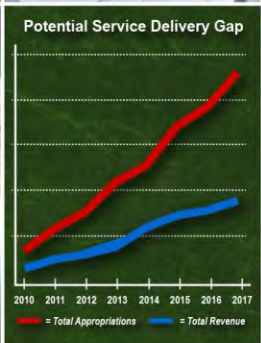


February 2012  
Updated Report with Options Analysis

# Facing Our FUTURE



## 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, this 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 this 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 21<sup>st</sup> 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 the 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.

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## Executive Summary

A significant gap exists and will continue growing over the next five years between the cost of services – at current services levels as provided by government in New Jersey – and the revenues to pay for them. To achieve the required balanced budgets, there will be trade-offs. 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.

Over the next five years, New Jersey governments again will be unable to achieve the balanced budgets as required without significant service, programmatic and personnel-related costs at state, county, municipal and school district levels. New Jersey faces the ongoing contraction of services and the end of high-quality services we have long accepted – and expected.

Business as usual cannot continue. To date, we have 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 19<sup>th</sup> century state. Services are duplicated across public entities in the same municipality or county and across differing levels of government. New Jersey needs a 21<sup>st</sup> century government to meet the 21<sup>st</sup> century needs of its citizens.

Using objective, nonpartisan budget data, the *Facing Our Future* analysis again shows the complexity and intertwined nature of programs and spending throughout all levels of New Jersey government. Research led by two highly respected independent analysts reviews and recalculates the projections into 2017, and continues to show a fiscal environment spiraling out of control. (Detailed research reports are available at [www.cnjg.org/facingourfuture](http://www.cnjg.org/facingourfuture).) As the 2011 *Facing Our Future* report stated and reiterates this year, 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. As in the 2011 *Facing Our Future* report, the Leadership Group revisits several core questions. 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?

To further the discussion – and respond to the repeatedly asked question “what can we do?” – this report identifies more than one dozen specific, proven, ideas that exist in New Jersey and other jurisdictions across the country. The ideas presented in this report 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 21<sup>st</sup> 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. The options in this report begin to address the need to establish priorities and enable New Jersey government and service delivery to meet 21<sup>st</sup> century needs. In alphabetical order, the options are:

- 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)

In addition, this updated *Facing Our Future* report includes in its findings:

- A significant gap remains at every level of New Jersey government between revenues and current services.
  - By 2017, state government faces a shortfall of up to \$8.1 billion; municipalities face a shortfall of up to \$2.8 billion; counties face a shortfall of over \$1.1 billion, and school districts face a shortfall of nearly \$1 billion. These shortfalls use the ‘slow to moderate’ growth scenario (see *Appendix 2: Budget and Research Reports*) and are based on Current Service projections (see *Table 1: Definition of Important Budget Terms*).
  - 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 medical benefits.
  - The Governor and Legislature enacted into law Chapter 78, P.L. 2011, which made substantial changes to retirement pension systems and for health benefits for current employees. As a result of these changes, the above projected unfunded pension liability reflects a reduction from last year’s projected amount by almost 30 percent – but remains a significant long-term challenge.



- Four spending areas dominate the state budget – school aid, Medicaid, pension obligations, and health benefits for current and retired employees. In FY2012, these four spending areas represent 53 percent of all state expenditures, and increase to 60 percent by the year 2017. The growth in these four programs is twice the projected increase in the income tax, and exceeds the growth in all revenue sources – even assuming the more aggressive revenue assumptions.
  - Budget balancing remains a challenge. For example, the state has appropriately committed to change the structure and meet funding requirements for the pension system, but there is an increasing cost to this policy. Compared to FY2011 – when less than \$100 million was appropriated for pensions – our analysis projects that in FY2017 at least \$4.4 billion will need to be appropriated. This represents an increase greater than the projected increase in the income tax under the moderate growth scenario.
  - There was one surprising local government finding in our updated report: our original analysis was more optimistic about the use of municipal government surplus funds than what occurred in 2010. The use of surplus funds to offset loss of state aid and locally generated miscellaneous revenues actually declined in 2010.
- 41 percent of **all** money raised by “government” (state, county, local and school district combined) in New Jersey comes from property taxes levied at the local level.
  - Most **state** government revenue (more than 64 percent) comes from just two sources: the income tax and sales tax.
  - Most **county, municipal and school district** revenue comes from one source: property taxes – 63.2 percent for counties, almost 58.3 percent for municipalities and 53.5 percent for school districts.
  - Municipalities have experienced a reduction of approximately one-quarter of the \$1.727 billion provided as state aid in FY2007 – a reduction of more than \$424 million. The level of state aid to municipalities declined to approximately \$1.3 billion in 2010, representing the need for more than \$420 million in offsetting revenue to retain appropriations at a level current to those of FY2007.
- Better data collection at the municipal and county levels of government provides improved views into budget activity and trends. For example, it is now evident that more than 20 percent of the average municipal budget appropriation is expended for one single line item: Police.

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.

The next steps for *Facing Our Future* include continuing public education and outreach, and supporting active consideration of proven, practical options that begin to address our systemic problems at all levels of government. The larger next steps for New Jersey include building



consensus and establishing priorities for how to identify critical services rather than enabling all services to degrade, identifying needed public investment for economic growth, and seeking incentives for governmental effectiveness and efficiency.

In conclusion, the *Facing Our Future* report 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.

## **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 ongoing 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.*

## Section 1 - The History

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

This was the first sentence in Section 1 of the initial *Facing Our Future* report (January 2011), and it remains the first sentence of this updated report. 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 19<sup>th</sup> century can no longer deliver the 21<sup>st</sup> 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

### Our Continuing Role

As New Jerseyans, we each need to participate in a public discussion on priorities for state and local government. Furthermore, we need to work with government leaders to focus on limited resources and the most essential government services, and to enable investment that will ensure New Jersey's long-term economic growth.

### Value of Report

This report is not an abstract economic exercise, but rather a vehicle through which public decision makers and elected officials – and the public at large – can consider different ideas and proposals about New Jersey's future. The report validates the original analysis and findings presented in January 2011, and incorporates the choices made during the past year by elected officials throughout New Jersey. The report presents initial options that can begin to address important questions about our future.

approximately 20 percent of all current services. The government we currently have can't be supported, and business as usual can't continue. The immediate challenge 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 this report is to inspire a public discussion about how we address these difficult issues.

Throughout this report, and documented in extensive research and consideration of possible future scenarios, *Facing Our Future* presents a look at New Jersey's future at all levels of government. As in the January 2011 report, our research presents data. The report

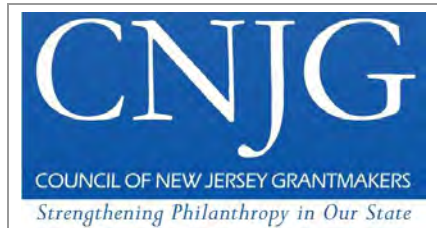
doesn't assess blame. Like last year's report, we don't second-guess any decisions made to date. We look at current budgets and services, and offer documentation and an explanation for the sizeable gap between government revenues and the spending levels necessary to maintain services at current levels. Like last year's report, we realize there are myriad choices affecting our future.

Where this report differs from the 2011 *Facing Our Future* report is that it incorporates real questions, suggestions and feedback gleaned from hundreds of discussions and dozens of meetings and presentations across New Jersey. We look at what is working in state or local government across the United States – and especially in New Jersey – to provide insight into practical, proven ideas. The report reflects the experience and judgment of the *Facing Our Future* Leadership Group – and distills the results of a review of nearly 750 best practices to deliver more than one dozen specific, successful options for how we in New Jersey can:

- Establish priorities for critical services and government operations
- Identify investments necessary for economic growth
- Consider possibilities for change to meet the challenges of the 21<sup>st</sup> century
- Increase government effectiveness and efficiency

No one idea in this report 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 in this report will 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 21<sup>st</sup> century.

As a reminder – or for background information as needed – *Facing Our Future* is an independent 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.



The Council of New Jersey Grantmakers (CNJG) is the center for philanthropy in New Jersey, serving the leading independent, corporate, family and community foundations as well as public grantmakers of our state. We support our members by strengthening their capacity to address New Jersey and society’s most difficult problems. We also access the resources of the philanthropic community – funding, expertise, and leverage – to provide leadership on statewide issues. *Facing Our Future* builds on past efforts that include a study of healthcare conversions and their philanthropic legacies, creating access to philanthropic dollars in underserved communities, and partnering with the state to pilot a highly regarded national model that addresses crime prevention through youth development.

As a neutral convener – without hidden agenda, political motivation or bias – CNJG was well positioned to help shape an informed discussion for New Jersey’s citizens. Working with an invited Leadership Group (see *Appendix 1: The Leadership Group*), CNJG formally established *Facing Our Future* in the spring of 2010. Through CNJG, *Facing Our Future* coordinated an objective, data-driven effort to assemble information about the current and future condition of New Jersey’s state and local fiscal crisis. The purpose of assembling this information was to understand the size and scope of New Jersey’s fiscal problems, and to share the information across a wide spectrum of the public. Through this process, *Facing Our Future* hopes to foster a public discussion focused upon what we *all* want for the future of New Jersey. The time to engage in that public discussion and serious conversation is now.

## Section 2 - The Environment

Throughout the past year, we've seen that New Jersey's citizens are receptive to discussion and hungry for information. They understand the need for tough choices, and support the imperative for setting new priorities. They are looking for unbiased, plain-language information about our existing budget challenges and the future impact upon each one of us. Although many government leaders across all of New Jersey made difficult choices in the past year to achieve a balanced budget, more – much more – needs to be done.

No one has discovered a magic spell or silver bullet that can reverse the inevitable: we have a systemic problem and face a long period of service diminution at all levels of New Jersey government. We need to rethink how we provide government and its services. The 21<sup>st</sup> century arrived more than a decade ago, yet we remain dangerously mired in 19<sup>th</sup> and 20<sup>th</sup> century geographic and governmental constructs; we failed to adapt to meet the challenges needed for growth and innovation. In many places, 'technology' is a typewriter and carbon paper.

### We are not alone.

In 2011, there was widespread discussion on a range of budgetary and financial topics unthinkable in 2010. Citizens eating in New Jersey's diners discussed the Federal debt ceiling negotiations. We all worried about the implications of the first-ever downgrade of the United States' credit rating by one of the three major credit rating agencies. The media linked us to the Wisconsin State House and Occupy Wall Street. Whether sitting in our family rooms in New Jersey – North, Central or South – or wondering when the power would return during a year of unprecedented weather extremes – we understood that the economic events in Europe and around the globe had (and have) a daily and personal impact right here in the Garden State.

During the past year, we witnessed nagging high unemployment – although at a lower rate. Foreclosures in our state have been particularly acute. A poor housing market, lack of credit availability, weak job growth, a shrinking manufacturing base and a slow recovery in the trade, transportation, leisure and hospitality industries, has resulted in slow growth in the state, and lower tax and revenue collections.

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

#### Comments on Facing Our Future (January 2011 Report)

- "A new reality check...primer on taxing and spending...aimed at all of us. It's nonpartisan and non-ideological, and it makes clear with text and graphics how far reaching are the state's money problems at every level of government, and how intertwined they are." (*George Amick, Capital Talk, Trenton Times*)
- "For New Jersey, honesty is the best policy, even when it hurts....  
✓A HIT for the panel's work."  
(*Editorial, Home News Tribune*)
- "Facing Our Future offers a neutral examination of the state's budget issues..." (*Lee Keough, NJ Spotlight*)
- "A blue-ribbon panel...to trigger public conversation about government priorities and how to pay for them." (*Bob Jordan, Asbury Park Press/Gannett*)



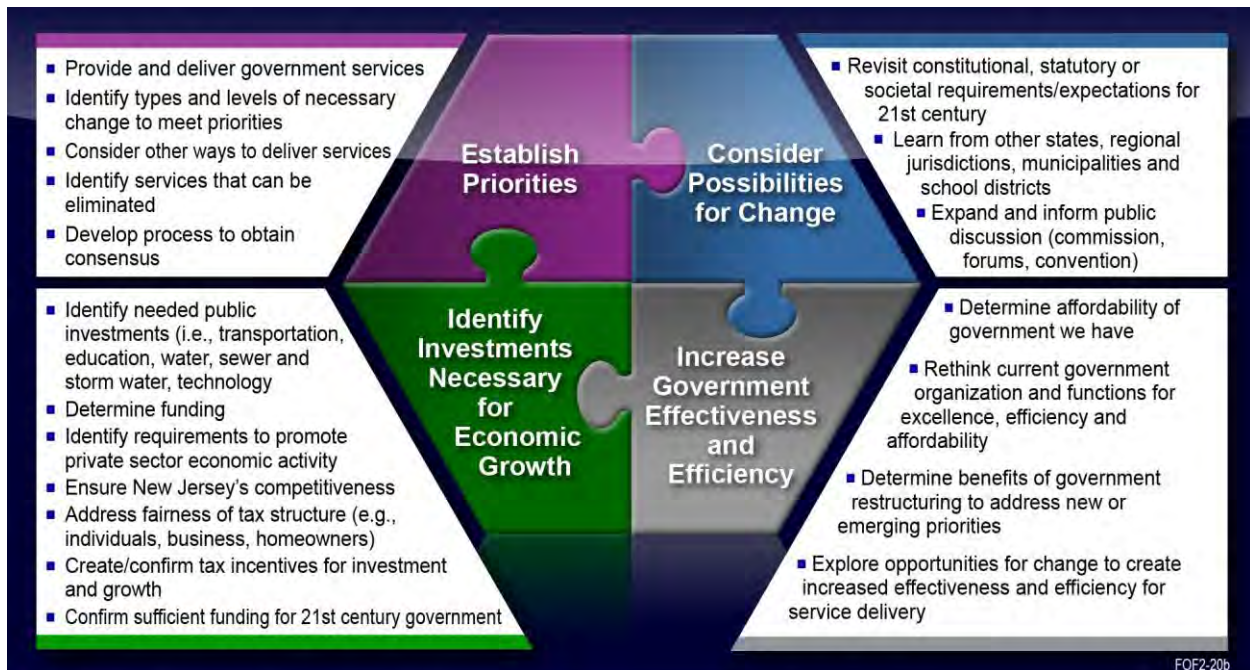
measures to reduce the state share of the cost of health benefits for current employees and to establish a 2 percent cap and arbitration constraints. Local governments have recognized the challenges of the economy and responded while rising to meet a year of historic weather events. Local citizens voted 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.

It was at the start of this past year – and this environment – when *Facing Our Future* released its initial report. Well into the last weeks of 2011, the Leadership Group shared the report’s message across the state through presentations, meeting and briefings, and distributed the report online and via hardcopy to policymakers, government officials and stakeholders. The purpose? To provide unbiased information, inform and continue the dialogue necessary for a sensible course of action to address our shared systemic fiscal problems.

The initial *Facing Our Future* report stopped short of prescriptions. It did provide a concise set of questions designed to promote thought and discussion. As shown in Figure 1, the areas were simple, yet focused emphasis on the 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?

**Figure 1: The Complexity of New Jersey’s Future**



During every discussion of the report, there was one overall comment from citizens, elected officials, stakeholders and reporters: “what’s next, and what can we do?” *Facing Our Future* recognizes that the problem can’t be solved at any single level of government, and that a wholly

different conversation needs to occur about what we want in government – and in public services. Because of our long-existing problems at all levels of government, we are already several years into a slow degradation of services and 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. It is within this ever-changing environment that we need to decide how much we are willing to pay for government and its services, and how much we are willing to accept changes in those services to preserve their value.

## Section 3 - The Research

**To understand our future, it is necessary to understand the present and remember the past.**

### *State Government*

Although revenue has increased at the state level since the height of the recent ‘Great Recession’, growth still remains muted.

Revenue collections for FY2011, as assumed in the FY2012 Appropriations Act for 2012, reflect an increase of approximately 2.6 percent over FY2010. The largest single tax increase within that collection is the income tax at \$314 million or 3 percent. Based upon these collections, it is reasonable to conclude that the recovery has been slow, and FY2011 collections are still \$4 billion below the amount collected in FY2008.

The Chief Economist for New Jersey state government stated in October 2011 “the environment looking forward remains quite unsettled. Some indicators look less bleak than they did in August 2011...however...we are still facing significant risks”. The revenue estimates for FY2012, as certified by the Governor, reflect the above observations. Total revenue for FY2012 is projected to increase by approximately \$1 billion – or 3.6 percent, with the income tax leading the way at a growth rate of 4.7 percent. This represents an increase of almost \$500 million over FY2011. In general, it is fair to conclude that the indicators present a positive, but constrained outlook given the overhanging economic problems, and given the pattern of collections seen in FY2011.

#### Remembering the Past...

The following information is extracted from the *Facing Our Future Report*, January 2011 (p. 10):

“According to the Rockefeller Institute, given the severe downturn in the national economy it would take a state government five years to return to peak revenue levels. For New Jersey, it would therefore take until 2014 to match the peak revenue levels of FY2008. To accomplish this, New Jersey would require an average long-term growth rate of 5 percent. The ongoing recession makes growth of this magnitude unlikely and will only exacerbate our situation.

The picture at the municipal level presents a similar story.... research identifies similar patterns at the county and school district levels.”

### *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 projections contained in this report. Specifically, no adjustments were made to this report 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.***

### *Local Government*

Similar to the 2011 *Facing Our Future* report, the picture at the local government level presents much the same story. By 2017, there will be a significant gap between current revenues and projected current services as measured by the 2009 base year appropriations. The shortfall will vary in size across each of these three main local government sectors – municipality, county and school district – but the trends are similar and unmistakable. Based upon legislative changes to

health care reform approved by the Governor and Legislature, the cost shift to employees of on average perhaps 25 percent to 28 percent of health care premiums will temporarily temper the resource (revenue) gap, particularly in FY2014 and FY2015. However, once this cost-shift formula is fully deployed and absent major cost controls within the health care industry, the rate of change of the resource gap will return to that previously projected in our original analysis but from a lower base.

As *Facing Our Future* updated research for this current report, we noted several trends worth mentioning. Municipalities recognized the challenges of the economy and began to respond to the recession as evidenced in the annual change in municipal appropriations between FY2008 and FY2009, which is characterized by a precipitous drop in the rate of increase of municipal appropriations statewide. The annual increase in appropriations between FY2007 and FY2008 was almost 9 percent, and declined to less than 2 percent in FY2008 and FY2009. That rate continued to be checked as incremental change in total appropriations from FY2009 to FY2010 was smaller yet at merely 1.65 percent.

Municipalities have experienced a reduction of approximately one-quarter of the \$1.727 billion provided as state aid in FY2007 – a reduction of more than \$424 million. The level of state aid to municipalities declined to approximately \$1.3 billion in 2010, representing the need for more than \$420 million in offsetting revenue to retain appropriations at a level current to those of FY2007. This decline in state aid was compounded by the absence of other offsetting revenue because of the recession and the implementation of the earlier, more flexible 4 percent property tax levy cap. With non-property tax revenues declining and fairly tight control over expenditures, property tax increases continued at significantly higher levels than appropriation increases through FY2010, and exceeded the nominal 4 percent tax cap in each qualifying year.

Lastly, we had anticipated that 2010 would likely be characterized by a ‘bump’ in the use of surplus funds prior to our projected decline in fund balance resources as municipalities responded to multiple resource challenges. Our original analysis now appears to have been optimistic: use of surplus funds to offset loss of state aid and locally generated miscellaneous revenues actually declined in 2010. This suggests that available fund balance resources have already been extensively culled and were therefore not able to provide municipalities with a final counter to losses in non-property tax revenue and the newer, more rigorous levy cap.

### ***The more things change, the more they stay the same.***

The Leadership Group again presents a common, shared basis of information. In the following pages, we provide updated graphics and discussion for the same three basic questions raised in the 2011 *Facing Our Future* report:

- How does government in New Jersey obtain its money?
- Where does government in New Jersey spend its money?
- How does government in New Jersey deliver services, and is the delivery efficient and effective?

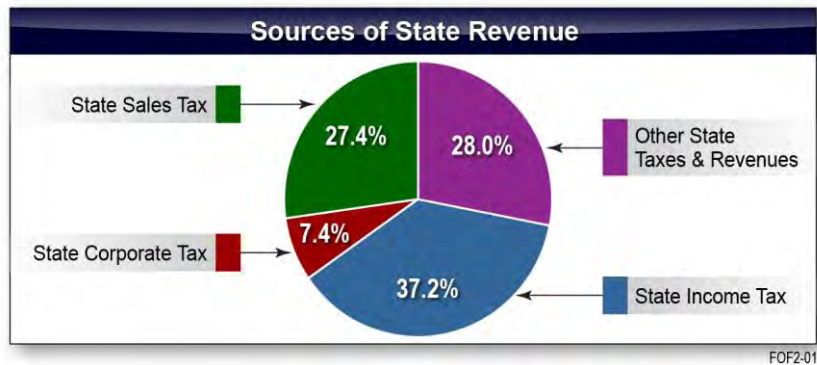
To answer these questions, we’ve used the data gathered through the *Facing Our Future* research to provide short summaries of information at the macro-level for the most current budget year.

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. What we do provide is an aggregate picture – *at each level of government and then for all government levels combined* – of the major ways in which money is raised and spent by government in New Jersey on behalf of its citizens. When necessary, we've rounded percentages for visual convenience and clarity to help promote understanding and discussion. Although there were slight differences in percentages – sometimes as little as a half-percent, there were few major shifts in any category. In fact, many categories reflect the same levels as presented in the 2011 *Facing Our Future* report.

***How does state government obtain its money? How do other levels of government obtain money?***

New Jersey's state government depends heavily on two revenue sources: the income tax and the sales tax. Based on FY2011 estimates, the income and sales tax together represent roughly 65 percent of all state revenues. The next largest source of state revenue is the corporate business tax – at roughly 7 percent. Figure 2 presents a view of the major sources of New Jersey state government revenue.

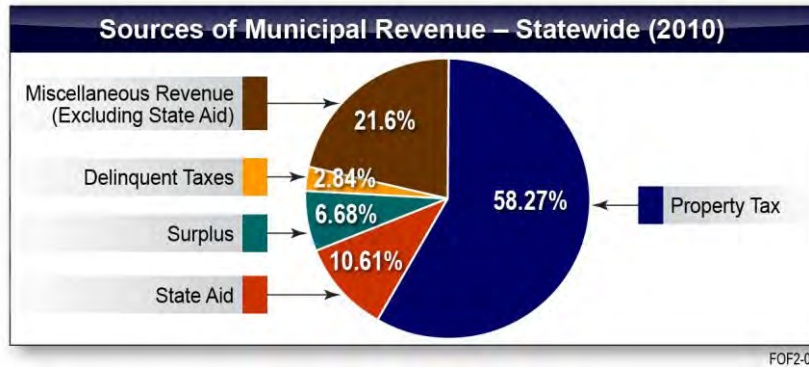
**Figure 2: Sources of State Government Revenue**



At the **municipal level**, property taxes and state aid are the largest sources of revenue. Currently at more than 58 percent, the property tax alone will soon provide (on average) more than 60 percent of the required revenue for municipal operations. State aid as a percentage of municipal revenue continues to decrease (e.g., a decrease of 2.38 percent in the past year). This decrease in state aid impacted other levels of New Jersey government. As indicated on the previous page, other past sources of revenue – such as surplus funds and grants – have decreased. Figure 3 presents an aggregate view of the major sources of municipal government revenue.

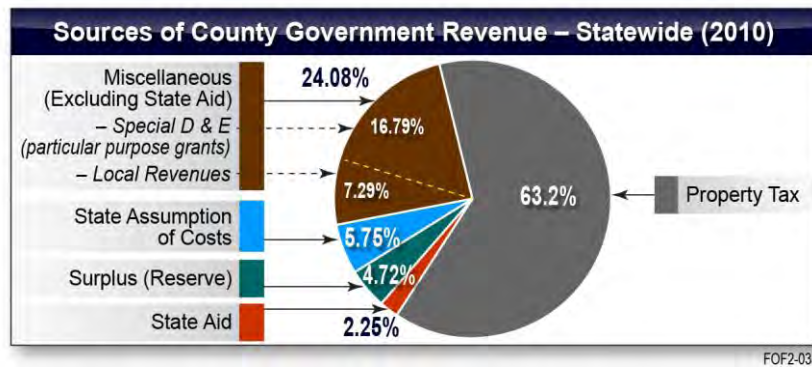


**Figure 3: Sources of Municipal Government Revenue - Statewide**



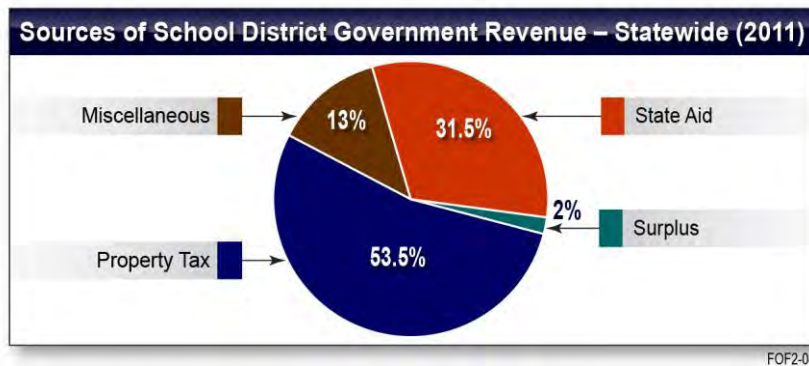
**County government** is dependent upon taxes for more than 63 percent of its revenues, and the dependence is principally upon property tax. An additional 6.97 percent of county money comes from potentially declining sources of revenue (state aid and surplus). Figure 4 presents a view of the major sources of county government revenue.

**Figure 4: Sources of County Government Revenue - Statewide (2010)**



New Jersey’s **school districts** depend on property taxes to provide 53.5 percent of their revenue, with an additional 31.5 percent from state aid. Although there are exceptions to this aggregate macro-level view – some school districts depend less on property taxes than others – the funding representation presented in Figure 5 depicts an aggregate snapshot of the revenue sources for most of New Jersey’s school districts.

**Figure 5: Sources of School District Revenue - Statewide (2011)**

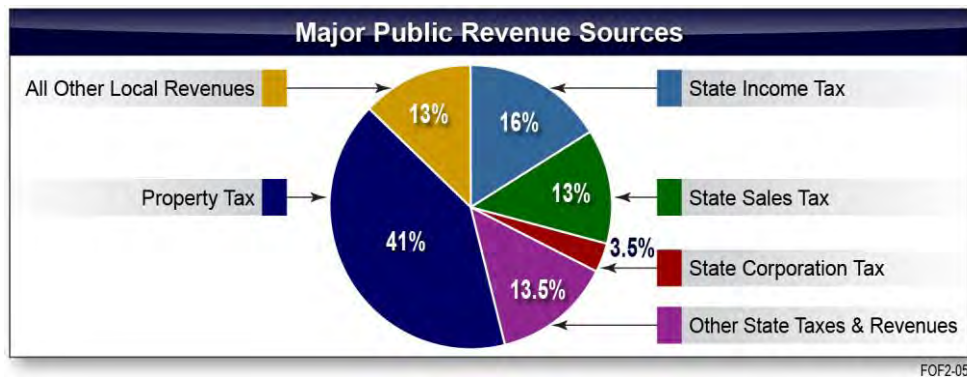




In addition to the above summaries by level of government, we think that it is important to provide a macro or ‘big picture’ view of how **all of New Jersey government** receives its money without regard to what level of government actually collects the money. To do this, we’ve identified only major sources of revenue, and have adjusted figures so that ‘aid’ – whether state aid or federal aid – is counted only once.

As an example of the information presented for our macro view, 41 percent of all of the money raised by ‘government’ in New Jersey comes from property tax, which is all raised by local government. As another example of the macro view, 16 percent of all of the money raised by government in this state comes through state income tax – even though no local government collects state income tax. However, all of the income tax is paid to local government, principally to school districts. The information presented in Figure 6 presents a close approximation – but not a ‘to the dollar’ representation – of the major public revenue sources for all levels of government in New Jersey.

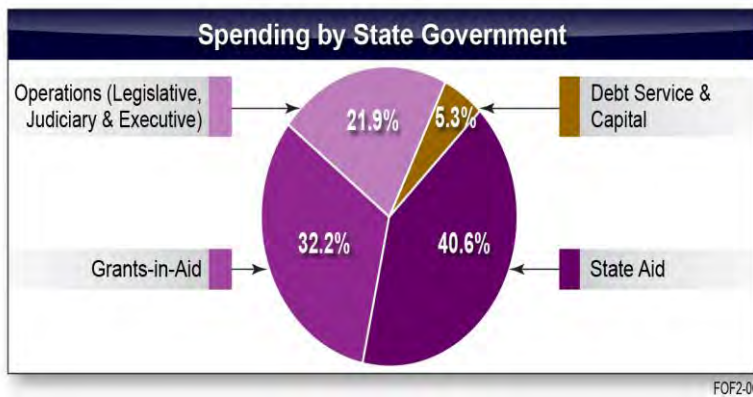
**Figure 6: Major Public Revenue Sources**  
*(Combined for All Levels of Government: State, Municipal, County and School District)*



**How does government in New Jersey spend its money?**

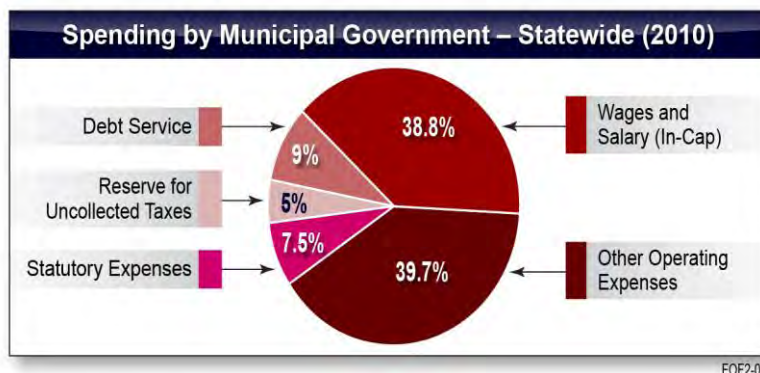
At the **state level**, the largest cost drivers in the budget remain unchanged: school aid, Medicaid, pension obligations, and employee retiree and health benefits. For FY2010 and FY2011, the Medicaid program has benefited from the availability of federal stimulus funds to support New Jersey’s obligations. Continuation of federal stimulus funds for Medicaid is not an option as they have been eliminated. Figure 7 presents a view of the major spending by state government.

**Figure 7: Spending by State Government**



At the **municipal level**, wages and salaries represent the largest appropriation item at 38.8 percent of total appropriations. Wages and salaries represent the largest portion of spending and – when contracts are involved – are typically the most difficult to reduce. Other appropriation categories that are difficult to reduce include statutory spending and debt service. Figure 8 presents a view, at the statewide aggregate level, of all municipal spending.

**Figure 8: Spending by Municipal Government - Statewide**



**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 past year’s 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 last year’s projected amount by almost 30 percent – but remains a significant long-term challenge. The total unfunded liability for retirement costs remains daunting:

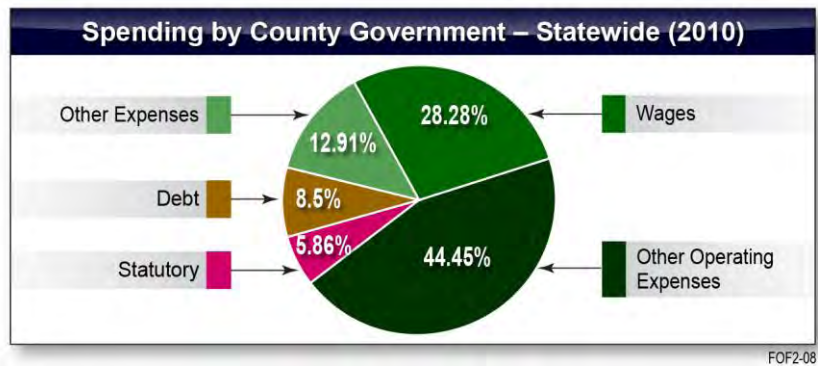
- \$25.6 billion for state-funded employee pension systems
- \$59 billion for post-retirement medical benefits, with no funds reserved for future costs
- \$10.6 billion for municipal and county pension systems
- At least \$12 billion for municipal and county retirement medical benefits

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.

One change in the information available for this year’s *Facing Our Future* analysis is better data collection and improved optics for approximately 500 of the state’s 566 municipalities (see *Section 4*). Significant in the information is that the largest spending – more than 20 percent of all municipal spending – is focused on one category (Police).

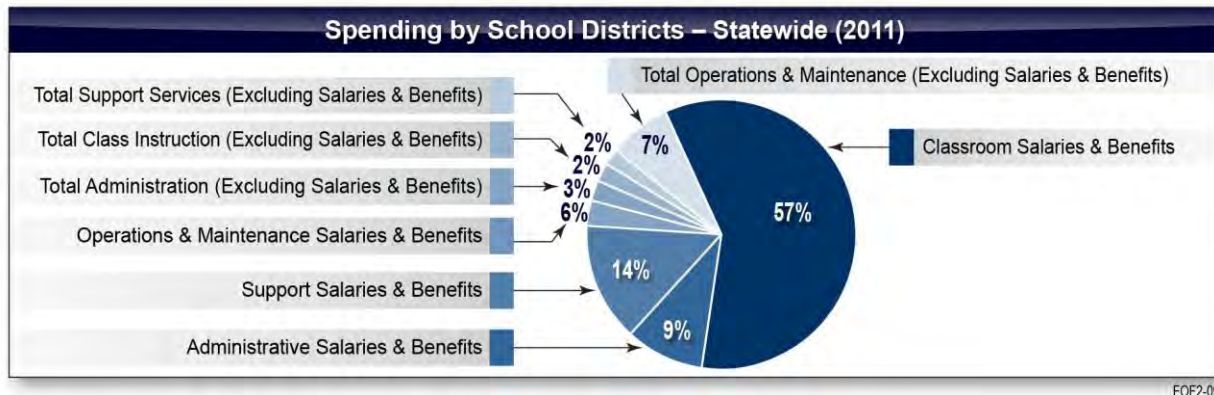
At the **county level**, salaries and wages account for just over 28 percent of all county level spending in the state – a decrease of approximately 11 percent from our previous analysis. Operating expenses – which comprise half of all county level spending – are differently categorized and defined by each of the state’s counties (see *Section 4*). Two areas – debt service and statutory spending – represent a total of slightly more than 14 percent of all county government spending and are extremely difficult to reduce. The aggregate view of all county government spending is presented in Figure 9.

**Figure 9: Spending by County Government - Statewide (2010)**



New Jersey’s **school districts** spend the majority of their money on salaries and benefits, with 57 percent directed to classroom salaries and benefits (a percentage unchanged from our prior analysis). Administration again represents 11 percent of all school district spending. These numbers do not include the dollars paid by the state for the employer’s share of the retirement costs for teachers’ pension and health benefits, nor do they include the employer’s share of social security for current teachers. Figure 10 presents a view, at the aggregate level, of all school district spending.

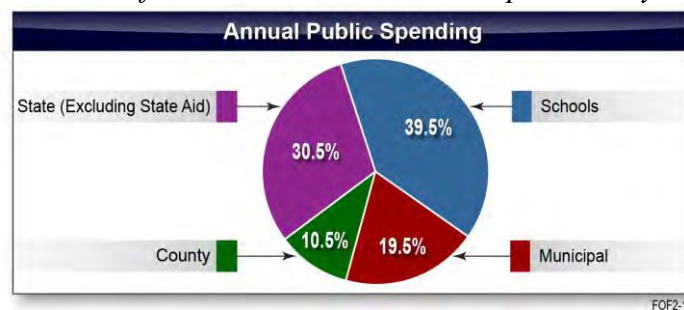
**Figure 10: Spending by School Districts - Statewide (2011)**



As with the previous summaries on how government obtains its money, we thought it was important to provide a macro or ‘big picture’ view of where **all of New Jersey government** spends its money without regard to what level of government actually spends the money. Again, we’ve identified only major sources of spending – or appropriations – and have adjusted figures so that information is counted only once. As an example of this macro spending view, almost 40 percent of all money spent by government in New Jersey supports schools – this includes money raised locally by school districts as well as state aid provided to schools through the state government. The information presented in Figure 11 presents a close approximation – but not a ‘to the dollar’ representation – of the major areas of public spending for all levels of government in New Jersey.

**Figure 11: Major Annual Public Spending**

*(Combined for All Levels of Government: State, Municipal, County and School District)*



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

As of August 2011, the total number of full-time state employees was 69,700. This number represents a decrease of 4,900 employees since January 2011, and is 14,000 employees below the count in January 2006 – an aggregate decrease of 13 percent over the period.

Even with the state’s fiscal problems and trend of a decreasing number of employees, the scope of the state’s responsibilities has not seen a corresponding decrease. If anything, there is an increasing demand and expectation for state 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.

**Who Provides Services?**

Government employees directly provide most services throughout all levels and branches of government. Whether at the state, municipal, county or school district level, government employees are usually state residents, and often are our neighbors, friends or family members.

The organization and operation of local government – and the services delivered by local government – operates under similar stressors. The short-term projections of our research are on target, and we again see the need to cut services. Anecdotally, for example, among public safety personnel, more than 720 sworn officers were laid-off during 2011, and currently some 600 remain inactive. Assuming that similar necessary cost ‘savings’ exist throughout the non-

uniformed range of employees, our research can project that a total of 1,500 to 1,800 municipal employees were affected by layoffs, and that number that doesn't include the cost shift to employees of furloughs and salary freezes. These data confirm that reduced services – the inability to fund services beyond the 2009 level – were already identifiable by 2010 and will extend beyond our five-year period of projection.

With one exception, New Jersey has basically the same number of local governments that it had in 2011. The exception is the November vote by the citizens of Princeton and Princeton Borough to merge governments. Yes, there are a few governments considering merger, and there have been a few changes at the school district, fire district and other levels. However, New Jersey overwhelmingly retains the same governmental complexity as it has for more than 150 years: the number of municipal subdivisions more than doubled from the late 19<sup>th</sup> century's 270 to the early 21<sup>st</sup> century's 566. New Jersey local government has more than 600 school districts – a number greater than the number of individual municipalities. Each of these public entities – 566 municipalities (correction: now 565 with the Princeton merger), 21 counties and more than 600 school districts, as well as the state – has the ability to raise taxes and make expenditures on behalf of their residents and students.

As we stated in the 2011 *Facing Our Future* report, all of New Jersey's levels of government face a growing inability to meet today's 21st century challenges. Many of the 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. Examples of this duplication include county and municipal police, parks, recreation services and public records retention. Technology that is widely available in most businesses – and in many of our homes – is not state-of-the-art throughout New Jersey's levels of government.



**Section 4 - The Impact**

From the start, *Facing Our Future* focused on one crucial requirement: the research and analysis had to present an objective picture of the problem. In preparing the research, we attempted to identify New Jersey’s long-term systemic fiscal problems and the future challenges that must be faced in meeting required obligations at the state, municipal, county and school district levels. We reviewed our 2011 report and its findings, and reflected the changes in law enacted since our report, especially the changes to long-range pension underfunding. To accomplish this, *Facing Our Future* retained two highly respected, separate providers of independent research and analysis – each responsible for conducting our initial analysis for the 2011 *Facing Our Future* report and deeply steeped in New Jersey knowledge and experience (see *Appendix 2: Budget Research and Reports*). All research was coordinated to ensure alignment of assumptions (see *Appendix 3: Research Assumptions*). Definition of important budget terms is presented in Table 1.

The Data
<p>Taken in its entirety, the data presented by <i>Facing Our Future</i> 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.</p>

**Table 1: Definition of Important Budget Terms**

Terms and Definitions	
Balanced Budget	Budget in which expenditures do not exceed resources
Current Services Budget	Projection of the cost to fully fund all current statutory requirements, including requirements for inflation, caseload changes, costs mandated by statute or court order and the annualization of partial year costs (see <i>Appendix 2: Budget Research and Reports</i> for additional information)
Current Services Projection	Common baseline technique used historically to begin an analysis of future year needs; an acceptable starting point from which program priorities and ultimately program reductions are developed. This number should be used very carefully as it has never been a ‘real’ number in terms of final recommendations, and is subject to subjective analysis. (See <i>Appendix 3: Research Assumptions</i> for a detailed definition of Current Services Projection as used within the <i>Facing Our Future</i> research and report)
Fiscal Year (FY)	12-month period for which a government plans the use of its funds (e.g., July 1 – June 30, January 1 – December 31); the fiscal year carries the date of the calendar year in which it ends; NOTE: CY (Calendar Year) can be used when a government’s fiscal year is January 1 – December 31
Grants-in-Aid	Monies appropriated by the state government and paid directly to third party entities or individuals other than local governments (i.e., Medicaid, homestead rebates, support for higher education, pharmaceutical assistance to the aged and disabled)
Non-recurring Revenue	Revenue from a source that is not going to be there next year
State Aid	Monies appropriated by the state government and paid directly to local governments, specifically to municipalities, counties and school districts
Statutory Spending	Expenditure that is required for a program that is identified by a specific law (statute)



Terms and Definitions	
Structural Deficit	Projected appropriation pattern which exceeds the current revenue structure; may also include the use of one-time revenues
Unfunded Liabilities	Amount by which the liabilities of a program exceed program assets at a given date; difference between what a program promises to pay and what funds (or assets) have been set aside to fulfill those promises

The research coordinated by *Facing Our Future* establishes a baseline that outlines the challenges – using current forecasts – that New Jersey will face over the next five years. The research identifies several ‘scenarios’ that capture the budgetary realities facing state and local governments, and focuses on two areas:

- Identification and analysis of a “Current Services Budget” for the State of New Jersey for FY 2017 – and for each interim year
- Identification and analysis of local government budgets – municipal, county and school district – at the statewide aggregate level to determine current revenues and expenditures and to model five years out (to 2017)

In the following sections, we present high-level summaries of the budget information and projected budget gaps identified through our research, and a short description of the interdependencies and revenue limitations facing these four levels of government.

### ***State Budget***

The New Jersey Constitution requires that the Governor and Legislature enact a balanced budget by July 1 of every year. As required, the budget of the State of New Jersey is in balance for the current year (FY2012). As in the previous fiscal year, the Governor and the Legislature achieved a balanced budget through many reductions in state spending and policy choices. The FY2012 budget also reflects a significant turning point in addressing some of the longer-range issues which have faced the state since the latter part of the 1990s – specifically the severe underfunding of the pension and health benefits systems.

Although important, a balanced budget for the current year doesn’t solve the long-range problems facing the state; much more is needed to achieve long-term solvency for New Jersey. Major changes were discussed, debated and adopted this past year. Nevertheless, we have some of the same challenges one year later. 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.

Our research continues to show that the state cannot grow its way out of its budget problem. 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 New Jersey able to achieve a balanced state budget without significant service, programmatic and employee benefit changes.**

**In no year does projected revenue increase sufficiently to match projected expenditures – even under a more aggressive economic scenario. Gaps increase each year – ranging from \$1.9 billion to \$8.1 billion depending upon economic assumptions. Suffice to say – current spending commitments exceed the revenue base – and no reasonable scenario will bring them into balance.**

*The New Jersey State Budget Current Services Projections (FY2013-2017), Facing Our Future Research Report, page 1 (see Appendix 2: Budget Research and Reports)*

Under a current services projection for the five years of our research – again, 2012 through 2017 – expenditures are estimated to increase by \$14.6 billion, or an average of 8.2 percent per year.

In the first year of the analysis, the state is facing a projected shortfall of approximately \$2 billion. In the final year of this analysis, the shortfall increases to \$8.1 billion – or \$5.4 billion if the more aggressive revenue scenarios are used.

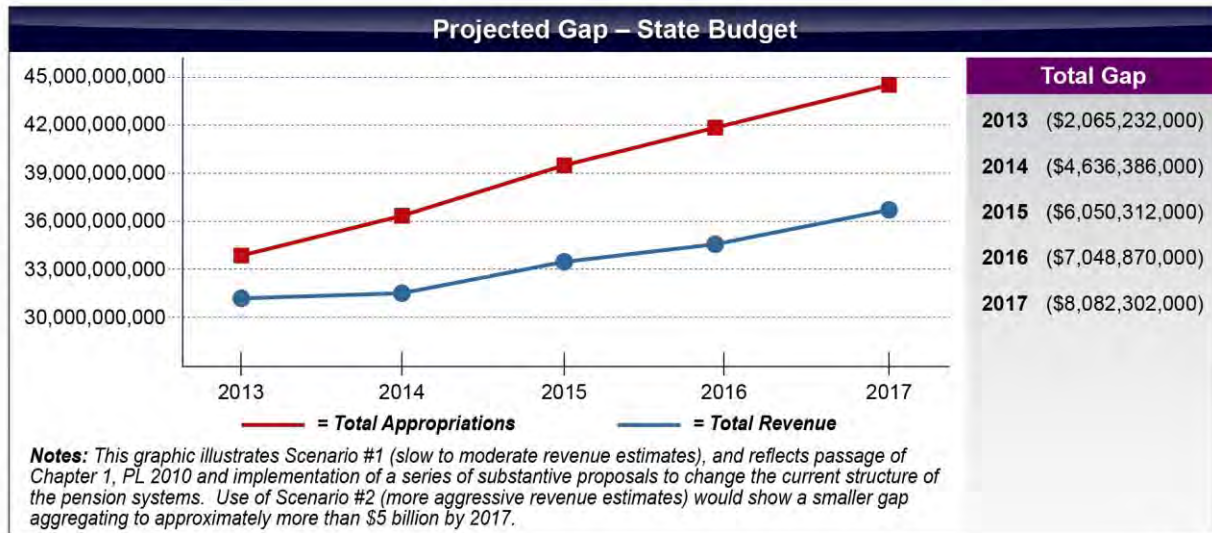
This means that policy makers will need to reduce the state’s spending patterns radically as no projected revenue increase is sufficient to match projected expenditures to fund ‘current services needs’. Moreover, implementation of good management techniques – re-organization, consolidation and downsizing of government services and functions to achieve better efficiency and effectiveness – will not close the gap.

Current services will need to be reduced significantly. To help make these radical changes, each *of us* in New Jersey must be part of a public discussion. Figure 12 provides a graphic representation of the projected state budget gap.

**A Necessary Conversation**

A major conclusion of this report is that New Jersey cannot only grow, or only cut, or only tax its way out of the problem. Lawmakers and citizens face a series of decisions that will require more careful prioritization of programs. The reality is that what is being funded by government today and what is anticipated for the future can no longer be sustained.

**Figure 12: Projected Gap - State Budget**



FOF2-11a

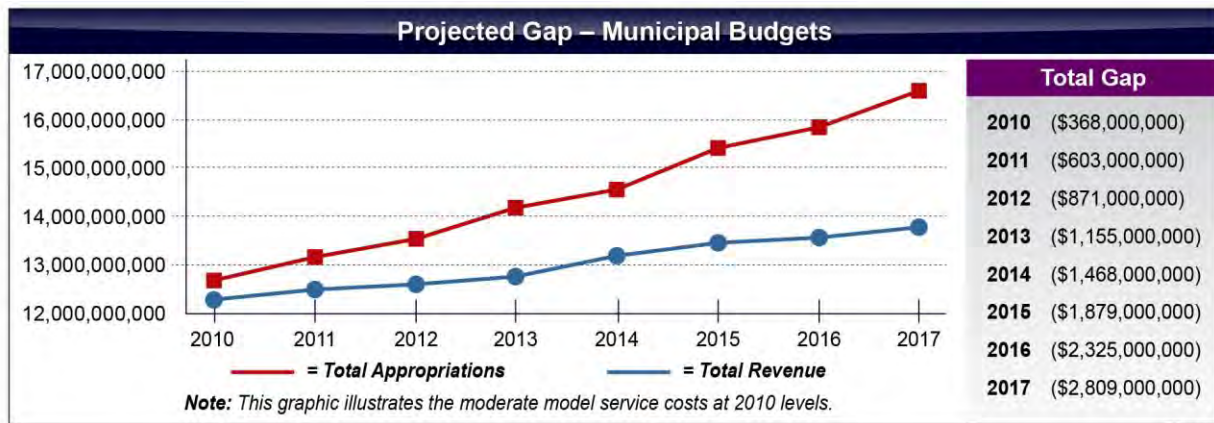
**Municipal Budgets**

*Facing Our Future's* research and analysis of the cost of municipal government in New Jersey explores challenges facing both elected and appointed officials as well as all citizens throughout the state. Together, we face the challenge of limited future financial resources with which to support local government services; in short, we all face a future in which municipalities will be unable to maintain current services.

.... we continue to anticipate statewide that resource allocation decisions addressing an **approximate \$2 billion shortfall** will need to be addressed by 2017. Update for *Facing Our Future: Municipal, County and School Estimates Facing Our Future Research Report*, page 6 (see Appendix 2: Budget Research and Reports)

Figure 13 provides a graphic representation of the projected municipal budget gap.

**Figure 13: Projected Gap - Municipal Budgets**



FOF2-12

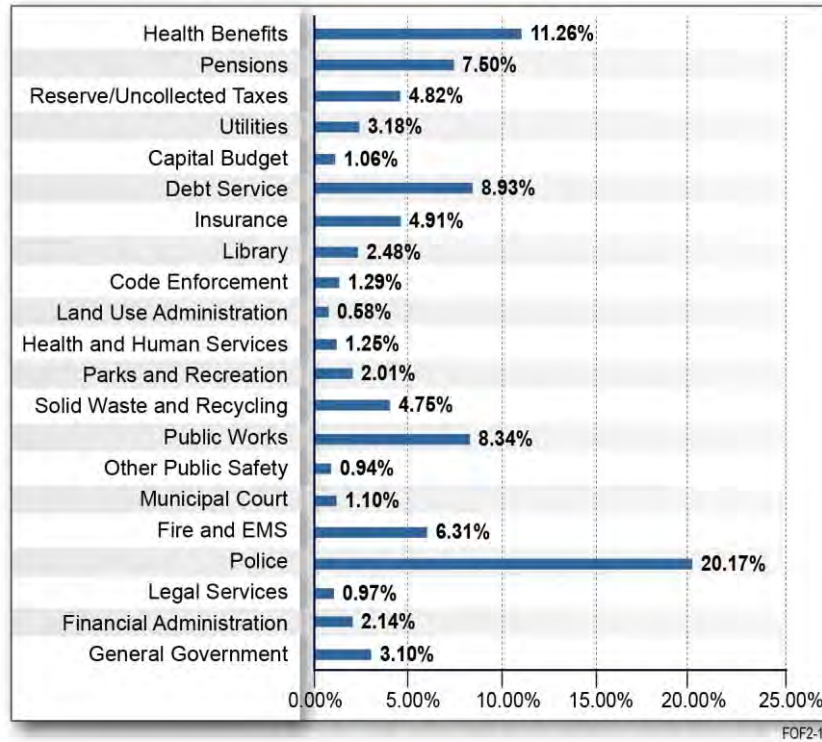
In other words, New Jersey’s municipalities will face a significant overall reduction in the level of services currently provided to each of us. Because various appropriations within municipal budgets are statutory and therefore are difficult to reduce, local officials will have a smaller range of choices from which to determine budget cuts. Low and/or no wage increases will not bridge the municipal budget gap. Because of that, we estimate that as much as 20 percent of current municipal services may need to be eliminated or transformed. This will require headcount reductions, reduction and elimination of services and the likely freezing of municipal wages and/or benefits for multiple years. *Facing Our Future* doesn’t suggest which municipal services should be offered. We are convinced, however, that there will *not* be sufficient revenue available in 2017 to support municipal operations at current services levels, requiring a new vision of how government services are provided.

A retrospective look at the contribution of the property tax to municipal budgets shows an increasing dependence upon that revenue source at precisely the same time that state aid is at its lowest level in years. The slow economic rebound continues to mitigate revenue from other non-property tax revenue. A rigid property tax levy cap has been imposed beginning in 2011, placing a restriction on the ability to offset revenue losses elsewhere. In effect, the evidence supports

fairly fixed revenue expectations without regard to the true cost of maintaining current service levels.

Lastly, we had access to improved data collection for approximately 500 of New Jersey’s municipalities as part of this *Facing Our Future* analysis, and can now provide a more comprehensive insight into municipal appropriations. Data from these municipal budgets provide a detailed basis upon which to project future costs of current services. Figure 14 presents a summary of the various categories (see *Section 3* for the graphic representation of spending by municipal government).

**Figure 14: Total Municipal Appropriations by Type (2010)**

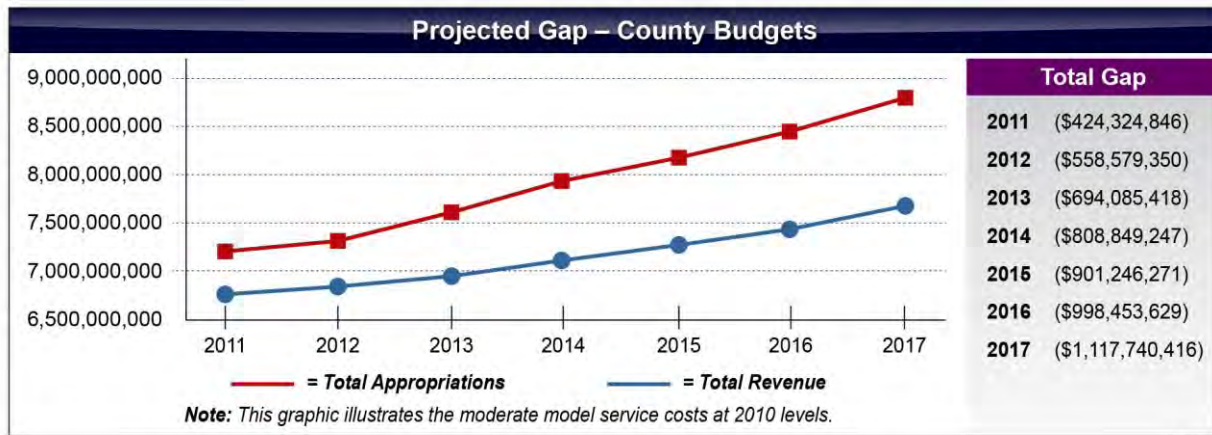


**County Budgets**

As with state and municipal budgets, county budgets face similar constraints. When applying updated information to our projection for the county level of government, including the phase-in of healthcare contributions by employees, we continue to project that by 2017, the revenue required to maintain current service levels will fall short across all 21 counties by approximately \$1 billion. Notably, appropriations at the county level of government show perhaps less freedom for flexibility than municipalities. Property taxes continue to represent the largest revenue source for counties – 63.2 percent. Increasingly, cost shift strategies are being implemented (wage freezes and contributions to health benefits), but these strategies only delay for a year or so the structural limits placed upon revenue from the 2 percent cap. Figure 15 provides a graphic representation of the projected county budget gap.



**Figure 15: Projected Gap - County Budgets**

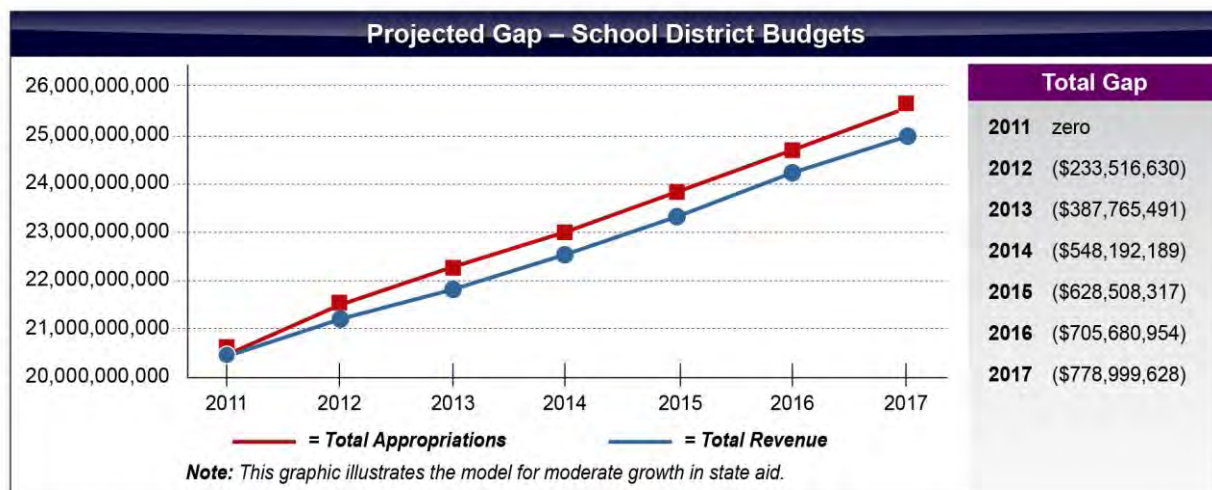


FOF2-13

**School District Budgets**

School district budgets and funding remain considerably more complex than municipal and county budgets – both in terms of size and in terms of the significant amount of state revenue they receive. As shown earlier in Figure 10 (see Section 3), aggregate school district spending represents 39.5 percent of all government spending in New Jersey. This is a slight decrease from the prior year’s 40 percent. Therefore, it is especially important to understand the school district budget environment. If New Jersey’s school districts are to maintain current levels of service delivery, they will need an additional \$3.3 billion over the next six years. Figure 16 provides a graphic representation of the projected school district budget gap, and shows the projected gap for each individual year.

**Figure 16: Projected Gap - School District Budgets**



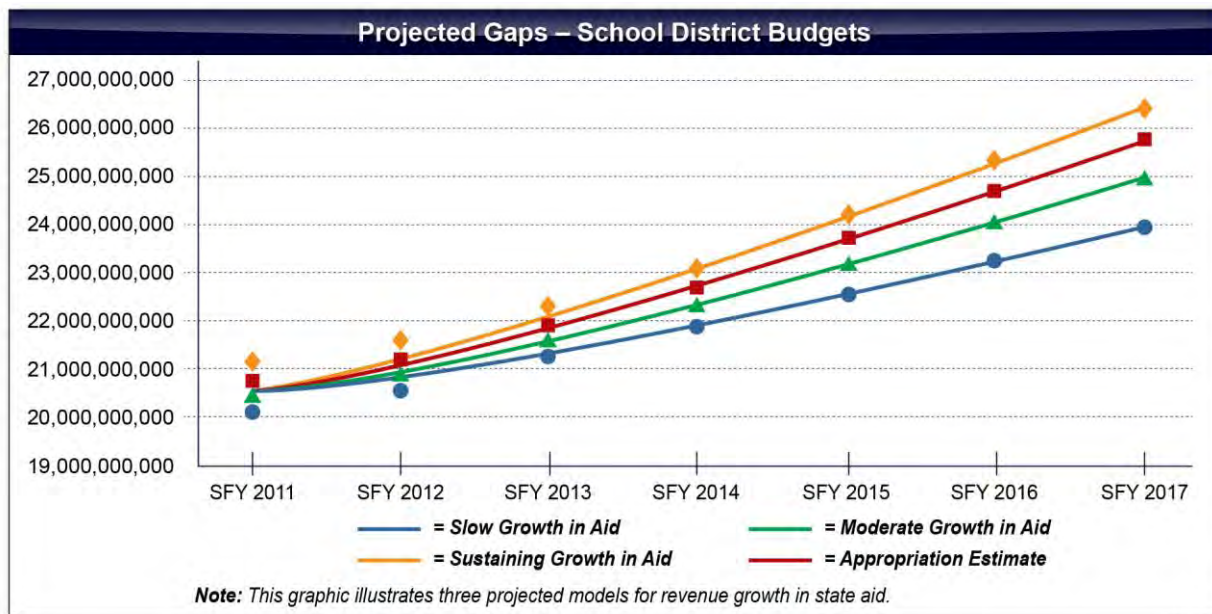
FOF2-25

As shown earlier in Figure 9 (see Section 3), the majority of all school expenditures are dedicated to salaries and ‘partial’ benefits. Because the state pays for all the employer’s share of teacher retirement costs – pensions and health benefits – we’ve used the term ‘partial’ to indicate that most benefit costs are not reflected in the school district budget. For example, the state pays

for post-retirement health benefits, debt service on pension bonds and social security. These school-related cost drivers are not included in the projected school district revenue shortfall for each year of our research.

We recognize that voter approval of school budgets may provide additional tax resources beyond the 2 percent property tax levy cap. This is entirely consistent with our analysis of estimating service shortfalls through 2017. If there is a hard property tax levy cap, tax dollars can be estimated fairly precisely. Any revenue shortfall can be addressed by one of two factors: a reduction in services to meet the shortfall, or an increase in revenue above the 2 percent property tax levy cap. Our analysis makes no judgment as to the most reasonable solution, as it will need to be addressed by each individual school district electorate. To address these variables, we've prepared a single graphic of the three different revenue models: slow revenue growth, moderate revenue growth and a sustained service revenue model that shows an increase in state aid of 7.5 percent over the period of our analysis. Figure 17 provides a graphic representation of each of these projected gaps, and shows the projected gap for each individual year.

**Figure 17: Variable Budget Gaps for School District Budgets**



FOF2-14

***Interdependencies, Surplus Funds and Revenue Limitations***

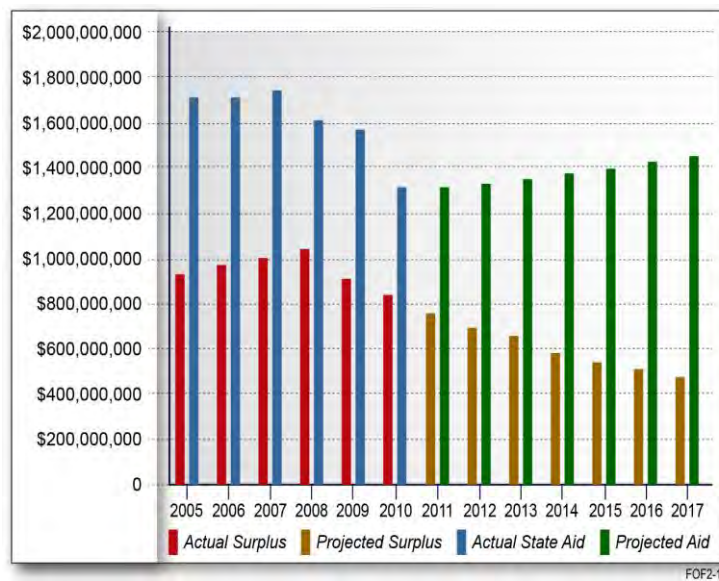
New Jersey’s municipalities face a future of increasing costs set against the existing revenue system to support those costs. There is a complex and ever-growing set of interdependencies across state policy decisions, court determinations and the revenue requirements for other levels of government. Additionally, 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.

We anticipated 2010 would see a ‘bump’ in the use of surplus funds as municipalities responded to multiple resource challenges. It appears that our original analysis presented in the 2011 *Facing*



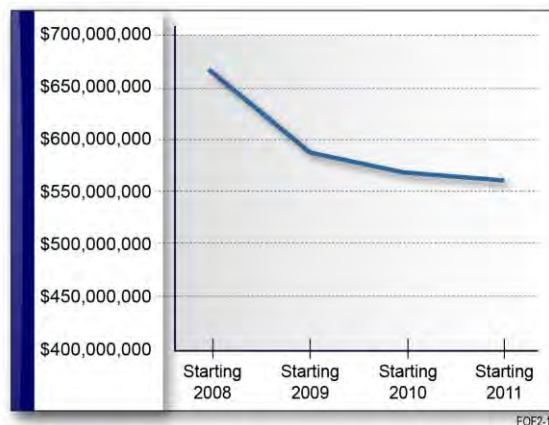
*Our Future* report was optimistic, as the ‘bump’ did not occur. Rather, our current analysis with respect to 2010, shows that surplus funds were used to offset a loss of state aid and that locally generated miscellaneous revenues actually declined. This may suggest that available fund balance resources had already been extensively culled, 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 our projections through 2017, but we continue to be conservative in our estimates. We estimate future increases in state aid to be no more than 2 percent annually by 2017. This stabilization of state aid results in state aid being a small proportion of total revenue in successive years, but the rate of decline is marginal. Figure 18 provides a graphic representation of the actual and projected revenue from state aid and surplus.

**Figure 18: Actual and Projected Revenue from State Aid and Surplus**



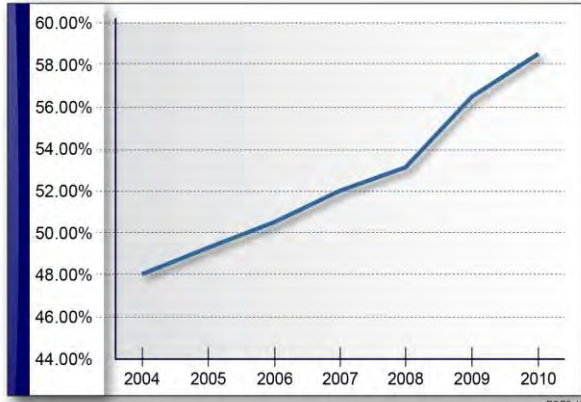
Similarly, there is a decrease in fund balance in county governments. Figure 19 shows the decreasing total fund balance available to counties.

**Figure 19: Total Fund Balance Available to Counties (Start of 2011 Fiscal Year)**

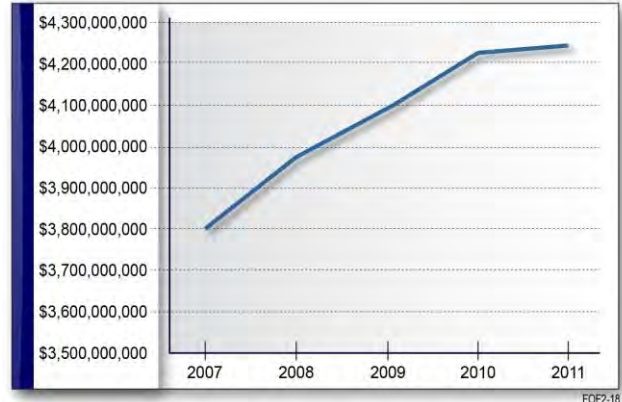


With reduced state aid and diminished availability of surplus, property taxes will continue to increase as a proportion of local revenue. Although the 2 percent property tax levy cap provides a significant ‘revenue control’ on all municipal appropriations, the nature of the excluded appropriation categories (i.e., pension, health benefits, debt service and capital) will certainly cause the municipal purpose tax to exceed the 2 percent cap. Figures 20 and 21 represent visual depictions of the property tax as a component of municipal and county budgets.

**Figure 20: Percent of Municipal Budgets Generated from the Property Tax**



**Figure 21: Property Tax Raised by County Government**



## Section 5 - The Option Examples

### 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?

*Facing Our Future* worked to identify 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 identified are already in use in our state, but they've been used in one or just a few areas of local government, or limited to just one or two jurisdictions.

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 21<sup>st</sup> 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.

#### Valuable New Jersey Resources

In addition to the many organizations identified in this report, the New Jersey State League of Municipalities (<http://www.njslom.org>), the New Jersey Association of Counties (<http://www.njac.org>) and the New Jersey School Boards Association (<http://www.njsba.org>) are valuable resources.

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 Process

Beginning in May 2011, *Facing Our Future's* Leadership Group gathered initial ideas about the variety of current best practices in government management, efficiency, cost savings and innovation. Through use of public information, online databases and published reports, we identified hundreds of existing best practices from within New Jersey and across the country (see *Appendix 4: Best Practices and Options Research*). This list was a starting point for discussion. 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 need to rethink and restart, not only to provide current services, but to innovate and invest for the future.

Early in our process, we saw that best practices in the areas we were reviewing – government management, efficiency, cost savings and innovation – could be grouped into 11 broad topics. The best practice areas also addressed the ideas of government modernization and fairness to citizens and stakeholders. These broad topics threaded throughout our look at other states and local governments and were consistent with recognized best practices throughout all levels of government:

- County tax assessment
- Criminal justice/corrections cost reform
- Election uniformity
- Emphasis on performance and Return on Investment (ROI)
- Medicaid administration
- Purchasing consolidation/cooperatives
- Real and consistent strategic plans
- School district reform
- Strengthened/enhanced county governments
- Tax structures and review of statutory limitations/changes
- Technology improvements and technology audit reviews

Incorporating these broad topics, we narrowed or expanded the original list through public discussion during the *Facing Our Future* outreach effort and at meetings of the larger Leadership Group. Additionally, we conducted follow-up conversations with representatives from almost 20 different organizations within New Jersey and across the country to determine additional best practices or innovative ideas that met the *Facing Our Future* guidelines for identifying options that could be considered for practical application in New Jersey. We agreed to:

- Consider only ideas that were in practice and could be transferred to New Jersey
- Disregard any ideas that merely moved the problem around (e.g., transferred the problem from one level of government to another)

Based upon the above process and guidelines, the *Facing Our Future* report (February 2012) identifies more than a dozen examples of best practices in government – options that we can consider and adapt here in New Jersey. Each of these options helps to support one or more of the basic questions we identified in our initial report and used throughout our public meetings, presentations and wide-ranging discussions (see *Figure 1: The Complexity of New Jersey's 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?

Lastly, we provide a description of other representative efforts around the country – and also in New Jersey – where concerned, informed groups of people are looking at ways to reinvent government for this new budget environment. We’ve provided descriptions of options to address the systemic problems associated with the projected service gaps across all levels of New Jersey government, and descriptions of options that can help us rethink government for the 21<sup>st</sup> century.

### ***Breadth of Options***

At the start of the 2011 *Facing Our Future* report, we wrote that there are no easy solutions and any solution requires one or more actions. We’ve reviewed options – or actions – that range from improved use of technology to creating efficiencies, through improved service delivery and generation of new sources of revenues. We looked at many areas, including centralizing functions, maximizing services, supporting creativity and rethinking government operations. We’ve looked at programs implemented successfully by others – and yes, sometimes an excellent option example exists here in New Jersey but only in a single local jurisdiction. One caveat: 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.

#### **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.

In some instances, we used the updated research to help guide our efforts. In other instances, we looked at the numerous examples of governments using formal criteria to help determine and define priorities. For example, the use of strategic planning and Return on Investment (ROI) to help drive budgeting decisions can be helpful in identifying services to strengthen – or to eliminate and redirect resources for higher priorities. The cities of Charlotte, North Carolina and Eugene, Oregon are among the many governments that employ elements of a formal, rigorous strategic planning process. The process used by each of those governments enables them to accomplish change in decision making regarding what services should be directly provided to residents versus services that can be delivered through contracts with private entities. New Jersey’s Best Practices checklist is an example of a statewide program that supports good governance and greater economic efficiency.

The 2011 *Facing Our Future* report – and this updated report – focused only on the projected gaps in current services, and not on the need for investments necessary for economic growth. At several of our public discussions – most notably in sessions at the Guarini Institute for Government and Leadership at Saint Peter’s College, the Walter Rand Institute for Public Affairs at Rutgers - Camden and at a PlanSmart NJ forum at the Woodrow Wilson School, Princeton University – we were asked specifically about how New Jersey government should address investment and economic growth. Although our identified options may touch on these areas, a more in-depth analysis is needed to fully explore those options.

Our review of national best practices consistently showed examples of how technology was essential in modernizing government operations and enabling government to meet 21<sup>st</sup> century challenge and change. Unfortunately, New Jersey has a history of underinvestment in technology: a representative from the Technology Council referenced a Gartner report



identifying New Jersey as often being ‘behind Mississippi’ in availability and effective use of technology.

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. In the past, New Jersey has addressed this issue – and identified possible remedies – through the Municipal Law Revision Commission. We should revisit those efforts to determine if they present new opportunities for today. Change doesn’t necessarily require a major restructuring of government; it can be a rethinking of how to do vital business as government. For example, California adopted statewide election reform that consolidated all elections into just two dates. Here in New Jersey, many municipalities and school districts have recently altered their election cycles. Charlotte, North Carolina, takes a different approach to change. Through managed competition – an umbrella term for a host of activities contained in their competitive bid program – that city was able to address the problem of balancing scarce resources against escalating costs of and demands for services.

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.

As stated in the 2011 *Facing Our Future* report and again in this updated report, we cannot only grow, or only cut, or only tax our way out of the current and well-publicized budget problems and still maintain the quality of life provided by current services. Through our research and discussions, we identified numerous examples to optimize government operations and maximize opportunity for efficiency; we also reviewed examples in other jurisdictions where *incentives* were created to increase government efficiencies.

### ***Option Examples***

Based upon the above process and breadth of options, we’ve identified the following options for further consideration and discussion in New Jersey – or for wider adoption in New Jersey. A brief bullet-point description of each option is presented below in alphabetical order. For more information on each of the options, see *Appendix 4: Best Practices and Options Research*.

- **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.

- **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):** Established by Governor Andrew Cuomo and staffed by the Rockefeller Institute, the SAGE (Spending and Government Efficiency) Commission is the first major redesign of state government since Governor Alfred E. Smith in 1927. 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. The Commission will deliver its final recommendations to the Governor by June 1, 2012. (See <http://www.governor.ny.gov/sage> for more information.)
- **GEM (Morris County, New Jersey):** Created in March 2010, 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. (See <http://www.governmentefficiencymovement.org> for more information.)
- **Beyond the Bottom Line – Ideas for the Future of Public Investment in Minnesota:** A group of six Minnesota foundations launched an initiative in 2010 to support decision makers in advancing strategies designed to reform public services in the state. As part of the initiative, they developed a series of policy and systems change ideas that serve as examples of positive reform. A report based on those ideas, *Beyond the Bottom Line*, includes sixteen recommendations. (See <http://www.citizing.org/projects/bottomline> for more information.)
- **Task Force on the State Budget Crisis:** Begun in June 2011, the Task Force on the State Budget Crisis is co-chaired by former New York Lieutenant Governor Richard Ravitch and former Federal Reserve Board Chairman Paul Volcker. Nicholas F. Brady, former United States Senator from New Jersey and United States Secretary of the Treasury, is a member of the board. 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. The project's final report is anticipated in mid-2012 and will:

- Document structural deficits faced by study states, the causes of those deficits, and how they will, if unchecked, importantly affect state investments and services in future years
- Document how existing financial practices not only hide these deficits, but encourage them
- Make recommendations about the kinds of changes that could restore balance and improve the ways governments make decisions about budgets. This project will develop large-scale options that are sufficient to solve each state's longer-term structural problems. Options will be examined in areas that have major impacts on budgets, including, for example, options relating to pensions and retiree health care, taxation, Medicaid, and education
- Reach audiences who matter. This is not an academic project; the Task Force wants to educate federal, state, and local government policymakers, and those who can influence them. The Task Force will ensure that the problems and possible solutions are on the agenda of federal and state policymakers. (See <http://www.statebudgettaskforce.info> for more information.)

## Section 6 - 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 this *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 this 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.

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 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.

The data presented by *Facing Our Future* (see *Appendix 2: Budget Research and Reports*) outline the critical situation we are certain to face in New Jersey in the coming years, and

illustrates 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 Impact

No person in New Jersey will escape the ramifications of the systemic problems identified throughout this report. 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 19<sup>th</sup> century landscape and operation, must change to meet the needs of today – and the 21<sup>st</sup> century.

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.

To face the 21<sup>st</sup> 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.

*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 accompanying 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 (see *Appendix 4: Best Practices and Options Research*).

What Happens Next?
<ul style="list-style-type: none"><li>▪ Work through other organizations to engage in an active outreach effort</li><li>▪ Seek media exposure</li><li>▪ Encourage further analysis of the ever-expanding number of best practices</li><li>▪ Remember that each of us is an essential part of the answer to “What’s next?”</li></ul>

*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**.

In conclusion, 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.

### **What Can I Do?**

*The core questions critical to our future are simple, and every person can help promote discussion: what are our priorities; are we organized effectively and efficiently to deliver on those priorities within all levels of our government: state, county, municipal and school district; and how should we fund those priorities?*

*Support discussion of proven best practices and ideas for how to rethink New Jersey for the 21<sup>st</sup> century. Consider ideas that are in place elsewhere in New Jersey, or even at other levels of government. Can the ideas be adapted to work in your community, county or school district? Can they be adapted for state government implementation?*

## APPENDIX 1: Facing Our Future - The Leadership Group

*The Council of New Jersey Grantmakers (CNJG) assembled a Leadership Group to drive the discussion and research effort on behalf of Facing Our Future. The Leadership Group reflects bipartisan – and nonpartisan – perspectives, and includes individuals who offered their time and deep knowledge of New Jersey to consider the important fiscal and strategic issues facing our future. The group demonstrates lifetimes of commitment to New Jersey, supported by careers with deep and senior experience working within diverse areas of this state and other jurisdictions – including government, law, politics, the foundation community, business and academe.*

LEADERSHIP GROUP		
MEMBER	CURRENT POSITION(S)	CAREER HIGHLIGHTS
<b>Nancy Becker</b>	<i>Program Development Associate, Program on the Governor, Eagleton Institute of Politics, Rutgers University; Vice Chair of the Board, Capital Health Systems</i>	President, Nancy Becker Associates 1976/2006; <b>Vice Chair of the Board, NJ Turnpike Authority</b> 1994/2002
<b>William H. Byrnes</b>	<i>Vice President of Grants, F.M. Kirby Foundation; Chairperson, Council of NJ Grantmakers</i>	Program Officer, F.M. Kirby Foundation 2000/2010; previous positions with the Morris County Department of Human Services, Morristown Memorial Hospital, the March of Dimes and the Boys & Girls Club of Trenton
<b>Raphael J. (“Ray”) Caprio</b>	<i>“University Professor” named by the Rutgers Board of Governors to work with the Edward J. Bloustein School of Planning and Public Policy at Rutgers – The State University of NJ</i>	Vice President, Division of Continuing Studies at Rutgers, The State University of NJ; Executive Director, Center for Executive Leadership in Government at Rutgers and Professor of Public Administration; Department Chair (various departments) at Rutgers; Senior Associate Academic Dean at Rutgers’ Newark College of Arts and Sciences (NCAS); Acting NCAS Dean, Associate Provost (Newark)
<b>Sam Crane</b>	<i>Principal, CraneConsulting LLC; Trustee, Council of NJ Grantmakers</i>	Senior Vice President - External Affairs, Maher Terminals LLC 2000/2008; President, Regional Business Partnership 1994/2000; <b>NJ State Treasurer</b> 1992/1994
<b>Kathy Crotty</b>	<i>Retired; Visiting Associate, Eagleton Institute of Politics; Trustee, New Jersey Policy Perspective</i>	<b>Executive Director, NJ Senate Majority Office</b>
<b>Christopher J. Daggett</b>	<i>President and CEO, The Geraldine R. Dodge Foundation</i>	<b>Commissioner - NJ Department of Environmental Protection</b> 1988/1989; <b>US Environmental Protection Agency, Regional Administrator, Region 2</b> 1984/1988; <b>Cabinet Secretary to the</b>

Facing Our Future

LEADERSHIP GROUP		
MEMBER	CURRENT POSITION(S)	CAREER HIGHLIGHTS
		<b>Governor, NJ 1983/1984; Deputy Chief of Staff to the Governor, NJ 1982/1983</b>
<b>Hans Dekker</b>	<i>President, Community Foundation of NJ; Past Chairperson, Council of NJ Grantmakers</i>	Executive Vice President, Baton Rouge Area Foundation; Member, Southeastern Council on Foundations' Community Foundation Committee; Commissioner, Louisiana Housing Finance Agency
<b>Robert Del Tufo</b>	<i>Of Counsel, Skadden, Arps, Slate, Meagher &amp; Flom, LLP and Affiliates</i>	<b>Attorney General, NJ 1990/1993; Commissioner, NJ State Commission of Investigation 1981/1984; US Attorney for the District of NJ 1977/1980; First Assistant Attorney General, NJ 1974/1977; Director, Division of Criminal Justice 1976/1977; Assistant Prosecutor, Morris County 1962/1967; First Assistant Prosecutor 1965/1967</b>
<b>W. Cary Edwards</b>	Cary Edwards was a life-long New Jerseyan, and an important voice and participant in the early discussions that resulted in <i>Facing Our Future</i> . Cary served as <b>Chairman, NJ State Commission of Investigation, Attorney General, NJ (1986/1989)</b> , and as a <b>Member of the NJ General Assembly (1978/1982)</b> ; we were saddened by his death on October 20, 2010.	
<b>John Farmer</b>	<i>Dean, Rutgers School of Law - Newark</i>	<b>Attorney General, NJ 1999/2002; Assistant Counsel, Deputy Chief Counsel, and Chief Counsel for the Office of the Governor 1999; Senior Counsel and Team Leader for the National Commission on Terrorist Attacks Upon the United States (commonly known as the 9/11 Commission); President - Board of Trustees of the New Jersey Institute for Social Justice; Member, New Jersey Governor's Ethics Advisory Board</b>
<b>Feather O'Connor Houstoun</b>	<i>Retired</i>  <i>Member, Philadelphia School Reform Commission (SRC)</i>	President, William Penn Foundation 2005/2011; <b>PA Secretary of Public Welfare 1995/2002; CFO Southeastern PA Transportation Authority (SEPTA) 1990/1995; NJ State Treasurer 1986/1990</b>
<b>Robert Hughey</b>	<i>Principal, REHughey, LLC</i>	Associate Vice President for Strategic Initiatives, New Jersey Institute of Technology; <b>Chief - NJ Economic Recovery 1993; Commissioner - NJ Department of Environmental Protection 1982/1986; County Administrator, Atlantic County</b>

Facing Our Future

LEADERSHIP GROUP		
MEMBER	CURRENT POSITION(S)	CAREER HIGHLIGHTS
<b>Beth Kiyoko “Kiki” Jamieson</b>	<i>President, The Fund for New Jersey</i>	Director, Pace Center for Civic Engagement at Princeton University; Lecturer in Politics, Princeton University; previous teaching positions at the University of Pennsylvania, Haverford College and Rutgers University
<b>Richard F. Keevey</b>	<i>“Distinguished Practitioner in Residence”, School of Public Affairs and Administration, Rutgers University - Newark</i>	<b>NJ State Budget Director and Comptroller</b> (under two governors); <b>Deputy Under Secretary of Defense for Finance; Chief Financial Officer - US Department of Housing and Urban Development;</b> Practice Director - Andersen LLP and Unisys Corporation
<b>Deborah T. Poritz</b>	<i>Chair, Board of Trustees, Legal Services of NJ; Member, Board of Trustees, Fund for New Jersey; Vice Chair, Board of Trustees, Princeton Health Systems; Visiting Jurist Emerita-in-Residence at Rutgers Schools of Law Newark and Camden; Of Counsel, Drinker Biddle &amp; Reath LLP</i>	<b>Chief Justice, NJ Supreme Court</b> 1996/2006; <b>Attorney General, NJ</b> 1994/1996; <b>Chief Counsel to the Governor</b> 1989
<b>Oliver Quinn</b>	<i>Senior Counselor, Taft and Partners; President, New Jersey Public Policy Research Institute (NJPPRI)</i>	Vice President - Prudential Financial 1995/2009; <b>Deputy Solicitor - US Department of Labor</b> 1993/1995; <b>Deputy Commissioner - NJ Dept of Labor</b> 1990/1993; Administrative Law Judge 1988/1990; <b>Counsel/Chief of Staff - NJ Public Advocate</b> 1985/1988; Executive Director, Urban League of Essex County 1983/1985
<b>Ingrid Reed</b>	<i>Retired</i>  <i>Board Chair, www.njspottlight.com;</i> <i>Chair, Governor’s Task Force on Local Government Ethics; founder and member of the Board, NJ Future; Former Chair, Capital City Redevelopment Corporation</i>	<b>New Jersey Project Director, Eagleton Institute of Politics, Rutgers University</b>
<b>Robert L. Smartt</b>	<i>Retired</i>  <i>Visiting Associate, Eagleton Institute of Politics, Rutgers University</i>	<b>Deputy NJ State Treasurer</b> 2001/2007 and 1992/1994; <b>Administrator, NJ Office of Telecommunications &amp; Information Systems</b> 1990/1992; <b>Deputy Director, Assembly Majority Office</b> 1976/1983; senior management positions in planning, policy analysis and public affairs at the Port Authority of NY & NJ

## Facing Our Future

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LEADERSHIP GROUP		
MEMBER	CURRENT POSITION(S)	CAREER HIGHLIGHTS
<b>Nina Stack</b>	<i>President, Council of NJ Grantmakers (CNJG)</i>	<b>Director - External Affairs, NJ State Council on the Arts</b> 1988/2005
<b>Charles Venti</b>	<i>Executive Director, The Nicholson Foundation</i>	Deputy Director, The Nicholson Foundation 2002/2010; <b>Director, New Jersey Division of Youth and Family Services (DYFS)</b> 1998/2002; various positions at DYFS 1975/1998



## APPENDIX 2: Facing Our Future - Budget Research and Reports

*The information presented in this report used data obtained from nonpartisan sources. Throughout the process, the Leadership Group for Facing Our Future directed that all research was to be based on data – and was not to assign targets or blame, nor to provide recommendations or opinion. The assembled data would be the basis to inform public discussion.*

*Facing Our Future* retained two highly respected, separate providers of independent research and analysis – both deeply steeped in New Jersey knowledge and experience. As with the initial *Facing Our Future* report (January 2011), Richard F. Keevey and Raphael J. (“Ray”) Caprio, Ph.D. coordinated the research effort; the Center for Executive Leadership in Government at Rutgers, The State University of New Jersey, provided supplemental research support and analysis for the municipal, county and school data. Kathe Callahan, Ph.D. and Leila Sadeghi, Ph.D. conducted the research and analysis pertaining to school district funding. Dr. Callahan is the Associate Director of the Center for Executive Leadership in Government (CELG) at Rutgers University; Dr. Sadeghi is an Assistant Professor of Educational Leadership at the Nathan Weiss Graduate College at Kean University. Work across the research groups was coordinated to ensure alignment of assumptions (see *Appendix 3: Research Assumptions*). Maryanne E. Preztunik served as Project Coordinator for the overall *Facing Our Future* effort.

The research coordinated by *Facing Our Future* for the initial report in January 2011 established a baseline that outlined the challenges – using current forecasts – that faced the state for five years (through 2016). The research for the updated report (February 2012) again establishes a baseline that outlines the challenges – using current forecasts – that will be facing the state for the next five years (through 2017). As with the initial *Facing Our Future* report, the research provides several projected ‘scenarios’ to capture the budgetary realities facing state and local governments, illustrates ‘trade-offs’ that may have occurred or are under consideration, and identifies the critical need for public investment. The scope of research focuses on two areas:

- Identification of a “Current Services Budget” for the State of New Jersey for FY2017 – and for each interim year

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**Richard F. Keevey** is “Distinguished Practitioner in Residence”, School of Public Affairs and Administration, Rutgers University - Newark. Two separate governors appointed Mr. Keevey as the State Budget Director and State Comptroller for New Jersey. In addition, he has held appointments by the President as the Chief Financial Officer (CFO) for the U.S. Department of Housing and Urban Development, and as the Deputy Under Secretary of Defense for Financial Management. Mr. Keevey was Practice Director for Andersen LLP and Unisys Corporation.

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**Raphael J. (“Ray”) Caprio, Ph.D.** is “University Professor” named by the Rutgers Board of Governors to work with the Edward J. Bloustein School of Planning and Public Policy at Rutgers – The State University of NJ. Until December 31, 2011, Dr. Caprio served as Vice President for the Division of Continuing Studies at Rutgers, The State University of New Jersey and Executive Director of the Center for Executive Leadership in Government (CELG) at Rutgers University, and a Professor of Public Administration.

- Analysis of county, municipal and school budgets at the statewide aggregate level to determine current revenues and expenditures and to model five years out (to 2017)

### ***Scope of Research***

*Current Services Budget* for the State of New Jersey for FY2017 (and for each interim year): includes a projection of the cost of full funding of all current statutory requirements, including requirements for inflation, caseload changes, costs mandated by statute or court order and the annualization of partial year costs. It assumes that the current tax structure is maintained during the period of analysis – specifically, there are no increases or decreases in the base or rates for the existing taxes and other revenues. On the revenue side, the report develops two possible scenarios for the above Current Services Budget: (1) a slow (early years) to moderate growth scenario; and (2) a slow (early years) to a more aggressive scenario. A current service projection is a common baseline technique used to analyze future needs, and is an acceptable starting point from which program priorities and ultimately program reductions are developed. Current services projections should be used carefully, as they have never been ‘real’ numbers in terms of final budget recommendations. Ultimately, final budget recommendations are based on revenue availability and a set of priorities developed by the Governor and the Legislature.

*County, Municipal and School Budgets*: includes creation of scenario assumptions to model expenditures five years out (to 2017). Budget projections considered the Current Services Budgets indicated above as well as the possible/likely stressors on appropriations (i.e., the size and proportion of service cuts, continued reductions in state aid). Reasonable, informed adjustments were projected and documented. The analysis performed for *Facing Our Future* used unbiased, nonpartisan data obtained from county, municipal and school budgets at the statewide aggregate level to determine current revenues and expenditures. This information enabled the creation of scenario assumptions to model expenditures five years out (to 2017).

### **Report**

Taken in its entirety, the data coordinated by *Facing Our Future* enables projections for the state, municipalities, counties and school districts. The resulting report outlines the continued seriousness of the situation we will face in New Jersey in the coming years, and uses the research results to build the foundation for communicating with key elected officials and policymakers, interested foundations, issue advocacy organizations and the general public. Additionally, the report presents the list of questions – grouped by four broad categories – as identified in the January 2011 report to stimulate and structure public discussion and decision regarding our collective future in New Jersey. The questions provided a framework for identification and analysis of the separate options research (see *Appendix 4: Best Practices and Options Research*).

The detailed research reports used to develop this report are available online at [www.cnjg.org/facingourfuture](http://www.cnjg.org/facingourfuture) and at [www.facingourfuture.org](http://www.facingourfuture.org).

### **APPENDIX 3: Facing Our Future - Research Assumptions**

*Facing Our Future retained respected, separate providers of independent research and analysis (see Appendix 2: Budget Research and Reports). Work across the research groups was coordinated to ensure alignment of assumptions.*

All documents prepared as part of the *Facing Our Future* effort are available online at [www.cnjg.org/facingourfuture](http://www.cnjg.org/facingourfuture) and at [www.facingourfuture.org](http://www.facingourfuture.org).

Detailed assumptions for the state's Current Services Budget are contained in the following documents:

- Exhibit I - Current Service Projection – Scenario #1, Slow to Moderate Revenue Growth
- Exhibit II - Current Service Projection – Scenario #2, More Aggressive Revenue Growth
- Exhibit III - Notes to Revenue Projections for New Jersey Current Services Projection
- Exhibit IV - Notes to Appropriation Projections for New Jersey Current Services Budget Projection

Similarly, all of the municipal, county and school aid models have detailed annual Cost of Living Adjustment (COLA) figures contained in the following document:

- *Facing Our Future* – Final Update Report: Municipal, County and School District Estimates

## APPENDIX 4: Facing Our Future - Best Practices and Options Research

*In the months immediately following the Facing Our Future report's January 2011 release, the Leadership Group conducted an outreach program to inform the public about the scope, nature and extent of the future funding issue. At every session, the most frequently asked question was "what's next and what are the options?" Motivated by that focus and expressed interest, the Leadership Group reconsidered its original plan – to select a small sample of municipalities across the state and create representative vignettes of the future reality for each of the sample municipalities. In its place, the Leadership Group looked to identify proven ideas from our state and in other jurisdictions across the country to use as a guide for how to provide essential government services in an effective and efficient 21st century environment.*

Beginning in May 2011, a subgroup of the Leadership Group worked with Maryanne E. Preztunik, Project Coordinator for the overall *Facing Our Future* effort, to gather initial ideas about the variety of current best practices in government management, efficiency, cost savings and innovation. Through use of public information, online databases and published reports, the subgroup identified approximately 750 existing best practices from within New Jersey as well as from across the country. This list created a starting point for discussion, review and analysis.

The subgroup narrowed or expanded the original list through discussion with citizens through the *Facing Our Future* outreach effort and at meetings of the larger Leadership Group. Additionally, the subgroup conducted follow-up conversations with representatives from almost 20 different organizations within New Jersey and across the country to determine additional best practices or innovative ideas that met the *Facing Our Future* goals:

- Consider only ideas that were in practice and could be transferred to New Jersey
- Disregard any ideas that merely moved the problem around (e.g., transferred the problem from one level of government to another)

As the subgroup narrowed and vetted the working list – first to nearly 150 ideas, then halved again to approximately 75 – they focused on being able to provide the following information for each selected best practice:

- Describe the best practice
- Explain how it was accomplished
- Identify the length of time it took to implement and achieve results

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### **Most Frequently Represented Areas of State and National Best Practices Examples** (alphabetical):

- County Tax Assessment
- Criminal Justice/Corrections
- Cost Reform
- Election Uniformity
- Emphasis on Performance and Return on Investment (ROI)
- Medicaid Administration
- Purchasing
- Consolidation/Cooperatives
- Real and Consistent Strategic Plans
- School District Reform
- Strengthened/Enhanced County Government
- Tax Structures and Review of Statutory Limitations/Changes
- Technology Improvements and Technology Audit Reviews

- Share practical lessons that might help others avoid problems and save time
- Identify what New Jersey would have to do to achieve similar results
- Explore how New Jersey – at one or more levels of government – might adapt the best practice to improve efficiency and effectiveness in the 21st century

The subgroup used three independent researchers to provide assistance in obtaining financial data and description(s) for the selected best practices. Joseph Blaney is an independent consultant with more than a decade of experience in research and government policy. He has served in government and business positions as senior counsel, policy director and general counsel. Kathe Callahan, Ph.D. is the Associate Director of the Center for Executive Leadership in Government (CELG) at Rutgers University, and worked with *Facing Our Future* to provide research and analysis on local government for both the initial report in January 2011 and the updated report in 2012 (see *Appendix 2: Budget Research and Reports*). Paul Saeman is Director of Workforce Development at The Nicholson Foundation. He has developed and implemented welfare reform initiatives in several states, with a special emphasis on employment and training.

The intent of the options research is twofold: provide a list of practical options that can be implemented in New Jersey, and serve as an ongoing reference and catalyst for other ideas that address our need to establish priorities and enable state government and service delivery to meet 21<sup>st</sup> century needs. The intent is not to provide a blueprint of all solutions, nor is it to close the funding gaps that exist at all levels of government. Based upon the above process, the *Facing Our Future* report (February 2012) identifies more than a dozen options in government, and recommends how New Jersey can adapt and implement these ideas. In alphabetical order, the identified options are:

- 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)

A detailed summary of each of these options, the publically-available reports/research material used to inform the options, the initial list of nearly 750 ideas and the list of almost 20 different organizations contacted to explore additional options and best practices for *Facing Our Future* is available online at [www.cnjg.org/facingourfuture](http://www.cnjg.org/facingourfuture) and at [www.facingourfuture.org](http://www.facingourfuture.org). A short summary of each of the options is presented in the following pages, and provides an example (or examples) in a specific area of service; the principles, however, are applicable to other unrelated services. Table 2 presents a guide to the short summary description for each option.

**Table 2: Summary of Options**

SUMMARY OF OPTIONS	
OPTION	PAGE
Adopting an Internet Sales Tax	A4-4
Centralizing Emergency Response Systems	A4-4
Combining Efforts to Maximize Special Services	A4-5
Consolidating Information Technology (IT) Services and Reviewing Aging Infrastructure	A4-6
Expanding e-government and Integrating One-Stop Resources – Access Washington (State of Washington)	A4-7
Expanding e-government and Integrating One-Stop Resources – City of Albany, Oregon	A4-7
Expanding e-government and Integrating One-Stop Resources – MCUrgent (Morris County, New Jersey)	A4-8
Expanding e-government and Integrating One-Stop Resources – Using Social Media	A4-8
Exploring Transition of Developmental Disability Services to Home- and Community-based Care	A4-9
Identifying – and Incentivizing – Successful Implementation of Shared Services	A4-10
Identifying Creativity and Change in Purchasing Operations – Cooperative Purchasing	A4-11
Identifying Creativity and Change in Purchasing Operations – Reverse Auctions	A4-11
Implementing County Administration of School Districts	A4-12
Rightsizing Deployment (Police, Fire, Emergency Response)	A4-12
Sharing Examples of Municipal Consolidation	A4-13
Supporting Countywide Tax Assessment	A4-13
Using Medicaid for Health and Behavioral Health Services in County Juvenile Detention Centers (Pre-Adjudication)	A4-14

*A short summary of each of the options is contained in the following pages, and presents an example (or examples) in a specific area of service; the principles, however, are applicable to other unrelated services.*



**Option Summary: Adopting an Internet Sales Tax**

<b>Adopting an Internet Sales Tax</b>	
Location	N/A
Description Extract	<ul style="list-style-type: none"> <li>▪ Explores revenue and job creation benefits</li> <li>▪ Supports 'fairness' for in-state and small business vendors vs larger online non-New Jersey enterprises</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Improves collection of currently foregone Sales and Use Tax</li> <li>▪ Reduces magnitude of current internet-based Sales and Use Tax losses</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Eliminates 7 percent advantage currently enjoyed by some out-of-state e-commerce vendors</li> <li>▪ Shifts commerce back to in-state brick and mortar retailers and in-state online retailers</li> <li>▪ Increases employment and other direct and indirect economic impacts</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Action is subject to Congressional legislation; Pennsylvania and California currently have state legislation anticipating eventual change in Federal laws</li> <li>▪ Requires that New Jersey simplify the sales tax collection process to collect tax from online retailers</li> </ul>

**Option Summary: Centralizing Emergency Response Systems**

<b>Centralizing Emergency Response Systems</b>	
Location	Gloucester County, New Jersey
Description Extract	<ul style="list-style-type: none"> <li>▪ Regionalized, county-based dispatching services for all of the county's fire departments, police departments, ambulance squads, and paramedic units</li> <li>▪ Regionalized, county-based emergency medical services (EMS)</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Includes up to 16 of the county's 24 municipalities</li> <li>▪ Markedly improved services with quicker response times</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ \$6.2 million savings (2010)</li> <li>▪ \$2.8 million in avoided costs for regionalized EMS (2010)</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Successful in Gloucester</li> <li>▪ Provides excellent example of applicability across jurisdictions</li> </ul>

**Option Summary: Combining Efforts to Maximize Special Services**

<b>Combining Efforts to Maximize Special Services</b>	
Location	92 School Districts in 8 New Jersey Counties as Sussex County Regional Transportation Cooperative (SCRTC)
Description Extract	<ul style="list-style-type: none"> <li>▪ Combines efforts to secure efficient pupil transportation routes</li> <li>▪ Provides transportation for special education students, non-special needs students of public, nonpublic, vocational-technical and charter schools</li> <li>▪ Also provides student transportation for after school activities and extra-curricular activities</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Coordinates bus routes to maximize efficiency and cut costs</li> <li>▪ Provides for own Board of Directors and employs 3 staff members, 5 drivers and 1 mechanic</li> <li>▪ Leases 8 handicapped-accessible vans</li> <li>▪ Requires resolution by government body</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Self-funded by districts; no financial support provided by state</li> <li>▪ Decreased transportation costs by at least 50 percent by sharing cooperative routes with other districts</li> <li>▪ In 2010-2011 created greater additional efficiencies resulting in more than \$1 million in cost savings for 9 member districts, with one district alone saving \$205,000</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Already applicable and successful</li> </ul>

**Option Summary: Consolidating Information Technology (IT) Services and Reviewing Aging Infrastructure**

<b>Consolidating Information Technology (IT) Services and Reviewing Aging Infrastructure</b>	
Location(s)	Washtenaw County and Ann Arbor, Michigan Brookings Institute (report)
Description Extract	<ul style="list-style-type: none"> <li>▪ Consolidated data centers and collaboration on Information technology (IT) infrastructures and applications</li> <li>▪ Cloud computing provides high satisfaction and secure, reliable environments with advanced technology and reduced costs</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Washtenaw County and City of Ann Arbor operate as separate departments but partner on many initiatives</li> <li>▪ Increased efficiency and reduced costs</li> <li>▪ Solved space, power and reliability challenges</li> <li>▪ Original consolidation of data center opened door for other opportunities</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ \$2.5 million saved in operations</li> <li>▪ \$1.2 million saved in capital costs</li> <li>▪ Common operation reduces purchasing costs by 50 percent and eliminates redundancy</li> <li>▪ \$500,000 saved in 18 months on other collaborations</li> <li>▪ Between 25 and 50 percent savings associated with IT operations (cloud computing per Brookings Institute report)</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Supports importance of Governor’s proposed investment of \$5.5 million to modernize some of New Jersey’s most aged computer operations</li> </ul>
Other Info	<ul style="list-style-type: none"> <li>▪ New Jersey government(s) regularly viewed by IT industry as ‘seriously behind’ in IT – creating inefficiency and impeding growth</li> </ul>

**Option Summary: Expanding e-government and Integrating One-Stop Resources – Access Washington (State of Washington)**

<b>Expanding e-government and Integrating One-Stop Resources – Access Washington (State of Washington)</b>	
Location	State of Washington
Description Extract	<ul style="list-style-type: none"> <li>▪ Presents single face to public residents, visitors and businesses</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Continually evolved since 1999</li> <li>▪ Supports economic growth and government transactions that typically had required face-to-face transaction</li> <li>▪ Promotes public services to citizens and businesses</li> <li>▪ Expands access to government</li> <li>▪ Offers easy and convenient process for online transactions</li> <li>▪ Accelerates delivery of quality government services</li> <li>▪ Utilizes numerous social media platforms</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Not designed to save money but to promote access and efficiency</li> <li>▪ Enabled by ongoing investment in technology and modernization in government</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Creates effective model to address need for modernization while improving communication and increasing efficiencies</li> </ul>
Other Info	<ul style="list-style-type: none"> <li>▪ Received numerous awards for presenting one face of government to citizens and general public</li> </ul>

**Option Summary: Expanding e-government and Integrating One-Stop Resources – City of Albany, Oregon**

<b>Expanding e-government and Integrating One-Stop Resources – City of Albany, Oregon</b>	
Location	Albany, Oregon
Description Extract	<ul style="list-style-type: none"> <li>▪ Allows high level of citizen interaction with local government</li> <li>▪ Creates dashboard tool to provide current financial and performance data</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Enables payment of bills (i.e., water, sewer), provides access to permit information and supports creation of citizens reports (i.e., parked cars, junk, speeders, drug events)</li> <li>▪ Encourages wide-spread information sharing</li> <li>▪ Took one month to design and implement</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Not designed to save money but to promote transparency</li> <li>▪ No additional costs beyond staff-time; used free relational database management system</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Supports citizen interest in transparency and ability to increased online interaction with local government</li> </ul>
Other Info	<ul style="list-style-type: none"> <li>▪ Recognized as one of the '10 great public sector websites' by Government Computer News (GCN)</li> </ul>

**Option Summary: Expanding e-government and Integrating One-Stop Resources –  
MCUrgent (Morris County, New Jersey)**

<b>Expanding e-government and Integrating One-Stop Resources – MCUrgent (Morris County, New Jersey)</b>	
Location	Morris County, New Jersey
Description Extract	<ul style="list-style-type: none"> <li>▪ Shares official emergency information from multiple towns in one 'stream' during a multi-jurisdictional emergency</li> <li>▪ Utilizes power of social media – Twitter, Facebook, text messaging – and desktops, laptops, tablet devices and phones</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Free to towns and constituents</li> <li>▪ Captures information at its source</li> <li>▪ Guided by Freeholder sponsor and Morris County Office of Emergency Management (OEM)</li> <li>▪ Design time was approximately 1 month; setup was completed in approximately 2 days</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Publishing application was expensive, but team believes that reach of social media is worth the cost/investment</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Morris County Board of Freeholders believes that it is applicable in every New Jersey county, and can be replicated for school districts</li> <li>▪ Moves government directly into the new paradigm of communications</li> </ul>

**Option Summary: Expanding e-government and Integrating One-Stop Resources – Using  
Social Media**

<b>Expanding e-government and Integrating One-Stop Resources – Using Social Media</b>	
Location	International Association of Police Chiefs (IACP)
Description Extract	<ul style="list-style-type: none"> <li>▪ IACP website provides resource for those interested in adopting social media but without knowledge of where to begin</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Easy to navigate; filled with useful information</li> <li>▪ Highlights 10 ways social media can enhance law enforcement and public safety</li> <li>▪ Provides concise policies on how to regulate use of social media</li> <li>▪ Offers advice of strategy development, policy development, tutorials and guides</li> <li>▪ Provides searchable directory of law enforcement agencies using social media</li> </ul>

**Option Summary: Exploring Transition of Developmental Disability Services to Home- and Community-based Care**

Exploring Transition of Developmental Disability Services to Home- and Community-based Care	
Location	Numerous (including California and Minnesota)
Description Extract	<ul style="list-style-type: none"> <li>▪ Recommends closing of two or more state developmental disability centers</li> <li>▪ Places moratorium on placement in out-of-state institutions</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Improves quality of life and decreases costs</li> <li>▪ Shifts support and funding from large institutions to home and community based services</li> <li>▪ Enables reduction of time on waiting list</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ \$112 million savings (closing at least two centers) that can be used for home- and community-based services and to reduce the waiting list</li> <li>▪ \$1.75 million savings (from preventing institution and out-of-state placements) in first year/\$3.5 million in subsequent years</li> <li>▪ \$20 million generated through revised Incentive Payments funding</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Successful in California and in most other states</li> <li>▪ Reduces population residing in state institution centers</li> <li>▪ Transitions to community living with quality community-based services</li> </ul>
Other Info	<ul style="list-style-type: none"> <li>▪ Encourages increased funding: New Jersey currently receives \$30 million vs \$110-\$175 million for similarly-sized states for Money Follows the Person (MFP) funding</li> </ul>



**Option Summary - Identifying – and Incentivizing – Successful Implementation of Shared Services**

Identifying – and Incentivizing – Successful Implementation of Shared Services	
Location(s)	Virginia Michigan ICMA Rutgers University/New Jersey State League of Municipalities (NJSLOM)
Description Extract	<ul style="list-style-type: none"> <li>▪ Provides incentive grants to develop regional strategic planning and joint activities (Virginia’s Regional Competitiveness Act)</li> <li>▪ Provides online resource for shared services opportunities (Michigan Shared Services Community)</li> <li>▪ Provides critical information about a number of topics including shared services and possible obstacles to sharing services (ICMA Knowledge Network)</li> <li>▪ Provides 2011 survey results on shared services (Rutgers/NJSLOM)</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Supports program of incentive funds for development and competitiveness</li> <li>▪ Demonstrates success through description of Hampton Roads, Virginia programs</li> <li>▪ Highlights successful partnership of two Michigan municipalities in construction costs</li> <li>▪ Presents New Jersey trends in shared serviced (ICMA, Rutgers/NJSLOM)</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Between \$20 million and \$50 million in incentive grants to encourage local government shared services (Virginia)</li> <li>▪ \$6,100 saved by two small-sized municipalities (Michigan) illustrates impact of shared services at all levels of government</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Enables (Virginia) legislation to serve as focal point for expanding support for shared services</li> <li>▪ Demonstrates success and encourages collaboration between small-sized municipalities</li> </ul>

**Option Summary - Identifying Creativity and Change in Purchasing Operations – Cooperative Purchasing**

<b>Identifying Creativity and Change in Purchasing Operations – Cooperative Purchasing</b>	
Location	Based in Hunterdon County New Jersey
Description Extract	<ul style="list-style-type: none"> <li>▪ Enables a lead agency to prepare and advertise for bids and extend process to members</li> <li>▪ Hunterdon County Educational Services Commission (HCESC) acts as lead agency for 152 school districts, town, townships and counties</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ HCESC has no tax base and receives no state aid for operations</li> <li>▪ Income derived from fees for services and small amount from grants; assets belong to member districts</li> <li>▪ Governed by Representative Assembly and Board of Directors</li> <li>▪ Membership requires approval of binding ordinance or resolution; approval required by New Jersey Department of community Affairs, Division of Local Government Services</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Member districts saved an average of 54 percent on purchases made through HCESC bids in 2010 – representing total of almost \$2.2 million</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Use in New Jersey rapidly expanding over past decades</li> <li>▪ State Legislature (Senate) currently considering requirement that county executive superintendent of schools in each county promote similar activity (for shared services, including purchasing)</li> </ul>

**Option Summary - Identifying Creativity and Change in Purchasing Operations – Reverse Auctions**

<b>Identifying Creativity and Change in Purchasing Operations – Reverse Auctions</b>	
Location	Kent County, Michigan
Description Extract	<ul style="list-style-type: none"> <li>▪ Creates essentially a reverse 'e-bay' online auction</li> <li>▪ Services posted online with maximum price; vendors compete in real time, and contract is awarded to lowest bidder</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Championed jointly by County Administrator, Purchasing and IT Departments</li> <li>▪ Currently has 15 participating jurisdictions</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ Saved more than \$200,000 in just two years</li> <li>▪ Expanded vendor base and increased competition</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Provides avenue for increased efficiency, lowered cost and regional cooperation through effective use of modernized Information Technology (IT)</li> </ul>

**Option Summary - Implementing County Administration of School Districts**

<b>Implementing County Administration of School Districts</b>	
Locations	Fairfax County, Virginia Countywide school districts operate in many states: Florida, Georgia, Idaho, Kentucky, Louisiana, Maryland, Nevada, Oregon, Pennsylvania, South Carolina, Utah, Virginia, West Virginia and Wyoming
Description Extract	<ul style="list-style-type: none"> <li>Consolidation of certain school governance functions at the county level</li> <li>Functions as a division of county government (rather than a school district as an independent local unit of government)</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>Reduces redundancies without affecting the delivery of academic services</li> <li>High-performing district</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>County provides 71.2 percent of funding; remaining sources are state aid (14.1 percent), federal aid (2.8 percent), sales tax (6.8 percent) and other (5.1 percent)</li> <li>Average cost per student FY2012 is \$12,820</li> <li>85.7 percent funding dedicated to instruction; 5.5 percent to transportation; 4.2 percent to facilities management and 4.6 percent to general support</li> <li>\$823 million dedicated to capital improvements during FY2011-FY2015</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>Originally recommended in 2006 within New Jersey State Legislature's Joint Committee on Government Consolidation and Shared Services (JSGO)</li> <li>Similarities: densely populated, highly educated, public schools considered to be among best in nation</li> </ul>

**Option Summary - Rightsizing Deployment (Police, Fire, Emergency Response)**

<b>Rightsizing Deployment (Police, Fire, Emergency Response)</b>	
Location	International City/County Management Association (ICMA)
Description Extract	<ul style="list-style-type: none"> <li>Assessments to help communities know if they have the 'right' amount' of resources devoted to 24/7/365 police and fire protection</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>Presents operations results of 96 projects across 26 states</li> <li>Identifies trends for deployment efficiency, quality and savings</li> </ul>
Financial Impact and Applicability in NJ	<ul style="list-style-type: none"> <li>More than 20 percent of the average municipal budget appropriation is expended for one single line item: Police</li> </ul>

**Option Summary - Sharing Examples of Municipal Consolidation**

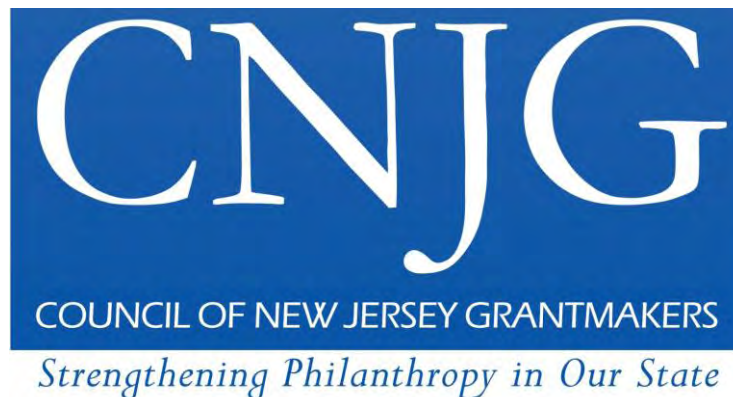
<b>Sharing Examples of Municipal Consolidation</b>	
Location	Princeton Borough and Princeton Township, New Jersey
Description Extract	<ul style="list-style-type: none"> <li>Consolidation offered three benefits cost control and savings; enhanced services, more effective government</li> <li>Resulted in part from long history of success with 13 shared services agreements</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>Received assistance from Center for Government Research and New Jersey Department of Community Affairs</li> <li>Previously tried three times (1996, 1979 and 1953)</li> <li>2009: two separate governing bodies formed consolidation and shared services commission to explore potential benefits of consolidation into a single municipality</li> <li>Created detailed agreements on all aspects of consolidation (i.e., assumption of debt, departments, reorganizations, real and personal property of each jurisdiction)</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>Creates \$3.1 million savings at full implementation (in 2014)</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>Creates effective model to address redundancies and help drive down cost of government while increasing efficiencies</li> </ul>
Other Info	<ul style="list-style-type: none"> <li>Offers path to rethink New Jersey's 19th century geographic organization for the 21st century – especially for the 22 sets of so-called 'donut towns' where one municipality is geographically bounded by another</li> </ul>

**Option Summary - Supporting Countywide Tax Assessment**

<b>Supporting Countywide Tax Assessment</b>	
Location	Numerous examples nationwide; presents Gloucester County, New Jersey as pilot
Description Extract	<ul style="list-style-type: none"> <li>Transfers municipal property assessment to a county assessor</li> <li>Increases accuracy and fairness, reduces appeals, eliminates need for costly revaluations and ensures annual assessment</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>Pilot program transfers function for a period of three years</li> <li>Creates uniformity of assessment</li> <li>Municipality retains approval for settlement of any property tax appeal(s)</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>Projected savings of \$3.8 million in pilot program by 2013</li> <li>Nationwide reports of decreased costs</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>Morris County, New Jersey has expressed interest in countywide tax assessment through its Government Efficiency in Morris (GEM) initiative</li> </ul>
Other Info	<ul style="list-style-type: none"> <li>Possibly the most wide-spread national best practice example</li> </ul>

**Option Summary - Using Medicaid for Health and Behavioral Health Services in County Juvenile Detention Centers (Pre-Adjudication)**

<b>Using Medicaid for Health and Behavioral Health Services in County Juvenile Detention Centers (Pre-Adjudication)</b>	
Location	California (and New Mexico)
Description Extract	<ul style="list-style-type: none"> <li>▪ Facilitates the use of Federal Medicaid funds to pay for health and behavioral health services for youth in County Juvenile Detention Centers, prior to adjudication</li> </ul>
Selected Highlights	<ul style="list-style-type: none"> <li>▪ Provides for provision of benefits until date of adjudication and requires suspension of payment if individual is placed in an institution</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>▪ New Jersey's counties currently bear 100 percent of these costs; under this option, counties would reduce their health/behavioral costs by 50 percent</li> <li>▪ Alameda County (California) projects at least a \$3.5 million savings</li> </ul>
Applicability in NJ	<ul style="list-style-type: none"> <li>▪ Ability to use California legislative language as a model; shifts responsibility for payment to state, with county agreeing to reimburse state share of Medicaid costs plus expenditures</li> <li>▪ Eligible youth could be made presumptively eligible and costs shared equally between county and federal government</li> <li>▪ Would likely require waiver or approval of Plan Amendment by Health and Human Services (HHS)</li> <li>▪ Potentially applicable for extension to pre-adjudicated adults in county jails – savings could be 'significant'</li> </ul>



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