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FY23 State Budget at First Glance

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By [Christopher Emigholz](#)

Gov. Phil Murphy delivered his fifth budget proposal and first of his second term to the Legislature for fiscal year 2023 (FY23) in a live speech (first time since pandemic) on the afternoon of Tuesday, March 8, 2022. His three FY23 budget themes were: growth, affordability and equity.

He is planning to spend \$48.9 billion – an increase of \$2.5 billion or 5.4% from last year’s signed FY22 budget. But the good news is this is Governor Murphy’s second straight budget proposal with no new proposed taxes, thus far following through on his no new taxes campaign pledge for his second term. Cumulatively for the five budgets of the Murphy Administration, this \$48.9 billion appropriations level represents an increase of \$14.2 billion or 41% since the last signed budget of the Christie Administration. (The total Murphy budget increase can be softened if the shift in energy tax receipts from off-budget to on-budget several years ago is considered.)

Below is a summary of Governor Murphy’s FY23 budget proposal at first glance, but please also feel free to explore Governor Murphy’s and NJBIA’s budget documents linked below:

- [Budget in Brief](#)
- [Governor Murphy’s Press Release](#)
- [Text of Governor Murphy’s Speech](#)
- [NJBIA Statement on Budget Proposal](#)

Overall Budget Numbers:

Key Budget Figures for FY22 & FY23							
	(in billions)	FY22 Signed	% Change from FY22 Signed to FY22 Revised	FY22 Revised	% Change from FY22 Signed to FY23 Revised	FY23 Revised	FY23 Proposed
Total Appropriations		\$46.4	flat	\$46.4	5.4%	5.4%	\$48.9
Total Revenues		\$42.3	10.9%	\$46.9	11.6%	0.6%	\$47.2
Structural Imbalance (Spending More than Revenue)		-\$4.1	---	gone	---	---	-\$1.7
Sales Tax		\$11.4	6.1%	\$12.1	8.8%	2.5%	\$12.4
CBT		\$4.0	30.0%	\$5.2	25.0%	-3.8%	\$5.0
Business Alternative Income Tax (BAIT)		\$1.4	121.4%	\$3.1	92.9%	-12.9%	\$2.7
Income Tax		\$16.9	3.0%	\$17.4	7.7%	4.6%	\$18.2
Total Closing Balance (Ending Surplus)		\$6.4	-3.1%	\$6.2	-34.4%	-32.3%	\$4.2

What Business Should Like:

Fiscal Responsibility

- This is the second straight (and following his campaign pledge) of Governor Murphy's five budget proposals that does not propose any new taxes, fees or fare hikes.
- The proposed FY23 budget includes the second straight 100% pension payment and largest in state history at \$6.8 billion.
- This budget puts over \$2 billion back into the rainy-day fund. Quickly, the fund now has \$4.5 billion after it was depleted to make up for the pandemic-caused FY20 shortfall.
- The FY23 budget includes a \$4.2 billion ending surplus.
- The Governor announced that he was making an additional FY22 \$1.3 billion deposit in the Debt Defeasance and Prevention Fund.
- \$23.8 million in corrections savings
- Path to Progress implementation:
 - \$5 million to implement new school regionalization law
 - \$5 million for special education section in Office of Administrative Law

Responsible Pro-Business Investments

- \$50 million more for additional funding for Main Street Recovery Finance Program
- \$35 million for Strategic Innovation Centers
- \$20 million for new Business Attraction and Marketing program
- \$1.5 million funding increase for the NJ Commission on Science, Innovation & Technology
- Increase half million dollars to \$2.5 million for the NJ Manufacturing Extension Program (NJMEP)
- \$65 million for new real estate initiatives including:
 - \$20 million for Diverse Developer Fund
 - \$20 million for transit development
 - \$25 million for stranded asset redevelopment fund
- Start process in 2022 to auction \$300 million for Innovation Evergreen Fund
- Funding first recipients of new STEM loan redemption program
- \$15 million in federal funds for Unemployment Processing Modernization and Improvements
- Infrastructure Investments:
 - \$27.1 million more for electric vehicle infrastructure
 - Additional \$10 million for IT Systems Modernization
 - Maintain \$60 million to support the continued Drinking Water and Clean Water Infrastructure Fund
 - \$430 million investment in school construction and renovation
 - \$400 million in new capital facilities funding for higher education
- Workforce development funding:

- Plans to use federal recovery funds for green infrastructure, child care and health care training
- \$5 million for NJ Wind Institute for Innovation & Training
- Maintains \$22.5 million for the Workforce Development Partnership Fund to support apprenticeship and other training programs
- \$2.5 million more for new Pay It Forward public-private partnership training program for the low-income and underserved
- \$4 million for CCOG-County Vo-tech Pilot
- \$300 million from ARPA funds for new Affordable Housing Production Fund which will complete 3,300 new housing units - all affordable housing projects from Mt. Laurel settlement
- New supports aligned with business community's support for the disabled community:
 - \$31.3 million for direct support professionals and \$10.4 million to address wage compression among supervisors
 - \$5 million from federal funds for new Disability Information Hub

Tax & Fee Relief

- Enhanced Homestead property tax relief program now called ANCHOR
 - \$900 million which is \$550 million increase over Homestead
 - Average benefit of \$700 to more than 1.15 million homeowners and up to \$250 more than 600,000 renters
- Fee holidays for:
 - Driver's license renewal
 - Marriage license
 - Certain health care professional licenses
 - State parks

Concern about Over-Spending & Lack of Business Relief:

- Just as last year, NJBIA is again disappointed to see a structural imbalance within the budget as spending is \$1.7 billion more than revenue (\$48.9 billion in appropriations versus \$47.2 billion revenues). Technically the budget is balanced because of surpluses, but it is not sustainable and will create future pressure for harmful tax increases.
- NJBIA also continues to be disappointed in the consistent under-estimating of revenues with FY22's major revenues being \$4 billion above projections just a few months after the budget was signed, and now the new proposed budget appears to possibly do the same thing only projecting a 0.6% increase in FY23 revenues
- Despite a record spending level of \$48.9 billion, which is \$2.5 billion more than last year and \$14.2 billion/41% more than the last budget signed by Governor Christie, there does not appear to be as much direct relief for the businesses that struggled during the pandemic, especially our small businesses, as NJBIA hoped. There is little direct funding for business relief programs. There is no business tax cut with the ANCHOR program specifically excluding businesses,

no mention of addressing the pending UI payroll tax increases and no mention of our highest-in-the nation corporate taxes other than Gov. Murphy disappointingly claiming they gave opportunities to everyone else.

Other Key Spending:

- There is a proposed \$649.8 million increase in state school aid plus an additional \$67.7 million increase for preschool funding.
- Higher education increases:
 - \$23.8 million for 4-year college aid to allow for the implementation of the Garden State Guarantee program
 - \$2.5 million more for aid to independent higher education universities
 - \$8 million increase in Community College Opportunity Grant (CCOG)
 - \$3 million for new “Some College, No Degree” program
 - Increase in Educational Opportunity Fund (EOF)
- \$97 million more for minimum wage increase costs
- Municipal aid is flat at about \$1.6 billion.
- Funding for direct property tax relief is about \$572.9 million higher (mostly because of ANCHOR) at about \$2.0 billion.
- Hospital funding in FY23 will include \$339 million for Charity Care. It also includes a flat: \$210 million for the Quality Improvement Program, \$218 million for Graduate Medical Education and \$24 million for Supplemental Graduate Medical Education.
- \$258 million (flat from last year) in spending from the Clean Energy Fund
- \$3.3 billion or approximately 7% of the budget is for debt service