

# New Jersey lawmakers push for revenue advisory board

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As Gov. Phil Murphy gets set to release his second budget proposal, New Jersey lawmakers are exploring improvements to tax collection forecasting to better align the state's spending priorities.

The State Assembly voted 71-1 on Dec. 17 to approve [a bill to](#) establish a revenue-advisory board to assist in the annual budget process. While the legislation wouldn't change the governor's constitutional powers to certify state revenues, bill backers said it would require governors to explain how revenue estimates in their budget messages compare with the advisory consensus forecasts prepared by the new three-member board.



"Reliable revenue estimates are essential to building a fiscally responsible budget," says New Jersey State Treasurer Elizabeth Maher Muoio, pictured giving testimony last year before the Assembly Budget Committee.

New Jersey Department of Treasury

"The goal is to broaden involvement in budgetary decisions," said State Assemblyman Gary Schaer, D-Passaic, who co-sponsored the bill. "It's a step toward better government and more responsible government."

The assembly approved the measure five days after the Volcker Alliance released a report assigning New Jersey a D for budget forecasting. William Glasgall, senior vice president of the Volcker Alliance, said although New Jersey's Office of Legislative Services provides its own revenue forecast during the budget process, the governor still has the final say under a state law that dates back to 1947. Twenty nine states rely on revenue forecasting derived from sources that typically include the governor and legislature as well as outside economic experts.

"Under Governor[Chris] Christie New Jersey had a history for several years of making forecasts that didn't pan out very well and overestimating revenues," Glasgall said. "If [the approved assembly bill] is a step toward the legislature having a role in budget forecasting then it's a good thing."

The assembly measure does not go as far as a proposal pitched last year by Senate President Steve Sweeney, D-Gloucester, to amend the state constitution and form a three-person Revenue Certification Board.

"The consensus approach allows the legislature and the governor to work on how you spend public resources rather than how much money you are going to have," Glasgall said. "Since the consensus method of forecasting has a lots of input it helps damp down the political aspect of the forecast."

New Jersey State Treasurer Elizabeth Maher Muoio wrote a letter last July highlighting concerns about the proposed constitutional amendment. She called revenue certification from the governor a "fundamental check in the budgetary process." While Muoio opposes the constitutional amendment, she was one of the early co-sponsors of the revenue advisory board bill when she was a Democratic assemblywoman, prior to Murphy appointing her to his cabinet last December.

"Many are not aware that a healthy, collaborative process already exists between the professional staffs of both the executive and legislative branches," Muoio said in a statement. "As a former co-sponsor of this legislation, I welcome the opportunity to build upon this existing relationship."

Under New Jersey's current budget process, the Department of Treasury compiles revenue forecasts each winter and the treasurer gives testimony before lawmakers in the spring to determine if any changes are needed based on tax-collection trends. The Department of the Treasury latest tax collection data released Dec. 14 showed that year-to-date revenue from July through November is up \$603.5 million, or 6.5% above the same period last year.

"Reliable revenue estimates are essential to building a fiscally responsible budget," Muoio said.

The new revenue advisory board would feature forecasting experts from the executive and legislative branches and a third member from outside of government with expertise in state tax policy and revenue analysis. A revenue forecast is currently prepared annually through a budget analysis at the nonpartisan Office of Legislative Services that is advisory in nature.

The governor's authority to certify revenues nearly led to a government shutdown in June when Murphy clashed with Sweeney and Assembly Speaker Craig Coughlin, D-Fords, over the governor's proposed tax increases to fund spending initiatives. The sides eventually agreed to a compromise [budget agreement](#) with scaled back tax increases that credit analysts said could create future fiscal challenges because of too much reliance on one-shot revenue sources.

New Jersey lawmakers previously approved legislation to establish a consensus-forecasting board in 2015, before it was vetoed by then Republican Gov. Chris Christie. Stockton University's William J. Hughes Center for Public Policy released [a report](#) in 2017 highlighting how New Jersey's system of revenue forecasting has led to budget challenges, including a shortfall of \$1 billion in 2014. The report said that in 2015 New Jersey only had enough reserve funds to operate the government for 9.2 days.

"The real importance of consensus forecasting is that it creates a shared vision and a shared reality," said David Carr, a professor emeritus of political science at Stockton, who co-authored the 2017 report. "There are real competing visions in the state now."

The state's structurally imbalanced budgets combined with a large pension burden triggered 11 credit rating downgrades under Gov. Christie to the second lowest mark of all U.S. states. New Jersey's general obligation debt is rated A-minus by S&P Global Ratings, A3 by Moody's Investors Service and A by Fitch Ratings and Kroll Bond Rating Agency.

Schaer said he hopes the state senate will advance his bill early this year to put the revenue advisory panel in place for 2020 budget planning, but more realistically expects a consensus forecasting system by the following fiscal year. The assembly measure has bipartisan support in the other chamber with senators Bob Gordon, D-Fair Lawn, and Steven Oroho, R- Sparta Township, co-sponsoring the measure.

The press office for Governor Murphy did not respond for comment on whether he supports the revenue advisory board concept. The Democratic governor is slated to release his 2020 budget proposal last winter.

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