

**State of New Jersey**

**Senate Budget Committee**

**Senator Paul Sarlo, Chairman**

**Public Hearing**

**March 25, 2011**

**1:30 p.m.**

**Rutgers Camden School of Law**

**217 North 5<sup>th</sup> St.**

**Camden, NJ**

**TESTIMONY IN OPPOSITION TO THE  
GOVERNOR'S PROPOSED FY2011 BUDGET**

**BY: Tom Bruno**

Chairman Sarlo and members of this Committee... Thank you for the opportunity to address you today on such an important budget.

I have come today to shed some badly needed light on the undervalued, unappreciated, and callously maligned tax payers who also happen to be public workers.

When our fellow taxpayers are forced into their homes by blinding blizzards, it is the public worker that is REQUIRED to endanger their own lives to make it easier for the lives of others.

When fires or flood waters rage, and our fellow taxpayers run for their very lives, it is the public worker who is charged with the responsibility of coming to their rescue...of entering the building they are running from, or of wading through the waters and attaching a life line to their waist.

When the mentally ill are so disturbed that our fellow taxpayers cannot tolerate their violence or obscenities and lock their doors in fear, it is the public worker that comes to rescue both the person with the mental illness AND the citizens who are in fear.

And whether it is the severely mentally retarded individual who cannot even speak, much less walk, or the hardened criminals that are required to be incarcerated to protect society from harm, it is the public worker that is invariably called to task.

Their jobs are not glamorous and they are certainly not envied... but they are required.

Last year, I came here as a private citizen, but later, in a newspaper interview, I was said to be a special interest because I was a state worker. After my initial surprise at such a twisted misrepresentation, I had to ultimately concur. I indeed AM a state worker. I work for the Hunterdon Developmental Center which is a Developmental Center under the Division of Developmental Disabilities and the Department of Human Services. As far as being a special interest...well I think that would be a stretch.

That being said, I think it would be wise to speak about the Governor's use of numbers that belie the truth. In his budget address, this Governor claimed that the upper 1% of the state's citizens shoulder 40% of the taxes...he says that as if they are suffering! What he failed to mention is that that SAME 1% control MORE THAN 80% of the wealth in this state! That means the rest of us...that OTHER 99% are allowed to share the remaining 20% of the state's wealth, but we have to shoulder SIXTY percent of the taxes. In fact, this body AND the Governor, allowed the income tax on the rich to sunset this year...apparently we don't need that money...but the middle class can continue to pay our disproportionate share of 60% on the crumbs we get to have. But this budget doesn't address tax relief in any significant way. Instead, it exacerbates the problem through lies and distortions.

For example, the Senate and Assembly recently passed the so-called Pension Reform Bills. For the sake of argument, I will hold my objection to the term "Reform" as it applies to anything in those bills as I believe the term "Deform" more accurately describes the content and intent of them.

One of the bills will require new employees to be enrolled into the Defined Contribution Retirement Plan. The Division of Pensions recently held a public meeting with their expert actuary in attendance. According to her, such a move would put the Pension fund at risk... the amount of which would not be able to be determined until the damage was already done. She also stated into the record that Defined

Contribution Programs actually COST the employer MORE than the current system. So how are we achieving ANY savings to the taxpayers of this state?

This same actuary clearly stated for the record that the single most detrimental issue facing the pension funds in this state has been the refusal of the legislature and governors over the past 16 years to place their share of the money into it. The unfunded liability has continued to swell with each passing year. Meanwhile, it has been the public workers who have consistently paid their fair share into it without hesitation. Over \$4 Billion over those same 16 years! Our contribution used to be 3% with a 2% match from the State...our investment council made very good investment decisions and the fund was robust... so robust that Governor Whitman took BILLIONS from it to give tax breaks to the wealthy and to businesses. She then raised state worker contributions into the pension to 5% and failed to put any of the State's share of money into it. When the IRS told her she wasn't allowed to raid the fund, she put together the pension bond deal that was worth \$2.9 BILLION. She restored the state worker contribution to its original 3%...but she, and the Legislature at the time, delayed the repayment schedule until McGreevey was to take office. At the same time, some of you may remember the parting kiss given by the lame duck Republican controlled legislature which added several BILLION dollars of debt to the state and was also left for McGreevey and the newly elected Democratic legislature to pay. Ironically, we now have Brutus searching all over Rome for Caesar's killer!

The fact is that the so-called reforms will hurt the pension fund, and ultimately hurt active employees and future retirees, as well as place an additional tax burden on the citizens of NJ. This comes from an INDEPENDENT PROFESSIONAL...AN ACTUARY, not some politician in a smoke-filled back room looking for sound bites for re-election, and certainly not from the taxpayers' main benefactor for the past 16 years, the state workers. The bills were great sound bites for the unsuspecting masses, but terrible public policy.

In any case, not one penny of taxpayer money has been paid into the state's pension system for 16 years. The only exception were those slight-of-hand payments over the past 3 years that they did by taking from one fund, placing it in the general treasury, and then making payments of less than 10 percent... and using state worker's OWN money disguised as taxpayer's money to do THAT. In short, it has been the state worker's who have both FINANCED taxpayer relief and SUBSIDIZED the state's taxpayers for the last 16 years. SO frankly, please stop perpetuating the lies about state workers... and let me reiterate in case you failed to pick up on it earlier in the testimony...state workers are taxpayers too...everyone seems to forget that we also pay exorbitant property taxes which, I might add, were caused by Whitman when she gave everyone a 30% income tax cut but forgot to tell us that the money she was cutting was earmarked for property tax relief. Faced with budgetary obligations and a loss of revenue from the state back in the mid 1990's, towns had no choice but to back fill the revenue loss by raising property taxes.

I am sick and tired of hearing about how state workers' raises are hurting the economy. First, let's be real, there are SEVERAL BILLION DOLLARS that are NOT in this budget even though we KNOW we are going to get them simply because the Federal budget doesn't begin until October 1, so our budget can't reflect those deferred revenues since our Fiscal year begins three (3) months earlier on July 1.

As I mentioned earlier, I work at Hunterdon Developmental Center. Our TOTAL operating budget is around \$75 million...give or take a few million. We generate more than \$130 million in federal monies JUST at this one state facility. The surplus of over \$55 million goes into the general

treasury....so for the record, we are NOT costing NJ's taxpayers a single DIME in terms of their income tax or property tax... instead, we are ADDING federal revenues to help offset the need for tax increases! We should be THANKED instead of chastised!

The Governor made it sound like all state workers will get an 11% increase this year. He twisted the truth. State workers negotiated a 3.5% raise that they were to receive in July of 2009. For the record, state workers received a 3% raise in July of 2008 and NONE since then. Governor Corzine asked the unions to help him make up a budget shortfall that hit NJ during the NATIONAL crisis brought on by the banking and financial markets that had been deregulated in prior years. State workers voted to accept a 4% cut in pay through voluntary furloughs, and gave up a holiday. The governor and this legislative body keeps forgetting to mention that to the public. The state workers also agreed 3 years before that to change the formula for retirees which had the effect of reducing benefit amounts by 12%... something the legislature seems to be trying to take credit for now. The state workers also voted to delay their 3.5% raise for 18 months, but to have their 1.5% health care fee and their pension contribution applied as if they had received the 3.5% raise, even though they did not receive it and amounting to another 0.3% CUT in take home pay. Exactly how much are state workers supposed to give? We risk our lives for our fellow taxpayers, we've voluntarily taken a cut in pay, we've accepted a 2-year wage freeze, and now, when we are supposed to get our 3.5% increase in January of 2011, all of a sudden, we are no good for nothing parasites? And at what point do contracts entered into in good faith become honored instruments? Imagine going to buy a house and entering into a contract to buy it at one price, signing all of the necessary documents, and then having the price changed after the deal is supposedly done. There is not one person here that can tell me they would accept that as palatable, let alone legal!

Getting back to the supposed 11% increase, the 3.5% is from 18 months ago. The other 3.5% is due this July as part of a negotiated agreement long before the crisis. The two raises are 6 months apart, so the actual net increases for the 2 raises is not 7% but actually 5.25% (3.5% for a full year, and 3.5% for half of a year). Either number is FAR from the 11% presented by the Governor. The only way to make it resemble an 11% raise is to add the 4% MERIT-based raise for newer employees (older employees no longer receive merit raises) and then call the 5.25% raise a 7% raise. The fact is that a small number of workers MIGHT receive their merit raise, and ALL unionized workers will receive a net-effect raise as of January 2011 of 5.25%. Prior to that...in July of 2010, we will only receive a 3.5% increase against a loss of 4.3% due to voluntary furloughs and increased contributions during the 2-year wage freeze (July '08 was the last raise, through July '10).

Also, I'd like to know when racing to the bottom became such an act of admiration, This country was built on the idea of each generation trying to improve the next generation's lot in life. All of a sudden, it is in vogue to have businesses mistreating their employees, giving their CEOs exorbitant salaries while taking pensions and health care benefits from their employees. And THIS is what we need to strive for? This is the best we have to offer our children?

You should be ashamed of yourselves! Instead of taking on the real issues to improve the plight of the citizens of this state, you have decided to exacerbate it by passing legislation that you KNOW will cost the taxpayers more, but cloak it under the guise of savings.

I'd like to now talk about REAL savings. The state has continued to employ a private company to generate electricity for Edna Mahon Correctional Facility for Women and Hunterdon Developmental

Center despite your own auditor telling you for YEARS that returning the plant to State control would save MILLIONS of dollars annually.

The Department of Human Services continues to stall on needed heating and air conditioning projects at Hunterdon Developmental Center. Two proposals are STILL on the table and I spoke to you LAST year about them. One would cost \$10 million more than the other, but the Department keeps leaning toward the more expensive one. Regardless of which one they decide on, the price keeps going up every year they delay. And the developmentally disabled patients there suffer in the end, far more than the taxpayers. It's reprehensible at its core.

Another area of potential savings remain untapped as well. The return of contracted services to public hands, such as the institutional pharmaceutical contracts with NeighborCare and PharmaCare, would conservatively generate a quarter of a BILLION dollars in NET savings.

Let's face it, we have ALL seen what privatization does AND how much a small amount of supposed savings actually costs us in the end after we privatize. You would think that after so many examples of failure and immense costs to taxpayers that the legislature would not be caught once again with their panacea around their ankles! And yet, here we are, cascading over a Niagara of budgetary balderdash in a barrel full of holes, with a line of political lemmings each standing in line for their turn.

If this Governor TRULY wanted to help the taxpayers of this state, he would stop the rhetoric and the deceptions and talk to those of us who KNOW where the savings are instead of the politically connected few who want to push their own agenda forward. He talks a great game...his sound bites resonate with the voters...but in the end, he did not win with a mandate of the people as he likes to say...he won with 80,000 votes out of the 2.5 million that were cast. In other words, he won with 3.5% of the 47% of eligible voters who bothered to vote. This is hardly a mandate! It is a simple majority of the minority that voted!

He's a school yard bully trying to take the lunch money from hard working, underpaid, and under-appreciated taxpayers of this state who happen to work in the public sector. He doesn't mind when the public workers endanger their own life protecting him from harm or by picking up the toxic waste from his neighborhood, or by plowing his streets so he can go out and make another speech about how much their services cost taxpayers. He just wants their lunch money. Why? Because he can... he's the Governor and people elected him.

But the voters didn't vote for fanaticism, they voted to change Governors. After his 4 years, they'll vote for another one, but your election is closer. A vote for this budget, and the philosophical and ideological issues behind it, is a vote against every taxpayer in this state.

We all want costs to go down, but not by increasing those costs on a different page of the budget! And that is fundamentally what privatization does. We all know. We've all seen it.

Thank you for your consideration.

Submitted by: Tom Bruno  
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