Adding It All Up:
An Impartial Look at NJ's
$117 Billion Government

The first in a five-part series focusing on the true size of New Jersey's expansive government, how much is being spent in specific categories and, most importantly, identifying opportunities where it can be made more efficient.

Table of Contents

Our Mission

The Garden State Initiative is a 501(c)3 nonprofit organization dedicated to strengthening New Jersey by providing an alternative voice and commonsense policy solutions in the state -- solutions that promote new investment, the growth of jobs, the creation of economic opportunities, and innovation to the benefit of all New Jerseyans.

GardenStateInitiative.org

Research and analysis conducted by PEL Analytics

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Evan Weiss is Director of PEL Analytics, where he led some of the most complex government restructuring work in several of New Jersey and the region's largest cities and school districts. Evan has published on the effects of concentrated poverty in New Jersey's urban areas, as well as the first major paper on national best practices for Opportunity Zones.

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Executive Summary

As it gets easier and easier for New Jersey residents and businesses to move to other parts of the country, how competitive is our state's "Value Proposition"? While not the exclusive driver, an undeniably significant part of that value proposition is how government in our state performs as a whole; for all the taxes we pay, is it worth what we paid? It's impossible to have a constructive conversation about this essential question without knowing exactly what public services our government is paying for in the first place and discerning if other states are creating more value by delivering those same public services to their residents and businesses more effectively.

This first study in a series of reports takes on this daunting question.

So, to begin, **how much does it cost to deliver New Jersey's government services?**
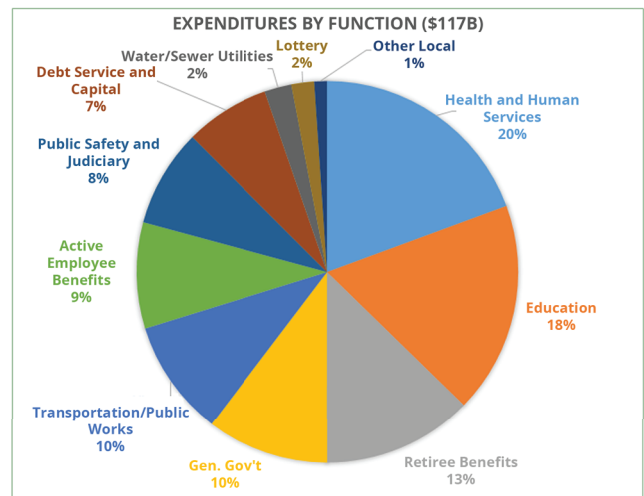**Answer:** $117 billion.

That's three times as much as this year's advertised state budget. $117 billion is the cost of nearly every public service in New Jersey added up: running your city or town, your school district, your county, and your state. It's never been easy to bring together the financials of approximately 1,522 governments: 1 state + 21 counties + 565 municipalities + 590 school districts + 88 charter schools+ 257 authorities, boards, and commissions (not to mention trusts and "off-budget" funds). Our goal is to make it easier to navigate the maze of spending funded by the public and managed by our representatives in our towns, Trenton, and Washington.

Spending

How government spends that $117 billion delivering these services tells us a lot about ourselves and what we value: healthcare, education, and retiree benefits, to name the top three.

Revenues

On the other side of the equation is knowing who pays the taxes, fees, tickets, and tolls to provide these services. How much comes from the federal government, how much from investments, and the lottery? Adding everything together, it totals $121 billion-generating a surplus overall largely thanks to pension fund investments.

EXPENDITURES BY FUNCTION ($117B)

- Debt Service and Capital 7%
- Water/Sewer Utilities 2%
- Lottery 2%
- Other Local 1%
- Health and Human Services 20%
- Public Safety and Judiciary 8%
- Active Employee Benefits 9%
- Education 18%
- Transportation/Public Works 10%
- Gen. Gov't 10%
- Retiree Benefits 13%

The revenue to run New Jersey is not collected by a central agency, but rather hundreds and hundreds of governments and agencies. Almost every town has a tax collector and assessor, for example. Sometimes government revenue is dedicated to a particular purpose; often, it just goes into "the general fund".

In general, there's no over-arching strategy behind how our state takes in $121 billion or spends $117 billion; in fact, the organic evolution of our government is the product of an iterative, well-intentioned effort by public officials to serve over the course of decades and even centuries. Often these policies, out of inertia, can remain unchanged—even if it is well-past time to.

Revenue by Collecting Entity	Revenue ($million)	% of Total
State of New Jersey	47,546	39.2
Schools	18,094	14.9
Municipal	14,358	11.9
Federal Aid	14,108	11.6
State Authorities	9,523	7.9
New Jersey Pensions	9,394	7.8
County	6,255	5.2
Local Authorities	1,869	1.5
Grand Total	**121,148**	**100.0**

With the pressure to deliver a value proposition in an increasingly competitive environment, it's natural to ask if we can do it better—and to ask the question differently. In order to answer that question, we focused on *what* the government is doing rather than who's doing it: why do four different layers of government need to plow streets? Why do so many school districts need to manage their own student transportation needs? If there is a reason—and there often is—then we can move on to the next issue. But sometimes the answer is "because it's always been done that way"; and, if that's the answer, it's worth understanding what we can do to make things better.

In answering this question, we picked four areas to demonstrate the opportunity to improve the delivery of critical public services: 1) school transportation, 2) streets and roads, 3) school facilities, and 4) inspections. Not only do these services present real opportunities for savings and better performance, but they're services that can be easily replicated and scaled without a lot of specific local knowledge. If two towns let the county do their health inspections, it's not going to change the character of those communities in the same way as merging those two towns together would.

From a total of $1.2 billion in student transportation spending, our first study projects we can save as much as $200 million through efficiencies and changes in how local districts approach their student transportation policy choices; and, with each of our four studies taken together, **we will show the way to a total of $1 billion in savings.**

Introduction

The Problem

New Jersey, New York, Tennessee, Pennsylvania, Florida, and even Connecticut recognize the competitive race they are in: in order to win high value jobs and retain residents, a state must put forth a value proposition that offers a reasonable cost of living for workers and sensible regulation for businesses—all while maintaining a high performing government that reliably delivers both essential services and a great quality of life. By addressing each of these problems in a holistic yet practical way, New Jersey can leapfrog other states and convince both businesses and residents that we are serious about attracting and retaining every one of them—instead of being the state so many people are choosing to leave. Taxes are already too high and cutting expenditures haphazardly just to lower costs will cause us to lose the great public services we expect in our state. The key is to find efficiencies that can make government work better for everybody.

The Proposition

New Jersey's government is really, give or take, 1,522 *governments*: 1 state + 21 counties + 257 authorities, boards, and commissions + 565 municipalities + 590 school districts + 88 charter schools.

When federal, state, county, and local tax, fee, and investment earnings are summed up, it's an $121 billion enterprise (a $4 billion "profit", largely thanks to pension fund returns, against **$117 billion** in expenses); compare that to the reported State budget number, which for Fiscal Year 2018-19 was "just" $37.4 billion.

What if we thought about defining our government services based simply on what they do rather than which specific layer of government delivers it? After all, does anything change about a road when we drive from our local road to a county road to a state road to the interstate to the Turnpike on our way to work? Isn't it the same business that's regulated by health, building, and fire code inspectors frequently at the local, county and state levels—sometimes simultaneously?

Why can't we re-imagine certain government functions across state and local entities as being one, integrated function because they serve the same customer—the taxpayer? Keeping things local makes sense when the people living there can clearly define what works best in *their* community. But while a community knows best whether a proposed shopping center makes sense or not for their town, whether or not that shopping center is fire safe or how its trash will be picked up is the same in one town over or two towns over—or on the other side of the state.

The Approach

Our goal is to look at how certain public services in New Jersey are provided and to understand why we provide them the way we do; when we peel away the assumptions and the history, what is the logic behind those choices? The common thread of this analysis is a focus on function. We want to understand as best we can how a service is performed, by who, and who pays for it. For example, four levels of government maintain roads—municipalities, counties, the state, and public authorities (like the Turnpike)—and each uses various streams of revenue to pay for it, like the Transportation Trust Fund, tolls, and property taxes. So, instead of just focusing on how *municipalities or the state* maintain roads and expend capital, we studied how *all* roads are maintained and capital is allocated.

The point of this approach is to, first, show just how much we're really spending on getting a public service; usually, we see a state budget, county budgets, and municipal budgets separately even if each might provide the same basic service function. Moreover, many school districts perform services that have nothing, specifically, to do with education, such as building maintenance and construction. Understanding similarities of service across government entities is also important for building efficiencies and shared services between them. Second, focusing on function reframes the question from just asking *where* we could get more efficient services to *how* we can get more efficient services. A good deal of the time, services *can* be performed better or more efficiently at the local level, even by a small school district or municipality, rather than higher up a government value chain. Indeed, there's nothing magical about consolidation in itself that saves money, which is why we chose to focus on function.[i] This also breaks down the political barriers in order to look at the work first, not who is performing what work.

The Payoff

This effort does not look at municipal or school district consolidation. We are focused on services. Consolidation has been covered at length elsewhere and there is seemingly no correlation between more consolidation studies and more consolidation.

More specifically, we chose services that present the best combination of potential cost savings (based on overall magnitude of spending and efficiency potential), service improvements, and ability to actually get it done: **school transportation, streets and roads, school facilities, and inspections**. While each of these services are essential to creating the conditions for a great community, none of them *define* those communities. Developing efficiencies in the parts of government that do little to create a sense of community character can allow those same communities to reallocate resources to those that do or ensure that government services truly match taxpayer priorities.

This report, the first in a series, sets the table for this analysis by developing an overall "sources and uses" for New Jersey, taking into account revenue and expenses from every layer of government in the state.

This report will be followed by "function deep dives", each beginning with a comprehensive enumeration of the total cost of that function with statistical estimates of any "efficiency gap" between what's actually spent and what could be spent, next offering best practices both from New Jersey and other states, and then, in order to start the conversation, presenting ideas about redefining how our government can serve the public in more efficient and effective ways.

From a total of $1.2 billion in student transportation spending, our first study projects we can save as much as $200 million through efficiencies and changes in how local districts approach their student transportation policy choices; and, with each of our four studies taken together, we will show the way to a total of $1 billion in savings.

The Basics

New Jersey, like all other American states, is "sovereign", meaning that it is largely left to make most decisions for itself within the bounds of the United States Constitution and federal law. Unlike some other states, every inch of ground in New Jersey is incorporated, which places all land under the jurisdiction of one of the 21 counties and their 565 municipalities. The New Jersey Constitution attempts to limit the State from meddling too much in local affairs—except in extraordinary circumstances—and instead empowers the state to create the framework for how municipalities operate. Municipalities often provide police and fire protection, local public works, and other services like inspections, parks, and local economic development. Voters elect their municipal government officials—often a mayor (executive) and city council (legislative)—with some municipalities giving more administrative power to elected officials and others to professional managers. Counties often perform the same basic functions as municipalities, but at a more regional level. They also perform some specialized services, like mental health and corrections, that are not found at any major scale in most municipalities. All counties in New Jersey have an elected Board of Chosen Freeholders, which serves as the legislative body. Some counties' voters directly elect a County Executive to perform the executive function of government, whereas others have Board-appointed county administrators, supervisors, and Freeholder-Directors. In most cases, the day to day functions are performed by a county administrator or other bureaucrats. The State's primary mechanism of municipal and county oversight is the Division of Local Government Services in the Department of Community Affairs, which focuses on budget, finance, and debt issues; other State agencies provide oversight on their particular areas of expertise (for example, the Department of Environmental Protection on environmental issues).

Schools are a little different, since education is defined in the New Jersey Constitution as a state responsibility: "The [State] Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the State between the ages of five and eighteen years".[ii] Local school districts represent the delegation of that responsibility from the state to the individual school district and the state, accordingly, is much more involved in the day to day decisions and standards of running a school district—even if indirectly. Nearly all school districts are governed by elected school boards, with a small percentage governed by mayorally-appointed school boards or the State directly. Boards select a Superintendent to serve as the executive, who is typically assisted by a School Business Administrator to manage day to day operations. Many school districts are regional and cross municipal lines, especially for high school, and the boards are meant to account for this geographic dispersion. New Jersey also has several special services school districts, vocational/technical districts, and educational services commissions. These special districts help local districts manage their more complex special education needs, although many have expanded their offerings into transportation coordination and cooperative purchasing, while vocational/technical districts provide training in those associated fields. Although initially primarily tied to counties, many of these districts now serve communities all over the state—most notably the Educational Services Commission of New Jersey (formerly the Middlesex Regional Educational Services Commission). Charter schools are treated as quasi-school districts and are governed by non-profit boards. While given more flexibility than traditional public school districts, they are still subject to the same statutory foundations that underlie other school districts and rely on public funds for the vast majority of their operating costs.

Municipalities, counties, and school districts use property taxes as their main source of revenue, which their legislative bodies have to approve annually as part of a budget prepared by the administration; property tax caps and state budget reviews are also meant to control property tax growth, ensure that budgets are realistic and compliant. Sometimes, particular issues—and sometimes even the budget—need to be directly approved by the voters of that district or municipality. Unlike other states, local governments in New Jersey have very few ways of raising money beyond property taxes; Pennsylvania, for example, allows local income and service taxes to be charged on both residents and non-residents. In approximate exchange for this, the State of New Jersey is much more generous in handing out general aid to municipalities.

The state, county, and municipalities are also empowered to form authorities (including some that are formed by several states, such as the Port Authority of New York and New Jersey). Authorities are typically formed to focus on a discrete task in a "business like" manner, such as water treatment, waste management, parking, or economic development for a given city or region. Over time, some authorities have

expanded their service offerings or their geographic service area footprint. Authorities are typically governed by boards appointed by the entity that created them or a collection of different entities if that authority serves as a regional purpose; a board-appointed Executive Director fulfills the executive function. Authorities can issue their own bonds and so are often used to finance major projects. In addition to authorities, there are several boards, commissions, and joint meetings that perform a variety of functions on behalf of the public.

Sources (Revenues)

All government revenue starts with a decision to collect it. Property taxes are about as old as the country, but the state income tax is just a few decades old and was essentially put into place in order to adequately fund our schools. Taxing railroads provided enough revenue to run the state for much of the 19th Century and now raise barely anything. While some revenues are easy to spell out the reason for—like tolls on the Turnpike or fees to use a state park—there's ultimately a reason behind every government revenue, even if it's not obvious. It's worth understanding what it is or, more often, was.

Revenue by Collecting Entity	Revenue ($million)	% of Total
State of New Jersey	47,546	55.1
Schools	18,094	21.0
Municipal	14,358	16.6
County	6,255	7.3
Grand Total	**86,254**	**100.0**

The revenue to run New Jersey is not collected by a central agency, but rather hundreds and hundreds of governments. If you add it all together, the State of New Jersey, its school districts, municipalities, and counties collected more than $86 billion in revenue in the Fiscal Year 2017-18 budget. In addition to the state's $34 billion in revenues that are anticipated in its Fiscal Year 2017-18 annual budget, the state maintains numerous "off-budget" funds classified as dedicated, special revenue, and capital project funds. These funds were established for particular purposes and are kept separate from the state's general budget in order to better ensure these revenues are collected and spent on their particular purpose, from providing healthcare and unemployment insurance to marketing New Jersey wines and preserving open space. When the revenues of these off-budget funds are considered, the state is actually projected to collect nearly a third more or nearly $48 billion in Fiscal Year 2017-18.

School districts budgeted to raise approximately $26 billion in Fiscal Year 2017-18. However, over $8 billion of these revenues represent direct transfers from the State of New Jersey in the form of aid to schools, provided in order to help control local property taxes and promote equal educational adequacy across all districts; this

REVENUE BY COLLECTING ENTITY (86B)

County 7%
Municipal 17%
Schools 21%
State 55%
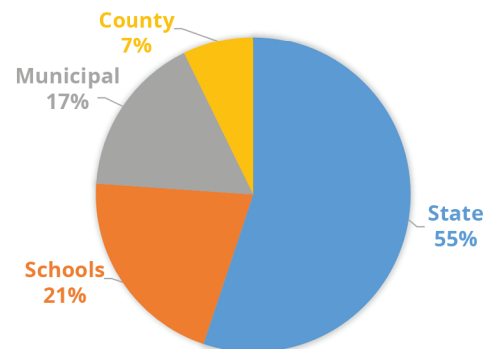
$8 billion does not include some of the "on-behalf-of" payments the State of New Jersey makes such as contributions to the teacher's pension or retiree healthcare liabilities, which, unlike many other states, are covered outside the local level. After state aid, school districts collectively raised $15.5 billion in local property taxes and $2.6 billion in other revenues.

Municipalities budgeted to raise $15.8 billion for the 2017/2017-18 fiscal year[iii] while counties budgeted $6.5 billion in revenues. Approximately $1.6 billion of these revenues are also state transfers and not direct revenue collection; Energy Receipt Taxes collected by the State of New Jersey and distributed to municipalities constitute the majority of these transfers ($1.13 billion). Once these transfers are accounted for, municipalities collected over $14 billion and counties $6.3 billion. Local property taxes represented the majority of these revenues ($8.5 billion and $4.9 billion, respectively). The core reason property taxes are so high, irrespective of the cost of government, is that they are really the only major tool municipalities have to raise revenue. Many states provide municipalities additional ways to raise significant revenues, but only Newark currently has a second major tax revenue source, a payroll tax, allowing for a broader tax base in the city. Expanding the tax base across the state could provide a more distributed tax burden, but make it easier for local governments to spend more without corresponding controls or a "revenue neutral" tax framework.

However, these entities alone do not provide a full picture of sources of revenue in the State of New Jersey. The state's 2017-18 budget anticipates $14.2 billion in federal aid monies to be spent for purposes ranging from health and human service

Revenue by Collecting Entity	Revenue ($million)	% of Total
State of New Jersey	47,546	39.2
Schools	18,094	14.9
Municipal	14,358	11.9
Federal Aid	14,108	11.6
State Authorities	9,523	7.9
New Jersey Pensions	9,394	7.8
County	6,255	5.2
Local Authorities[iv]	1,869	1.5
Grand Total	**121,148**	**100.0**

functions—the destination of the majority of federal aid—to education and public safety. State and local authorities, totaling more than 250 entities, also constitute a notable avenue of revenue collection in the state. State and local authorities tend to raise revenues through fees on the services they provide or are responsible for, such as tolls on the New Jersey Turnpike Authority or treatment fees for the Ewing-Lawrence Sewerage Authority. No publicly available dataset provides all of this data in a consolidated form. Indeed, research on the subject of state and local authorities in 2012 similarly noted:

"[t]he reality is that the oversight of public authorities and independent agencies is so fragmented that there is no comprehensive or completely reliable set of fiscal data on public authorities in New Jersey."[v]

Additionally, the pension systems maintained by the Treasury's Division of Pensions & Benefits represent a significant portion of transfers, revenues and expenditures in the state when included. The pension system's revenues (as opposed to transfers into the fund to meet actuarial funding requirements) primarily come from investment earnings. Indeed, the proceeds from pension investment earnings is one of the single biggest revenue lines in the state—and one that is dedicated exclusively to maintaining retiree pension benefits. As the table shows, these entities collectively raised $121 billion in the 2017/2017-18 fiscal years.
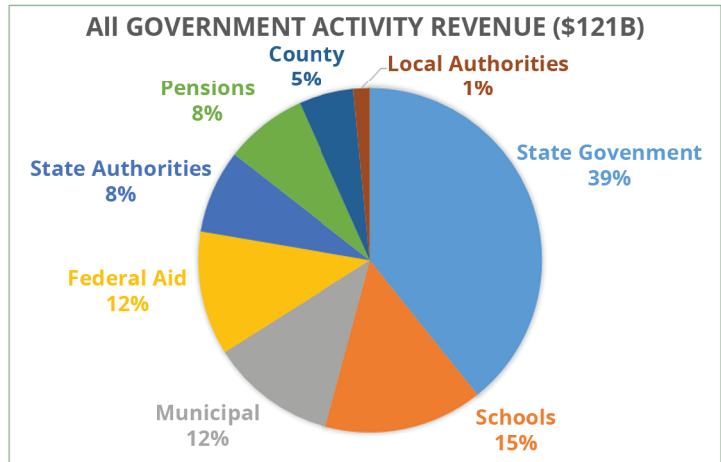
The manner in which these entities raise revenue vary considerably, but tend to be similar among levels of government; i.e., local governments raise revenue like other local govern- ments. Property taxes constitute the single largest revenue type at $28.8 billion across the state. As noted earlier, majority of these property taxes are raise by school districts ($15.5 billion), followed by municipalities ($8.5 billion) and counties ($4.9 billion). The state's revenue sources are more varied, headlined by the income tax, sales tax and federal aid.

All GOVERNMENT ACTIVITY REVENUE ($121B)

- County 5%
- Local Authorities 1%
- Pensions 8%
- State Authorities 8%
- Federal Aid 12%
- Municipal 12%
- Schools 15%
- State Govenment 39%

Fees, tolls and other charges are the main revenue stream to fund the water, waste- water, transportation, and other services pro- vided by for state, local and municipal author- ities entities. These aut- horities are budgeted to collect $11.8 billion in fees, tolls and charges while the state is expected to collect more than $1.5 billion (mostly in "off-budget" dedicated and special revenue funds).

Revenue by Type	Revenue ($million)	% of Total
Property Taxes	28,784	23.8%
Income Tax	14,382	11.9%
Federal Aid	14,246	11.8%
Fees, Tolls, and other Charges	13,456	11.1%
Sales Tax	9,705	8.0%
Pension Investment Revenue	9,394	7.8%
Other Operating	7,197	5.9%
Other Local Revenue	4,629	3.8%
Other Dedicated Fund Revenue	4,601	3.8%
Other State Taxes and Fees	3,840	3.2%
State Lottery	3,233	2.7%
Corporation Business Tax	2,375	2.0%
Unemployment Tax	2,305	1.9%
Motor Fuels and Energy Receipts	1,918	1.6%
Non-Operating	1,083	0.9%
Grand Total	**121,148**	**100.0%**

The 2016-17 audited financial statements of the Division of Pension and Benefits showed the funds to have collectively earned approximately $9.4 billion from investment earnings, fueling the system's positive $4.5 billion increase in net position. Indeed, the net difference in our headline sources and uses figures are almost exclusively attributable to the pension system's significant increase in net position for the 2016-17 fiscal year thanks to a strong market.

REVENUE BY TYPE

Putting it all together, we can see where and how each layer of government raises its revenues:

Distribution of Revenues by Type and Entity

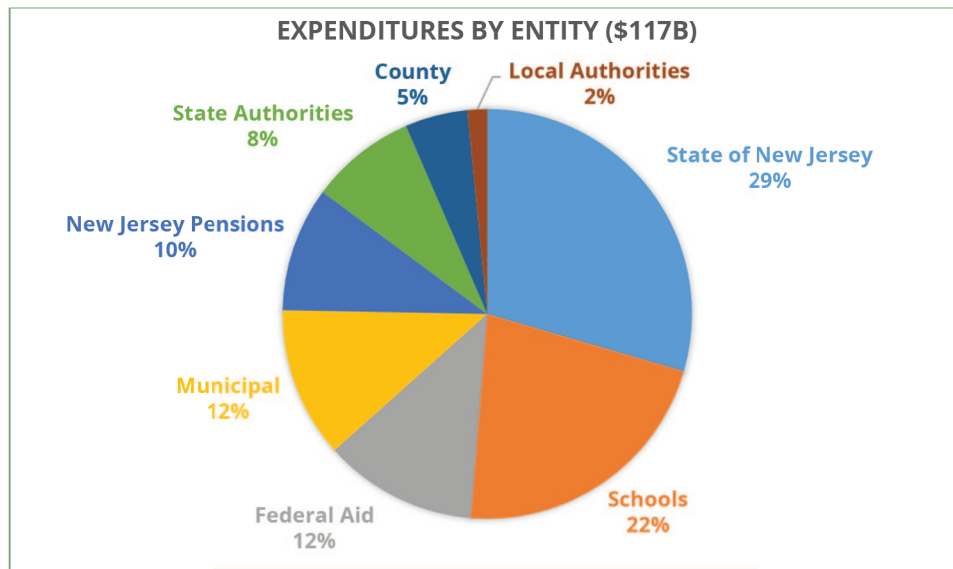| Revenue Type	State of New Jersey	Schools	Municipal	Federal Aid	State Authorities	New Jersey Pensions	County	Local Authorities	Grand Total
Property Taxes	0	15,459	8,466	0	0	0	4,859	0	28,784
Income Tax	14,382	0	0	0	0	0	0	0	14,382
Federal Aid	137	0	0	14,108	0	0	0	0	14,246
Fees, Tolls, and other Charges	1,677	0	1,803	0	8,793	0	0	1,183	13,456
Sales Tax	9,705	0	0	0	0	0	0	0	9,705
Pension Investment Revenue	0	0	0	0	0	9,394	0	0	9,394
Other Operating	3,357	2,635	0	0	305	0	543	357	7,197
Other Local Revenue	0	0	4,089	0	0	0	540	0	4,629
Other Dedicated Fund Revenue	4,601	0	0	0	0	0	0	0	4,601
Other State Taxes and Fees	3,840	0	0	0	0	0	0	0	3,840
State Lottery	3,233	0	0	0	0	0	0	0	3,233
Corporation Business Tax	2,375	0	0	0	0	0	0	0	2,375
Unemployment Tax	2,305	0	0	0	0	0	0	0	2,305

Uses (Expenditures)

For as many types of revenue as we raise in New Jersey, there are many, many more ways of spending it. From humble beginnings providing courts, constables, and road improvements when the state was founded in the 1700s, each level of government today touches nearly every aspect of daily life in New Jersey. While Washington gets most of the attention, laying out how we spend public money shows just how much more our state and local governments do to impact our daily quality of life.

Expenditure by Entity	Expenditures ($million)	% of Total
State of New Jersey	34,381	29.5%
Schools	25,360	21.8%
Federal Aid	14,108	12.1%
Municipal	13,852	11.9%
New Jersey Pensions	11,478	9.9%
State Authorities	9,730	8.4%
County	5,758	4.9%
Local Authorities	1,812	1.6%
Grand Total	**116,478**	**100.0%**

This analysis is meant to show where the expenditures actually wind up and where they're finally spent. A lot of money starts at the state, then goes to a county, and then gets distributed to that county's municipalities. The state may look like it's spending it because it has the money in its budget, but it's really not spending it itself. For example, the vast majority of the State's own education budget doesn't get spent or used by the State itself—it gets sent to local school districts. To avoid double counting, and, more importantly, to keep with the mission of tracking *what* the government is doing rather than *who* is doing it, we made sure to only count aid and other transfers where they were ultimately used whenever possible.
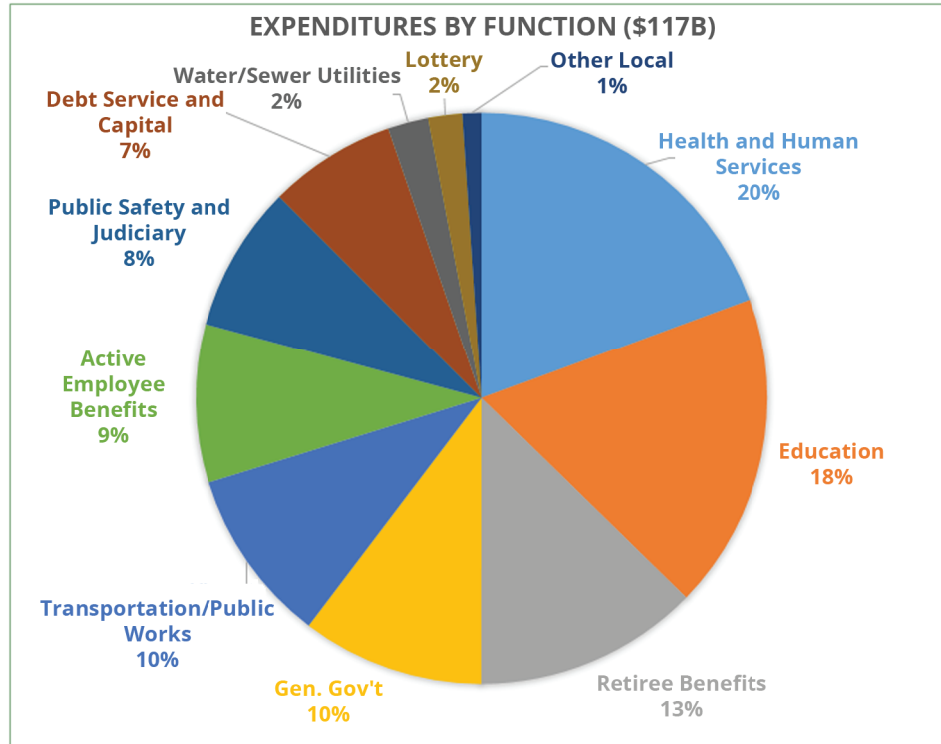
The State of New Jersey had roughly $34.4 billion in expenditures for Fiscal Year 2017-18. This figure is coincidentally in close proximity to the state's headline annual budget appropriation due to the sum of dedicated, special revenue, and other "off-budget" funds nearly matching the aid, transfers, and contributions to schools, municipalities and the pension system. School districts appropriated nearly $25.4 billion after employee contributions to the pension system are recognized as transfers. Anticipated federal aid monies ($14.1 billion) were assumed to be spent in full but not allocated to the state and local entities due to the complex nature of these transfers and the difficulty of tracking them at scale. While the state does break down where *it* recognizes federal aid—e.g., in the Department of Community Affairs and the Department of Human Services—it is harder to track to which level of government it goes next.

Municipalities spent nearly $14 billion in the 2017/2017-18 fiscal years. As the next table will show, these expenditures were spread across numerous functions headlined by public safety, administration, debt service, capital and public water/wastewater utilities. The 2016-17 audited financial statements of the Division of Pension and Benefits show the state pension systems to have collectively spent $11 billion in providing retiree benefits, making it one of the largest single government expenditures in New Jersey after decades of a much smaller figure.

EXPENDITURES BY ENTITY ($117B)

County 5%
Local Authorities 2%
State Authorities 8%
State of New Jersey 29%
New Jersey Pensions 10%
Municipal 12%
Federal Aid 12%
Schools 22%

The purpose of these expenditures vary considerably. Health and human services and educational instruction[vi] account for over $40 billion in expenditures alone. Transportation and public works functions are notable not only in its cumulative appropriation of $11.5 billionbut also the diversity of this function. With the exception of the pension system and other special trusts, every entity in the table above exhibits some sort of transportation or public works function (e.g. facilities maintenance, vehicle maintenance, solid waste and recycling, etc.), even if those functions might be removed from their core missions or competencies. Indeed, the collective appropriations of school districts towards the operation and maintenance of facilities ($2 billion) eclipses the collective public works appropriations of

Expenditure by Purpose	Expenditures ($million)	% of Total
Health and Human Services	22,562	19.4
Education	20,894	17.9
Retiree Benefits	14,811	12.7
General Government	12,011	10.3
Transportation/Public Works	11,515	9.9
Active Employee Benefits	10,466	9.0
Public Safety and Judiciary	9,655	8.3
Debt Service and Capital	8,395	7.2
Water/Wastewater Utilities	2,686	2.3
State Lottery prizes/operations	2,222	1.9
Other Local	1,260	1.1
Grand Total	**116,478**	**100.0**

local municipalities ($1.5 billion). However, these entities are surpassed in transportation and public works spending by the state ($3.2 billion) as well as state and local authorities ($4.1 billion).

EXPENDITURES BY FUNCTION ($117B)

Retiree benefits here not only include retiree pension benefits but also retiree medical benefits. Based on analysis of the New Jersey Pension and Health Benefit Study Commission (to allocate retiree medical benefits as a portion of total medical benefits from municipal and county budgets) and analysis of the state budget's Appropriations Handbook, an estimate of $1.9 billion in state, $747 million in municipal and county, and $681 million in state authorities appropriations fund post-retirement medical benefit commitments. Retiree benefits are the fourth largest expenditure in the state and are greater than the benefits given to active employees.

Summarizing the multitude of expenditure purposes across these levels of government into 11 categories required the consolidation of some functions that we further break out into 35 categories below. General Government may best represent this consolidation. This includes actual "Administration" codings in county and municipal budgets; labor and workforce development; community affairs; agriculture; parks and recreation; and other executive cost centers. Collectively, these functions total $12.0 billion. More data than is currently feasibly available would be needed to break down these cost centers further.

The table below breaks out the previous two graphics to show the distribution of appropriations by level of government:

Purpose	State of New Jersey	Schools	Federal Aid	Municipal	New Jersey Pensions	State Authorities	County	Local Authorities[vii]	Grand Total
Health and Human Services	10,315	0	11,041	144	0	0	801	261	22,562
Education	2,689	16,486	893	296	0	0	531	0	20,894
Retiree Benefits	1,904	0	0	519	11,478	681	228	0	14,811
General Government	5,282	1,595	1,629	1,981	0	690	824	9	12,011
Transportation/Public Works	3,224	2,076	15	1,483	0	4,100	307	311	11,515
Active Employee Benefits	4,235	3,935	0	1,298	0	427	571	0	10,466
Public Safety and Judiciary	3,389	0	530	3,752	0	585	1,399	0	9,655
Debt Service and Capital	1,017	1,268	0	1,572	0	3,193	1,030	314	8,395
Water/Wastewater Utilities	103	0	0	1,655	0	53	0	874	2,686
State Lottery prizes/operations	2,222	0	0	0	0	0	0	0	2,222
Other Local	0	0	0	1,151	0	0	66	42	1,260
Grand Total	**34,381**	**25,360**	**14,108**	**13,852**	**11,478**	**9,730**	**5,758**	**1,812**	**116,478**

Sources and Uses Methodology

Local

Statewide advertised revenues and appropriations data for the 2017-18 fiscal year were downloaded via the User Friendly Budget page on the New Jersey Department of Education (NJDOE) website, providing raw and standardized data for all school districts.[vii] The NJDOE uniform chart of accounts was digitized into a spreadsheet and referenced to code the raw data to their respective fund types, revenue sources and appropriation types accordingly.[ix]

Municipal User Friendly budgets are available at the New Jersey Department of Community Affair's (DCA) Fiscal Reports page.[x] However, DCA does not make available a consolidated dataset for all municipalities, unlike the NJDOE, which does so as described above. A program was coded to automate the download and consolidation of all municipal user-friendly budgets and, subsequently, a program run to group together all the appropriations summaries. General Fund appropriations as well as public and private offset (i.e. grants), Open Space, and municipal utilities appropriations data was captured in the analysis.

Municipal user friendly budget data is entered by each municipality separately from the budget it submits to DCA and that governs its spending for the year. Thus, municipal user friendly budget data is not as carefully regulated as the NJDOE equivalent, which is based upon each district's actual budget. As such, there may be some variances between the user friendly budget data and actual municipal appropriations data. Due to the lack of 2018 data at the time of collection, fiscal year 2017 data was used almost exclusively, with 10 municipalities lacking 2017 files and requiring 2016 data to be used.

Municipal revenue data was accounted for in two parts. First, Abstract of Ratables data consolidated from each County Board of Taxation was collected, which classifies municipal revenue by several categories: property taxes, surplus revenue, delinquent taxes, and miscellaneous revenues.[xi] Next, municipal state aid data available through the relevant section of the DCA website[xii] allowed for the ratables' miscellaneous revenues figures to be split between state aid and non-state aid.

County budget files were not available in a consolidated source. County budget files (mostly PDFs) were collected and analyzed. Budgeted revenues were hand-coded from each county's Summary of Revenues data. Appropriations data was processed with optical character recognition (OCR) and PDF-to-Excel tools to accurately code county appropriations by purpose. Due to the difficulty of this data-cleaning process, data was analyzed for 12 counties of varying sizes representing approximately two-thirds of New Jersey's population and total county appropriations—as well as serving as a representative sample of the collection of New Jersey counties as a whole. The share of the sampled county appropriations' by FCOA code were projected to the other counties based on those other counties' "Total General Appropriation" amounts. Public and Private Offset (i.e. grant) appropriations and revenues were excluded from the analysis or two reasons. First, these line items are not categorized similarly to a function similar to county general fund appropriations and the non-standardized item descriptions would require laborious manual classifications. Second, an unknown proportion of these funds would pass-through to municipalities and be double-counted (see *accounting-related adjustments* below). The approximate dollar figure of County Public and Private Offset omitted is in the range of $160 – 200 million, or approximately 0.15 percent of total appropriations identified in this study.

State

State of New Jersey Fiscal Year 2017-18 data was derived primarily from the Citizen's Guide to the Budget and the Full Appropriations Handbook (the detailed state budget) available through the New Jersey Department of the Treasury's Office of Management and Budget webpage for budget publications.[xiii] This budget year represents the last budget prepared by Governor Chris Christie. These documents, as well as the Budget

in Brief document, also provided data on funds not typically part of the budgetary process but impactful on the state of New Jersey: federal funds, special revenue funds, and other dedicated funds; many of these are commonly referred to as "off-budget". Effort was given to recognize as many of these figures as possible and in the greatest amount of detail possible, such as the nature of the revenue (e.g. federal funds, dedicated taxes, fees, etc.) and the use of those funds (e.g. health and human services, education, public safety, etc.). The most recently available audited comprehensive annual financial report (CAFR) of the New Jersey Lottery (2016)[xiv] and the Division of Pension and Benefits (2016-17)[xv] were also collected. This analysis does include the transfer of the New Jersey Lottery to the pension fund's assets.

Authorities

Notable and financially important state and local authorities were identified and their budgetary data was also collected, often from advertised adopted budget PDFs for the 2017 (or 2017-18) fiscal year. In several cases, recent budgetary data was not available so the entity's CAFR was used as a source instead. Less significant state and local authorities, boards, and commissions were not included in the analysis as there was no clear approach to feasibly gather accurate data for each at scale. State authority revenue and expenditures were cross-checked with data made available on YourMoney.NJ.Gov - NJ Transparency Center, though the entity-specific budgets or CAFRs were deferred to given the greater utility of the data to this report.[xvi] Cross-referencing these datasets allowed for a calculated breakout of state authority active and retired employee benefits, based upon a sample series. The New Jersey Housing and Mortgage Finance Agency and the Higher Education Student Assistance Authority—i.e., the loan granting/processing government entities—were not included; if we included each it would add another $1.5 billion in spending. The Casino Reinvestment Development Authority and the New Jersey Sports and Exposition Authority were also left out of the allocation due to recent changes regarding Atlantic City and other outstanding issues; adding those two authorities would add an additional $200 million. For the Port Authority of New York and New Jersey, the major New York-centric aviation, real estate, and marine cost centers were removed from the analysis.

Adjustments

Once all this data was collected several adjustments were made to break out data in further detail (based on sampling techniques or with reference to state studies) and also to avoid double-counting figures wherever possible.

First, *accounting-related adjustments* were made when an appropriation of one entity was recognized as revenue of another entity. For example, the State of New Jersey raises revenues and, in its budget, appropriates approximately $9 billion as Aid to Schools (e.g. Formula Aid, School Choice aid, Preschool Education Aid, etc.). School Districts collectively recognize that $9 billion in state appropriation as school district revenue,

and then budgets that money as their own appropriations for various uses. Not adjusting for these transfers would double-count the revenues and appropriations as $18 billion each when the New Jersey government, collectively, spends only
$9 billion.

Next, notable *classification adjustments* were made. For example, portions of county and municipal medical insurance appropriations fund post-retirement medical benefits. Data from a 2016 report by the New Jersey Pension and Health Benefit Study Commission allowed a percentage adjustment to be applied to municipalities and counties to estimate retiree versus employee benefits for these figures (note: state budget for post-retirement medical benefits was available and used from the Appropriations Handbook). Other adjustments included categorizing certain school district cost centers as "Administration" or "Public Works" (the latter in the case of operation and maintenance of facilities). In many cases, judgement calls had to be made as to the assignment of revenues, and particularly expenditures, to a given function; of course, other classification schema could have been derived.

Last, several adjustments were made to incorporate the state pension system and the fiscal impact of the Lottery Enterprise Contribution Act. The Act commits $1.001 billion of the lottery enterprise fund as a special asset adjustment to the pension system rather than transferring the fund balance to the state general fund. Next, state and local employer pension payment appropriations were analyzed and compared to the "employer contribution" revenues in the pension financial statements. These amounts, roughly $4.2 billion total, were treated as a transfer per the *accounting-related adjustments* noted above. Next, the $2.3 billion in "member contributions" pension revenues were also treated as a transfer, prorated from the various appropriation cost centers tracked in the analysis. Last, the pension system investment income was recognized as a source/revenue for the year, and the pension system benefit payments (and administrative costs) were recognized as uses/appropriations.

Appendix

Appropriation by Purpose Summary	Appropriation by Purpose Detail	Appropriations ($million)	% of Total
Health and Human Services	Health and Human Services	18,336	15.7%
Health and Human Services	NJ FamilyCare	3,965	3.4%
Health and Human Services	Hospital/Nursing	261	0.2%
Health and Human Services Total		**22,562**	**19.4%**
Education	Education	19,775	17.0%
Education	Student Transportation	1,119	1.0%
Education Total		**20,894**	**17.9%**
Retiree Benefits	Retiree Pension Benefits	11,909	10.2%
Retiree Benefits	Retiree Medical Benefits	2,902	2.5%
Retiree Benefits Total		**14,811**	**12.7%**
General Government	Administration	7,588	6.5%
General Government	Labor/Workforce Devel	1,588	1.4%
General Government	Community Affairs	790	0.7%
General Government	Utility Costs	703	0.6%
General Government	Agriculture	614	0.5%
General Government	Parks and Recreation	419	0.4%
General Government	Veterans Affairs	171	0.1%
General Government	Legislative	76	0.1%
General Government	Banking/Insurance	62	0.1%
General Government Total		**12,011**	**10.3%**
Transportation/Public Works	Transportation/Public Works	10,499	9.0%
Transportation/Public Works	Aviation	709	0.6%
Transportation/Public Works	Solid Waste	297	0.3%
Transportation/Public Works	Parking	9	0.0%
Transportation/Public Works Total		**11,515**	**9.9%**
Retiree Benefits	Retiree Pension Benefits	11,909	10.2%
Retiree Benefits	Retiree Medical Benefits	2,902	2.5%
Retiree Benefits Total		**14,811**	**12.7%**
General Government	Administration	7,588	6.5%
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General Government	Veterans Affairs	171	0.1%
General Government	Legislative	76	0.1%
General Government	Banking/Insurance	62	0.1%
General Government Total		**12,011**	**10.3%**
Transportation/Public Works	Transportation/Public Works	10,499	9.0%
Water/Wastewater Utilities Total		**2,686**	**2.3%**
State Lottery prizes/operations	State Lottery prizes/operations	2,222	1.9%
State Lottery prizes/operations Total		**2,222**	**1.9%**
Other Local	Other Municipal	1,151	1.0%
Other Local	Other County	66	0.1%
Other Local	Other Independent Authorities	42	0.0%
Other Local Total		**1,260**	**1.1%**
Grand Total		**116,478**	**100.0%**

Appendix (continued)

Revenue by Type Summary	Revenue by Type Detail	Revenue ($million)	% of Total
Property Taxes	Property Taxes	28,784	23.8%
Income Tax	Income Tax	14,382	11.9%
Federal Aid	Federal Aid	14,246	11.8%
Fees, Tolls, and other Charges	Fees, Tolls, and other Charges	13,456	11.1%
Sales Tax	Sales Tax	9,705	8.0%
Pension Investment Revenue	Pension Investment Revenue	9,394	7.8%
Other Operating	Other Operating	7,197	5.9%
Other Local Revenue	Other Local Revenue	4,629	3.8%
Other Dedicated Fund Revenue	Other Dedicated Fund Revenue	4,601	3.8%
Other State Taxes and Fees	Dedicated Fund Taxes	968	0.8%
	Fringe Benefit Recoveries	752	0.6%
	Inheritance Transfers Tax	746	0.6%
	Realty Transfer	383	0.3%
	Insurance Premium Tax	278	0.2%
	Casino Revenue Fund	225	0.2%
	Banks and Financial Inst. Tax	201	0.2%
	Cigarette Tax	181	0.1%
	Alcoholic Beverage Excise	107	0.1%
Other State Taxes and Fees Total		**3,840**	**3.2%**
State Lottery	State Lottery	3,233	2.7%
Corporation Business Tax	Corporation Business Tax	2,375	2.0%
Unemployment Tax	Unemployment Tax	2,305	1.9%
Motor Fuels and Energy Receipts	Motor Fuels	553	0.5%
	Petroleum Product Receipts	547	0.5%
	Motor Vehicle Fees	508	0.4%
	Other Energy Taxes	310	0.3%
Motor Fuels and Energy Receipts Total		**1,918**	**1.6%**
Non-Operating	Non-Operating	1,083	0.9%
Grand Total		**121,148**	**100.0%**

Included Authorities

Level	Entity
State	Delaware River and Bay Authority
State	Delaware River Joint Toll Bridge Commission
State	Delaware River Port Authority
State	New Jersey Building Authority
State	New Jersey Economic Development Authority
State	New Jersey Motor Vehicle Commission
State	New Jersey Redevelopment Authority
State	New Jersey Schools Development Authority
State	New Jersey Transit
State	New Jersey Transportation Trust Fund Authority
State	New Jersey Turnpike Authority
State	North Jersey District Water Supply Commission- Wanaque North Projects
State	North Jersey District Water Supply Commission- Wanaque South Projects
State	Passaic Valley Sewerage Commission
State	Passaic Valley Water Commission
State	Port Authority of New York and New Jersey
State	South Jersey Transportation Authority

Level	Entity
Local	Atlantic City Municipal Utilities Authority
Local	Atlantic County Improvement Authority
Local	Atlantic County Utilities Authority
Local	Bergen County Improvement Authority
Local	Bergen County Utilities Authority
Local	Camden County Improvement Authority
Local	Camden County Utilities Authority
Local	Cape May County Municipal Utilities Authority
Local	Cumberland County Improvement Authority
Local	Cumberland County Utilities Authority
Local	Essex County Improvement Authority
Local	Gloucester County Improvement Authority
Local	Gloucester County Utilities Authority
Local	Hudson County Improvement Authority
Local	Jersey City Municipal Utilities Authority
Local	Lakewood Township Municipal Utilities Authority
Local	Mercer County Improvement Authority
Local	Middlesex County Improvement Authority
Local	Middlesex County Utilities Authority
Local	Morris County Improvement Authority
Local	Morris County Utilities Authority
Local	Ocean County Utilities Authority
Local	Passaic County Improvement Authority
Local	Passaic County Utilities Authority
Local	Rahway Valley Sewerage Authority
Local	Salem County Improvement Authority
Local	Somerset County Improvement Authority
Local	Somerset-Raritan Regional Sewerage Authority
Local	Sussex County Utilities Authority
Local	Union County Improvement Authority
Local	Union County Utilities Authority
Local	Wanaque Valley Regional Sewerage Authority

Appendix (continued)

i   Raphael J. Caprio, and Marc H. Pfeiffer. "Size May Not Be the Issue: An Analysis of the Cost of Local Government and Municipal Size in New Jersey." New Brunswick, N.J: The Bloustein Local Government Research Center, November 2014. http://blousteinlocal.rutgers.edu/wp-content/uploads/2014/10/blousteinlocal-sizestudy.pdf.

ii   New Jersey State Constitution 1947, Article VIII, Section IV, paragraph 1
https://www.njleg.state.nj.us/lawsconstitution/constitution.asp

iii   Most municipalities operate on a calendar year fiscal year, but some use a July 1 to June 30th fiscal year in line with the state.

iv   See the methodological note on how authority data was collected.

v   Carr, David L. (2012), "Public Authorities in Governing New Jersey", Richard Stockton College of New Jersey

vi   Certain cost centers within school district appropriations were classified separately from "Education"—which is meant to capture direct instruction-related costs—such as Debt Service, Administration, Employee Benefits, Transportation/Public Works, and Capital/Financed Projects, hence the difference between "Education" and "Schools" in the two appropriations tables.

vii   Retiree Benefits and Active Employee Benefits are not broken out for local authorities due to the methodology behind their budget reporting, which does not allow for a scalable breakdown of these figures. Instead, these costs are rolled into the function the measured authorities serve.

viii https://www.nj.gov/education/finance/fp/ufb/

ix   https://www.nj.gov/education/finance/fp/af/coa/coa1718.pdf

x   https://www.state.nj.us/dca/divisions/dlgs/resources/fiscal_rpts.shtml

xi   https://www.state.nj.us/treasury/taxation/lpt/abstractrate.shtml

xii   https://www.state.nj.us/dca/divisions/dlgs/resources/stateaidinfo.shtml

xiii https://www.nj.gov/treasury/omb/publications/18budget/index.shtml

xiv   https://www.njlottery.com/en-us/aboutus/givingback/reports.html

xv   https://www.nj.gov/treasury/pensions/financial-reports.shtml

xvi   https://nj.gov/transparency/expenditures/