Agenda

- Introduction
- Understanding the Current Environment
- Research Findings
- Our Future
  - Key Findings
- Conclusion and Next Steps
Introduction

- What is *Facing Our Future*?
  - Organized, independent effort
  - Conducted without hidden agenda, partisanship, political motivation or bias
  - Provides objective data on current and future condition of NJ’s state and local gov’t fiscal crises
  - Presents reality of NJ’s future at all levels of gov’t
  - Fosters environment of informed public discussion and impact of crisis – and future of NJ

- Raise important questions
  - What do we need to understand about current crisis?
  - Is gov’t able to meet needs and requirements of citizens in 21st century?
  - How can we foster discussion about NJ’s future priorities, needs and requirements?

What *Facing Our Future* doesn’t do:

- Doesn’t assess blame
- Doesn’t offer specific recommendations
- Doesn’t second-guess any decisions made to date
Understanding the Current Environment

- **All levels of NJ gov’t are in crisis**
  - Significant structural shortfalls (‘gaps’) at all levels of gov’t
  - Restricts NJ’s ability to function and thrive for short- and long-term
  - Huge unfunded liability for public employee pensions and health benefits

- **Way gov’t raises and spends money can’t be sustained**
  - Projected gaps result in estimated decreases of 20%+ of services

- **Complex, interconnected relationships exist across levels of gov’t**
  - Holistic approach *required* (changes at one level affect others)

*To understand our future, we must understand the present.*
The Environment:  
*Current Budget and Services (state level)*

- Review FY2009 and FY2010, NJ’s two most recent fiscal years
  - Largest % decrease in revenue in state’s history
  - Overall decrease in state revenue from $32.6 billion (FY2008) to $27.9 billion (FY2010)

- Address retirement program costs and extensive, serious long-term liabilities
  - Total unfunded liability of **$94 billion**
    - State pension systems – including teachers’ system – is $37 billion (56.4% funded)
    - Post-retirement medical benefits is $56.8 billion (No future years costs funded)
The Environment:  
*Current Budget and Services (local gov’t levels)*

- FY2004 - FY2009 (municipal budgets)
  - More dependent upon property tax and state aid
  - Other miscellaneous revenue decreased by almost 8%
  - Used surplus funds to balance budgets

- Similar patterns at county and school district levels

- Costs continue to increase

- Problem: retirement program costs with extensive, serious long-term liabilities
  - Aggregate unfunded liability for pensions at municipal and county levels of gov’t
    - Pensions: total unfunded liability is $16.7 billion (70% funded)
    - Retirement medical benefits: $10 billion
The Environment: An Independent Indicator

- Severe downtown in national economy
- Would take five years for a state gov’t to return to peak revenue levels
- Ongoing recession makes growth of this magnitude unlikely
- Problem with revenues and spending will only be exacerbated

For NJ, it would take until 2014 to match the peak revenue levels of FY2008.
The Environment: Identify Gov’t Revenues and Spending Gap

- Provide common, shared basis of information
  - How does gov’t in NJ obtain its money?
  - Where does gov’t in NJ spend its money?
  - How does our gov’t deliver services, and is the delivery efficient and effective?

- Share clear, short summaries of information at macro-level
  - Don’t present all sources of revenue
  - Don’t itemize every dollar spent in NJ
  - Do present aggregate picture
    - At each level of gov’t
    - For all levels combined
The Environment: How Does Gov’t in NJ Obtain Money?

- Shows combined revenue sources for all levels of gov’t: state, municipal, county and school district.

- Property tax
  - Represents 40% of all money raised by ‘gov’t’ in NJ.
  - None of this is raised by state gov’t.

- State income tax
  - Represents 17% of all money raised by ‘gov’t’ in NJ.
  - All of this is raised by state gov’t.
  - All of this is paid to local gov’t (principally school districts).

**NOTE:** We’ve identified only major sources of revenue, and have adjusted figures so that ‘aid’ is counted only once.
The Environment:

Where Does Gov’t in NJ Spend Its Money

- Shows combined spending for all levels of gov’t: state, municipal, county and school district
- 40% of all money spent by ‘gov’t’ in NJ supports schools
  - Includes money spent directly by school districts
  - Includes state aid provided to schools through the state gov’t

**NOTE:** We’ve identified only major sources of spending, and have adjusted figures so that ‘aid’ is counted only once.
The Environment: 
*Delivery, Efficiency and Effectiveness of Gov’t Services*

- **Delivery**: employees directly provide gov’t services
  - Trend: decrease in total number of gov’t employees
  - Trend: no decrease in scope of gov’t responsibilities

- **Efficiency**: deteriorating structure
  - Aging workforce
  - Loss of significant institutional knowledge and experience
  - Workload shift to remaining employees
  - No significant investment in technology improvements

- **Effectiveness**: complexity of gov’t organization and operation
  - Duplication across levels of gov’t
  - Multiple jurisdictions – all with taxing and expenditure authority