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# Report TO MEMBERS

## NJ Finally Starts to Combat Its Free Spending Ways

**F**or too long, state government has lived well beyond its means, and it can no longer avoid the consequences of its fiscal indulgence.

New Jersey has the nation's fourth largest state-debt burden, and it faces, yet again, a budget shortfall in the billions of dollars.

The time has come for our state to come to grips with its fiscal problems and to start the process of regaining its fiscal health.

As Governor Corzine urged in his no-nonsense budget address, we've got to cut spending, limit borrowing, and spend no more than the state receives in recurring revenues.

Our state has no choice but to end its free spending ways. If it doesn't, New Jersey will remain on a ruinous course in which ever higher taxes will accelerate the exodus of people, jobs and businesses from this state.

In his budget message, Corzine advocated three steps to staunch the financial bleeding:

- 1) cut spending now,
- 2) keep future spending in line with recurring revenues, and
- 3) require voter approval for future borrowing.

The New Jersey Business & Industry Association strongly supports these measures.

While some spending cuts will be painful, the state must recognize that it has splurged on too many programs it cannot afford. For many years now, the state has made up the difference between revenue collections and expenses

by borrowing tens of billions of dollars. The result: New Jersey state government is staggering under \$32 billion in bonded debt it cannot afford.

If state spending is cut, as proposed, it would be only the second time in more than 50 years that this has happened, the last time being in 1993. State spending has increased from \$243 million in 1955 to \$33.47 billion in fiscal year 2008 (which ends June 30), a rate of increase that boggles the mind.

The New Jersey Business & Industry Association recommends two additions to the Governor's budget plan.

First, the state and its agencies should not enact any new programs that would require new staff and funding and thereby expand an already swollen state bureaucracy.

We would include in this category the proposed paid family leave law. We would also include the rapid and unnecessary expansion of the state's environmental regulatory programs, now underway. This expansion was not initiated by the state's elected lawmakers, but by the NJ Department of Environmental Protection in its apparent fervor to put every square inch of this state under its regulatory thumb.

Second, we must do more than cut spending. We must grow the state's revenue base by encouraging private-sector investment and job creation. Over the last seven years, New Jersey's economy has fared poorly compared to the nation. Today, we have fewer private-sector jobs than we did in December 2000!

It is essential that we remove impediments to economic growth in this state (such as paid leave and an overzealous DEP) and provide reasonable incentives to encourage business expansions and job creation. A healthy, growing economy will benefit everyone and will increase state revenue the right way—without the need to resort to tax hikes or more borrowing. ❧