



A First Step To A Sustainable Future

Governor Christie Calls For Sensible Health Benefit Reforms To Deliver For Taxpayers

Despite proposing a fiscal year 2017 budget that holds discretionary spending \$2 billion below 2008 levels while also providing the largest pension payment in history and dramatic investments in substance use and mental health treatment, and education funding, New Jersey's ability to invest in its future is still drastically constrained by non-discretionary spending.

- An astounding **95%** of all revenue growth is monopolized by all non-discretionary spending, including the costs of public employee pension and health benefits and debt.
- **78%** of growth is attributed exclusively to the cost of public employee pension and health benefits.

New Jersey's ability to make critical investment in its future – in schools, hospitals, safety net programs, and in delivering tax relief to New Jersey families – is curtailed and threatened over the long run by these costs.

Governor Christie is again taking action and showing bipartisan leadership to start to unwind this challenge and bring about real savings and solutions for the people of New Jersey.

As a first step to tackling this challenge, today, Governor Christie is calling for modest, first-step public employee health benefit reforms that will provide \$250 million in state savings and \$200 million in local government savings, without compromising the quality of care whatsoever.

Health Care Costs Without Reform

(In Millions)



Through commonsense reforms such as requiring the use of generic drugs when available, modest increases in co-pays to discourage unnecessary visits and a establishing new delivery methods for primary care services, the state will continue to provide quality care, but with important savings for New Jersey taxpayers.

- These savings will result in \$200 million in savings for local governments, school districts and property tax payers. This will result in real property tax relief
- This will also benefit state and local employees, who will save more than \$100 million as a result of reduced premium sharing, resulting in less money coming out of their paychecks
- Those local governments that have already begun to undertake these reforms have done so with success, and a long-term path to blunt the impact of escalating health care costs.

Governor Christie Won't Turn Back The Clock On New Jersey's Economic Recovery:

Unless leaders take on this fundamental challenge in bipartisan way, the substantial economic progress and hard-fought gains to bring our economy back will continue to be threatened by skyrocketing, out-of-control public employee entitlement costs and mandatory tax and spending increases needed to support them.

Putting New Jersey's Financial House Back In Order

- Proposed Fiscal Year 2017 discretionary spending is more than \$2 billion below 2008 levels.
- Over 233,500 new private sector jobs in the last six years, including the fastest private sector job creation in fifteen years in 2015
- Unemployment was at nearly 10% when Governor Christie took office, today, it is at 5.1%
- Property tax increases have averaged just 1.97% since Governor Christie took office, down from 7% at the beginning of the administration
- Home sales are up nearly 14 percent from 2014

- Nearly 10,000 fewer public sector employees than when Governor Christie took office.

Despite Governor Christie's efforts to put an end to the taxing and wasteful spending of years past, 95% of all growth in this year's proposed budget will go towards public employee entitlements and debt service.

Real reform on this issue is still needed to ensure a stable financial environment for New Jersey's residents and small businesses:

- Absent reforms, state costs for government worker and retiree health insurance would increase by \$487 million from 2016 to 2017, and at a comparable rate moving forward. Paying for this would require one of two outcomes:
 - Decreasing funds used to cover the cost of essential services that are expected from government – including protecting the state's most vulnerable populations, making investments in New Jersey's schools and infrastructure, attracting business, and the ability to make adequate payments into the pension system.
 - Or, requiring massive tax increases, such as increases in the sales or income taxes, that taxpayers cannot sustain.

According to a New Jersey Business and Industry report on outmigration from New Jersey, 2 million residents and \$18 billion in annual income have left the State over the last 10 years.

- 62% of businesses surveyed said they would not open another location in New Jersey if they were to expand.
- 66% said they would not retire here.
- 67% said they take the estate and inheritance taxes into consideration when making business decisions.

These numbers demonstrate that the time to act is now. We must make New Jersey more affordable for all residents, starting with the reforms called for by Governor Christie today.