

## What the fiscal cliff means for New Jersey

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### The fiscal cliff

The cliff is a product of last year's debt-ceiling crisis and the Budget Control Act. Tax increases and spending cuts will begin Jan. 1, unless Congress agrees on a new plan.

Jan. 1 triggers a \$110 billion spending reduction for next year rising to a total \$1.2 trillion over a decade. Taxes would go up because Bush-era rate reductions, periodic tax breaks for businesses and individuals and a cut in payroll taxes would be allowed to expire. The federal deficit would drop sharply. Some economists say the changes would nudge the country into a recession.

Belmar officials plan to have a new boardwalk in place by Memorial Day to replace the rubble left by superstorm Sandy. Point Pleasant Beach wants to make needed boardwalk fixes before tourists return to the borough's rides, amusements, bars and restaurants. But ambitious rebuilding plans throughout the Shore hinge on federal disaster aid — making it a bad time for Congress to contemplate jumping off the fiscal cliff.

New Jersey and other storm-battered states are seeking a combined aid package from the federal government that could top \$100 billion.

Federal spending cuts, along with tax hikes, will take effect next month unless Republicans and Democrats in the House of Representatives settle their dispute on how to reduce the deficit.

“The federal government's reserve for disaster aid isn't close to what is required in New Jersey and New York for recovery, and there's other states that need help,” said Gordon MacInnes of New Jersey Policy Perspective, a left-leaning think tank.

“There will have to be supplemental appropriations. If the showdown in Washington plays out, that probably doubles the difficulty of that process.”

New Jersey Gov. Chris Christie has pegged damages and mitigation costs in the state at \$36.9 billion. He wants the federal government to pay for most of it.

Belmar Mayor Matthew Doherty said he's confident his town's plans for a new \$17 million boardwalk will be realized before visitors swarm in. Doherty expects at least 75 percent reimbursement from FEMA (the Federal Emergency Management Agency).

“We're moving forward. I believe that our leadership in Washington will come together and there won't be problems in getting my town rebuilt,” Doherty said.

Rep. Rush Holt, D-N.J., said the Washington gridlock threatens to slow other rebuilding plans. After Hurricane Katrina roared through the Gulf in 2005, it only took 10 days for Congress to fund the \$62.3 billion first round of appropriations.

“I don't think (the fiscal cliff) will prevent states from getting relief, but it is proving a distraction from attending to this and a lot of other important business in Congress,” Holt said. “Here we are more than a month after Sandy. The longer this drags on, the harder it gets to undertake a recovery effort on the scale it needs to be done.”

Arguments over tax rates have held up a deal in Washington. President Barack Obama wants the richest Americans to pay higher tax rates. Republicans are fighting that.

On Jan. 1, \$136 billion in spending cuts are scheduled to take place, according to the Congressional Budget Office, including mandatory slicing of defense and discretionary spending. Also included is the end of unemployment benefit extensions and reductions in Medicare reimbursement rates.

The Medicare cut will lead to the loss of 21,820 health care and related jobs in New Jersey by 2021, said Kerry McKean Kelly, spokeswoman for the New Jersey Hospital Association.

A study showed the change will lead to reduced purchases of goods and services by health care entities, causing a ripple effect, said McKean Kelly, adding, "New Jersey ranks 10th in the nation for the potential for the highest number of jobs lost."

Conservative commentator Matt Rooney, founder of the Save Jersey blog, said Obama's proposed tax hikes are not enough to "counter the growth of government that will continue because there's no agreement on controlling the growth."

Rooney said the country would be better shape fiscally if the Jan. 1 triggers are set off.

"Compromise is a fine thing but both parties have to want to compromise in good faith. That's the problem now. The president has put forth a tax plan but the numbers really don't come close to adding up. We need the necessary spending cuts," he said.

Still, Rooney said New Jersey "is going to get clobbered" if the fiscal cliff isn't averted.

"The average tax filing is going to go up thousands of dollars. People are going to move to Florida and Pennsylvania where the total cost-of-living bill is cheaper. We'll get further polarized. The red states will get redder and the blue states bluer," Rooney said.

Environmental protections, park operations and transit are also subject to impacts, said Jeff Tittel, director of the New Jersey Sierra Club.

The price of train tickets could go up if there's less federal funding available for NJ Transit, Tittel said.

"If we go over the cliff, there would be no money to clean up Superfund sites and there would likely be potential new Superfund sites from garbage and debris from Sandy if the EPA (the U.S. Environmental Protection Agency) isn't around to regulate safe disposal and recycling," Tittel said.

Christie said he isn't worrying that the federal budget standoff will be a drag on New Jersey's disaster aid request. Last week, he pointed out that New Jersey and New York combined are seeking \$78 billion, compared to the \$112 billion that went to states battered by Katrina.

"We're not talking about requests that are unprecedented, these are about the right numbers," he said. "We haven't padded the numbers, we're not playing games, we're not negotiating. These are numbers that we need and we hope that members of Congress go down and get it for us."