Memorandum

TO: Assembly Budget Committee
FROM: Anthony Russo, Executive Vice President of Gov’t Affairs/Communications, Commerce and Industry Association of New Jersey
DATE: March 9, 2016
SUBJECT: New Jersey Budget for Fiscal Year 2017

Good afternoon Chairman Schaer and members of the committee. My name is Anthony Russo. I am the Executive Vice President of Government Affairs and Communications for the Commerce and Industry Association of New Jersey (CIANJ). The CIANJ is a statewide business advocacy group, with offices in Paramus and Trenton, representing more than 900 members from virtually every business sector (manufacturing, hospitality, financial, insurance, academia, healthcare, etc.).

CIANJ supports the Governor’s proposed budget because it is a responsible budget which does not raise taxes, controls spending and continues to lessen the reliance on non-recurring revenues. We were also pleased to learn of the $800 million surplus in this year’s budget. This is indicative of a growing economy which is a result of a rigorous budget process where the Governor and Legislature worked together. We hope the positive trend continues in the years ahead. Especially encouraging is that the projected surplus, along with growing revenues, should help the rating agencies look favorably on New Jersey’s bond rating.

New Jersey’s priority must continue to be the rebuilding of our economy through the creation of private sector jobs. Private sector jobs fuel our economy, improve our quality of life and are responsible for a large percentage of state revenues. When one considers the largest sources of revenue for New Jersey (the Gross Income Tax, the Sales & Use Tax and the Corporate Business Tax), a common denominator that impacts all three is private sector jobs. Clearly there is a direct correlation between private sector job creation and the revenue realized by these three major taxes. There should be an emphasis on growing our tax base by reducing the cost of doing business in New Jersey. This can be accomplished by streamlining and eliminating unnecessary regulations, eliminating regressive taxes such as the estate
and inheritance taxes and reducing the cost of government through further consolidation of services. The budget process can be used to incentivize consolidation and shared services.

Regarding the elimination of the estate and inheritance taxes, CIANJ has been a leading advocate and voice on the need to eliminate these taxes which drive many of our citizens out of New Jersey. These taxes impact generational and small businesses which employ thousands of individuals. Once these citizens leave, New Jersey not only loses residents who have raised families and worked here for years, but also additional taxes these residents would have paid if they remained in New Jersey and the works of charity they have contributed to their local communities. We were pleased when the Senate Budget & Appropriations Committee recently cleared legislation (S-1728) raising the taxable threshold to $1 million beginning in January 2017 and ultimately phasing the tax out in five years. We urge this Committee to pass a similar measure in the Assembly.

Furthermore, the relationship between the business community and government should be cooperative and not adversarial, but unfortunately there has been recent legislation which pits the business community against government. Most notably is the potential ballot question on mandating pension payments. While we fully appreciate the need to fund our pension system, what we must object to is amending our State Constitution to do so, which would remove any flexibility and ability of future Governors and Legislatures to negotiate when developing state budgets, thus placing a strain on our taxpayers.

This flexibility is important because revenues, expenses and priorities change year to year. We must trust that the Legislature and Governor will do what is best for the majority of New Jersey’s citizens and not what is best for a segment of our population. This level of trust is evident in this proposed budget. Governor Christie should be commended for proposing a $1.8 billion payment to the pension system, representing the highest annual contribution to the pension system in New Jersey’s history. With that said, there needs to be a continued focus on further pension reforms if New Jersey is ever going to close the $80 billion gap in unfunded liabilities.

In conclusion, we have been impressed and appreciate the cooperation that has existed between the Governor and the Legislature. We urge the Legislature to support the proposed budget because it offers the consistency and predictability needed to continue to grow our economy.

Thank you for the opportunity to present this testimony. I can be reached at (201) 368-2100 or arusso@cianj.org