Governor Murphy Proposes FY 2025 Budget Centered on Opportunity, Affordability, and Shared Responsibility in New Jersey

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Yesterday afternoon, Governor Murphy presented his State FY 2025 Budget to a joint session of the Legislature in Trenton, New Jersey. The proposed budget totals $55.9 billion, keeping total spending growth below 1 percent from the FY 2024 adjusted appropriations ($55.43 billion). It includes a $6 billion surplus. The proposal does not include any new taxes but does include a new 2.5 percent corporate transit fee that will apply to many of the large businesses operating in New Jersey and other smaller revenue raisers (discussed below).

The Governor's budget address was centered around themes of opportunity and affordability. The budget proposal stressed that opportunity is available to all who call New Jersey home and those who may be newcomers to the State.

Affordability/Property Tax Relief

Governor Murphy addressed rising costs, supply chain snarls, and inflation in his address. The proposed budget aims to improve affordability in the State by addressing property taxes and increasing access to housing. The budget proposal includes $3.5 billion dollars directed toward property tax relief through programs such as the Affordable New Jersey Communities for Homeowners and Renters (ANCHOR) Property Tax Relief Program, which provides property tax rebates to both homeowners and tenants, and the Senior Freeze Program, which provides property tax relief to seniors and differently abled New Jerseyans. The Governor's budget proposal also highlighted affordable housing initiatives, such as increased funding for the construction of new affordable housing units, support for the availability of Accessory Dwelling Units (ADUs), and recognition of legislative efforts to accelerate

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affordable housing development.

The proposed budget includes $700 million in tax incentives geared toward New Jerseyans of all ages through the Child Tax Credit, Child and Dependent Care Tax Credit, and the Earned Income Tax Credit, among others. In addition, for senior residents, the FY 2025 budget will extend eligibility for the Pharmaceutical Assistance for the Aged and Disabled (PAAD) and Senior Gold programs that are intended to reduce the costs of prescription drugs.

RetireReadyNJ (New Program)

Governor Murphy also introduced a new program, RetireReadyNJ, which is intended to promote saving for retirement and long-term financial health. RetireReadyNJ will provide New Jersey workers with an option to invest in a retirement savings plan. The proposed budget includes funding for the new program because enrollment is free.

Education

Education has long been an area of concern and a primary driver of expenses in the State. Governor Murphy's proposal calls for a series of investments in Pre-K through 12 education, as well as higher education. It includes $21.6 billion in direct state aid for Pre-K to 12 public education and invests in expanding universal Pre-K. In addition, the budget proposal directs $900 million to increase public school funding. Governor Murphy stated that his administration will be the first to fully fund the State's school funding formula. The proposed budget further allocates $30 million to provide school meals for children in an effort to combat rising food insecurity.

Pension Payment and Fiscal Responsibility

Governor Murphy's proposed budget also includes a full payment toward the State's public-employee pension obligation (the fourth consecutive full payment) and continued efforts toward debt defeasance.

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The budget address noted that wise fiscal spending is necessary to keep New Jersey on track. To that end, Governor Murphy asked the Legislature to be mindful of its appropriations and stated that this year's budget proposal largely capped new discretionary spending.

Community Wellness Programs and Workforce Initiatives

The Governor's budget speech also highlighted areas where funds have previously been provided, including: student mental health support, the ARRIVE Together program (a program that pairs mental health professionals with law enforcement officers when responding to a mental health crisis), community-based violence and crime reduction initiatives, a medical debt relief program, and economic growth and community development initiatives. It touched on both the New Jersey Statewide Student Support Services network to assist students with mental health wellness and a further investment in the Cover All Kids program to ensure children have access to vital healthcare coverage. Funding for Cover All Kids is double the amount allocated in FY 2024.

The budget proposal also introduced new initiatives aimed at workforce shortages in healthcare and education. It includes funding for Student-Teacher stipends, as well as $5 million for New Jersey's Teacher Loan Redemption Program. Similarly, the proposed budget allocates $5 million for the creation of a new Nursing Workforce Initiative.

The Governor also announced $50 million toward protecting reproductive healthcare services in New Jersey. In addition, the proposed budget directs funds to veterans' services including $30 million for unhoused veterans, as well as resources toward combatting opioid addiction.

New Jersey Transit/Corporate Transit Fee

With respect to businesses, Governor Murphy proposed a new Corporate Transit Fee that will apply to corporations with greater than $10 million in net income. The Corporate Transit Fee may be seen by some as a new iteration of the Corporate Business Tax of 2.5 percent that expired in December 2023. The new fee is intended to provide a dedicated funding stream for New Jersey Transit,

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which has faced a number of challenges but seems to be turning a new leaf on the operational front. Governor Murphy has repeatedly stated that he would not impose any new taxes, but the State requires revenue. In addition to the Corporate Transit Fee, other revenue-raising methods include a warehouse fee on truck drop-offs, fees on broker-dealers, a phase-out of the sales tax exemption on zero-emission vehicles, fees on firearms, and assessments on Health Maintenance Organizations.

Economic Development, Energy Infrastructure, AI, and Other Investments

The Governor proposes over $40 million to modernize the State's energy grid and advance clean energy initiatives. Additionally, the proposed budget will direct resources toward emerging innovation fields such as: fintech, filmmaking, life sciences, and Artificial Intelligence (AI). Governor Murphy announced the creation of the AI innovation challenge, with $4.5 million in the budget proposal directed toward the challenge.

The text of the Governor's Budget in Brief may be found here. As the budget process continues, the Legislature will hold public hearings and each of the Executive Departments will make presentations to the Senate and General Assembly Budget Committees. New Jersey's current fiscal year ends on June 30, 2024. The Legislature must enact a budget by that date.

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