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New Jersey Is Back From the 'Abyss,' Murphy Says. Credit Raters Need More.

- **Record $3.2 billion pension payment first step, governor says**
- **Budget in place, he looks to oversee progressive initiatives**

Governor Phil Murphy's record $3.2 billion pension payment was an easy sell to New Jersey lawmakers who had fought him on other budget initiatives. Still, he said, it was bittersweet to sign a spending plan that won't impress Wall Street enough for an upgrade.

Credit-rating analysts want to see other elements of what the state was lacking under his predecessor, Republican Chris Christie, including recurring revenue, fulfilled obligations and a sizable surplus. Until then, Murphy said Monday in an interview, New Jersey's once top grade will remain second-worst among U.S. states, behind Illinois.

Christie, who insisted that smaller government and lower taxes would boost New Jersey's economy, oversaw a record 11 downgrades by the three major rating firms during his two terms. In many ways, Murphy is his antithesis — a union-backed progressive who believes the solution to New Jersey's recovery is raising taxes to support increased spending on schools, education and infrastructure.

The 2019 budget brings New Jersey "one step back from the abyss," said Murphy, a retired Goldman Sachs Group Inc. senior director and former ambassador to Germany, who took office in January.

Soccer Fan

"This is a major step, but it's one step," the Democrat said as he sipped iced tea at a Red Bank restaurant near his riverfront mansion, in his first media interview since signing a $37.4 billion spending plan for the fiscal year that began July 1.

Dressed in jeans, his trademark Allbirds woolen sneakers and a taco-patterned shirt in recognition of Mexico's World Cup match with Brazil, the 60-year-old governor gave a glimpse of weeklong negotiations with Democratic legislative leaders who had objected to his plan to raise more than $1.5 billion in revenue with a millionaire's tax and a higher sales tax. Without an agreement by July 1, he risked a government shutdown.

On Sunday night, Murphy signed a budget that contained most of what he wanted, though in slightly different form, he said. After negotiations, he agreed on a higher income tax for those who make at least $5 million, no sales-tax increase and a surcharge on the corporate business tax that he had initially resisted.

Budget Deal

Murphy went along despite initial reservations that companies would head for lower-cost states.

“Having a sensible solution on some of these tax policies was, I think, all that they were asking for,” Murphy said of unnamed corporate chief executives with whom he said he had spoken during budget talks. A state will lose businesses no matter what, he said, but the goal was “to keep more than your fair share.”

Republicans fear the state will lose more of its residents and businesses. Democrats are “taxing with impunity,” Doug Steinhardt, chairman of the New Jersey Republican Party, wrote Tuesday in a northjersey.com column.

“Democratic leaders brand their budget compromise a stronger and fairer New Jersey,” Steinhardt wrote in his column. “It isn’t. We are weaker and poorer because of it.”

On Monday, Murphy said he was a few moments late to the interview because he was having a phone conversation with a chief executive of a publicly traded company, which he declined to identify, that already was planning to add 800 employees to its New Jersey workforce of 100. Companies consider more than taxes when deciding where to locate, he said.

“If all you care about, literally all you care about, is the tax rate, and you don’t care about infrastructure, location, public education, higher ed, what are you doing with incubators, what are you doing to develop talent, keep talent — New Jersey will have a hard time in that fight, right?” he said. “It’s like a single-issue voter.”

Demand for New Jersey bonds has increased this year. Debt sold in the state has gained 0.17 percent, beating the overall municipal-bond market’s 0.25 percent loss, according to Bloomberg Barclays Municipal Bond Index.

In the weeks heading to the spending deadline, Murphy had public appearances and news conferences alongside members of groups backing a $15 minimum wage and environmental causes as well as unions representing public employees. Christie had alienated the government workforce by failing to make promised pension payments after they agreed to pay more toward retirement and health benefits — and then calling for more concessions.

Murphy said he intended to keep employees in his corner, even as he examines how to reduce their costs to taxpayers.

“I’m committed to earning that trust back,” he said. “It isn’t just to have a nice relationship. It’s the right thing to do, to again be a state that people say, ‘You know, I trust this place.’ Rating agencies, God willing, will trust us again.”

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