



# Fiscal Year 2022 Budget Agreement: Powering Recovery Through Historic Investments

The COVID-19 pandemic destabilized the State's fiscal health and upended the financial security of many New Jersey families. In the Fiscal Year 2022 budget, Governor Murphy and the Legislature worked in partnership to meet the State's current and future obligations, make New Jersey more affordable, provide relief for residents and small businesses impacted by the pandemic, and invest in long-term economic growth. The Fiscal Year 2022 (FY 2022) Appropriations Act invests in New Jerseyans and their communities, while also responsibly setting aside funds to repay debt and prepare for future health emergencies. The budget agreement maintains and builds upon the priorities that Governor Murphy proposed in his February budget proposal.

## Fiscal Responsibility

The Administration and Legislature are committing over **\$4.2 billion** in additional funds to improve the State's long-term fiscal health, focusing on debt reduction and pension obligations. The agreement includes:

- Legislation to create a **\$3.7 billion** debt defeasance and prevention fund.
  - **\$2.5 billion** will go towards retiring and defeasing the State's debts—early estimates show that over the next ten years, this can generate debt service savings of over half a billion dollars.
- The other **\$1.2 billion** will support capital construction that replaces current or future debt issuances.
  - This fund builds upon the **\$400 million** in the Governor's proposed budget for the Offshore Wind Port and current Schools Development Authority projects.

The budget agreement also includes a **\$505 million** additional pre-payment for future pension contributions. The State will make the first full pension payment since 1996, enabling level future pension contributions and saving the State over **\$1.5 billion** over thirty years.

## Affordability

The Fiscal Year 2022 budget agreement includes key middle-class tax relief measures:

- Over **760,000** middle-class New Jersey families will receive an up to **\$500** tax rebate this summer due to last fall's budget agreement.
- Homestead Benefit payments will be updated to be based on 2017 property tax information, after years of being based off of 2006 information.
  - This change is estimated to increase the average benefit for seniors and disabled homeowners by over **\$130** and the average benefit for lower-income homeowners by **\$145**.
- Eligibility for the Earned Income Tax Credit (EITC) will expand to residents 65 years and older without dependents, and to those as young as 18 years to provide additional relief to roughly **90,000** residents.
- The Child and Dependent Care Credit (CDCC) will expand to be both available to families making up to **\$150,000 and refundable**.
- The budget agreement will also help nearly **70,000 more senior taxpayers** making up to \$150,000 by raising the annual income threshold for the pension and other retirement income exclusion.



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- Those with income between \$100,000 and \$125,000 will be eligible for half of the **maximum deduction of \$100,000**, while those with income between \$125,000 and \$150,000 will be eligible for **25 percent**.
- Through the **Garden State Guarantee**, there will be **two years of free tuition** at four-year institutions for students in their third and fourth years with household incomes of less than \$65,000.
- For taxpayers making up to \$200,000, the budget agreement includes legislation that creates new deductions for (a) contributions of up to \$10,000 into an NJ Better Education Savings Trust (NJBEST) 529 Account, (b) up to \$10,000 for in-state tuition payments, and (c) up to \$2,500 in New Jersey College Loans to Assist State Students (NJCLASS) payments. To encourage college savings, the State will also provide matching payments of up to \$750 for taxpayers with incomes below \$75,000 contributing to NJBEST Accounts.

## Pandemic Recovery

The budget agreement allocates American Rescue Plan (ARP) State Fiscal Recovery Fund (SFRF) dollars in an equitable and responsible manner, supporting New Jersey's recovery from the COVID-19 pandemic with smart investments in schools, social services, and more:

- The Governor and the Legislature have agreed to create the School and Small Business Energy Efficiency Stimulus Program, which will provide **\$180 million** to promote the sustainability of HVAC and water systems within our schools and small businesses.
- The State will also use SFRF funding for a **\$100 million Child Care Revitalization Fund**, which will fund facilities improvements, employee supports, and workforce development programming. Together, these two funds will improve school safety and allow parents to return to work.
- The Governor and the Legislature will dedicate **\$450 million** of SFRF funding to strengthen emergency preparedness infrastructure at Level 1 Trauma Centers in each of the state's three regions.

## Economic Growth

The budget agreement continues and improves upon the Governor's economic growth initiatives and provides access to capital for minority-owned businesses:

- On Tuesday, the Governor will sign five bills that appropriate **\$235 million** in small business relief, including aid for child care providers and restaurants.
- The Administration and Legislature have agreed to dedicate an additional **\$135 million** from ARP funds for these critical programs. At this point, the State has or will have dedicated over **\$1 billion** of state and federal dollars towards economic relief programs.
- The budget agreement will also make long-term investments in impacted industries, including travel, tourism, and arts and culture.
  - This includes **\$25 million** of ARP SFRF funds for a new Commuter and Transit Bus Private Carriers relief program and a **\$55 million fund** in EDA to support Strategic Innovation Centers.