



Corzine Budget May Include Election-Year Tax and Cuts (Update3)

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By Terrence Dopp



March 9 (Bloomberg) -- New Jersey Governor **Jon Corzine**, facing a \$7 billion state deficit and a re-election contest in November, will propose a budget tomorrow that may include higher taxes and hinge on concessions from government workers.

The spending proposal, the fourth and final one of Corzine's first term, will total about \$29 billion, or \$3 billion less than the current plan. The U.S. economic crisis has hobbled state tax collections, leaving the Democratic governor with a shortfall that's \$2 billion more than he projected just two months ago.

"This is the budget I have to present, whether I wanted to or not," Corzine said March 6 in an interview with Bloomberg News. "You have to be responsible for

what your job is, which is to make sure we live within our means."

The governor may propose raising income taxes on state residents earning \$250,000 or more by 5 percent and eliminating property-tax rebates for all but the elderly. Other options being discussed include a 10-cent-a-pack boost in the \$2.58-a-pack cigarette levy and higher taxes on liquor and wine, Senate Majority Leader **Stephen Sweeney** said last week.

Corzine said he is considering eliminating as many as 7,000 jobs among New Jersey's 70,000-member workforce if unions don't agree to a wage freeze and 12 unpaid days off during the fiscal year starting July 1, which he estimated would save \$400 million.

His spending plan might also force businesses to pay \$80 more annually per employee as the state's unemployment trust fund dips below mandatory limits, said another lawmaker briefed on the budget who declined to be identified because the plan hasn't been released. The fund is used to pay unemployment compensation.

Few Choices

"In normal times, these are terrible things to do in an election year," said **John Weingart**, associate director of the Eagleton Institute of Politics at Rutgers University in New Brunswick, New Jersey. "But it's a terrible time and he doesn't have a lot of choices. It doesn't look like there are any options that anyone can present that will provoke cheering."

Labor unions in New Jersey typically support Democrats, who control both houses of the Legislature. The unions endorsed Corzine during his 2005 gubernatorial campaign, and they lobbied for his first budget, which added to the state's pension funds.

Robert Master, legislative and political director for the **Communications Workers of America**, said the state's largest employees union is willing to negotiate with Corzine's administration. He wouldn't say which concessions it is willing to make.

"It's counter-productive for the governor to be threatening layoffs and it's counter-productive for us to negotiate this in the media," Master said. "Historically, all unions seek to support their friends and punish their enemies. In each election, we make a decision about where our public officials stood."

Not Alone

Corzine vowed during his campaign to use his experience as former chairman of **Goldman, Sachs & Co.** to repair the state's finances. Since he took office, he has had to cope with a tanking economy, skyrocketing unemployment, a

slump in consumer spending and the collapse of Wall Street.

Across the U.S., state deficits may reach \$370 billion over three years, according to the Washington-based **Center on Budget and Policy Priorities**, a nonpartisan budget and tax analysis group. At least 40 states have enacted or proposed reduced services; most are making cuts affecting their workforces.

"When budgets are cut, public employees laid off and taxes are in danger of being raised, lots of people think twice about their support for the incumbent," said **Peter Woolley**, director of the PublicMind poll at Fairleigh Dickinson University in Madison, New Jersey.

'Taking His Lumps'

PublicMind's survey, released March 4, found that 46 percent of voters said they disapproved of the job Corzine is doing and 40 percent said they approved, a reversal from a January survey. The incumbent trails Republican frontrunner **Christopher Christie**, a former U.S. Attorney for New Jersey, 32 percent to 41 percent. The poll of 751 registered voters had an error margin of 4 percentage points.

"The governor is taking his lumps along with the rest of New Jersey," Woolley said.

The approval rating is Corzine's lowest since mid-2008, after lawmakers and voters objected to his proposal to reduce state debt and pay for 75 years of transportation projects through highway toll increases of as much as 800 percent.

Corzine's budget for the current year reduced spending by \$600 million. He has since proposed more than \$1 billion of mid-year cuts as tax revenue dropped. The governor said last month he expects weakness in the economy for most of this year.

Political Chances

New Jersey's unemployment rate climbed to 7.3 percent in January, its highest rate in 15 years, as employers in the state eliminated 8,900 jobs. A year earlier, the rate was 4.6 percent.

Weingart said Corzine is taking a chance politically that voters may come to view him as a "war-time governor," an official dealing with the effects of a global crisis through the only means available to him. On the other hand, he may face backlash over planned cuts to deal with a \$3.6 billion revenue deficit in the current budget and measures he will propose for the coming 12 months, Weingart said.

"Certainly, I imagine he'd rather be governing at a time when there is money to spend on programs he believes in rather than cutting programs," Weingart said. "Any politician would rather be in a position to say 'yes' to people."

Assembly Speaker **Joseph Roberts** said the tax increases will be scaled back and he expects property tax relief checks to be preserved for many homeowners younger than 65. He said lawmakers and Corzine need to ensure that education and public safety cuts are as small as possible. He declined to give details.

"This is a very, very tough -- a brutally tough -- budget that cuts to the bone and provides essential life-line services in this state and nothing else," Roberts, a Bellmawr Democrat, said today following a meeting with Corzine. "No one's going to embrace this. This is a horribly tough and unpleasant budget."

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