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Murphy seeks funds from NJ assets for his spending priorities, says Carl Golden

Carl Golden 10 hrs ago

For The Press

Call it monetization, leveraging or plain old-fashioned borrowing against what is already owned, but the recent move by Gov. Phil Murphy to turn state assets into cash to close an impending budget gap is a short-term response to the more serious issue of how the state raises and spends public money.

Asset monetization is not a new idea, but it's a bit like selling the kitchen table and directing the proceeds toward next month's mortgage payment.

It's a quick hit solution that eases the pressure momentarily (we can get along for awhile without a kitchen table), but the overall problem (the mortgage) remains unaddressed.

It is not surprising that Murphy has cottoned to the idea, not simply because it will produce a yet unknown amount of money that he'd prefer to direct to the state pension system, but also to demonstrate to the legislative leadership he's willing to consider solutions other than tax increases.

Senate President Steve Sweeney, D-Gloucester, and Assembly Speaker Craig Coughlin, D-Middlesex, for months have made clear repeatedly they will not accept a fiscal 2019-20 budget if it includes raising taxes.

Soliciting bids for the sale, lease or naming rights of property owned by the state or its authorities is a clear sign the governor realizes the leadership's position is adamant and he's prepared to engage in serious negotiations over his budget proposal.

It is a significant shift in the governor's approach, brought on in considerable measure by his experience last year when the state teetered on the brink of a shutdown over his insistence on raising the state income tax on the wealthy and restoring the sales tax to 7 percent.

He eventually conceded on both and accepted a budget crafted largely by the Legislature. Neither he nor his top-level staff is anxious for a repeat.

It is, moreover, an indication that the governor will go to significant lengths to avoid requiring public employees to contribute more to their pension and health benefits system or to scale back those benefits.

Murphy rightly argues that the pension system is in such a precarious condition because previous administrations shortchanged their obligations while employees held up their end of the bargain.

It is, therefore, his view that it is the state's responsibility to correct the pension debt without further burdening the employees.

Fair enough, but criticizing prior fiscal sins does nothing to achieve current fiscal solutions. The system's unfunded liability exceeds $100 billion — making it one of the worst in the nation — and in the absence of major changes will become one of the largest single spending requirements in the budget.

Sweeney, while supporting the monetization plan, remains solidly behind what he views as an imperative to restructure the pension system largely through reducing health care coverage from the platinum level to the gold level and placing new employees in a hybrid 401(k)/defined benefit pension system.

Sweeney is committed to the plan issued by a study commission he created to identify areas ripe for spending cuts or elimination, pointing out that the state's fiscal difficulties extend well beyond the pension system shortfall.

The state collects sufficient revenue, he insists, and what is necessary is a re-examination of how it spends it. "We don't have a revenue problem, we have a spending problem" is an overused phrase, but Sweeney contends it is an eminently valid point.

With a May 15 deadline for receiving an analysis of the state's assets and recommendations to leverage them, any anticipated revenue will not be included when the governor submits his budget to the Legislature next month.

He can, though, be expected to tout the idea heavily and urge the Legislature to act with dispatch when the recommendations are received.

Murphy must confront critics who argue his support for monetization comes at the behest of public employee unions — with whom he is exceptionally close — as an alternative to Sweeney's benefits reduction and increased contribution plan.

There has been speculation as well that the monetization plan can be used as a way to soften the impact of tax increase proposals and as a counter argument that Murphy's solution of choice is raising taxes.

It is clear that the stage has been set for the budget debate and that the governor learned a hard lesson last year when his strategy of insisting the Legislature bend to his demands backfired.

He may want to sell the kitchen table and he may be able to count on Sweeney to deliver the sales pitch.

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