



A COMMON SENSE PLAN FOR AN AFFORDABLE NEW JERSEY

NEW JERSEY SENATE AND ASSEMBLY REPUBLICANS



GOP needs a voice in Trenton, fast

Editorial Excerpt, Courier News, May 17, 2009

Republicans have been offering ideas for years, but because they're Republicans they're automatically wrong in Democrats' eyes. And so practical proposals are dismissed.



Don't dismiss GOP proposal

Editorial Excerpt, Asbury Park Press, June 1, 2008

Gov. Corzine is fond of telling critics of his proposed budget cuts to come up with something better. Republican lawmakers have done just that. They proposed \$1.3 billion in alternative cuts Thursday that would allow for full funding of property tax rebates, restore municipal aid, make modest reductions in public employee benefits and fund transportation projects without having to resort to toll or gas tax hikes.

The plan is responsible, well-reasoned and in tune with what taxpayers in the state have been clamoring for... It is specific, achievable and grounded in common sense - something sorely missing from Corzine's \$32.9 billion spending plan...

The proposed cuts are neither radical nor unrealistic. They are eminently doable. Whether Corzine has the fortitude to make them is another matter. One thing is clear: Republicans have developed a plan that conforms with what most New Jersey taxpayers want.

Daily Record

Alternative budget plan should be considered

Editorial Excerpt, Daily Record of Morris County, June 10, 2008

The (Republican) proposal is not a bad one... (If it) would additionally cut spending -- whether by \$300 million or \$600 million -- it deserves to be considered.

HOME NEWS TRIBUNE

New state budget protects Trenton from the pain

Editorial Excerpt, Home News Tribune, June 25, 2008

State residents also might remember that Statehouse Republicans suggested a host of other cuts — \$1.3 billion worth, in fact — that were tossed aside into the trash bin. Many had to do with pet programs the state could easily do without, from special aid to prosecutor offices in politically connected counties, to a special grant for Essex County, to extra money for certain hospitals outside of the usual funding.

Is there any need to remind the citizens of New Jersey that the \$32.9 billion budget on the table for fiscal year 2009 is more than 50 percent higher than what the Legislature spent just seven years ago? That percentage increase is the largest among all states and makes a mockery of any notion of austerity by lawmakers.

Even so, Democrats in Trenton are hailing the latest plan as some sort of victory for themselves and for taxpayers. Of course, it is anything but, and taxpayers again will pay an exorbitant price.

CONTENTS

**An Overview of the Common Sense Plan:
Long-Term and Short-Term Initiatives to Make
New Jersey Affordable and Stimulate
Economic Growth**

**Status of Legislation to Implement the
Common Sense Plan for an Affordable
New Jersey**

Specific Budget Savings

LAST UPDATED: June 17, 2009

**AN OVERVIEW OF THE
COMMON SENSE PLAN FOR AN
AFFORDABLE NEW JERSEY**

*Immediate and Long-Term Initiatives to
Make New Jersey Affordable, Restore
Fiscal Stability and Stimulate
Economic Growth*

A Common Sense Plan For an Affordable New Jersey

New Jersey is facing more than just a budget crisis, it is facing an affordability crisis – one that has been exacerbated by a national recession and seven years of runaway spending, rising taxes and reckless borrowing by Democrats, who have had total control of state government during this time.

As a result of this fiscal mismanagement and Governor Jon S. Corzine's continuing failure to heed warnings or consider common sense alternatives, the budget deficit is billions of dollars and the state is on the brink of bankruptcy. For the sake of political expediency, Governor Corzine's budget for the 2009-2010 fiscal year continues his long-standing policy of pushing back problems for taxpayers to pay in the future.

The record is clear. Since Democrats took the reins of government, spending has increased by \$11 billion and state debt has more than doubled to \$38 billion. In a desperate, but unsuccessful, attempt to finance their spending sprees, the last three Democratic governors increased 104 taxes and fees while virtually freezing state aid to municipalities and school districts, which drove up property taxes by 42 percent. In 2008, property taxes topped \$7,000 on average for the first time ever and New Jersey continued to have the highest property taxes in the nation.

This year, Governor Corzine and the Democrats are again raising taxes. They want to raise the state income tax to 10.75 percent for those with taxable income over \$1 million. For taxable income between \$500,000 and \$1 million, the rate will rise to 10.25 percent, and a new marginal rate will be established for taxable income between \$400,000 and \$500,000. In addition, they proposed to increase the tax on health maintenance organizations (HMOs) and the insurance premium tax.

Corzine and the Democrats have eliminated property tax rebates for everyone except senior citizens and the disabled. They also ended the ability of homeowners with income of more than \$150,000 to deduct their property tax payments from their income tax.

The combination of higher taxes and a struggling state economy that has suffered under New Jersey's excessive tax and regulatory regime has made New Jersey increasingly unaffordable to middle class families and seniors living on fixed incomes. More than 230,000 people left New Jersey for more tax-friendly states between 2002 and 2006. The exodus continues unabated.

New Jersey has been hurt by the national recession. However, its economy was unraveling long before the recession hit because of years of fiscal mismanagement under the Democrats.

Republicans believe the only way to undue the damage caused by the Democrats is to force state government to live within its means, reduce the tax burden and change New Jersey's reputation as the state with the most unfriendly business climate in the nation.

Our top priority is to prevent the extinction of New Jersey's middle class by making the state a much more affordable place to live and work. This means fixing the budget, preventing future deficits, growing the state economy and providing property tax relief.

To achieve these goals, Republicans have developed a common sense strategy that would provide relief to all taxpayers and a long-term structural reform plan that would guarantee fiscal stability for our state in the future. The changes we propose would be permanent. They include constitutional amendments that would limit the growth of the state budget to the rate of inflation, require a two-thirds vote of the Legislature to impose a new tax or raise an existing one, and submit all bond and borrowing proposals to voters for approval.

Our emphasis would be on eliminating waste, spending less and forcing government to operate more efficiently. The Republican plan would mandate a continuous audit of all government operations and end "one-shot" budget gimmicks.

Over the past three years, Republicans have identified \$5 billion in budget savings and billions of taxpayer dollars that were lost to waste, frills, fraud and abuse – money that could be used to lessen the tax burden. Hardly any of our recommendations were accepted by Governor Corzine and the Democrats. On June 3, 2009, Republicans proposed \$783.2 million in budget cuts and savings.

The Republican plan includes much-needed reforms to control costs in the state's pension and benefits program, such as basing pension calculations on a five-year, instead of three-year, average, ending tacking by basing a state pension on one job only, further attacking pension padding by raising the salary threshold to \$15,000 and banning "early retirement incentives" that only add to the unfunded pension liability.

If the state is ever going to get back on track, and avoid financial collapse, we must impose structural change that will bring about sound budgeting practices. The governor and the Legislature must be willing to impose reform – reforms that will grow the economy and allow for an expanding tax base, reforms that will bring transparency and openness to government and the budget process so the public can finally participate and be empowered to offer constructive ideas for improvement.

The *Common Sense Plan for An Affordable New Jersey* was first proposed by Republicans in May 2008. This 2009 version has been modified to recognize those original proposals that have been enacted into law. It also incorporates additional recommendations to deal with the worsening state economy caused by the misguided policies of the Corzine administration and the Democrat-controlled state Legislature. Major components of the plan would:

RESTRUCTURE STATE GOVERNMENT

Fiscal responsibility has taken a backseat to the preservation of political power. As an editorial in the *Courier News* observed on May 17, 2009, Governor Corzine and his fellow Democrats just won't cut spending as deeply and as broadly as they should. "Instead, they continue to reach for a variety of 'creative' maneuvers to close deficits and cover shortfalls, preserving favored programs and protecting constituencies who can vote them into another four years of power in November."

Only by empowering the people – allowing taxpayers to put constraints on how their hard-earned money is spent – can the cycle be broken and fiscal stability restored. That is why we want to submit to the voters for approval a series of amendments to the state constitution. These amendments would, among other things, require the budget to accurately reflect all state spending, limit recurring spending to recurring revenues, cap the growth of the state budget to the rate of inflation, and require a two-thirds vote of the Legislature to impose a new tax or raise an existing one.

If the following structural reforms are made, state government could be operated much more smartly, economically and prudently:

- ***Requiring voter approval of any proposed increase in the state income tax, sales tax or gas. Other tax and fee increases could be approved only by a two-thirds vote of the Legislature.***

Since Democrats have controlled state government, they have imposed 104 new taxes and fees, which is the primary reason why state spending has risen by billions of dollars. Many of these taxes have been destructive, and have helped contribute to the high rates of unemployment and the high cost of living in New Jersey. The process by which taxes are increased and should be changed to force significant public debate and an effort to build consensus. Several states already have a super-majority vote requirement to raise taxes including Delaware, Mississippi, Oregon, Arizona, California, Colorado, Louisiana, Nevada, South Dakota, Washington, Arkansas, and Oklahoma. A three-quarters majority vote is required to raise taxes in Arkansas – and its Legislature has done it twice in the past year.

- ***Submitting all new state borrowing proposals to the voters for approval. In addition, Republicans believe the practice of "back-loading" debt should end.***

Any new state debt issuance should not have a repayment schedule that deliberately delays the first principal payments until many years in the future. For instance, when Governor Corzine and the Democrats refinanced \$1.2 billion in Transportation Trust Fund debt in 2006, the first principal payment was pushed back to the year 2023. As a result, taxpayers were stuck with \$3.5 billion in debt service payments in return for \$1.1 billion today. The debt he issues is similar to the types of back-loaded home loans that collapsed the financial industry. Most recently, Governor Corzine

proposed restructuring existing state debt so that he could skip a more than \$400 million debt service payment in the coming fiscal year in return for making much higher payments for the next 30 years.

- ***Putting power back in the hands of the people to hold government accountable through Initiative and Referendum.***

This would allow the public to place reforms on the ballot when Trenton politicians fail to act. Twenty-four states now have some form of Initiative and Referendum in place.

- ***Create an elected, independent state auditor.***

The appointed state comptroller's office created by the Corzine administration has failed to meet the expectations of Republican legislators. It has not produced any significant, immediate savings nor has it signaled its intention to identify any budget savings in the near future. An elected state auditor would be a truly independent officer answerable to the people. The state auditor envisioned by Republicans would oversee a systematic, efficient and coordinated review of the financial and programmatic functions of state government and local government. It also would allow for the consolidation of the powers and duties of a myriad of appointed officials including the state comptroller, the inspector general and the existing state auditor.

- ***Mandating continuous audits of state agencies/departments to ensure that tax dollars are not being wasted.***
- ***Strengthen the Open Public Records Act (OPRA) so all publicly funded studies and reports are considered public information and obtainable under the act, increase public membership on Government Records Council, and provide tougher penalties for noncompliance.***

During the past three years, the power of OPRA has been eroded in several ways. The governor has repeatedly refused to turn over documents to the public even though these items were funded by taxpayers and contained information that would foster debate on public policy. In addition to numerous important documents being withheld from the public, the agency enforces OPRA, the Government Records Council, is controlled by department heads, many of whom lead agencies that have violated the spirit of the public records act. Republicans further believe there is a need for legislation that would require all members of the Government Records Council to be private citizens.

- ***Impose a universal ban on dual office holding and eliminate grandfathering of current dual office holders.***

Dual office holding continues to pose obvious conflicts including the presence of mayoral recipients of various discredited aid programs serving on budget committees that should be providing program oversight.

- ***Reform procurement to provide more competition and far fewer exemptions from the requirements to advertise for bids.***

About 40 percent of the state purchasing contracts are granted without publically advertizing bids. In June of 2009, a contract allowing for a \$2 billion line of credit was awarded without public advertisement. About 90 percent of the amount spent by the state Attorney General's Office on state contracts is for goods and services that are outside of the public bidding process. For example, a \$29 million contract was awarded without public bidding to Motorola Communications to upgrade equipment. Greater competition and fewer waiver contracts would save taxpayers money and restore public confidence in government.

- ***Suspend civil service work rules for more efficient use of the state labor force.***

To provide necessary services with a smaller workforce, department heads must have flexibility to assign staff based on need as if they were running a business. For example, business groups recently questioned why the state had to hire additional employees to handle an increase in unemployment claims instead of reassigning existing underutilized employees.

- ***Suspend the state hiring freeze for federally-funded positions.***

Existing state employees should have the option to move into vacant federally-funded positions if they have the necessary skills.

- ***Permit involuntary furloughs of state employees as an alternative to layoffs.***

The emergency rules regarding furloughs and layoffs that were adopted by the Civil Service Commission in 2009 must be codified so governors may better manage the state's workforce.

- ***Merge the Departments of Community Affairs and State. Consolidate similar programs spread throughout state government.***

A merger of the Department of Community Affairs with the Department of State is a good starting point since both oversee a myriad of community-oriented grant programs. The Secretary of State, as a constitutional officer, would oversee the combined department.

REQUIRE A SOUND, SMART, HONEST BUDGET

The state budget must be restructured and kept under control by ironclad restrictions on taxes, spending and bonding.

Republicans realize it didn't take just one year for New Jersey to get into its current fiscal predicament, and that it will take more than one year to solve this crisis. That is why we propose a long-term reform plan providing structural changes to the budget process to limit spending increases and hold the line on taxes.

In recent years, it has become obvious that state government will not always do the right thing when it comes to enacting sound fiscal policies. We propose the following steps to ensure that tax dollars are managed wisely:

- ***Enacting a stronger budget cap to limit the growth of state spending to the rate of inflation and population growth, but in no case to more than 4 percent in a single year. Eliminate most cap exclusions.***

Currently, the spending cap only applies to increases in the direct state services, which accounts for just \$6 billion of the amount appropriated in the budget, the cap needs to incorporate other spending. The cap needs to be expanded to cover all spending, with the exception of programs that provide tax relief. In addition, any increase in state spending should be limited to the rate of inflation and population growth, or 4 percent, whichever is less. If Governor Corzine and Trenton Democrats had been willing to work with Republicans and limit spending increases to in this manner, more than \$6.5 billion could have been saved over the last seven years. Republicans will submit to the voters for approval an amendment to the state constitution that would make this tough new budget cap inviolable.

- ***Allowing only recurring revenues to be used to balance the budget, thereby ending the use of one-shot fiscal gimmicks.***

Any revenue that exceeds the amount anticipated by the budget to fund state obligations should be deposited into the Surplus Revenue Fund and strictly controlled. Money stored in the Surplus Revenue Fund could only be spent if anticipated tax collections drop by more than 1 percent. If the balance in the Surplus Revenue Fund exceeds 5 percent of state-budgeted appropriations, then the Legislature, by a super-majority vote, could approve a one-time tax reduction. These reforms will be offered in the form of an amendment to the state constitution.

- ***Enacting a "Truth in Budgeting" amendment to the state constitution***

At present, the state constitution contains a provision (the single budget clause) that requires all spending and revenues to be included in the budget act. Over the course of many years, the single budget clause has become virtually meaningless. By creating dozens of authorities and using Enron-style accounting gimmicks, billions of

dollars in state spending and revenue have been moved “outside” the budget to give taxpayers the mistaken impression that the budget is considerably lower than it actually is. The Corzine administration used these techniques to shift almost billions of dollars in spending outside of the budget each year. The administration’s budget for FY 2010 is actually closer to \$45 billion if all spending counted. Republicans believe it is time to end the deception. We will submit to the voters for approval an amendment to the state constitution that will require all state spending to be properly and clearly reflected in the state budget.

- ***Establishing a two-year budget process to better plan for the future.***

The current process does very little to encourage long-term planning and strategic thinking. A two-year process would facilitate long-term planning, lower costs for the budgeting process, and provide sufficient time for careful performance evaluation of programs and agencies. Currently, 23 states utilize some level of biennial budgeting.

- ***Instituting a “pay as you go” approach to new spending programs.***

Any bill having a fiscal impact on the state budget must identify offsetting revenues or reduction in appropriations prior to consideration.

- ***Identifying within the state budget to what extent state school aid falls short of the funding formula.***

While the governor recently enacted a school funding formula that he repeatedly touts as helping all children and all communities equally, he refrains from acknowledging that he is not following his own formula in the budget for 2010. Virtually every school district in the state is receiving less than the one year old formula requires. In the spirit of transparency and honesty, the governor ought to be required to acknowledge to what extent the annual budget does not follow the statutory formula. Republicans support legislation that would require the governor, as part of every budget, to identify underfunding, by district, in absolute terms as well as on a per student basis. Such a requirement will put additional pressure on the governor to live by the statutory formula that has been approved by the courts.

- ***Strengthening government transparency by posting all state expenditures on the Internet so the taxpayers can see exactly how their money is being spent.***

The “Transparency in Government Act” proposed by Republicans will provide for the creation of a single, searchable Internet website that retains and displays data and information regarding the state’s annual revenues, expenditures, and total bonded indebtedness. This will enable information such as contractual service purchases, salaries and wages, gifts and grants, and the amount of total bonded obligations to be accessible to the public.

REFORM PENSIONS AND BENEFITS

A key component of any plan to control state government costs is reform of state worker pension and benefits systems. Some of the growth in the state budget in recent years is directly attributable to a state pension and benefit structure that two bipartisan committees within the last five years have concluded is in need of major reform.

The recent bankruptcies of General Motors and Chrysler have brought attention to the fiscal realities surrounding legacy costs and employee benefits. New Jersey share some similarities with these failing companies. When General Motors experienced a declining sales base, it was required by its collective bargaining agreement to operate their plants at 80 percent capacity and pay health and retirement benefits to any laid off auto worker.

If New Jersey were a business, it too would be on the verge of bankruptcy. Yet the most recent negotiations with the state employee bargaining units, which concluded on June 2, 2009, resulted in more benefits for the unions and less flexibility for the state in managing its workforce and labor costs.

There is ample justification to change the current system. Conditions have changed dramatically since the pension and benefits system was established. At the time, no one foresaw that advances in medical science would sharply increase a person's average lifespan. People are living much longer, and when the pension system was developed, it did not anticipate retirees would be alive to collect pensions for 25 to 30 years.

Since 2002, state employee benefit costs have more than doubled. This year, they are expected to cost taxpayers about \$4.3 billion.

According to the U.S. Bureau of Labor Statistics, the gap between the benefits offered government workers and private employees is expanding so fast that the cost is quickly becoming unsustainable. The latest available data shows "public employees earned benefits worth an average of \$13.38 an hour in December 2008 while private sector workers got \$7.98 an hour."

The federal bureau further found that "total compensation for state and local workers was \$39.25 an hour, \$11.90 more than in private business. In 2007, the gap in wages and benefits was \$11.31." Last year, government benefits rose three times more than those in the private sector; up \$0.69 an hour for civil servants, versus an increase of \$0.23 for private workers.

The Bureau of Labor Statistics also reported that while the wage gap between government and private workers has stayed roughly the same since 2002, the benefit gap has increased significantly: "For every one dollar an hour pay increase, public employees have gotten \$1.17 in new benefits. Private workers have gotten just \$0.58 in benefits for every \$1 of pay increase. The reason for the increasing gap is mostly attributable to companies having ended most traditional pension plans and increased workers' share of

health care costs. Government paid an average of \$8,800 annually toward employee medical insurance; private companies, \$4,100.”

A report in the *Asbury Park Press* on April 10, 2009 stated that a full-time government worker receives benefits worth an average of \$27,830 per year while a private worker’s benefits are worth \$16,598.

Republicans propose enacting reforms that will stop abuse of the pension system and also bring the system in line with what is offered in the private sector. Following are structural reforms that need to be implemented:

- ***Base state pension calculations on a five-year average instead of a three-year average. This will make it more difficult for political appointees to boost their pension by taking a high-paying job at the end of their careers.***
- ***Return to the way retirement benefits were calculated in the past, when they were based on the number of years of service divided by 60 instead of the current standard, which is the number of years of service divided by 55. This would be done for prospective employees.***
- ***Enact a “one job, one pension” policy for determining pension benefits, effectively ending the practice known as “tacking.”***
- ***Raise the minimum salary for pension system membership to \$15,000 to eliminate pensions for part-time workers.***
- ***Require additional cost-sharing by those enrolled in the State Health Benefits Program. Base cost-sharing on the percentage of health benefit costs, not the percentage of salary.***
- ***Reduce the number of state holidays by eliminating those not recognized as federal holidays, lowering overtime costs and making state services available more days of the year.***
- ***End the state’s Sick Leave Injury program.***

This was a recommendation of Joint Committee on Public Employee Benefit Reform. New Jersey is one of only five states that provide a sick leave benefit at full wages in addition to worker’s compensation. As opposed to worker’s compensation which pays injured employees a temporary benefit at 70 percent of the statewide average weekly wage, the SLI program is a salary continuation program that provides full pay to employees.

- ***Improve oversight by the Pension and Health Benefits Review Commission by requiring any benefit enhancement legislation to identify revenue sources to cover the cost, as calculated using accepted actuarial principles, and requiring the***

commission to regularly evaluate the competitiveness of public employee benefits in relation to those of major New Jersey employers and surrounding states.

- ***Reform the college tuition reimbursement program for public employees. Government should only have to pay for professional courses that are strictly job-related.***

Limit reimbursement to the amount that it would cost to attend the most expensive public institution of higher education in New Jersey – Rutgers University. In addition, we believe that to be eligible for tuition reimbursement, any public employee who accepts it must agree to remain on the job at least two years. Currently, the program is used to reimburse tuition costs for courses that will lead to a college degree but are not job-related. State employees have used the taxpayer-funded program to be reimbursed for courses in Foundations in Hinduism, Christian Social Conscience, the Bible, English Literature, Theater Appreciation, Ceramics and Chorus, to give just a few examples. Some have also attended colleges outside of New Jersey that charge tuition higher than that charged within the state. Some people have used the program to earn a college degree and then quit state service to get a higher paying job in the private sector.

REBUILD THE STATE ECONOMY

New Jersey needs to expand the number of business and jobs in the state to have a stable revenue base to support its budget and appropriate services. For this reason, an economic growth agenda is a fundamental component of putting our finances on a path to recovery.

National surveys have shown that New Jersey – due to its high taxes and stifling regulatory climate – is one of the least desirable states in the nation for businesses to locate or expand.

Earlier this year, New Jersey's jobless rate surpassed the national average. April 2009 marked the 15th straight month of job losses for the state in the private sector. Altogether, during that period, New Jersey shed a total of 17,200 non-government jobs. The national recession is not the only culprit. High taxes and excessive red tape are costing us jobs and lost revenue. As a result, unemployment rates are worse here than in surrounding states, including New York, Pennsylvania, Delaware, and Connecticut.

Democrats have also placed additional regulatory burdens on businesses. Hundreds of new rules have been created through the rule-making process. They imposed additional health insurance mandates and reporting requirements. They created a paid leave requirement. They even established a perverse and prohibitively expensive subsidized housing requirement, which punishes municipalities that experience business growth.

A 2009 study conducted by the American Legislative Exchange Council ranks New Jersey 48th in terms of our economic outlook largely because of high taxes and the high cost of doing business in the state. Our state's tax policies also put us at the bottom of

The Tax Foundation's 2009 Business Tax Climate Index and the Small Business and Entrepreneurship Council's Business Tax Index of 2008.

Republicans understand that New Jersey residents need access to good-paying jobs so that they can provide for their families and meet their expenses. But Republicans also understand that a sound economy means a healthy state budget. To help generate economic growth and attract new jobs to our state Republicans propose to:

- ***Restore fiscal integrity and stability to the budget so uniform reductions can be made in state income and corporate tax rates.***

The income tax and business tax rates in New Jersey are among the highest in the nation and are damaging the state economy. They are causing businesses and high income earners to migrate elsewhere or avoid New Jersey. Those who claim cuts in income tax and business tax rates are not possible fail to understand that it is precisely these high rates that contribute to New Jersey's ailing economy and state budget woes. If New Jersey is going to change its earned reputation as one of the worst places in the country to operate a business, these taxes will have to be reduced. Republicans believe the cuts they have offered should be embraced and that the savings provide at least a minimum decrease in taxes to signal our intent to provide further cuts as our economy and financial situation recovers.

- ***Permit temporary and targeted sales tax holidays whenever necessary and possible to provide an immediate economic stimulus.***

When economic conditions deteriorate to the point the state economy desperately requires an immediate jumpstart, we believe a temporary sales tax "holiday" should be considered to spur consumer spending, save taxpayers money, prevent layoffs and help businesses, large and small, to survive. The duration of the "holiday" would be tailored to address specific economic circumstances. It could last days, weeks or a month. A sales tax holiday proposed by Republicans in 2008 to coincide with the peak holiday shopping season between Thanksgiving and New Year's Day would have halved the state sales tax from 7 percent to 3.5 percent (and from 3.5 to 1.75 percent in Urban Enterprise Zones and all of Salem County, which has been classified an Urban Enterprise Zone) during this period. It was rejected by the Corzine administration despite strong support from the National Taxpayers Union, National Federation of Independent Business/New Jersey, New Jersey Restaurant Association, New Jersey Coalition of Automotive Retailers, Commerce and Industry Association of New Jersey, and New Jersey Retail Merchants Association. Several daily newspapers also endorsed the plan or urged the governor to give it serious consideration, including the *Gloucester County Times*, *Jersey Journal*, and the *Courier News*. A sales tax cut will give consumers more buying power, help businesses on the brink of bankruptcy and save jobs. It will result in more consumer spending and a tremendous influx of shoppers from New York and Pennsylvania. The tax cut could prove revenue neutral because of the projected increase in sales and influx of shoppers from New York and Pennsylvania. Any revenue shortfall could be

accommodated by making just a fraction of the spending cuts we propose in this plan. When sales tax holidays have been customized and carefully planned, they have proven successful in several states and cities. The concept has been endorsed by several national economists, including those representing the American Institute of Economic Research, Brookings Institution and Moody's Economy.com. As of May 4, 2009, 13 states and the District of Columbia offer sales tax holidays, according to the Federation of Tax Administrators in Washington, D.C. The total number has fluctuated over the years.

- ***Give new business ventures a chance to stabilize and grow.***

When the state awards an incentive for a business to locate in New Jersey, an agreement should be signed that allows the business to operate for 10-to-15 years under the regulations in place at the time the incentive is awarded.

- ***Promote economic development – and enhance state revenue in the process – by providing technical and other assistance for small and large businesses, women's and minority businesses, and manufacturing companies.***

This goal can be achieved by legislation that would establish: (1) an Office of Economic Research within the Economic Development Authority (EDA) to encourage better planning for the state's economic development programs; (2) an Internet-based New Jersey source network so that businesses can list goods and services that are available from in-state sources; (3) manufacturing resource centers at institutions of higher education; (4) an export trade assistance section in EDA, (5) a program for regional development partnerships; (6) a program to help take technology from concept development to practical application; (7) a revamped and better integrated tourism program, and (8) a program for the development of "boutique" agriculture for the production of specialty agriculture products, which could be produced year-round.

- ***Consolidate all job creation programs and economic recovery zones under the aegis of the Economic Development Authority (EDA) so there is just one, streamlined agency in charge of growing the state economy.***
- ***Consolidate all agencies in charge of energy issues.***

The Council on Science and Technology, the new State Energy Council, the Economic Development Authority, the new Energy Institute of New Jersey, the Department of Environmental Protection, the Department of Community Affairs, the Department of Treasury, the Housing and Mortgage Financing Agency, the Department of Transportation, and the Board of Public Utilities all have a say in energy issues, but none are in the lead. These functions should be under a single umbrella.

- ***Create a Division of Commerce and Economic Development in the EDA.***

This division would conduct strategic economic research, craft statewide economic development policy in coordination with regional economic development zones, conduct and maintaining a business census, establish an effective marketing program, provide technical resources, financing information, and workforce training services, maintain a network of outside resources including consultants and higher education institutions, establish a technology transfer assistance program, and create a specialty agriculture development program.

- ***Expand an existing tax credit program to attract capital investment and new jobs to all towns that have commuter railroad stations.***
- ***Enact regulatory reforms that reduce the time it takes to get approval for economic development projects.***
- ***Create a scientific advisory committee to evaluate the underlying science in rules proposed by the state Department of Environmental Protection. The committee would be comprised of state officials, academicians and private sector professionals to provide a balanced review.***
- ***Restore the Business Employment Incentive Program (BEIP) to its original form by eliminating restrictions such as caps on new employee salaries and limiting participation to 10 years.***
- ***Promote New Jersey businesses by moving to a single sales factor apportionment of income – at least for manufacturers.***

The single sales factor helps New Jersey businesses with significant property and payroll reduce their New Jersey tax and correspondingly increases the tax of businesses with little or no property or payroll in the state. It will allow New Jersey businesses to compete with New York, Pennsylvania, Connecticut, Massachusetts and Maryland businesses.

- ***Suspend mandates, such as paid family leave, which hamstring businesses.***
- ***Eliminate the Council on Affordable Housing and adopt a sensible housing strategy for New Jersey.***

One of the regulatory structures most damaging to our economy is the state's bureaucratic approach in trying to force the construction of "affordable housing." Policies in place actually penalize towns that create jobs by forcing extraordinarily expensive and community-altering subsidized housing developments into their neighborhoods. The requirement perversely forces communities that are creating jobs, to add hundreds, if not thousands, of new subsidized housing whether they want it or not. The policy actually punishes job creation. Many municipalities find

the prospect of destroying open space and paying for subsidized housing to be so onerous that they quietly refuse to pursue corporate expansions in their communities.

FUND TRANSPORTATION PROJECTS WITHOUT NEW GAS TAXES

To create more jobs and be a top competitor in the global marketplace, New Jersey needs a sound transportation infrastructure system. We can rebuild our roads and bridges and expand our rail and mass transit network without making New Jersey even more unaffordable for the middle class. Unfortunately, the policies pushed by Governor Corzine and the Democrats would dampen economic growth and push more families out of New Jersey. Their proposals are counterproductive.

In 2008, Governor Corzine feverishly pushed an ill-advised plan to fund transportation projects by hiking tolls on the New Jersey Turnpike, Garden State Parkway and the Atlantic City Expressway. Some drivers would have seen their tolls triple in size.

At the same time, key Democrats in the Legislature, most notably the chairman of the Assembly Transportation Committee, were calling for an increase in the gas tax.

Despite a huge public outcry, Governor Corzine got the toll road authorities to approve toll increases in October 2008. As a result, if you use the New Jersey Turnpike to commute to work, in less than four years you will be paying \$728 a year more than you do now. If you use the Garden State Parkway, by 2012 you will be paying \$650 more a year in tolls.

There was a no toll, no tax alternative. Republicans had proposed a constitutional dedication of \$500 million in existing annual motor vehicle fees to the Transportation Trust Fund (TTF) that would have provided \$1.9 billion in aid annually for state transportation projects in each of the ensuing five years. The plan included a strong pay-as-you-go component. The loss of fee revenue from the budget would be offset by \$500 million in permanent savings achieved by budget cuts and reforms.

The receipt of \$2 billion in federal stimulus aid has granted Governor Corzine and the Democrats a temporary reprieve. But once this emergency federal funding source dries up in two years, the Transportation Trust Fund will be depleted and remedial action will be necessary.

So far, Governor Corzine and the Democrats have not suggested what they would do at that point. However, some Democrats are still talking about hiking the gas tax. Republicans are committed to working on a plan that does not require an increase in the state gas tax. This is the road we will take:

- ***A constitutional dedication of \$500 million in existing annual motor vehicle fees to the Transportation Trust Fund.***

- *A strong pay-as-you-go approach in the future.*
- *A commitment to replenish the Transportation Trust Fund without an increase in the gas tax.*

REDUCE THE PROPERTY TAX BURDEN

Once the state budget is fixed, the top priority for Republicans will be to reduce the property tax burden that is crushing the middle class, new families and senior citizens on fixed incomes. New Jersey should not be known as the state with the highest property taxes in the nation.

Governor Corzine continues to balance his budgets on the backs of property taxpayers, especially struggling middle class households. In 2008, his budget proposed eliminating property tax rebates for homeowners with a gross income over \$150,000 compared to last year's top income level of \$250,000. The governor also proposed to reduce rebates for tenants and homeowners with gross income between \$100,000 and \$150,000.

This year, Corzine proposed a budget that would reduce non-senior homestead rebates for those earning between \$50,000 and \$75,000, and eliminate rebates for families earning over \$75,000. On May 19, 2009, the Corzine Administration suddenly announced that homestead property tax rebate payments would be eliminated for *everyone except senior citizens and disabled residents*. Last year, more than 1.3 million rebate checks were sent out – averaging more than \$1,000 to homeowners and tenants earning less than \$150,000.

Governor Corzine also proposed to eliminate the ability of homeowners with income of more than \$150,000 to deduct their property tax payments from their income tax. A property tax deduction/credit is provided on state income tax returns for resident homeowners and tenants on their principal residence. Currently, taxpayers may take the larger of either a \$50 tax credit or a deduction of up to \$10,000 for property taxes paid. The elimination of the deduction means that the average resident homeowner will be paying income tax on their property taxes.

According to the *Statistics of Income for 2006*, 1.6 million taxpayers took advantage of the property tax deduction on their 2006 return. The total amount deducted was \$7.6 billion, allowing individual returns to be decreased by \$476.5 million. The average saving per household was approximately \$300.

Since Corzine has been in office, property taxes have risen nearly 20 percent. His current budget proposals will make property tax bills unaffordable for many more middle class households.

Our common sense plan would reduce the property tax burden for all homeowners and create a delivery system that would guarantee sustainable and permanent relief.

Republicans want to replace the existing, costly and highly inefficient property tax rebate program. We believe property tax relief should be provided as either a direct credit on property tax bills or as a credit against income tax liabilities. Such a move would eliminate the expensive and bureaucratic politicized mailings, applications, and fanfare associated with rebates. It would also allow people to keep their money in the first place, instead of sending their money to Trenton and keeping their fingers crossed in the hopes they may get some back later.

Republicans further believe people should be able to deduct the full value of their property taxes from their income taxes.

As long as the rebate program exists, Republicans believe it should be funded. Because the tax, spending and borrowing addiction of Governor Corzine and the Democrats has placed the state in severe financial jeopardy, the immediate priority of Republicans would be to cut spending, eliminate waste, make state government smarter and more efficient, implement permanent structural changes that would prevent such fiscal catastrophes as the one that now has New Jersey in the clutches of an ever-tightening financial vise from recurring in the future, and restore and expand the property tax rebate program.

Direct property tax relief must be accompanied by structural reforms that would help local governments and school districts keep costs and property tax levies under control.

Governor Corzine's budget again proposes a reduction in state aid to municipalities, with the most significant cuts aimed at suburban communities. Municipal aid provided to all municipalities will decline by \$32.1 million. Most municipalities will see a 2 percent reduction in state aid during the 2009-2010 fiscal year. Others will see a 5 percent decrease. In his effort to claim (falsely) that he has reduced state spending, the governor is shifting more costs onto the local taxpayer.

Republicans will place a priority on programs that ease the local tax burden, such as state aid and the reduction of state mandate. We will study the benefits and disadvantages of relaxing state law so local governments can opt-out of civil service to determine if the concept is feasible and what the cost-savings would be. Another proposal we will explore is allowing any municipality that suffers a reduction in state aid to defer, or reduce by an equal amount, expenditures for all state mandates it is required to met.

New Jersey taxpayers can no longer afford to pay the highest property taxes in the nation. Republicans propose the following remedies:

- ***Fix the budget and make property tax relief a top priority.***
- ***As long as the rebate program exists, fund it.***
- ***Replace the rebate program a direct credit on property tax bills or a credits against income tax liabilities.***

In addition to providing more predictable and meaningful property tax relief directly and administrative savings, the state would save almost \$40 million in interest payments on short-term borrowing necessary to fund the rebate program. Currently, the state mails rebates in the beginning of the year when it has no cash and borrows several billion dollars for a short period of time to compensate. The cost of this borrowing results in approximately \$40 million in interest payments paid when state tax collections catch up and the state repays the lenders. This move would eliminate the expensive and bureaucratic politicized mailings, applications, and fanfare associated with rebates. It would also allow people to keep their money in the first place, instead of sending their money to Trenton and keeping their fingers crossed in the hopes they may get some back later.

- ***Preserve the property tax deduction.***
- ***Enact a constitutional amendment that will limit state school aid to a maximum subsidy level of 80 percent for operating and capital budgets. Fully fund the formula.***

Independent audits released in 2008 raised serious questions about more than \$83 million in spending. The auditors concluded that more than 25 cents of every dollar spent by the Abbott districts was unnecessary, excessive or lacking documentation. In some of the state-operated or state monitored school districts, millions of dollars have vanished without explanation or documentation. The state education commissioner for former Democratic Gov. James E. McGreevey acknowledged 13 of these districts technically no longer meet the financial standards necessary to qualify as Abbott districts.

The state pours billions of dollars into the 31 Abbott school districts each year. By 2007, Abbott schools received 55 percent of all state aid while educating only 23 percent of New Jersey's total student population. Since Democrats took control, some Abbott districts have seen their state aid allotments increase by more than 30 percent.

Yet the Department of Education has made no attempt to make sure state aid to these districts is well spent. In response to information requests by Assembly and Senate Republicans, a long list of questionable expenditures by these districts has been compiled. We found high administrative costs; costly patronage positions; gym teachers, drama teachers and French teachers who make in excess of \$100,000 a year, and even a \$122,000 public information officer.

Public funds that could have been put to better use in the classroom were used to fly district officials and employees to exotic locales including Copenhagen, Denmark; Barcelona, Spain; Oxford, England; Anchorage, Alaska, and the exclusive Garden of the Gods Country Club in Colorado Springs. Vouchers showed Abbott school officials also traveled to Puerto Rico, New Orleans, Las Vegas, Reno, San Antonio,

Orlando, Phoenix, Los Angeles, San Francisco, Chicago, Boston, Saint Louis, Atlanta and Milwaukee.

As the state economy has faltered, some public school districts have tried to spare taxpayers as much pain as possible by closing under-utilized buildings, downsizing their staff, eliminating optional courses, curtailing field trips and cutting extra-curricular activities.

But a review of vouchers in 2009 by Assembly Republicans found some Abbott districts billing taxpayers for trips to four-star resorts, gourmet meals and expensive gifts. School officials booked stays at swank hotels such as the Four Seasons in Miami, the Hilton in Orlando, the Royal Sonesta in New Orleans, and the Canyons Grand Summit Hotel, which is the largest ski resort. They dined on fine fare such as Chilean sea bass, steak filet, crab cakes, blackened salmon and topping off their meals with lava cake and Crème Brule.

Newark, a state-operated school district, paid \$25,000 to give eight students flying lessons and shelled out \$1,400 to the “Totally Zany” clown company to teach balancing, juggling and the “history and challenges of clowning.” The state school superintendent has monthly cable television show that costs at least \$10,000 an episode to produce. These are just a sample of the more egregious examples of waste.

If the Abbott districts are responsible for a greater, but affordable, share of their operating and capital costs, they would have an incentive to manage their budgets more efficiently and insist on greater accountability.

- ***Study the benefits and disadvantages of relaxing state law so local governments can opt-out of civil service.***
- ***Explore the feasibility of allowing municipalities that suffer a reduction in state aid to defer, or reduce by an equal amount, expenditures for all state mandates they are required to met.***

**STATUS OF LEGISLATION TO
IMPLEMENT THE COMMON SENSE
PLAN FOR AN AFFORDABLE
NEW JERSEY**

A Common Sense Plan For an Affordable New Jersey

Notations:

[= Identical

* = Not a direct match

OVERHAUL THE BUDGETING PROCESS		
Cap budget increases at inflation.	*ACR-60 (Merkt/Munoz/Karrow) *[ACR-88 (Karrow) *[SCR-96 (Beck) *ACR-187 (Rudder/Addiego) (New version to address Rainy Day Fund)	AAP AAP SBA ABU
End "one-shot" gimmicks by using only recurring revenue to balance the budget.	[SCR-70 (Oroho/O'Toole) [ACR-61 (Merkt/Chiusano) *A-3189 (Dancer)	SBA ABU ABU
Continuously audit state spending and operations on a 5-year cycle.	[S-2229 (Bucco/Haines) [A-3565 (Rudder/Addiego/Bramnick)	SSG ASG
Require a 2/3 vote of the Legislature for any new or higher taxes.	[ACR-174 (Carroll/Merkt/Chiusano) [SCR-111 (S.Kean/T.Kean)	AAP SBA
Stop borrowing without voter approval for any new debt.	SCR-39 (Lance/Lesniak/Watson Coleman) ACR-184 (McHose/Karrow/Doherty) ACR-221 (Merkt)	Approved by Voters in November 2008 AAP (Stronger Version) AAP (Stronger Version)
Give voters more control through I&R powers.	ACR-84 (Rooney/Karrow) – Gives Voters Broad I&R Powers [ACR-169 (O'Scanlon/Casagrande) [SCR-97 (Beck/Oroho) *SCR-17 (Connors/Ciesla) – Allows Voters to Address Fiscal Issues Only *ACR-69 (Merkt) - Allows Voters to Address Fiscal Issues Only	ASG ASG SSG SSG AAP
REFORM PENSIONS & BENEFITS		
Raise the retirement age from 60 to at least 62.	<i>S-1962 (Buono/Sweeney/Roberts)</i>	<i>LAW</i>
Base pension calculations on a 5-year average, instead of a 3-year average.	S-271 (Kyrillos) [S-1319 (O'Toole) [A-1440 (O'Scanlon)	SSG SSG ASG

End tacking by allowing only one job as the basis for pension benefits ("one job/one pension").	A-156 (Merkt) *A-1440 (O'Scanlon) *S-1318 (O'Toole)	ASG ASG SSG
Attack pension padding by raising the pension system salary threshold to \$15,000 (from \$7,500...See Next Column).	S-1394 (T. Kean) *A-1446 (O'Scanlon) \$10,000 *S-1324 (O'Toole) *A-2575 (Casagrande) \$18,000 *A-2727 (Polistina/Amodeo) - \$20,000 / 35 hours a week /appt *S-1962 (Buono/Sweeney/Roberts) – Raised threshold from \$1,500 to \$7,500	SSG / No Assembly Version; Bill Draft Has Been Requested ASG SSG ASG ASG <i>LAW</i>
Require retirees to contribute toward their health insurance costs.	No Bills Drafted. Issue Was Addressed During CWA Contract Negotiation. But A-5005 Created Escape Route	--
Ban dual health coverage.	A-158 (Merkt) A-2584 (O'Scanlon/Lampitt) -- No Senate Version	ASG ASG
End health benefits for part-timers.	*A-2145 (Casagrande) – 20 hours a week *A-2770 (O'Scanlon/Greenwald) – 35 hours a week -- No Senate Version	ASG ASG
Ban "early retirement incentives" that add to the unfunded liability of the pension systems.	SCR-53 (O'Toole) ACR-204 (O'Scanlon/Casagrande)	SSG ASG
Reform the Pension and Health Benefits Review Commission to make it a better watchdog.	[A-2511 (O'Scanlon) [S-1325 (O'Toole)	ASG SSG
Reduce State holidays from 13 to 10 (same as the federal government).	A-2565 (Casagrande/O'Scanlon) *S-269 (Kyrillos)	ASG SSG
Apply the State employee vacation cap and sick leave payout cap to all local employees.	*A-1441 (O'Scanlon) - Sick leave *A-2583 (O'Scanlon/Casagrande) – Imposes a \$10,000 Sick Day Benefit Limit *S-1316 (O'Toole)	ASG ASG SSG
EXPAND ECONOMY & CREATE JOBS		
Improve NJ's economic development efforts by consolidating them within the EDA, in a more streamlined and effective manner than proposed by the Governor.	[S-281 (T.Kean/Adler) [A-239 (Bramnick/Munoz)	SEG ACE

Extend the Urban Transit Hub Tax Credit to any municipality with a commuter rail station.	[S-1466 (T. Kean/Kyrillos) [A-2628 (Karrow/Munoz)	SEG ACE
Favor NJ employers by moving to a "single sales factor" apportionment of income, which helps those with significant property and payroll in-state (enhances competition with NY, PA, CT, etc.).	[S-2136 (Kyrillos) [A-2626 (Vas/DeAngelo/DeCroce)	SBA AAP
Repeal the McGreevey "throw-out rule" that taxes businesses on income earned outside NJ, if that income is not taxed in another state.	<i>S-3/1874 (Codey/Oroho/Sweeney/Vas/ Greenwald/Coutinho)</i>	<i>LAW</i>
Bring NJ's tax treatment of net operating losses (NOLs) back into line with federal policy, to help start-up companies and to eliminate a disincentive for large employers to do business in NJ.	<i>S-2130 (Codey/Buono/Greenwald/McKeon)</i>	<i>LAW</i>
Restore the BEIP program to its original form by eliminating recent restrictions (e.g., caps on new employee salaries) and extend the 10-year limit on participation.	S-2114 (Kyrillos/Cunningham) A-2997 (Vas/Coutinho/Fisher)	SEG AAP
Adopt a permit extension policy to allow building projects to continue when financing or other issues have delayed them.	<i>A-2867 (Greenwald/Malone/Sarlo/ Van Drew)</i>	<i>LAW</i>
Create a "Licensed Site Professional" program to help reduce the backlog of nearly 20,000 cases in the DEP's Hazardous Site Remediation program (similar to MA).	[A-2962 (McKeon) [S-1897 (Smith) NOTE: Current version has <u>fees</u> ; substitute being crafted to remove fees.	<i>LAW</i>
Create a scientific advisory committee to evaluate the underlying science in DEP rule proposals (similar to PA).	[A-3624 (Chiusano/McHose) [S-2452 (Oroho)	AEN SEN

**SPECIFIC
BUDGET SAVINGS**

Republican Budget Savings

As in past years, in 2009 Republicans again proposed ways to achieve a significant savings in the budget. These savings target common sense efficiencies, fairer education funding and bidding reform. They should be redirected to more pressing priorities.

Equitable State School Aid Distribution

\$205.6 Million

School districts that were classified as “Abbott” districts pay nothing towards the cost of school construction and improvement projects. Instead, the state budget and the taxpayers are required to pay these costs. It is outrageous on its face that the districts don’t pay anything, not even one percent – towards their own capital improvements.

Additionally, there are approximately 20 school districts in New Jersey that have operating budgets that are more than 80 percent subsidized through the state budget and its taxpayers. These heavy subsidies allow for no incentive to control costs and actually cause the recipients to perversely spend as much as possible. Not surprisingly, state audits of many of these districts have shown wasteful spending. A survey of salary structures in these districts revealed that one district was found to employ 300 administrators making more than \$100,000 and another employed more than 20 physical education teachers with salaries exceeding \$90,000. The policy of providing more than 80 percent subsidies to a select few school districts’ operating budgets is neither fair, nor sustainable.

A maximum subsidy level of 80 percent for operating and capital budgets is hereby proposed. It is acknowledged that opponents of this proposal would seek to undo it by filing a challenge in court. Therefore, it is proposed that this policy be protected by placing a question before the voters to determine if they would support amending the state constitution. The overwhelming majority of residents who already pay for most of their own school district’s costs through the highest-in-the-nation property taxes would almost certainly support such a common sense change.

Special Municipal Aid

\$100 Million

Over the past seven years, a handful of politically connected municipalities have received state aid from a program whose funding has grown from \$38 million to \$153 million at its high, while state aid to non-politically connected municipalities has either decreased or has been flat funded. Newark alone received \$45 million more than a year ago. The Special Municipal Aid Program has been the subject of harsh criticism in an auditor’s report which noted: (1) no objective criteria exists upon which to base the awards; (2) financial recovery plans for recipients of aid under this program have not been prepared as required by law; (3) hearings have not been held to determine if towns should be subject to a fiscal review board as required by law; and (4) grants recommendations provided by staff are subject to “managerial override” (political manipulation). It is clear that the original purpose for this program has been ignored and it has become little more than a source of cash for politically connected municipalities.

The spending “restraints” announced by the Governor Corzine in 2009 include a modest cut to this program. However, for the past seven years, the law that established this program has not been adhered to and the program has become nothing more than a political slush fund that can be used by Corzine for personal political gain.

Proposed language in the FY 2010 budget would alter the types of audits the Department of Community Affairs performs for municipalities in the Special Municipal Aid program. The department states the conducting and preparing of audits of basic financial statements is a responsibility of the municipalities, even those that are in financial distress. It should remain the state’s responsibility and the budget should be changed to reflect that the state will continue to audit those municipalities that receive Special Municipal Aid.

Eliminate Political Appointees

\$68 Million

So far, in 2009, Governor Corzine has hired 10 new employees for his own office (more than 20 were hired in the last year), despite a hiring freeze everywhere else in state government.

The list of new hires since January 2009 include: (1) a new aide in the Office of Intergovernmental Affairs, who was previously a Hudson County coordinator for the Clinton Campaign and a paid employee of the Democratic State Committee; (2) a new “cabinet liaison officer” who was a former employee of the Democratic Party and a page at the 2008 Presidential Primary; (3) a new “briefing aide” in the Office of Operations (actually paid for with Department of Transportation funds) whose resume indicates he was a field coordinator for the Democratic Party, the Linda Stender for Congress campaign, the Linda Greenstein and Dan Benson for Assembly campaign and the Tim Carden for Congress, and (4) a new “outreach coordinator” in the Chief of Staff’s Office who was an organizer in the Obama campaign.

Some of these people perform valuable functions, but it is clear that political appointees fill these job titles - most of which are outside civil service laws and competitive hiring requirements. Over the last three years, Republicans have urged the governor to eliminate these employee categories. There are over 1,500 political appointees on the state payroll. By eliminating two-thirds of them, a significant savings can be achieved.

Procurement Reform Savings

\$65 Million

During a recent bipartisan meeting of legislators working to identify budget savings, the head of New Jersey’s procurement office noted that if we saved just “10 percent off the price of only 15 percent of more than \$6 billion” of annual procurement costs for goods and services, then the state would save \$90 million. Stated another way, procurement reform should reduce the price of the state’s goods and services by 1.5 percent. That goal is more than achievable, and legislators from both parties have repeatedly offered to support whatever changes in procurement laws may be needed to effectuate savings and

efficiencies. Change has been far too slow even though most reforms to procurement can be implemented immediately, without legislation.

The state should dramatically reduce the number of goods and services procured without advertising for competitive proposals and bids. The practice of no-bid contracts restricts open fair competition and drives up prices. Procurement without advertising is made possible by the Department of Treasury when it approves requests for waivers from competitive advertising – which the department is responsible for approving even when the department is the one requesting the waiver. More than \$446 million of purchasing was done in 2006 without competitive advertising for proposals and bids. As one example of this type of abuse, the Department of Treasury awarded itself a waiver from competitive advertising for legal services associated with Governor Corzine’s “asset monetization” proposal and then solicited bids only from the most expensive law firms in the country, resulting in a \$548 per hour contract that cost the taxpayers in excess of \$5 million.

Major construction procurement and building projects subsidized by the state should be more closely examined before they begin and submitted to a disinterested third party review. The highly controversial and extremely costly EnCap project was perhaps the best example of a project that was allowed to begin without adequate scrutiny. School construction projects are also prime examples of major initiatives undertaken without adequate review. Greater up-front scrutiny of major construction projects could prevent the next EnCap or the next school debacle.

The governor’s Office of Policy or the governor’s Counsel’s Office should become more engaged in reviewing proposed procurements by departments and agencies to prevent nonessential spending.

Reviews undertaken by Senate and Assembly Republicans of just a fraction of equipment purchases by various departments uncovered obvious examples of nonessential purchase orders, including: a \$35,000 World War II spotlight for the Department of Environmental Protection; an \$18,000 “trinkets order” for the Department of Community Affairs; several \$10,000 gym sets and a half dozen \$650 customized cigarette lighters for prison inmates; tens of thousands of dollars for top-of-the-line phones costly \$600 each for several departments when more modest purchases would have sufficed, and excessively expensive office renovations. A quick, third party check on proposed departmental purchase orders by the Governor’s Office would undoubtedly prevent many of the more egregious purchase orders from being pursued in the first place.

Agencies must require more regular invoices from hourly service providers, such as lawyers, and more closely scrutinize bills. EnCap is an example of how this practice could have made a significant difference. Private lawyers handling EnCap dealings and whistleblower lawsuits were permitted to submit bills for services nine months after beginning work. The result was that virtually all billable hours were paid. Billable time included obviously unnecessary and excessive work that could have been stopped sooner if bills were reviewed on a timely basis.

The \$25 million in procurement savings the governor booked in the FY 2010 budget reflects some progress. However, Republicans believe that \$25 million is just the tip of the iceberg.

Urban Enterprise Zone Tax Sharing Reform

\$72 Million

The law establishing Urban Enterprise Zones (UEZs) allows UEZs to charge a 3.5 percent sales tax and to retain a percentage of collections for their own use. The original UEZ law enacted in 1983 provided for a declining percentage of sales tax revenue collected in the UEZ to be retained by the UEZs. The percentage of collections was to decline over time, with the UEZs gradually being weaned off state subsidies. It allowed UEZs to keep 100 percent of local revenues in years 1-5, 66 percent in years 6-10, and 33 percent in years 11-15, and nothing thereafter.

In the late 1990s, many UEZs were approaching the point where they were about to lose their share of sales tax collections. UEZs were temporarily permitted to continue revenue sharing through language included in the annual Appropriations Act. In early 2000, the law was amended to allow UEZs to permanently retain some level of revenue. However, the law was amended in a way that was neither rational nor fair. The amendment enacted provided that in the 16th year UEZs would again receive 100 percent of sales tax collections and for the declining percentage schedule would repeat itself. This change was made for purely political reasons.

As of 2009, 26 of the UEZs are now retaining either 66 percent or 100 percent of local sales tax revenues – an increase from the 33 percent or zero percent they should be receiving. These UEZs are located in Asbury Park, Bayonne, Bridgeton, Camden, Elizabeth, Gloucester, Jersey City, Kearny, Lakewood, Millville, New Brunswick, Newark, North Wildwood, Orange, Passaic, Paterson, Perth Amboy, Phillipsburg, Plainfield, Roselle, Trenton, Vineland, West Wildwood, Wildwood Crest and Wildwood.

The Republican proposal is to keep the lower tax rates in place as well as other benefits in UEZs that attract businesses and customers to UEZs. This would replace the arbitrary and political formula used to determine local retention of sales tax revenues with a fair and equitable 33 percent retention of local tax revenues for all UEZs. The 26 towns listed above with UEZs that are currently retaining 66 percent or 100 percent of local tax revenues based on the arbitrary and unfair formula enacted in 2002 would receive less revenue for grant programs. All remaining UEZs currently at 33 percent retention level would see no decrease in aid.

Republicans acknowledge that tax cuts and extra revenue are helpful tools for depressed economic areas, but these tools must be used reasonably. Additionally, Republican legislators stress that unless overall state spending and taxes are reduced in an effort to stimulate the economy, almost no amount of special treatment for these areas will help them recover in a dismal business climate created over the past seven years. The ability of this program to stimulate the economy has never been proven. No studies have been

undertaken by the Department of Community Affairs to determine the effectiveness of this program.

UMDNJ/University Hospital Subsidy **\$30.85 Million**

A recent audit shows significant wasteful spending at UMDNJ continues despite all the reforms that have been put in place since previous accusations of Medicaid fraud. It has been reported that this additional funding will be used to bailout University Hospital with state funding instead of the current practice of UMDNJ supplementing University Hospital.

Payments in Lieu of Taxes **\$30 Million**

Certain developers and upper income condo owners in predominantly urban areas are completely exempt from paying property taxes, but are required to make in-lieu-of-tax payments to municipalities and counties under various redevelopment agreements – none of which support schools. Requiring these owners to pay something toward their own schools would have two impacts. First, it would be more fair to other taxpayers who are otherwise left footing the bill for schools. Second, it might cause the owners to care how local school districts are spending money. A former Democratic assemblyman originally proposed this idea, and we think it is a good one. A total of \$30 million could easily be obtained by requiring small payments in support of schools from currently exempt properties, with the state and local taxpayers sharing the savings.

Trenton City Capital Aid **\$25 Million**

This would eliminate a special appropriation that is not provided to any other municipality.

Essex County Subsidy **\$18.5 Million**

The state provides an unjustified special subsidy to Essex County.

Institutional Earmarks **\$18 Million**

There are dozens of earmarks within higher education budgets. The earmarks override university and college control over their own budgets. For example, for the past several years Rutgers University was told to pass through a \$135,000 appropriation to an outfit called E3CO supposedly to teach how to grow food in outer space. In addition, this budget is providing \$500,000 to the Rutgers athletic department as a pass through hidden in budget language. State colleges and universities should not be ordered to distribute funds to entities over which they have no control. If funding is desired, it should be done as a line-item and not hidden in budget language.

Reduce Payments to Able-Bodied Single and Childless Couples **\$17 Million**

The FY 2010 appropriation for this program has increased from \$72 million to \$89 million. The fund supports 100 percent state-funded cash grants of \$140 to \$210 per month to single, able-bodied, employable adults. These grants are above and beyond food stamps, Medicaid, housing assistance, PAAD, energy assistance, workforce training, and other means-tested grants for essential needs. This reduction would not completely eliminate such assistance, but would allow for the continuation of support programs that will transition this group to the workforce. In addition, these individuals should be required to perform certain work-related activities in the municipalities or counties in which they live.

Extraordinary Aid

\$15 Million

Examination of the applications for this program have revealed that aid is not distributed on the basis of need, but rather on the basis of political considerations. This aid was originally intended to prevent an unexpected steep increase in municipal property taxes as a result of a catastrophic event. For the past eight years it has not been used for this purpose.

Sick Leave Injury

\$13 Million

The FY 2007 budget recommended the elimination of the Sick Leave Injury (SLI) program as did the Joint Committee on Public Employee Benefit Reform. This program is administered by the Civil Service Commission but budgeted within the Interdepartmental Accounts. New Jersey is one of only five states that provide a sick leave benefit at full wages for injured state employees in addition to worker's compensation. As opposed to worker's compensation, which pays injured employees a temporary benefit at 70 percent of the statewide average weekly wage, the SLI program is a salary continuation program that provides full pay to employees.

Overtime

\$10.6 Million

Departments must better prioritize human resources to reduce overtime. One way to achieve a reduction in overtime would be to require employees to work a 35 or 40 hour week, depending on their job description, before being eligible for overtime. Vacation and sick time should not count as time worked when determining overtime. Significant overtime expenses are attributable to holiday policies that should be reconsidered. Also, vacancies exist in positions that, if filled, would reduce the need for overtime in an amount that would more than offset the amount to be paid for salaries and benefits.

State Rental Assistance Program

\$10 Million

The Department of Community Affairs estimates that it will spend \$33 million for the program in FY 2009. This program seems to be over-funded by \$10 million to \$15 million. In reviewing DCA estimates for FY 2010, it is unlikely the program will expend the \$52 million budgeted for it (\$32 million appropriation; \$20 million in dedicated Realty Transfer fees).

Contractual Costs Associated with Medical Care for Inmates **\$9.7 Million**

Fewer inmates and better care should result in lower costs. Paying for actual costs, and not the number of inmates housed in a correctional facility, should reduce spending levels.

South Jersey Port Corporation Property Tax Reserve Fund **\$9.13 Million**

Some of this funding amounts to nothing more than a subsidy to Camden, which receives payments in lieu of taxes from the port. The SJPC has had recent success and the state should no longer have to subsidize its operations.

Consolidation Fund **\$8 Million**

Balances in the Consolidation Fund are to be used to provide incentives for local governments to “conduct their work more efficiently.” As of March 23, 2009, none of the FY 2009 appropriation had been spent as funding in other line-items was sufficient. This is another example of a program that was created with the best intentions but is failing in terms of implementation. Surplus balances of \$2.78 million remain from FY 2009.

County Prosecutor Funding Initiative Pilot Program **\$8 Million**

This program provides a subsidy to four counties (Camden, Essex, Hudson, and Mercer) based on purely partisan concerns. It is an unfair and unbalanced slush fund disguised as a policy program.

Regional Efficiency Aid Program (REAP) **\$6 Million**

This program provides state funds to 14 municipalities, mainly in Hudson County. Property tax credits are provided directly to residents in these municipalities, which have implemented regionalization and shared services, and continue to be provided long after the initial savings were realized. This is a political payment.

New Jersey Sports and Exposition Authority **\$6 Million**

P.L. 1991, c. 375 approved the issuance of state contract bonds by the NJSEA. The contract requires the state treasurer to provide funds from the General Fund to pay the debt service on the bonds pursuant to the annual Appropriations Act. As of December 2007, the total amount issued for all state contract bonds was \$1.145 billion and the outstanding balance on bonds payable was \$629 million. The governor’s budget recommends an increase of \$11.1 million to pay for the actual debt service for the NJSEA. Legislation was recently passed to stop the issuance of bonds without voter approval. The NJSEA should pick up the debt service on these new bonds. No explanation has been provided as to the need for this level of bonded indebtedness.

Purchase of Services for Inmates Incarcerated in County Facilities **\$5 Million**

The appropriation for this line-item is proposed to increase from \$21.376 million to \$31.214 million. The Department of Corrections has estimated that there will be a 5 percent increase in inmates being incarcerated in county facilities. Yet the department could not justify why there would be such an increase in light of the fact that the prison population is declining. Also, it could not explain why a 5 percent increase in inmate population would equal a 46 percent increase in funding.

Elimination of the Department of the Public Advocate **\$4.35 Million**

Since its creation, the department has not provided sufficient reasons for its continued existence. Spending for the programs operated out of this department have increased from \$13.16 million in FY 2005 to approximately \$17 million in FY 2009. Essential functions should be transferred to another appropriate department or agency.

Elimination of Compensation to Members of Commissions and Boards **\$4 Million**

Hundreds of politically connected people who occasionally meet and serve on various state boards and commissions receive full-time pension credit and health benefits, as if they are full-time employees. Individuals on these boards and commissions are eligible for a full year of pension credit, provided they were hired prior to recent pension reforms. These individuals should be removed from the profoundly underfunded pension system so the resources of the system can be used for hard-working career employees. Examples of boards that offer benefits are the Local Finance Board, Real Estate Commission, Public Employee Relations Commission, the various licensing boards in the Department of Law and Public Safety and local boards of taxation. Even members of the governor's own party have endorsed this reform.

Union County Subsidy **\$3.9 Million**

The state provides an unjustified special subsidy to Union County.

Reduce Sick Time Payout **\$3.5 Million**

By reducing the amount the state pays retiring employees for unused sick time from a maximum of \$15,000 to a maximum of \$10,000, the state would save \$3.5 million. The payment for unused sick time is supposed to serve as an incentive for not taking sick time. The same incentive can be realized with a smaller payout.

Cellular Wireless Devices **\$3 Million**

Since 2003, the number of state-issued cellular wireless devices has increased from 3,613 to 18,369 and cost approximately \$7.7 million annually. Savings can be achieved by more closely monitoring who has a state-issued cellular wireless device and what services are being provided.

Tuition Reimbursement**\$3 Million**

Tuition reimbursement should be eliminated except in those instances in which continuing education is required as part of the job description or job requirements. Too often, this has not been the case. For example, the Department of Corrections has reimbursed corrections officers for taking courses such as Introduction to Theater, Ceramics, Theater Appreciation, and Introduction to Music. A senior clerk typist was reimbursed for Microbiology and Human Anatomy coursework while a communications operator was paid for classes that included Introduction to American Politics and the Principles of Geography. Additionally, state employees are being reimbursed for pursuing law degrees when a degree is not necessarily required for the job. This is the type of wasteful and arrogant spending that the state can no longer afford.

Family Planning**\$2.59 Million**

Grants for Family Planning have increased dramatically since FY 2006. This option would drop funding to amounts last seen in FY 2007.

Council on Affordable Housing (COAH)**\$2.35 Million**

The implementation of the new COAH regulations has placed an undue burden on municipalities which have been forced to meet ridiculous obligations and mandates. Reducing the amount available for its operations will provide an incentive for it to act responsibly.

Reduce Bills for Outside Counsel – Office of the Attorney General**\$2.35 Million**

In her appearance before both the Senate and Assembly budget committees, the Attorney General admitted that unfilled deputy attorney general positions has forced her to hire outside counsel for an ever increasing number of cases. The Attorney General also outsources legal work for certain specific cases. These private sector attorneys charge almost twice the hourly rate of an in-house deputy attorney general. Last year, the state spent \$26.5 million on outside counsel, 30 percent more than in the previous year, with most work going to large firms with political connections.

State Cars**\$1.5 Million**

The proposed budget assumes the state will hold title to 15,773 vehicles. There has been a steady increase in the number of cars since 2007. Eliminating a small portion of the fleet, as well as placing a moratorium on purchasing additional vehicles (not including the replacement of state police vehicles) will save the purchase price of the new vehicles, cut fuel costs and reduce claims against the Vehicle Claims Liability Fund.

Payments to State Prisoners

\$1.5 Million

The state has approximately 23,000 inmates, some of whom are paid for work. According to a Department of Corrections spokesman, inmates who work receive between about \$1.75 and \$6 day. The Office of Legislative Services estimates that this is collectively worth about \$1.5 million. State savings could be used for victim restitution.

New Jersey Law Revision Commission

\$400,000

The New Jersey Law Revision Commission was established in 1985 to promote and encourage the clarification and simplification of the laws of New Jersey. Spending on this commission has increased every year for the past three years. This function can adequately be performed by existing staff in the Office of Legislative Services.

Joint Committee on the Public Schools

\$355,000

The joint committee performs services that can be handled by other education staff members at the Office of Legislative Services.

Henry J. Raimondo New Jersey Legislative Fellows Program

\$69,000

With the state facing a multi-billion structural problem, non-essential programs such as this should be suspended for at least one year.



More information is available at: NJAssemblyRepublicans.com