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COUNCIL OF NEW JERSEY GRANTMAKERS

Strengthening Philanthropy in Our State

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Blue Ribbon Group of Leaders Issue 2012 Facing Our Future Report

Trenton, NJ – A volunteer leadership group comprised of individuals with extensive senior experience in state government has once again come together under the umbrella of the Council of New Jersey Grantmakers to provide an objective, independent analysis of the long-term fiscal challenges facing all levels of New Jersey government in the next five years. The nonpartisan report, entitled *Facing Our Future – Updated Report with Options Analysis – 2012*, updates the 2011 report and identifies specific, measurable options needed to refocus and redefine government services.

"The conclusion of our 2012 report remains the same. There is a significant gap at every level of government – and particularly for local government – between revenues and current services," said Sam Crane, a former New Jersey state treasurer. "Because of this gap, we face a growing challenge of limited resources with which to maintain the present level of government services."

Findings show that by 2017, state government faces a shortfall of up to $8.1 billion; municipalities, a shortfall of up to $2.8 billion; counties, more than $1.1 billion; and school districts nearly $1 billion.

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The gap does not include the $25.6 billion unfunded liability of the state pension systems, with an additional unfunded liability for post-retirement medical benefits of $59 billion and no funds reserved for future costs. In addition, there is an unfunded liability for municipal and county pension systems of $10.6 billion and at least $12 billion underfunded for retirement and medical benefits.

"While the governor, legislature, numerous mayors and other elected officials made substantial changes and difficult choices in the past year, the research shows the long-term situation remains the same. The problems we face can't be solved at any one level of government," said Richard F. Keevey, a former New Jersey state budget director and one of the individuals who provided independent research and analysis for the *Facing Our Future* report.

"We all must be involved in a fully comprehensive conversation about what the public expects in terms of public services, what they are willing to pay for them and how much they are willing to accept changes while preserving their value," said Nina Stack, president of the Council of New Jersey Grantmakers. "New Jersey has a systemic problem, and only a comprehensive solution can resolve the long-term crisis."

The research maintains that over the next five years, elected officials across New Jersey will be unable to achieve balanced budgets without significant service, programmatic and employee benefit changes at the state, county, municipal and school district levels.

The projected gaps between revenue and spending at all levels of government are so large that any future debate is likely to include the potential loss of entire programs at every level of government, and may equate to the elimination or transformation of approximately 20 percent of all current services.

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“Unless we rethink what services we want from our government and how we want to deliver and pay for them, we will face a starkly different New Jersey,” said Feather O’Connor Houstoun, also a former New Jersey state treasurer.

While clearly identifying areas in need of collaboration and thorough budget review and action, this year the group also concentrated on collecting data and proven ideas from New Jersey and around the country. The specific ideas in this report provide a catalyst of practical options that can be implemented in New Jersey at one or more levels of government. The principles of change discussed in the report can easily be applied to a variety of service areas.

“We have found that governments at all levels across the country are wrestling with the same problems as New Jersey,” said Robert E. Hughey, a former chief, New Jersey economic recovery and a former commissioner, Department of Environmental Protection. “We've also found that many have had success developing innovative solutions that may well be transferable to New Jersey,” he continued.

“As all levels of government are critically connected, changes cannot occur in a vacuum,” said Houstoun. “The way we do business as a government needs to be carefully examined,” she continued. “Business as usual cannot continue.”

The group recognized there is no one solution or even a group of solutions to close the budget gaps, but presented practical options that can be implemented throughout the state.

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