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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 ...

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 50th 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 26th; Delaware ranked 30th; and New York ranked 47th. (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 4th 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.

∅ 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.

∅ 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).

∅ 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).

∅ 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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