

OPINION: CHRISTIE'S AVAILABLE OPTIONS HAVE GONE FROM BAD TO WORSE

CARL GOLDEN MAY 29, 2014

The governor's reliance on wishful thinking when it comes to the budget finally comes up against reality



Carl Golden

Being governor is all about having options, settling on a course of action, marshaling legislative and public support, and then implementing it smoothly and effectively.

From time to time, though, issues arise for which none of the available options is particul arly appealing or without considerable risk. The choice is narrowed to selecting the one that is the least distasteful.

This is where Gov. Chris Christie is at the moment.

The state budget is more than \$800 million in the red; he faces a legislative revolt and two court challenges to his plan to dramatically reduce contributions to the public pension system; the state's credit rating has been cut six times, and the outlook for 2015 is equally gloomy.

Moreover, he's deferred the homestead rebate prog ram until next year, the equivalent of a \$375 million property tax increase on the seniors an d disabled eligible for the credit. The rebate program has been skipped in three of the five years Christie's held office.

The shortfalls are the product of successive budget s built upon wishful thinking rather than hard fact. The administration based its proposed spending on revenue growth of between five percent and seven percent, despite repeated warnings th at the state's economy -- while recovering -remained too weak to sustain such optimistic forecasts.

As the gaps between income and spending developed toward the conclusion of each fiscal year, they were bridged by fund transfers, shifting money from dedicated programs, or delaying expenditures until the following fiscal year.

The effect of these last-minute manipulations was to create a rolling structural deficit from one year to the next, putting off an eventual day of reckoning when the shortfall reached a level too great to be overcome by bookkeeping sleight of hand.

The Legislature is hardly an entirely innocent bystander in this drama. Despite hearing the same warnings Christie heard -- including from its ow n budget research office -- the Legislature accepted the governor's glowing revenue estimate s and the spending that went along with them.

The Democrats recent indignation over the governor 's inclusion of some \$32 million in tax and fee increases was short of genuine as well, since both they and the media were told of the plan in a treasurer's budget briefing in February.

The sheer size of the impending deficit left Christie with no option but to reduce by \$2.27 billion the state's contribution to the puble of pension system this year and next. His opposition to any sort of broad-based tax increase and his promise to veto one should the Legislature approve it left the pension payment as the only source of readily av ailable funds sufficient to cover the shortfall.

The reaction of the Democratic legislative leader ship was predictable -- outrage, accusations that the governor was in violation of the law, and wa rnings that the state's credit rating would be downgraded yet again.

Senate President Steve Sweeney whoearlier this year threatened to refuse to act on the budget and shut down state government if the pension payment was not made in full didn't repeat it, but said instead he would pursue reinstatement of a surcharge on incomes above \$500,000 -- the so-called millionaire's tax --- something Christie has vetoed twice.

It's not likely that Sweeney will follow through on a government shutdown. Democrats are leery of being blamed for denying essential state services to taxpayers to prove their point that shoring up the pension plan for public employees is more important.

In the ensuing public relations war, Christie would seize the high ground, insisting his plan addressed the budget shortfall and protected against a tax increase while Democrats, on the other hand, were willing to punish taxpayers in the interest of appeasing its public employee union base. He would argue, with validity, that the shutdown was initiated by the Democrats in a brazen move to gain political advantage.

The more likely Democratic strategy would be enacting the tax surcharge on wealthy earners, include the revenue in the pending budget, restore the cut in the pension payment, and send it to Christie's desk.

As anticipated, the governor would veto the surcha rge legislation, use his line-item veto to strike the revenue from the budget, and proceed with the reduced pension payment.