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FY2010 Budget Solutions as a Foundation for Reform

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Trenton, NJ – Governor Chris Christie today announced \$2.203 billion in budget solutions to balance New Jersey’s current year budget through a combination of savings from over funded programs, targeting of waste, and the capture of unexpended balances from accounts in every corner of state government.

“These are among the hardest decisions any governor could be called upon to make,” said Governor Christie. “But this process is also an extraordinary opportunity – a generational moment – where we confront the consequences of past failures while providing the solutions and permanent reforms we need to lead us to stability and better, more prosperous times.”

The Governor advanced his budget solutions during a special Joint Session of the Legislature, where he advised the members that he had signed an Executive Order before the speech and declared a “state of fiscal emergency” in recognition of the state’s looming deficit for the balance of Fiscal 2010. The Executive Order includes the authority of the Director of the Division of Budget and Accounting to reserve or freeze funds at the Governor’s direction.

The budget solutions were derived from four general areas: targeting savings or areas of overfunding in programs and departments, targeting waste and ineffective programs, identifying areas for longterm reform and, above all, making hard choices in the form of program cuts, the use of unspent balances or withholding of aid. In all, 375 line items of cuts, efficiencies and program eliminations are found in the Governor’s plan.

Aid to local school districts and higher education institutions is being reduced, requiring them to use surpluses to fund operations for the balance of the school year. The school aid reductions do not impact any approved school budget funding. Other hard choices include eliminating programs across virtually all departments, including some very good but non-essential programs that simply cannot be afforded at this critical time in New Jersey’s history.

The cumulative impact of years of shortsighted budgeting and the failure to control spending or enact pension and benefits reforms left the new Administration with no alternative. While the Administration will be forced to forgo \$100 million in funding for public employee pensions, it proposes to move ahead with substantial pension reforms that will help reduce under funded pension obligations.

At the end of January, seven months into the fiscal year, the state government had \$14 billion of unspent money remaining for Fiscal 2010. Of that amount, \$8 billion was dedicated to such things as state employee contracts, maintenance of funds to keep federal funding, debt service and constitutional mandates. Consequently, the new Administration – to balance the budget, as required by the state Constitution – was forced to find more than \$2 billion in savings out of the remaining \$6 billion.

For Fiscal Year 2011, the state will have to resolve a more than \$11 billion gap at the outset – the largest shortfall per taxpayer of any state in the country by far.

Among some of the largest impacts from the budget solutions:

- Withholding \$475 million in local school aid for the balance of the fiscal year, with the amount of individual aid reductions tied to surpluses in the school districts. The withheld aid will not result in any reduction in approved school spending this year.
- A \$62.1 million reduction in aid to county and senior public colleges and universities, also tied to existing surpluses.
- A \$12.6 million reduction in hospital Charity Care, representing a 4.2 percent reduction.
- Capture of \$158 million in unexpended balances from the Board of Public Utilities-administered Clean Energy Fund.
- Capture of \$13.8 million in surplus balance from the Homestead Rebate program.
- Take a balance of \$15.9 million in unused grant money remaining due to reduced service requirements in the Division of Youth and Family Services.

Delayed programs and capital projects total more than \$115 million. There was no reduction in municipal aid.

Other programs that sounded good in theory but failed in practice are being scrapped and their balances used in the budget solutions. InvestNJ was designed to spur job growth by giving out tens of millions of dollars to businesses at a rate of \$3,000 per new hire. However, it experienced only limited success. Consequently, \$57.9 million in InvestNJ funds will be used in the budget solutions.

Funding for the Office of the Public Advocate is being discontinued, and its present balance of approximately \$600,000 will be used in the budget solutions. Necessary functions of the Public Advocate will be consolidated into other parts of state government.

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Where possible, the Administration focused first on programs where there would not be any negative effect on programs. That analysis resulted in \$454 million in savings or areas of over funding.

The targeting of waste and abuse resulted in approximately \$70 million in savings. This is just the beginning – a down payment – on the Administration’s plan to go deeper in finding wasteful spending in the new fiscal year.

“As difficult as this is, with all the individuals and government operations that are effected, we must view this in a positive way,” said Governor Christie. “All of it, the cuts, the savings, the use of unexpended balances and surpluses, amount to a down payment on a stable future for our children and their children. We just could not delay any longer without pushing our problems onto another generation.”

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