

GOLDEN: Bumps in the road await Murphy

Carl Golden Published 1:48 p.m. ET Jan. 15, 2018 | Updated 1:54 p.m. ET Jan. 15, 2018



(Photo: AP)

As Gov. Phil Murphy assumes office, increasing the tax on income over \$1 million has gone from certain to iffy and support for legalization of marijuana is cooling, jeopardizing two central themes of his promise-laden campaign and placing a serious crimp in his hopes for a fast start to his administration.

Murphy had hoped to realize \$600 million from the millionaire's tax and allocate it to additional aid to local school districts, but second thoughts on the part of some legislators — notably Senate President Steve Sweeney (D-Gloucester) — have arisen because of the \$10,000 cap on allowable deductions for state and local taxes in the new federal tax reform/tax cut legislation.

Despite former Gov. Chris Christie's rosy portrayal of state government's finances, Murphy faces a budget teetering on deficit, a public pension system desperately in need of a major cash infusion, a badly out-of-whack school aid formula, and a mass transit system sliding ever closer to dysfunction.

In his campaign, Murphy promised support for all manner of programs, even though critics warned repeatedly that they would be impossible to fulfill without billions in new tax revenue.

Murphy can argue he was blindsided by the federal tax legislation and that his recommendation for the millionaire's tax is a response to the chronic underfunding of the school aid formula.

Initially greeted with enthusiasm and promises of early legislative action, the proposed tax increase is now being viewed in light of its potentially adverse impact on the state's high income earners. The cap on the allowable deduction will increase their tax liability and an increase in the state tax will compound it.

Sweeney is concerned that millionaires to whom mobility is not an obstacle will exit the state, taking their business interests, income and tax revenue with them.

Murphy's task — convincing legislative leaders that an increased state tax can be absorbed with negligible impact — has been made more difficult by this public skittishness. He is firmly committed to the tax increase and is unlikely to be dissuaded by the last-minute report issued by the Christie administration purporting to establish a direct link between tax levels and the wealthy leaving the state. As is usually the case with such studies, the methodology and conclusions are in dispute.

He may succeed, but could be forced to compromise (a sunset provision or a scaled back increase in the rate, for instance) and provide political cover for those who support it.

It will be an early test for his negotiating skills and for the depth of the political capital he earned with his decisive victory in November.

Legalizing marijuana possession for personal use never enjoyed the widespread legislative support many of its advocates claimed, and now that the governor has thrown his weight behind it, significant questions are being raised about its desirability.

Murphy has estimated the state would realize \$300 million in revenue from taxing marijuana sales, although there's not much evidence to support it.

Some legislators believe it is poor public policy to legalize a drug simply because government happens to need money, while others are concerned that the cost of enforcement could be prohibitive, particularly if the responsibility falls on local governments.

A handful of municipalities, for instance, have already announced they will prohibit marijuana sales establishments from their communities.

Public safety concerns were raised as well after a study revealed a spike in incidents of impaired driving as a result of marijuana use.

Supporters argue that legalization is merely an official acknowledgement that marijuana use is already widespread and it is a waste of valuable law enforcement resources to pursue, arrest and incarcerate offenders for a minor and harmless infraction.

They contend as well that licensing and regulating commercial establishments to sell the substance will provide revenue, undercut the black market and deny illicit profits to drug traffickers. More importantly law enforcement would be free to concentrate on the more serious and harmful drug trade.

With previous governors opposed to the idea, legalization never gained significant traction in the Legislature. but with Murphy's full-throated backing, it is a real possibility.

Murphy has had no significant experience as a chief executive dealing with legislators whose agenda and beliefs may differ from his and whose political perspective may be more narrowly focused.

The realization has set in that the campaign is over and that what appeared a few months ago to be a relatively smooth path of governance has turned bumpy.

He's at the wheel now and the road test awaits.

Carl Golden is a senior contributing analyst with the William J. Hughes Center for Public Policy at Stockton University.

Read or Share this story: <http://on.app.com/2EKxAD9>

