

Controlling Spending

New Jersey State government, under both parties, has regularly spent more money than it has taken in. For over a decade, base revenues haven't grown 2-3% per year, while spending has increased 6-7%. Budgets were cobbled together that looked balanced but were really bleeding red ink.

- Taxes were raised and pension and health care liabilities went unfunded.
- Spending gimmicks were found and borrowing exploded, but the annual deficits were never eliminated.

As a result, the State of New Jersey regularly faces annual budget deficits of between \$2 billion and \$3 billion. Under Governor Corzine, the gap between spending and recurring revenues has been significantly reduced.

- Government has shrunk by more than 2,000 positions and there is still a hiring freeze in most areas.
- Through collective bargaining efforts, the retirement age was raised from 55 to 60 for new employees.
- And for the first time all State employees are contributing to their health care costs.

Now, as part of the financial restructuring and debt reduction plan, Governor Corzine has proposed structural changes to permanently control State spending:

- (1) Freeze Overall State spending in the upcoming state budget.
 - This means cutting upwards of \$2 billion in next year's budget.
- (2) Limit future spending growth to the rate of revenue growth.
 - Spending could only increase if recurring revenues increase.

- Any non-recurring revenues or accumulated surplus would be used exclusively to pay down debt, make capital investments or pay off unfunded health care or retirement liabilities.