



## The Christie Reform Agenda: Bold Reform for a Stronger New Jersey

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### **An Unreformed Pension System On The Brink Of Insolvency...**

#### **New Jersey's Pension Systems Are Underfunded By \$46 Billion.**

Ø By 2026 the unfunded liability is projected to rise to \$85B with a funding ratio of only 41%, even if all required employer pension contributions are made.

Ø If the state had contributed every dollar it was supposed to over the last ten years, our pensions would be funded at 74%, instead of 64 %, only a 10 % difference.

#### **According To Private Sector Methodology.**

Ø New Jersey's unfunded benefit obligation rises to \$173.9 billion (assuming 3.5% discount rate instead of the current 8.25%).

Ø This amount is equivalent to 44 percent of the state's current GDP and 328 percent of its current explicit government debt.

#### **Pension Reform Is Taking Hold Around The Country.**

Ø Many states are reducing pension liabilities by lowering or eliminating cost of living adjustments (COLA), or eliminating COLAs for current and future employees. Colorado reduced its 2010 COLA from 3.5% to 0% with a rate of 2% starting in FY2011. Minnesota reduced COLAs from 2.5% to 1-2% depending on the fund, and South Dakota made a 1% reduction in 2010 with future years COLAs based on investment performance.

#### **Nearly 75 Percent, Or 3 Of Every 4 Dollars, Of Every Municipal Or County Budget Is Driven By Personnel And Labor Costs. This Includes The Cost Of Pension And Benefits.**

### **Trenton Politicians Have Consistently Expanded Pension Benefits Without Paying For Them ...**

Ø Most notably, in 2001 several bills were passed that increased benefits for current and retired employees by 9.12 percent with no increase in employee payroll contributions (Chapter 133, P.L. 2001, S 2450, <http://www.state.nj.us/treasury/pensions/pdf/laws/c133pl01.pdf>.)

### **An Out-Of-Proportion Benefits System In New Jersey Is Costing Taxpayers and Needs Reform...**

#### **New Jersey Spends Approx. \$2.5 Billion Annually On Health Benefit Costs for Public Employees and Retirees.**

#### **The Unfunded Liability For Health Benefits Is Even Greater Than The Unfunded Liability For Pensions**

Ø \$67 Billion unfunded liability for health benefit costs for active and retired state and local public employees.

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- **New Jersey Pays A Higher Percentage Of Its Employees Healthcare Costs Than Private Sector Employers and Public Sector Employers, including Delaware, New York, and The Federal Government.**

Ø New Jersey, 92%; Delaware, 91%; New York, 83%; Federal Government, 66%.

- **New Jersey Offers Only 3 Health Plans to Employees, vs. 269 Offered To Federal Employees.**

- **The Overwhelming Majority of New Jersey Employees Contribute Only 1.5% of their Salary for Health Benefits, Regardless of Benefit Plan Or Family Status.**

- **New Jersey Has Lower Prescription Drug Copays Than Delaware, New York And Pennsylvania.**

- **New Jersey's Primary Care Copay Is 40% Lower Than The National Average.**

Ø New Jersey, \$15; National PPO Average Copay, \$21.

Ø 70% of PPO's had Copays of \$20 or More.

- **Nearly 75 Percent, Or 3 Of Every 4 Dollars, Of Every Municipal Or County Budget Is Driven By Personnel And Labor Costs. This Includes The Cost Of Pension And Benefits.**

#### **A Business And Economic Climate That Has Driven Away Jobs And Businesses...**

- **New Jersey's Economy Is Still Reeling From The Economic Recession.**

Ø In July 2010 New Jersey's Unemployment Rate of 9.7% remained higher than PA & NY.

Ø Pennsylvania's unemployment rate in July 2010 was 9.3% and New York's unemployment rate in July 2010 was 8.2%.

Ø The national unemployment rate was 9.5% in July 2010

Ø From June 2006 to June 2010, New Jersey lost 215,000 private sector jobs.

- **The Foreclosure Crisis Continues To Devastate Our State's Families And Weaken Our Economic Recovery.**

Ø New Jersey foreclosure filings increased 199.8% from 2006 to 2010.

Ø New Jersey foreclosure filings in 2006 were 21,752, compared to 65,222 in 2010.

- **New Jersey Is Especially Hostile to Small Businesses, Ranking 50<sup>th</sup> In SBE's Business Tax Index in 2010 and Small Business Survival Index In 2009.**

Ø New Jersey's Business Tax Index rating by the Small Business & Entrepreneurship Council for 2010 was the worst of all 50 states, and only surpassed by the District of Columbia. (Small Business and Entrepreneurship Council, April 2010)

Ø New Jersey's "Small Business Survival" Index rating by the Small Business & Entrepreneurship Council is the worst of all 50 states, and only surpassed by the District of Columbia in hostility to small businesses. (SBEC, December 2009)

Ø New Jersey remains at a regional disadvantage when it comes to business taxation. In the same Business Tax Index, Pennsylvania ranked 26<sup>th</sup>; Delaware ranked 30<sup>th</sup>; and New York ranked 47<sup>th</sup>. (Small Business Entrepreneurship Council, April 2010)

- **A Study By Boston College's Center On Wealth And Philanthropy Showed That From 2004 Through 2008, \$70 Billion In Wealth Left New Jersey.**

- **Further, New Jersey's Top Marginal Personal Income Tax Rate In 2009 Was 10.75%, Compared To 3.07% In PA and 8.97% In NY.**

Ø According to SBEC, 90% of businesses file taxes as individuals and are subject to personal income tax rates. (Small Business Entrepreneurship Council, April 2010)

Ø New Jersey's top marginal personal income tax rate dropped to 8.97% in 2010 as a result of Governor Christie's veto of legislation to extend the 10.75% top tax rate.

· **Businesses Continue To Fail In New Jersey's Unfriendly Business Climate.**

Ø New Jersey business filings decreased 11% from 2007 to 2010.

Ø New Jersey business filings in 2007 were 88,698, compared to 78,605 in 2010.

**A Costly Education System In Need Of Greater Reform...**

· **Including Federal Aid, New Jersey State And Local Governments Spent Approx. \$25 Billion On Education For 2009-2010. (NJDOE)**

Ø Total State Aid to Education was \$10.3 Billion for 2010-2011, including FICA, retiree health care, and other expenses borne by the State.

· **Statewide Per Pupil Spending Is The Highest In The Nation At \$17,620.**

Ø According to the National Center for Education Statistics, New Jersey spent \$17,620 per pupil for 2007-2008, the latest available data.

· **New Jersey Paid The 4<sup>th</sup> Highest Teacher Salaries In The Nation For '08-'09, 17% Higher Than The National Average.**

Ø The average full-time teacher salary in New Jersey was \$63,051 for 2008-2009.

Ø The National Estimated Average Teachers Salary was \$53,910 for 2008-2009.

· **The Average Teacher Salary Increased 5.9% From '07-'08 To '09-'10.**

Ø The average full-time teacher salary in New Jersey for 2007-2008 was \$61,478.

Ø The average full-time teacher salary in New Jersey for 2009-2010 was \$65,123.

(Sources: NJDOE, NCED)

**Despite Consistently High Education Spending, New Jersey's Achievement Gap Persists...**

· **The Gap In New Jersey 4th Grade Math Between At-Risk Students And Those Not At Risk Did Not Change Significantly In 13 Years.**

Ø In 2009, students eligible for free/reduced-price lunch (indicator of poverty) had an average score 26 points lower than students not eligible for free/reduced-price lunch. The performance gap was not significantly different from that in 1996 (32 points). (National Assessment of Educational Progress, 2009)

Ø The gap between black or Hispanic and white students for the same test in 2009 narrowed when compared to the gap in 1992. (NAEP, 2009)

· **The Gap In New Jersey 8th Grade Math Between Black Or Hispanic And White Students Did Not Change Significantly In 19 Years (More Than A Generation Of Students Or Nearly The Lifetime Of Abbott).**

Ø In 2009, the average score of black students was 34 points lower than that of white students. The gap was not significantly different from 1990 (38 points).

Ø In 2009, the average score of Hispanic students was 30 points lower than that of white students. The gap was not significantly different from 1990 (37 points).

Ø The gap in New Jersey eighth grade math between at-risk students and those not at risk did not change significantly in six years.

Ø In 2009, students eligible for free/reduced-price lunch (indicator of poverty) had an average score 30 points lower

than students not eligible for free/reduced-price lunch. The performance gap was not significantly different from that in 2003 (34 points).

**The Gap In New Jersey 4th Grade Reading Between At-Risk Students And Those Not At Risk Did Not Change Significantly In Six Years.**

Ø In 2009, students eligible for free/reduced-price lunch (indicator of poverty) had an average score 26 points lower than students not eligible for free/reduced-price lunch. The performance gap was not significantly different from that in 2003 (30 points).

**The Gap In New Jersey 8th Grade Reading Between Black Or Hispanic And White Students Did Not Change Significantly In Six Years. The Gap Between At-Risk Students And Those Not At Risk Also Did Not Change Significantly Over The Same Time Period.**

Ø In 2009, the average score of black students was 31 points lower than that of white students. The gap was not significantly different from 2003 (29 points).

Ø In 2009, the average score of Hispanic students was 25 points lower than that of white students. The gap was not significantly different from 2003 (28 points).

Ø In 2009, students eligible for free/reduced-price lunch (indicator of poverty) had an average score 27 points lower than students not eligible for free/reduced-price lunch. The performance gap was not significantly different from that in 2003 (30 points).

(Source: National Assessment of Educational Progress)

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