

February 2012  
Updated Report with Options Analysis

F a c i n g O u r **FUTURE**



## The Problem

*New Jersey continues to face one of the most challenging times in its history. The band-aids, quick fixes and windfalls that enabled all levels of New Jersey government to maintain the status quo — while delaying or avoiding innovation — have run out. The level of services New Jerseyans have come to expect is simply no longer possible. Rather than rethinking services, we have been simply hollowing them out. We will not feel the pain in a single year; rather, it will be in the on-going accumulation of lost services at all levels of government: state, municipal, county and school district.*

*In short, we have a structural problem: current services can't be funded by the existing revenue system, and the projected gap continues to accelerate at all levels of government. We also face the inability to invest in essential areas for economic growth and critical infrastructure.*

*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.*

## Facing Our Future: A Summary

### Business as usual cannot continue.

New Jersey continues to face a stark reality: the state cannot only grow, or only cut, or only tax its way out of its current and well-publicized budget problems and still maintain the quality of life provided by current services levels. The complex layers of state, county, municipal governments and school districts that have evolved from the 19th century can no longer deliver the 21st century services we expect, especially as the gaps between the costs of those services and the revenues to pay for them grows ever wider. The gaps exist at every level of government. 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. The government we currently have can't be supported, and business as usual can't continue.

*Facing Our Future* is an independent, objective effort to build understanding about New Jersey's systemic fiscal problems, to stimulate informed public discussion about the impact of those problems on our state's future, and to trigger action to address the need for systemic change. *Facing Our Future* grew out of a targeted briefing provided by the Council of New Jersey Grantmakers (CNJG) in early 2010. The purpose of the briefing was to provide an understanding across the state's foundation community on how New Jersey's government officials construct the state budget and on the looming, long-term fiscal crisis facing the state. Almost simultaneously in those same early months of 2010, informal discussions occurred with people who wanted to do something – and were in a unique position to make a difference. They had diverse backgrounds and extensive senior experience in state government. Their collective experience crossed party lines, and many of them had served multiple New Jersey governors, both Republican and Democrat. Because many of the participants in that informal discussion had attended or been aware of CNJG's briefing on the state budget crisis, a natural synergy emerged – and the concept of *Facing Our Future* was born.

During 2011, elected leaders across New Jersey made substantial changes and choices. However, New Jersey cannot sustain its antiquated system for raising and spending money at all levels of government. The effect on public services – including schools, public safety, transportation, and healthcare – is severe and will be felt by virtually everyone. New Jersey faces the ongoing contraction of services and the end of high-quality services we have long accepted – and expected.

The immediate challenge – for all New Jerseyans – is whether we sit by and let every service degrade continually across the board, or do we each make a conscious effort to engage, prioritize and decide what services – and what critical investments – need to be supported for our future. The purpose of *Facing Our Future* is to inspire a public discussion about how we address these difficult issues.

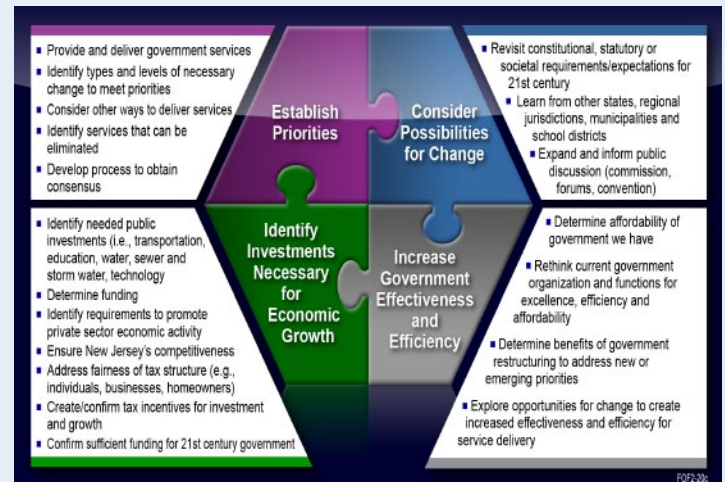
**To date, New Jersey has had only a limited response that adapts, streamlines or rethinks government. As a result, we are just hollowing out services rather than redesigning them. Many of New Jersey's service delivery practices, structures and processes, at all government levels, were designed for a 19th century state. Services are duplicated across public entities in the same municipality or county and across differing levels of government. New Jersey needs a 21st century government to meet the 21st century needs of its citizens.**

*Facing Our Future* presents a look at New Jersey's future at all levels of government, and does so without assessing blame. We don't second-guess any decisions made to date. We look at current budgets and services, and offer documentation and an explanation for the sizeable gap between government revenues and the spending levels necessary to maintain services at current levels. As in our 2011 report, we realize there are myriad choices affecting our future.

Using objective, nonpartisan budget data, *Facing Our Future* shows the complexity and intertwined nature of programs and spending throughout all levels of New Jersey government. No one solution or group of solutions can close the budget gaps. New Jersey has a systemic problem, and only a

comprehensive solution can resolve the long-term crisis. The core questions are simple, and provide a framework critical to an informed public discussion – and to our future:

- How do we establish priorities?
- What investments are necessary for economic growth?
- What are the possibilities for change?
- How do we increase government effectiveness and efficiency?



The Complexity of New Jersey's Future

## Our Options

*Facing Our Future* identifies more than one dozen specific, proven ideas that exist in New Jersey and other jurisdictions across the country. The ideas provide a list of practical options that can be implemented in our state at one or more levels of government. The ideas also serve as an ongoing reference and catalyst for other options that address our need to establish priorities and enable state government and service delivery to meet 21st century needs. The ideas do not provide a single blueprint for action, and do not close the funding gaps that exist at all levels of government. Our list of options represents specific examples in specific areas of service, yet the principles can be similarly applied to other unrelated services.

No one idea will close a budget gap; no collection of options will eliminate New Jersey's need for systemic change in how government operates, how critical services are delivered and how investments are made for future growth and opportunity. However, the options presented by *Facing Our Future* provide a basis upon which to evaluate and consider how we can do things differently, how we can maximize and even improve upon service delivery and government operations, and how we can rethink ourselves as New Jerseyans for the 21st century.

*Facing Our Future* draws a landscape against which elected officials must make decisions. All levels of government – state, county, municipal and school district – are tightly interconnected, and decisions at the state level have inevitable consequences at the local level. The cumulative effect across all levels of government of 'balancing without restructuring and modernizing' is an acceleration of the hollowing out of services.

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. **New Jersey's future is our future.**

Since our 2011 report, the Governor and Legislature put in place a plan to address long range pension underfunding. However, the total unfunded liability for retirement costs remains daunting. Also since our 2011 report, the Governor and Legislature have implemented measures to reduce the state share of the cost of health benefits for current employees and to establish a 2 percent cap and arbitration constraints. Local governments have recognized the challenges of the economy and responded while rising to meet a year of historic weather events. Local citizens voted to merge Princeton Borough and Princeton Township after many attempts – the first municipal consolidation in 14 years. Taken together, these are signals of the changing tide brought on by prolonged and dramatic budget challenges.



## An Open Letter to the Residents of New Jersey:

In January 2011, we released the initial *Facing Our Future* report and began with the statement “New Jersey is in a fiscal crisis”. During this past year, elected leaders across all levels of government made choices reflected in the budgets adopted on July 1, 2011. Notably, the choices included significant changes to the retirement pension systems, health benefits for current employees, arbitration constraints and a 2 percent cap on property tax increases.

Nevertheless, we face some of the same challenges one year later. Yes, we averted last year’s immediate fiscal crisis, and no longer find ourselves in the same situation as state and local governments elsewhere in the country – and especially in California or Illinois. However, we continue to face the real possibility of a future short- or long-term crisis. New Jersey cannot only grow, or only cut, or only tax its way out of the current and well-publicized budget problems. These problems are of long standing and restrict our state’s ability to function and thrive for years to come. Because of these problems, we are already several years into a slow degradation of services. We are simply hollowing out government services rather than rethinking them. We will not feel the pain in a single year; rather, it will be in the on-going accumulation of lost services at all levels of government.

The recent past underscores the long-term prognosis of the *Facing Our Future* reports. There are still large gaps between revenues and increasing service demands. Indeed, our projected gaps are so large that any future debate is likely to include the loss of entire programs, and may equate to the elimination or transformation of nearly 20 percent of all current services. Although New Jersey law requires balanced budgets, they can be achieved only by eliminating services of the high quality we have long accepted – and expected – throughout our levels of government. 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.

Throughout the outreach effort following our 2011 report, we heard a single question with increasing frequency: “what can we do?” In response to that question, our updated 2012 report identifies more than one dozen specific, measurable options for consideration across all levels of New Jersey government. The report also updates the initial *Facing Our Future* budget analysis and projections, and advances them by an additional year to retain a 5-year projection.

Like others throughout the state, the Leadership Group for *Facing Our Future* cares profoundly about New Jersey’s deeply troubled fiscal future. Working under the umbrella of the Council of New Jersey Grantmakers (CNJG), *Facing Our Future*’s volunteer Leadership Group represents all sides of the political spectrum. Composed of former government executives and public servants, the Leadership Group coordinated an objective, data-driven effort led by two highly respected, independent analysts to assemble and analyze nonpartisan budget data. Additionally, the Leadership Group itself reviewed and considered hundreds of successful best practices and proven, practical ideas – some of which are already successful in one or more parts of our state but not throughout the state.

The 2011 *Facing Our Future* report was noted by media, citizens, stakeholders and government officials for its clarity, lack of bias and stark presentation of reality. We hope this updated report meets that same exacting standard. In presenting the 2012 updated report, we have set out to accomplish two things: (1) review and recalculate the projections and update the data by one year into 2017 and (2) provide a list of practical options – best practices – that can be implemented in New Jersey and serve as an ongoing reference and catalyst for other ideas. **New ideas are essential to establish priorities and enable government and service delivery to meet 21st century needs.**

Neither the 2012 *Facing Our Future* report nor the prior year’s initial report make specific recommendations about taxes or revenues, and neither report addresses the fairness of our current tax structure for any individuals, businesses or homeowners. However, both reports state that New Jersey cannot only grow, or only cut, or only tax its way out of the long-range and well-publicized budget problem. No single action can provide a solution. The *Facing Our Future* Leadership Group firmly believes that a tax policy discussion has to be a part of any discussion – and of our future.

We encourage you to read this handout – and the full report, consider the questions posed, and engage in the dialogue about how to shape government for our state’s long-term fiscal health. Our hope is that every reader of this report – elected officials at all levels of government and citizens throughout New Jersey – can cast aside differences and work together to face these serious issues. With a better understanding of how our governments work, together we can face our future and make informed, intelligent decisions to address our complex challenges.

Nancy Becker

William Byrnes

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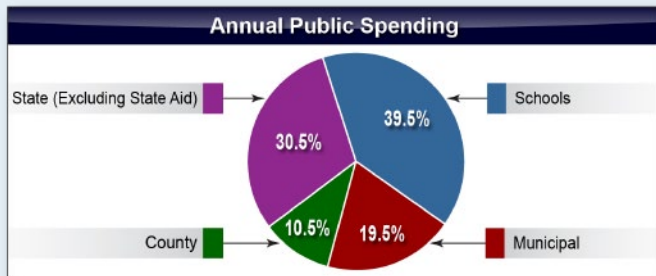
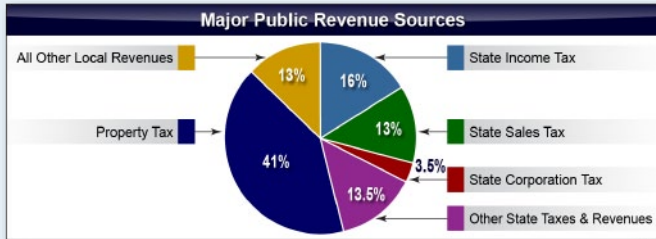
Nina Stack

Charles Venti

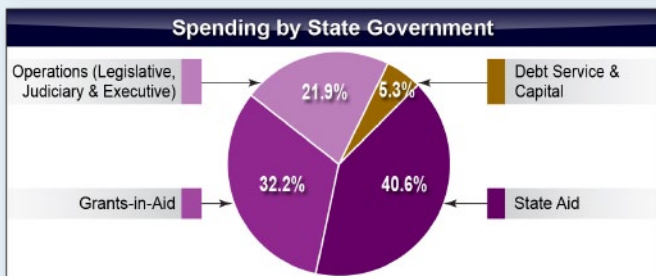
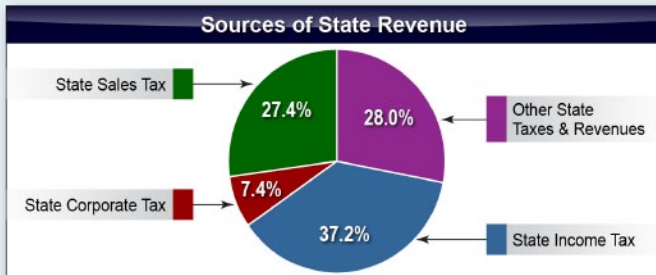
## How do New Jersey governments raise and spend money?

We've used the data gathered through the *Facing Our Future* research to provide short summaries of information at a macro or 'big picture' view to show how New Jersey governments raise and spend money. For example, we don't try to present all sources of revenue, and we don't try to itemize every dollar spent in New Jersey throughout each level of government – of the major ways in which government in New Jersey raises and spends money on behalf of its citizens. To provide this big picture view, we've identified only major sources of revenue and spending, and have adjusted figures so that 'aid' – whether state aid or federal aid – is counted only once. More information – with fuller explanation – is provided in the complete *Facing Our Future* report and research documents available at <http://www.cnjg.org/facingourfuture>.

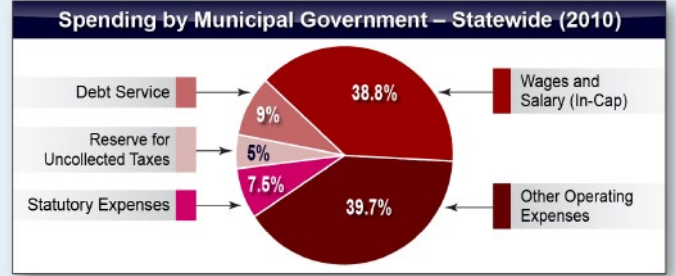
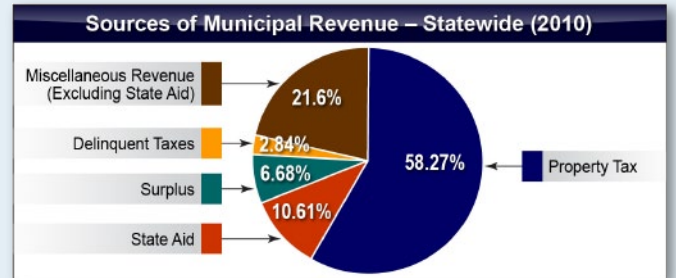
### Major Public Revenue Sources and Annual Spending (Combined for All Levels of Government: State, Municipal, County and School District)



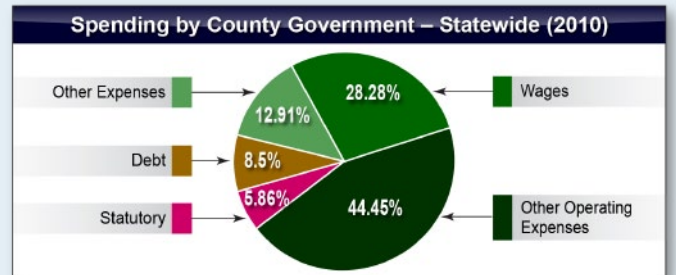
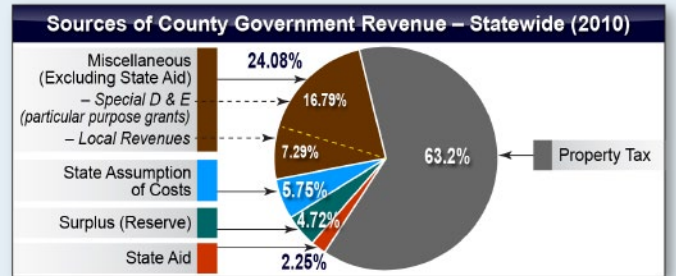
### State Government Revenue Sources and Spending



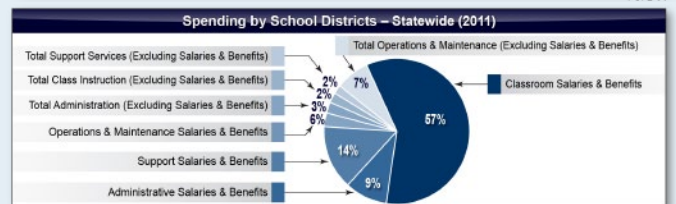
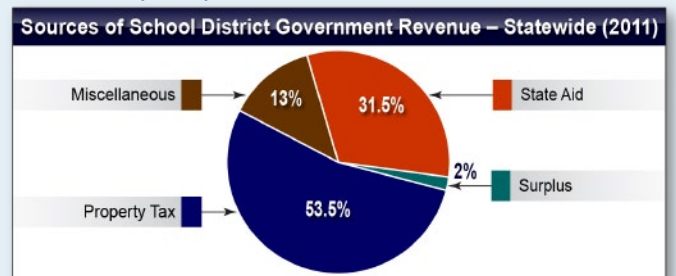
### Municipal Government Revenue Sources and Spending—Statewide



### County Government Revenue Sources and Spending—Statewide (2010)



### School District Revenue Sources and Spending—Statewide (2011)



## How does government in New Jersey deliver services? Is the delivery of services efficient and effective?

Government employees directly provide most services throughout all levels and branches of New Jersey government. Our widespread fiscal problems, however, mean that the trend of a decreasing number of employees will continue. In the face of this declining workforce, the scope of government responsibilities has not seen a corresponding decrease. If anything, there is an increasing demand and expectation for government services and problem solving. The structure that supports this service delivery system – a well trained and well managed workforce with relevant technology – has deteriorated. The combination of an aging workforce and a series of early retirement programs has resulted in a loss of significant institutional knowledge and experience. At the same time, the shrinking workforce has shifted a larger workload to the employees who remain. Lastly, there has been no significant investment in technology improvements to mitigate the impact of workforce reductions and improve efficiency.

Additionally, New Jersey government is complex. There are more than 560 municipalities, 21 counties and more than 600 school districts, as well as the state; each has the ability to raise taxes and make expenditures on behalf of their residents and students. Many of the service delivery practices, structures and processes at all government levels were designed for a 19th century state. As a result, services are duplicated across public entities in the same municipality or county – and across differing levels of government.

### Unfunded Liabilities:

#### The Past Year's Most Significant Change

Unlike other state programs, the retirement program costs have extensive and serious long-term liabilities that need to be addressed.

With the 2011 enactment of Chapter 78, P.L. 2011, the Governor and Legislature made substantial changes to retirement pension systems – and for health benefits for current employees. As the result of these changes, the projected unfunded liability reflects a reduction from *Facing Our Future's* 2011 projected amount by almost 30 percent – but remains a significant long-term challenge. The total unfunded liability for retirement costs remains dramatic:

- \$25.6 billion for state-funded employee pension systems
- \$59 billion for post-retirement medical benefits, with no funds reserved for future costs
- \$10.6 billion for municipal and county pension systems
- At least \$12 billion for municipal and county retirement medical benefits

**NOTE:** Under a law enacted in 2010, the state is now required to fund the amount certified by an actuary on a phased-in basis with 1/7 – \$500 million – required in FY2012 and increasing to the full amount – nearly \$6 billion – in FY2018. The state is required to make full contributions in all future years. Under these provisions and the changes implemented by Chapter 78, it is estimated that the state will reach a funding level of 80 percent by FY2040.

## What are the projected gaps in service delivery at each level of government?

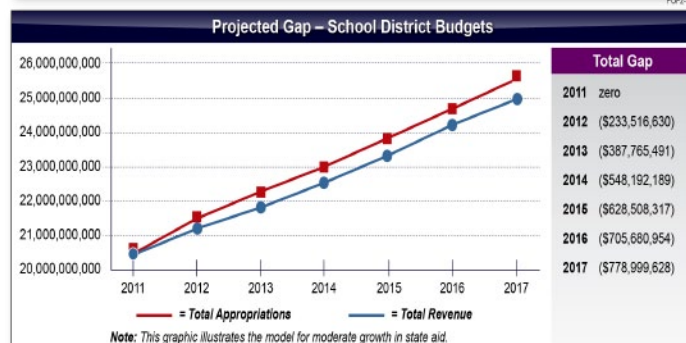
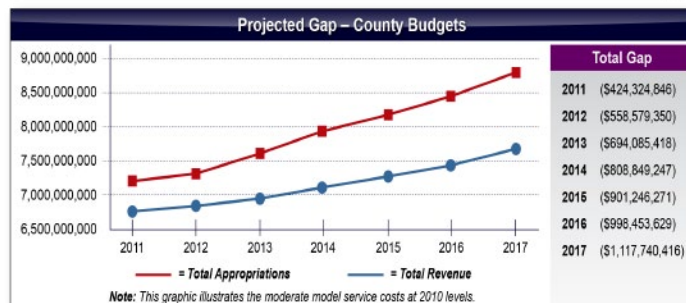
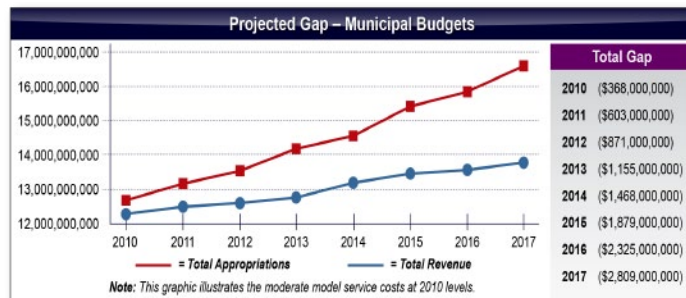
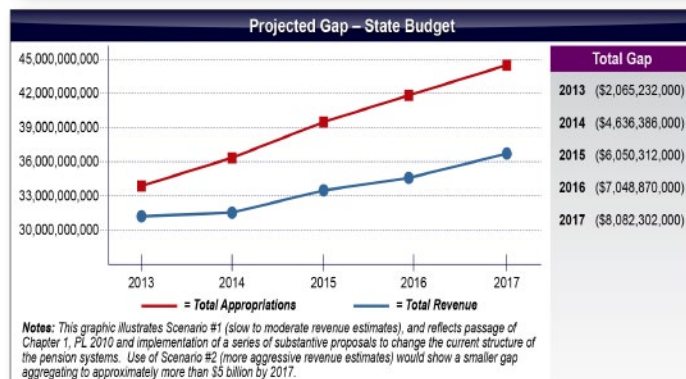
Our research continues to show that New Jersey cannot grow its way out of its budget problems. Whether we use a 'slow to moderate revenue growth' scenario or a 'more aggressive' revenue scenario, the projected gap between revenues and the current services budget is large.

Furthermore, even if taxes were increased, the increase would never be sufficient to address the long-term gap facing New Jersey. **In no year of our research – from 2013 through 2017 – is any level of New Jersey government able to achieve a balanced budget without significant service, programmatic and employee benefit changes.**

Yes: major changes were discussed, debated and adopted by New Jersey elected officials in 2011 and again in 2012. However, the projected gaps between revenue and spending at all levels of New Jersey government are so large that any future debate is likely to include the potential loss of entire programs. What does this mean? Many existing expenditures are statutory – and therefore are difficult to reduce; additionally, there is a smaller range of remaining choices from which to determine budget cuts. Implementation of good management techniques – re-organization, consolidation and downsizing of government services and functions to achieve better efficiency and effectiveness – will not close the gap. Current services will need to be reduced significantly. *Facing Our Future* doesn't suggest which services should be offered – or might be eliminated. We are convinced, however, that there will not be sufficient revenue available in 2017 to support government operations at current services levels, requiring a new vision of how government services are provided.

### The Data

Taken in its entirety, the data presented by *Facing Our Future* enable projections for the state, municipalities, counties and school districts. The data outline the continued seriousness of the situation we face in New Jersey – for the five years of our original projections and now beyond – and illustrate the interdependencies that exist, and will continue to exist, across all levels of New Jersey government.



#### An Important Note

*The Governor and some Legislative Leaders have proposed plans to make changes to the state income tax. Before enactment, any proposal requires an affirmative vote by the State Senate and General Assembly, and then signature by the Governor.*

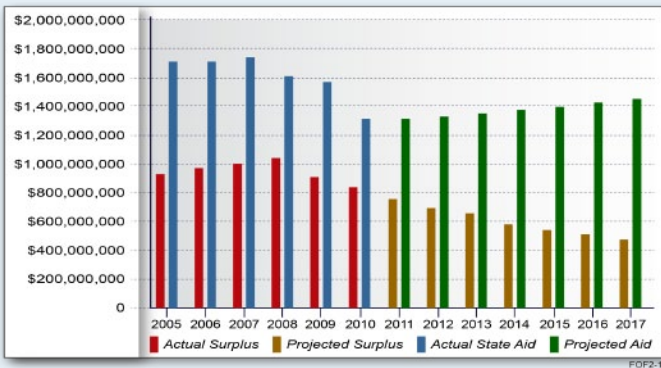
*No adjustments were made to any of the Facing Our Future projections contained in the 2012 report. Specifically, no adjustments were made to reflect any proposal presented in the State of the State, in the Annual Budget Message, or by any member of the State Senate or General Assembly.*

## Interdependencies, Surplus Funds and Revenue Limitations

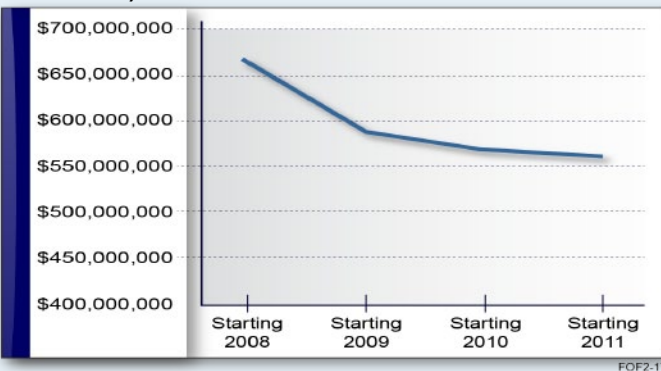
New Jersey's municipalities face a future of increasing costs set against the existing revenue system to support those costs. There remains a complex and ever-growing set of interdependencies across state policy decisions, court determinations and the revenue requirements for other levels of government. Additionally, federal actions – for example, past availability of stimulus funds – impact state and local government at all levels. Lastly, past practices – for example, the existence of surplus funds – add yet another level of complexity to understanding budget decisions.

*Facing Our Future's* analysis shows that surplus funds were used to offset a loss of state aid and that locally generated miscellaneous revenues actually declined. This may suggest that available fund balance resources had already been extensively culled in previous years, and therefore surplus revenue was not available to provide municipalities with a final counter to losses in non-property tax revenues and the newer, more rigorous, levy cap. Additionally, future contributions of revenue from state aid are included in *Facing Our Future* projections through 2017; however, our estimates continue to be conservative. We estimate future increases in state aid to be no more than 2 percent annually by 2017. Similarly, there is a decrease in fund balance in county governments.

### Actual and Projected Revenue from State Aid and Surplus

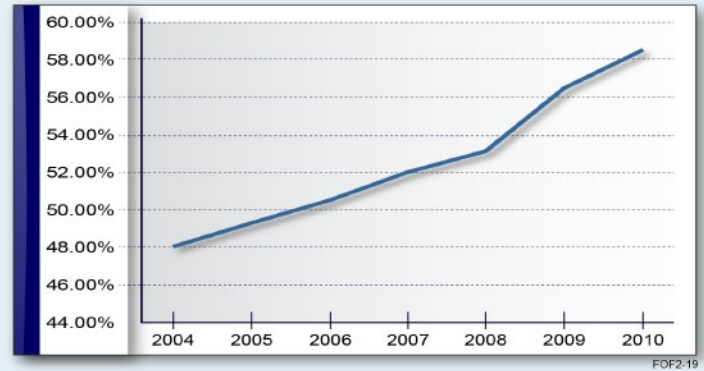


### Total Fund Balance Available to Counties (Start of 2011 Fiscal Year)

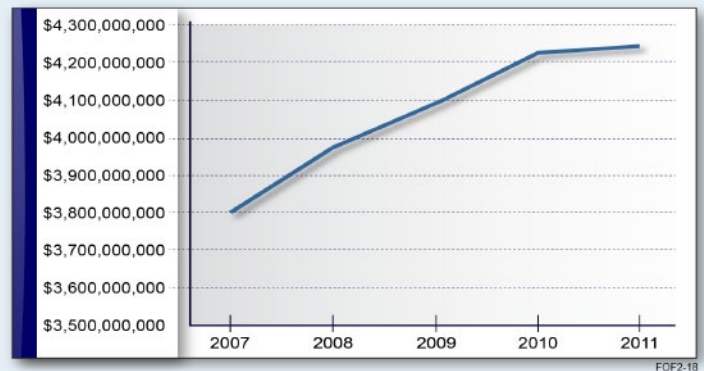


With reduced state aid and diminished availability of surplus, property taxes will continue to increase as a proportion of local revenue. Although the 2 percent property tax levy cap provides a significant 'revenue control' on all municipal appropriations, the nature of the excluded appropriation categories (i.e., pension, health benefits, debt service and capital) will certainly cause the municipal purpose tax to exceed the 2 percent cap.

## Percent of Municipal Budgets Generated from the Property Tax



## Property Tax Raised by County Government



## Option Examples

*Facing Our Future* identifies a short, practical list of examples of best practices – we've called them options – that can be considered and adapted for use here in New Jersey. Actually, some of the options we identify are already in use in our state, but they're in one or just a few areas of local government, or limited to just one or two jurisdictions:

- Adopting an Internet sales tax
- Centralizing emergency response systems
- Combining efforts to maximize special services
- Consolidating Information Technology (IT) services and updating aging infrastructure
- Expanding e-government and integrating one-stop resources
- Exploring transition of developmental disability services to home- and community-based care
- Identifying – and incentivizing – successful implementation of shared services
- Identifying creativity and change in purchasing operations
- Implementing county administration of school districts
- Right-sizing deployment (police, fire, emergency responders)
- Sharing examples of municipal consolidation
- Supporting countywide tax assessment
- Using Medicaid for health and behavioral health services in county juvenile detention centers (pre-adjudication)

To stimulate further discussion, the insert to this handout provides a brief description of each option example. In addition, the insert contains a description of representative organized efforts across the country – or in New Jersey – that are similar to *Facing Our Future*.

## How can government in New Jersey provide services? Do we have options different from what we've always known? What can we do?

### We are not alone.

There are places elsewhere in the United States – and places right here in New Jersey – where government is meeting the challenges of our forever changed budget environment. Flexibility and innovation are guides; systemic changes and common goals – developed through consensus, discussion and focused priorities – must be the standard. Can we learn from those places and their examples? Can we continue to provide citizens with the important, priority government services they've come to expect – like public safety and education?

Our options work **provides a list of practical ideas** that have been successful elsewhere and that can be implemented in New Jersey. The purpose of our work is to **serve as a wide resource – an ongoing reference and catalyst – for other ideas** that address our need to establish priorities and enable state government and service delivery to meet 21st century needs. Our options work **does not provide a blueprint** of all solutions, nor is it intended to close the funding gaps that exist at all levels of government.

Additionally, our list of options represents specific examples in specific areas of service, yet the **principles can be similarly applied to other unrelated services**. Increased efficiency begins with reconfiguring the way in which services are provided rather than by focusing just on what level of government provides the service. Local governance does not mean that each level of government must provide every service. A priority service that expends significant public resources reflects its importance; it does not mean that the service cannot be provided elsewhere with greater efficiency – and at a reduced cost or at a higher level of quality. *The priority is the quality of the service rather than the level of government providing it.*

Our thinking: time is short, and resources are limited for every level of New Jersey government. New Jersey's citizens are asking for ways to address the current problems – and anxious for ways to improve future opportunity. We considered only ideas that were in practice and could be transferred to New Jersey, and disregarded any ideas that merely moved the problem around. *Going forward, we all need to rethink and restart, not only to provide current services, but to innovate and invest for the future.*

The fiscal problems at all levels of New Jersey government are broader and deeper – and projected to grow. Because the tools to fix them are less plentiful, change is an imperative. Change doesn't necessarily require a major restructuring of government; it can be a rethinking of how to do vital business as government.

Again, there are no easy solutions and any solution requires one or more actions. Our list of more than a dozen options is not intended to be exhaustive, and the options are not exclusive to any one specific level of government. For more information on each of the options, see [www.facingourfuture.org](http://www.facingourfuture.org).

### Our Slow Degradation of Services

We are already several years into a slow degradation of government services, and are simply hollowing out services rather than rethinking them. We will not feel the pain in a single year; rather, it will be in the on-going accumulation of lost services at all levels of government.

## Option Examples

**Adopting an Internet sales tax:** There have been discussions recently in New Jersey and in other states related to Internet transactions, and also some anticipation that Congress would allow states to collect more of this revenue. Many Internet and out of state transactions are excluded from the sales tax – and the Internet base is increasing. In suggesting this option, we considered a recent study by the Rutgers' Edward J. Bloustein School of Planning and Public Policy. The study provided an analysis of the estimates of New Jersey sales and use tax losses resulting from e-commerce. Working with other states and the United States Congress, adoption of an Internet sales tax is an issue of fairness for our New Jersey-based businesses and for our state as a whole.

**Centralizing emergency response systems:** At least two counties in New Jersey – Gloucester and Morris – show success in centralizing the emergency response systems for all or at least part of their jurisdictions. Our option focuses on the experience in Gloucester County. It recognizes the high priority that the citizens place on emergency services, and in continuing to provide them through local government at the same or higher levels of service than provided in the past. Although not part of our analysis, there are municipalities in Monmouth County that also have undertaken centralized emergency response to retain and improve the service and avoid service diminution.

**Combining efforts to maximize special services:** Also in New Jersey, there are 92 school districts across 8 counties joined to maximize cooperation to provide special services. We've selected the Sussex County Regional Transportation Cooperative (SCRTC) as an example of the possibilities presented by this option. Another example of successfully maximizing special services occurs in Gloucester and (parts of) Atlantic County, which have joined to reduce per-pupil transportation costs.

**Consolidating Information Technology (IT) services and updating aging infrastructure:** During the period of our research, the Governor of New Jersey introduced a nearly \$6 million state program to address technology deficiencies. This is an important start – and more is needed. Our research looked at several examples identified in the area of technology, including the efforts of the Commonwealth of Pennsylvania to engage actively in reform for cost-cutting and to create efficiencies through technology update/refresh and improved technology policies across state government. We've chosen to highlight the potential benefits in two technology areas:

- Washtenaw County and City of Ann Arbor, Michigan consolidated applications and infrastructure for a government data center, resulting in a \$2.5 million savings
- According to the Brookings Institution's report "Saving Money through the Cloud", government agencies that have moved to cloud computing have generally achieved between 25 and 50 percent savings associated with information technology operations

**Expanding e-government and integrating one-stop resources:** Washington State was the first state to establish statewide standards for e-government systems. South Dakota uses its e-government initiative to provide education reform. Pennsylvania, North Carolina and Utah implement 'one-stop' websites through a single site rather than through individual departments. We've selected four varied examples of innovation, efficiency and effectiveness in the area of e-government: City of Albany (Oregon), Access Washington (State of Washington), MCUrgent – Morris County (New Jersey) and a national approach to using social media in policing – readily adaptable to local governments and for other government services.

**Exploring transition of developmental disability services to home- and community-based care:** New Jersey's proportion of individuals with developmental disabilities living in institutions is one of the highest in the country. We have been the slowest state to move individuals to homes in the community, and we've lagged in providing in-home services to those living with family members. States with systematic closure of institutions and transfer of individuals to community settings reduce per case costs and are able to serve persons on waiting lists for services. Research is strong that quality of life and functioning improves for transferred individuals. Numerous states – including California and Minnesota – have improved quality of life and decreased costs by closing two or more State Developmental Disability Centers and encouraging developmental disability transition.

## Imperative for New Ideas

Business as usual cannot continue. To date, we have had only a limited response that adapts, streamlines or rethinks government. 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. New ideas are essential to establish priorities and enable government and service delivery to meet 21st century needs.

**Identifying – and incentivizing – successful implementation of shared services:** As budget pressures have increased, there has been a nationwide explosion of activity in shared services. More than a decade ago, Virginia adopted the Virginia Competitiveness Act to create incentives for shared services. Among its features was a grading system on shared services that awarded points that then figured in the distribution of a state 'pot' of money. ICMA provides critical information about a number of topics including shared services and possible obstacles to sharing services. Other examples we reviewed are Michigan's Shared Services Community website and information provided by the Rutgers University/New Jersey State League of Municipalities research on shared services.

**Identifying creativity and change in purchasing operations:** Across the country, there are numerous examples of creativity and change in purchasing operations. Some of the examples we reviewed included the p-Card program in El Paso County, Colorado; e-Payables in Multnomah County, Oregon; and Pre Pay to improve cash flow and decrease delinquency in Isle of Wight, Virginia. In New Jersey, Hunterdon County's Education Services Commission (ESC) organized a purchasing cooperative to provide a wide range of services for a variety of local governments. The cooperative covers a wide range of goods and services, including grounds maintenance and supervision. Kent County, Michigan uses a reverse auction to save tens of thousands of dollars annually through a different approach to competitive bids.

**Implementing county administration of school districts:** Recommended by the New Jersey Committee on Shared Services and Government Consolidation, this change consolidates certain school governance functions at the county level – enabling reduction of redundancies without affecting the delivery of academic services. Countywide school districts operate in many states. Because of the many similarities to New Jersey, we selected the operation in Fairfax County, Virginia for our options review.

**Right-sizing deployment (police, fire, emergency responders):** The increasingly detailed data for New Jersey's municipal budgets shows that more than 20 percent of all municipal spending goes to one area: Police. Clearly, this identifies a major budget item for municipal government. When added to the spending for other emergency or safety services (e.g., Fire and EMS, Other Public Safety), the total percentage

increases to nearly 27.5 percent – more than ¼ of a municipal budget spent on a single priority. Not surprisingly, police and safety services have been areas subject to cost reduction and hollowing out of services. The International City/County Management Association (ICMA) encourages local governments to make more informed deployment decisions – rightsizing deployment – for police, fire and other emergency services, enabling better resource allocation for these major budget items.

**Sharing examples of municipal consolidation:** Princeton Borough and Princeton Township provide an immediate example of citizen initiative for change through their recent vote to consolidate – the first municipal consolidation in New Jersey in 14 years. Consolidation of services in the Princetons began before the municipalities merged, setting the stage for full consolidation.

**Supporting countywide tax assessment:** Possibly the most widespread best practice in government, countywide tax assessment increases accuracy and fairness, reduces appeals, eliminates the need for costly revaluations and ensures annual assessment. Our options example presents the pilot program already in existence in New Jersey (Gloucester County).

**Using Medicaid for health and behavioral health services in county juvenile detention centers (pre-adjudication):** California has recently enacted legislation – modeled after a program in New Mexico – to reduce cost of healthcare and rethink services for selected health and behavioral health services. This program uses Medicaid for health and behavioral health services in county juvenile detention centers, focusing on pre-adjudicated youth.

## Other Representative Efforts

There are several organized efforts across the country – similar to *Facing Our Future* – that provide insight and suggestion into state and local government operation to address the widespread budget challenges and growing limitations on current services delivery. We encourage everyone – citizens, stakeholders, elected officials and other political leaders – to follow the progress and recommendations resulting from these efforts. Consider whether they provide additional ideas or options that can be researched and applied in New Jersey. We've focused on four of these efforts:

**SAGE Commission (New York):** The SAGE Commission is conducting a comprehensive review of New York state government including its structures, operations and processes, with the ultimate goal of saving taxpayers' money, increasing accountability and improving the delivery of government services. <http://www.governor.ny.gov/sage>

**GEM (Morris County, New Jersey):** GEM (Government Efficiency Movement) is an effort to provide an analysis of best practices, redundancy/excess capacity, strained resources, labor intensive and best practices throughout Morris County with an eye toward shared services/consolidation. <http://www.governmentefficiencymovement.org>

**Beyond the Bottom Line – Ideas for the Future of Public Investment in Minnesota:** A group of six Minnesota foundations supports decision makers in advancing strategies designed to reform public services in the state. <http://www.citizing.org/projects/bottomline>

**Task Force on the State Budget Crisis:** The Task Force aims to uncover and analyze structural budget deficits in states, place these deficits and their potential solutions high on the agenda of federal and state policymakers, and examine policy options that could close these deficits. The project includes analysis of six states: California, Illinois, New Jersey, New York, Texas, and Virginia. <http://www.statebudgettaskforce.info>



## What's Next?

### Our future challenges are significant.

The gap between revenue projections and the current services appropriation projections is significant and increases every year over the five-year period included in the *Facing Our Future* report. No level of New Jersey government can only grow, or only cut, or only tax its way out of its budget problem and still maintain the quality of life provided by current service levels. The most robust growth projections used in the analysis will not support current expenditures. In no year of our research – from 2012 through 2017 – is New Jersey able to achieve a balanced budget without significant service, programmatic and employee benefit changes. On the current course, we are simply hollowing out government services rather than rethinking them. The result is clear: we will not feel the pain in a single year; rather, it will be in the on-going accumulation of lost services at all levels of government.

### The Solution: No Single Action

Neither the 2012 *Facing Our Future* report nor the prior year's initial report make specific recommendations about taxes or revenues, and neither report addresses the fairness of our current tax structure for any individuals, businesses or homeowners. However, both reports state that New Jersey cannot only grow, or only cut, or only tax its way out of the long-range and well-publicized budget problem. No single action can provide a solution. The *Facing Our Future* Leadership Group firmly believes that a tax policy discussion has to be a part of any discussion – and of our future.

New Jersey remains at a crossroads in determining its view for the future – our future. It is essential that New Jersey's citizens come together to engage in a critical discussion – a public conversation – about our priorities and options to address the priorities. We need to determine what services we value most at the state and local levels, how and by whom we want those services delivered and how we will pay for them.

The data presented by *Facing Our Future* outline the critical situation we are certain to face in New Jersey in the coming years, and illustrate the interdependencies that will continue to exist within the state, municipalities, counties and school districts. The future documented by *Facing Our Future*'s research is clear – we have significant problems existing throughout all levels of New Jersey government, and insufficient funds with which to maintain our current levels of service. It is no longer sufficient to reduce expenditures, eliminate 'waste, fraud and abuse', or raise taxes.

The problems identified throughout the *Facing Our Future* research are systemic, and not limited only to state government. Because of the strong connections and dependencies that exist throughout all levels of government, a change in one area of spending or appropriation may only move the problem around. As an example, a reduction in state aid to schools directly impacts both taxpaying citizens and students as it will likely result in increased property taxes or changes in class size, curriculum or extracurricular activities. As another example, a change in state support of county health and welfare services will affect individual county budgets and services.

### The Impact

No person in New Jersey will escape the ramifications of the systemic problems identified by *Facing Our Future*. We can no longer expect to have government services – as we've known them. Given this picture, we face an inescapable requirement for change. The New Jersey government, seemingly frozen in its 19th century landscape and operation, must change to meet the needs of today – and the 21st century.

To face the 21st century future – both short- and long-term – New Jersey's citizens will need to engage in rigorous discussion. That process can inform decisions and help to set priorities. New Jersey's citizens and government leaders will need to set these priorities together, and the process will be difficult. It must be based on fiscal reality, comply with constitutional and statutory requirements, and support a common set of values and goals for the future.

## What Happens Next?

### Facing Our Future will:

- Work through other organizations to engage in an active outreach effort
- Seek media exposure
- Encourage further analysis of the ever-expanding number of best practices
- Remember that each of us is an essential part of the answer to "What's next?"

### The next steps for New Jersey are:

- Build consensus and establish priorities
- Identify the areas necessary for public investment and economic growth
- Seek incentives for governmental effectiveness and efficiency

*Facing Our Future* continues as an independent effort to promote understanding – and galvanize action – about New Jersey's systemic fiscal problems. We've assembled data to inform discussion and supported that data with graphic illustrations about how we raise and spend public money in New Jersey. We've validated our original projections and analysis, and reconfirmed the gaps that exist at every level of New Jersey government. The data and graphics present a picture of the future – a future in New Jersey where we can no longer have the current government services we've all come to expect. We've introduced critical questions about how New Jersey's citizens – all of us – need to identify collective priorities and determine how we can fund those priorities to deliver effective and efficient government services. Lastly, we've identified, vetted and presented more than a dozen specific, practical ideas that can be implemented across New Jersey government to start to address our systemic problems – problems that prohibit our ability to meet the challenges of New Jersey's future.

What happens next? Our work as *Facing Our Future* – private citizens sharing a public interest – will continue throughout the coming months. First, we'll work through other organizations to engage in an active outreach effort. As before, our goal is to bring the *Facing Our Future* report to a wide range of citizens and public groups.

Second, we'll seek media exposure to get the message out through the use of op-eds, editorial boards, and traditional and new media outlets. We'll be updating our websites to bring specific links for best practice repositories, contacts for other organizations in and outside of New Jersey where there are similar discussions about the severe challenges faced by governments – and the great opportunities for change.

Third, we'll encourage further analysis of the ever-expanding number of best practices. As stated earlier, *Facing Our Future* presents only a handful of practical ideas. Our goal is to identify a collection of resources and spark serious, open discussion. We encourage individuals, organizations and government leaders to brainstorm and consider related options; use the ideas presented in this report to expand the number of ideas that are possible.

The larger next steps for New Jersey are to build consensus and establish priorities to identify critical services rather than enabling the continued degradation of all services. Whether through *Facing Our Future* or another initiative or organization, we must identify the areas necessary for public investment and economic growth, and seek incentives for governmental effectiveness and efficiency.

The question of 'what's next?' can't be directed solely at one effort or volunteer organization – such as *Facing Our Future*. The question of 'what's next?' must be directed to every resident in New Jersey. Each of us is an essential part of the answer.

# CNJG

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