionals.
- \$15 million for early intervention providers and \$13 million to support the coordination rate.
- \$11.8 million so day program rates can finally include the absence factor.
- \$6.126 million for nonpublic school transportation and \$1.35 million for nonpublic school technology.
- \$5 million for community college operating aid.

- \$2 million to increase Tuition Aid Grants.
- \$2 million to control algae blooms in Lake Hopatcong.
- \$1.66 million for the Northern New Jersey Red Cross.
- \$1.5 for the “Expanded Access to Palliative Care” for Samaritan Healthcare and Hospice.
- \$1.25 million to fully fund the NJ Child Collaborative Mental Health Program.
- \$350,000 to provide cost of living adjustments to the Center for Evaluation and Counseling for children’s mental health.
- \$140,000 for a new position in the Division of Fish and Wildlife to manage overpopulation of deer.

Budget language changes and additions include:

**Basic Skills Training:** *Amending Existing Budget Language on Page D-241:* The amounts hereinabove appropriated for the Workforce Literacy and Basic Skills Program shall be appropriated from receipts received pursuant to P.L.2001, c.152 (C.34:15D--21 et seq.), together with such additional amounts as may be required to administer the Workforce Literacy Program, with no less than \$3,000,000 for the New Jersey Community College Consortium for Workforce and Economic Development, a part of the New Jersey Council of County Colleges, subject to the approval of the Director of the Division of Budget and Accounting. If the fund pursuant to P.L.2001, c.152 (C.34:15D--21 et seq.) has a balance lower than one-third of its revenue in the previous fiscal year, then at least \$3,000,000 will be instead appropriated from what New Jersey is owed under the federal Coronavirus State Fiscal Recovery Fund established under the American Rescue Plan to provide basic skills training pursuant to Section 1 of P.L.2001, c.152 (C.34:15D-21 et seq.)

**Pathway & Skill Collaboratives & Industry Centers for Excellence:** There is appropriated \$8,500,000 from the Workforce Development Partnership Fund, and if that fund has a balance of lower than one-third of its revenue in the previous fiscal year, from what New Jersey is owed under the federal Coronavirus State Fiscal Recovery Fund established under the American Rescue Plan to the New Jersey Community College Consortium for Workforce and Economic Development, a part of the New Jersey Council of County Colleges, to establish Pathway and Skills Collaboratives and Centers of Excellence in New Jersey’s fastest growing industries. The collaboratives and centers created using these funds shall connect the New Jersey Department of Labor & Workforce Development, the State Employment and Training Commission, the New Jersey Business & Industry Association, community colleges, vocational-technical schools, workforce development boards, four-year colleges and universities, labor unions, community-based organizations, private career schools, and other eligible training providers to improve the alignment of training and the needs of employers in New Jersey’s key industries, to develop new education and training programs aligned with the needs of employers, and to deliver education and training tied to the needs of employers in key industries.

**Reskilling for Unemployed:** There is appropriated \$12,000,000 from what New Jersey is owed under the federal Coronavirus State Fiscal Recovery Fund established under the American Rescue Plan to the New Jersey Community College Consortium for Workforce and Economic Development, a part of the New Jersey Council of County Colleges, to provide short-term training to displaced workers from the pandemic in partnership with New Jersey Department of Labor & Workforce Development, the New Jersey Business & Industry Association, community colleges, vocational-technical schools, workforce development boards, four-year colleges and universities, labor unions, community-based organizations, private career schools, and other eligible training providers. The New Jersey Community College Consortium for Workforce and Economic Development shall work with the New Jersey Department of Labor & Workforce Development and the New Jersey Business & Industry Association to focus this training on the industries struggling to fill job openings after the pandemic.

**Replenishing UI Fund & Covering Nonprofit UI Costs to Soften Unemployment Insurance**

**Tax Increase:** From funds provided by the federal government in connection with the COVID-19 pandemic pursuant to the federal "CARES Act," Pub.L.116-136, pursuant to section 9012 of the "American Rescue Plan Act of 2021," Pub.L.117-2, or pursuant to any other applicable federal law, any portions of those funds which are available and permitted by those laws shall be used as needed to reimburse the unemployment compensation fund for any costs of providing state liability relief to employers pursuant to subsection b. of section 1 of P.L.2020, c.150 (C.43:21-7.9), subject to the approval of the Director of the Division of Budget and Accounting. If insufficient funds are unavailable to completely cover the costs of providing state liability relief to employers pursuant to subsection b. of section 1 of P.L.2020, c.150 (C.43:21-7.9), then the amount should be distributed so that each nonprofit organization employer that elected to make payments in lieu of contributions pursuant to section 3 of P.L.1971, c.346 (C.43:21-7.2) or is a governmental entity or instrumentality which elects to make payments in lieu of contributions pursuant to section 4 of P.L.1971, c.346 (C.43:21-7.3) will have the same proportion of their payment in lieu contribution covered and those employers will maintain good standing with all state entities while making their remaining payment in lieu contribution without interest.

**EDA Small Business Grants:** The State Treasurer, or whatever state government entity is overseeing what New Jersey is owed under the federal Coronavirus State Fiscal Recovery Fund established under the American Rescue Plan, is hereby authorized to enter into an agreement with the New Jersey Economic Development Authority to transfer not less than \$500 million from any portions of those funds which are available and permitted by those laws to be used for grants to compensate small businesses for lost revenue due to the public health emergency caused by the pandemic.

From beginning to end of this letter, these are fundamental changes that put the taxpayer first, make smart investments, and work toward fixing the fiscal year 2022 budget proposal, which, as it stands, will create a major deficit and lead to regressive tax hikes.

Sincerely,

A handwritten signature in black ink, appearing to read "Hal Wirths". The signature is written in a cursive, slightly slanted style.

Assemblyman Hal Wirths  
Republican Budget Officer  
24th Legislative District

c: Jon Bramnick, Assembly Republican Minority Leader  
Anthony Cimino, Assembly Majority Executive Director  
Aaron Binder, Assembly Majority Budget Director  
Thomas Koenig, Legislative Budget and Finance Officer  
David Drescher, Revenue Section Chief, Office Legislative Services