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At Issue

2008: A Perfect Time for the State to Change Direction

If ever there was a time for change, it is now. Voters sent Governor Jon Corzine and the new Legislature a message that they are unhappy with the state's borrowing, taxing and spending. So as we begin a new legislative session, here are some key policy changes that will put New Jersey back on track.

The signs of discontent are unmistakable. A Rutgers University study showed that 72,000 more people left New Jersey in 2006 than came here from other states. A poll conducted at about the same time indicated that of the people who are staying here, half wanted to leave. And voters made it clear they were unhappy with the way our leaders are managing the State's finances when, for the first time since 1990, they voted down a referendum on a bond issue. You may recall that 1990 was the year then-Governor Jim Florio sparked a state-wide backlash by raising taxes by \$2.8 billion. Every bond issue in between passed by large margins.

Nowhere is the dissatisfaction more noticeable than in the business community. In NJBIA's 2008 Business Outlook Survey story only 19 percent of members say the Garden State is a good place for business expansion. Only 22 percent say the Governor is doing a good job, and only 12 percent say the Legislature is doing a good job. And large majorities say other states do a better job on taxes, health insurance, and regulatory compliance costs. Not surprisingly, half of New Jersey's businesses expect economic conditions to get worse in 2008.

So what should our policymakers do to show that they got the message?

Stop spending. State spending has jumped in the new millennium, increasing more than \$13 billion since 2000. Even this year, legislators passed a \$33.5 billion state budget that hiked spending a whopping \$2.7 billion over last year. Spending drives the need for higher taxes and fees, and is the primary

cause behind what is estimated to be a \$3 billion budget deficit.

Legislators are reluctant to cut programs, arguing that people like them and are willing to pay for them. That may not be true this year. In addition to voting down a bond referendum, voters also rejected a proposal to dedicate more state funds to property tax rebate checks, even though New Jersey has the highest property tax burden in the nation. If voters rejected more funding for property tax relief, it's unlikely they will tolerate more funding for anything else.

Rein in regulations. New Jersey has some of the highest regulatory compliance costs in the nation, not only in the size of permit fees but also in the time and money it takes to sort out and comply with all state regulations. And state agencies are ramping up their rule-making. The NJ Department of Environmental Protection proposed more than 2,000 pages of regulations in 2007. Legislators and the Governor should insist on more stringent cost-benefit analyses and seek a balance between regulations and their impact on businesses.

No more mandates. Even after the election, some lawmakers were trying to ram through new mandates that would have increased payroll taxes and increased the cost of health insurance. Legislators wanted to make New Jersey the second state to mandate paid leave, and pay for it with \$150 million in new payroll taxes. Another bill would require health insurance plans to provide virtually unlimited coverage for behavioral problems and substance abuse, dramatically driving up health insurance premiums that are already rising at twice the rate of inflation. As of this writing, both bills are still awaiting action.

Legislators must learn to reject these types of one-size-fits-all mandates and give businesses more flexibility in running their workplaces. All these mandates do is force people to pay for things regardless of whether or not they want them.

Change comes slowly. But at this moment, New Jersey's citizens are ready for a change in direction. Let's hope legislators take advantage of it.