

New state budget long on proposals, short on specifics

New Jersey plans to raise half a billion dollars by selling its buildings, lands and equipment.

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So what's on the auction block? The state has a blunt reply: Don't know yet.

Another plan would extend New Jersey's 6 percent sales tax to possibly hundreds of household goods and services that have eluded the levy for years. Which ones will be taxed? We'll get back to you on that one.

Two weeks after acting Governor Codey made public his "lean, but not inhumane" budget, major portions of the \$27.4 billion plan are still being worked out and likely won't be final for months.

Most of this budget, like state spending plans before it, relies on a string of best-guess estimates by officials on how much revenue will be raised in the coming fiscal year. Some predictions are based on industry trends, track records in other states or, in the case of the proposed land sale and sales tax, rough estimates that have not been explained publicly yet.

Sometimes they guess right. Sometimes they don't. When those estimates fall flat, more money must be pulled in from other sources - or programs and services get cut.

Last year, the state figured on money from new taxes on cosmetic surgery and billboards. Both taxes failed to collect anything near what was predicted. A \$150 million plan to tax petroleum products such as gasoline never materialized.

The 6 percent sales tax on cosmetic surgery was predicted to bring in \$24 million this fiscal year. It's now expected to bring in only \$6.8 million.

That dismal return has potentially serious consequences for hospitals that treat millions of patients each year who lack health insurance. The cosmetic surgery tax proceeds were supposed to help pay for the hospital "charity care." The shortfall is being blamed as the reason why Codey is now considering possible cutbacks in the hospital aid next year.

Codey is now counting on \$500 million from the sale of state property such as land, office buildings and equipment. But state officials are declining to make public any list of potential properties that would be sold, citing homeland security concerns and issues with public bidding.

"You want to be conservative," Codey aide Eric Shuffler said of the revenue estimates. "You don't want to be irresponsible by predicting a large amount of revenue that the state can get."

The new sales tax is expected to rake in \$275 million. Asked how the administration arrived at this figure, Shuffler said the figure is "politically realistic as well as economically realistic."

Political factors in those key budget estimates included decisions on what the Legislature would approve.

"On the sales tax, you could have put in any number you want, but if you can't achieve that number because you can't tax things that won't get passed; that's irresponsible policy," Shuffler said.

These budget place holders also act as negotiating tools. Governors put up target numbers and then legislators and lobbyists wrangle over the details.

Sometimes these target estimates can be political clubs. Two years ago, Gov. James E. McGreevey proposed a budget that included a plan to revamp the state's tax on corporate earnings. His original budget proposal predicted that the overhaul would raise \$1 billion in new revenue.

But McGreevey officials refused to discuss details of the plan, which they negotiated privately for months with lobbyists and corporate officials. The final plan was not made public until a week before the budget was signed into law.

That common strategy doesn't satisfy lawmakers in the dark about these top budget fixes, and they say the process ultimately hurts the public.

"People should be concerned by this. This is supposed to be a budget proposal and there's no actual budget proposed," said state Sen. Thomas H. Kean Jr., R-Union. "When you get the black holes that exist, whether it be in the sales tax estimate or on the sale of properties, nobody really gets a chance to fully engage in the merits or demerits of that proposal. That sales tax extension could be to professional services, it could be anything from doctor visits to dentists to landscapers to limousines to suntans."

Codey's budget proposal, like others before will be changed by the time the Legislature clears it before July 1.

The biggest target: Codey's push to save \$1.1 billion by eliminating property tax rebate checks.

Assembly Democrats - in a house with all 80 members up for election in November - have vowed to restore some of the rebates.

To do that, they must cut back some of the programs Codey proposed, or find more money by boosting some of the tax proposals.

"Those are things we're going to have to analyze and weigh," said Assemblyman Louis D. Greenwald, D-Camden.

"If this was an exact science, you wouldn't need the time that we need," Greenwald said. "That's a sign that things are not rubber-stamped."

Early in the budget process, the sales tax extension was figured as bringing in closer to \$500 million.

If legislators agree to add more items to the tax rolls, the \$275 million Codey estimated could grow closer to that amount.

Legislators begin public hearings on the budget next month, but those debates will be mostly empty because lawmakers and the public are missing the key details, Kean said.

"You've had these place holders take place and nobody's heard anything until the week before the budget gets passed," Kean said.