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THE DINER BOOTH

Murphy Proposal Wildly Out-of-Step with Austerity Message

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For five months, Gov. Phil Murphy has kept the state's people up to date on the COVID-19 pandemic, what steps he's ordered to halt the spread and what individuals can do to assist.

He's made it a point of emphasis in each of his daily (now thrice weekly) briefings to describe the havoc the virus has wreaked on the state's economy and, in particular, how it's robbed the state of critical tax revenue necessary to continue funding for essential services and programs.

Along with the Legislature, the governor extended by three months the current fiscal year to Oct. 1 and continued to support ongoing programs at their existing appropriations level.

He warned of devastating cuts to essential services and aid programs, unprecedented public employee layoffs, and potentially crushing property tax increases if the state failed to act decisively to head off a fiscal meltdown.

He routinely attacked U. S. Senate Majority Leader Mitch McConnell for failing to move legislation to, among other things, provide hundreds of billions of dollars in aid to state and local governments.

He won a state Supreme Court ruling to permit borrowing as much as \$9 billion to weather the storm and, in his revised budget submitted to the Legislature at the end of August, called for \$1 billion in tax increases and \$1.3 billion in cuts in addition to \$4 billion in bonded debt. Not to mention, the just announced mandated 9-cent increase in the gasoline tax which, while not in the budget, will hit consumers nevertheless.

Despite his emphasis on the severity of the challenge he faced and the need for austerity, he proposed a jarring disconnect — an \$80 million annual expenditure for a new program to set aside \$1,000 for each child born in 2021 and thereafter to mature in 18 years.

Amid recommended tax increases, bonded indebtedness, spending cuts and a reliance on one shot gimmicks, the proposal struck a discordant note and appeared wildly out of step with the overriding message of austerity, belt-tightening and shared sacrifice.

At a time when unemployment remains in double digits, small businesses have been driven into insolvency and out of work New Jerseyans waited more than two months to receive benefits, the thought of the state opening investment accounts for newborns seemed illogical, fiscally as well as politically.

Christened "baby bonds," presumably to make it more appealing and less incongruous when examined in the context of the budget, the cash deposits would be conferred on infants born into families with incomes under \$130,000.

Even in a state in which household incomes routinely rank in the top five in the nation, a qualifying level of \$130,000 seems a tad generous.

It is, though, the air of incompatibility that surrounds the idea that is striking to many.

In developing what is essentially a second budget, who or what convinced the governor and his fiscal and political advisers that a new and untested \$80 million spending program would resonate favorably?

The budget crafters were certainly keenly aware that seeking \$1 billion in tax increases would be a heavy lift and that borrowing another \$4 billion — even though cleared by the Supreme Court — would be stoutly criticized. How could they not be? It's dominated Trenton for more than five months.

Still, it seems, “baby bonds” were apparently considered so vital that it overrode concerns about the difficulty convincing the Legislature to raise taxes in a highly charged political year when all 120 seats are on the ballot.

Even Murphy’s defense of the proposal seemed strained as if he recognized the optics of increased spending in a period of shortages and instability were less than appealing. The pandemic, he said accurately, had created a disproportionate hardship in minority communities and setting aside a guaranteed nest egg for the younger generation will help ease that burden and potentially head off misbehavior even if it’s nearly 20 years in the future.

His budget quickly drew criticism from disparate quarters – as budget proposals normally do – but there seemed no point in needlessly drawing political heat by asking for additional spending on a program which hasn’t been thoroughly vetted and for which there’s been no discernible effort to build public support.

While the “baby bonds” didn’t land with a dull thud in the Legislature, it didn’t generate a burst of enthusiasm either. With \$1 billion in tax increases on the table and no guarantee approval of all of it will be forthcoming, Administration staffers with responsibility for lobbying the legislative leadership will have their hands full and attention concentrated.

All involved recognize the unprecedented environment that’s been created by the pandemic, the most serious public health crisis in a century, and that dealing with it demands hard and potentially risky political decisions.

Senate President Steve Sweeney (D-Gloucester) and Assembly Speaker Craig Coughlin (D-Middlesex), in whose hands the budget now rests, pledged a fair hearing and a desire to work with the Administration along with the customary “everything is on the table” caveat.

It’s likely the “baby bonds” proposal will occupy a prominent spot on the table.

Either the state faces an existential crisis that demands an unprecedented response or it does not. Business as usual, including hanging spending items on the budgetary Christmas tree, should be out of the question.

Whether opening state-supported savings accounts for children is sound public policy can be debated and decided in the Legislature in a less frenetic and pressure-filled atmosphere, one in which the governor can make his case for its value.

The sincerity and motives of its proponents is not in question, but in the current climate it is impossible to assign any sense of urgency to the idea.

As for now, it’s an idea whose time hasn’t come. Odds are a majority of the Legislature will see it that way as well.

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