Murphy's 'baby bonds' handout at odds with new taxes, big borrowing, says Carl Golden

Carl Golden For The Press
Sep 2, 2020

For five months, Gov. Phil Murphy has kept the state up to date on the COVID-19 pandemic, what steps he's ordered to halt the spread and what individuals can do to assist.

He's made it a point of emphasis in his daily (now thrice weekly) briefings to describe the havoc the virus has wreaked on the state's economy and how it's robbed the state of critical tax revenue to support essential services and programs.

To compensate temporarily, the Legislature and the governor extended the current fiscal year to Oct. 1. He warned of devastating cuts to essential services and aid programs, unprecedented public employee layoffs, and crushing property tax increases if the state failed to act to head off a fiscal meltdown.

He won a state Supreme Court ruling to permit borrowing as much as $9 billion to weather the storm and, in his revised budget, called for $1 billion in tax increases, $1.3 billion in cuts and $4 billion in bonded debt. Not to mention, the just announced mandated 9-cent increase in the gasoline tax which, while not in the budget, will hit consumers nevertheless.

Despite his emphasis on the severity of the challenge he faced and the need for austerity, he proposed a jarring disconnect — an $80 million annual expenditure for a new program to award bonds worth $1,000 (that mature in 18 years) to each child born in 2021 and thereafter.

Amid recommended tax increases, bonded indebtedness, spending cuts and a reliance on one shot gimmicks, the proposal struck a discordant note, wildly out of step with the overriding message of austerity, belt-tightening and shared sacrifice.

With unemployment in double digits, small businesses driven into insolvency and out of work New Jerseyans waiting more than two months to receive benefits, the thought of the state opening investment accounts for newborns seemed illogical, fiscally as well as politically.

Christened “baby bonds,” presumably to make it more appealing and less incongruous when examined in the context of the budget, the cash deposits would be conferred on infants born into families with incomes under $130,000.

Even in a state in which household incomes routinely rank in the top five in the nation, a qualifying level of $130,000 seems a tad generous.

In developing what is essentially a second budget, who or what convinced the governor and his fiscal and political advisers that a new and untested $80 million spending program would resonate favorably?

The budget crafters were certainly keenly aware that seeking $1 billion in tax increases would be a heavy lift and that borrowing another $4 billion — even though cleared by the Supreme Court — would be stoutly criticized. How could they not be? It has dominated Trenton for five months.

Still, it seems, “baby bonds” were apparently considered so vital that it overrode concerns about the difficulty convincing the Legislature to raise taxes.

His budget quickly drew criticism from disparate quarters but there seemed no point in needlessly drawing political heat by asking for additional spending on a program that hasn’t been thoroughly vetted and for which there’s been no discernible effort to build public support.

While the “baby bonds” didn’t land with a dull thud in the Legislature, it didn’t generate a burst of enthusiasm either.

All involved recognize the unprecedented environment that’s been created by the pandemic and that dealing with it demands hard and potentially risky political decisions.

Senate President Steve Sweeney, D-Gloucester, and Assembly Speaker Craig Coughlin, D-Middlesex, in whose hands the budget now rests, pledged a fair hearing and a desire to work with the administration along with the customary “everything is on the table” caveat.

The baby bonds proposal likely will occupy a prominent spot on the table.

Either the state faces an existential crisis that demands an unprecedented response or it does not. Business as usual, including hanging spending items on the budgetary Christmas tree, should be out of the question.

Whether opening state-supported savings accounts for children is sound public policy can be debated and decided in the Legislature in a less frenetic and pressure-filled atmosphere, one in which the governor can make his case for its value.

The sincerity and motives of its proponents is not in question, but in the current climate it is impossible to assign any sense of urgency to the idea.

As for now, it's an idea whose time hasn't come. Odds are a majority of the Legislature will see it that way as well.

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Baby bonds: A good idea if done right, or 'lunacy' during state budget crisis?