



Executive Summary

The Legal Corruption Series

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A M E R I C A N E N T E R P R I S E I N S T I T U T E

The Legal Corruption Series: Executive Summary

New Jersey is in a bad way. Our economy is weak and significantly underperforms other states. Our tax system is consistently ranked as the worst in the nation. Our public-sector pensions are in the worst condition of any state, and our unfunded liabilities are at least \$202 billion—almost six times the size of the \$35 billion annual budget.¹ We have the second-lowest bond rating of any state—save broke Illinois.² Businesses, taxpayers, and young adults are leaving our state in droves. Sadly, New Jersey’s future looks even worse.

How did New Jersey get into this position?

It was not happenstance. New Jersey is in this position because its largest public-sector union, the New Jersey Education Association (NJEA), often working in concert with its public-sector union allies, has rigged the system for its own benefit. The consummate special interest, the NJEA has dominated the state’s political system for decades. It structured a legislative regime that allowed it to siphon off hundreds of millions of taxpayer dollars to spend itself to unmatched political clout. Predictably, New Jersey’s politicians—both Republicans and Democrats—have succumbed to this clout and largely given the NJEA what it wanted. Too often, New Jersey citizens and taxpayers have been left out of the discussion, and yet it is they who will foot the bill.

If New Jersey citizens and taxpayers knew what was really going on, they would be outraged. They would be outraged that a special interest was able to control state government to their detriment. They would be outraged that their highest-in-the-nation taxes are flowing directly into union coffers to be used against their own interests. They would be outraged that the future of the state—and that of their

children and future generations of New Jerseyans—has been mortgaged for the benefit of the few over the many.

The purpose of this research is to inform New Jersey’s citizens of what is really going on and how we got into this position. Using published research, contemporaneous media accounts, and the NJEA’s own publications to ascertain the facts, this study details the deliberate exploitation of New Jersey’s political system and the resulting consequences—to the benefit of the NJEA and the detriment of New Jerseyans.

There are five parts to the research:

- **Part I. Follow the Money: The Real Money Behind the New Jersey Education Association’s Political Clout.** Funded by hundreds of millions of taxpayer dollars, the NJEA’s severely underreported political war chest dwarfs the competition. The NJEA spends many times more on political action than is reported and is by far the most powerful special interest—and political force—in the state. Far too often, this results in taxpayer dollars being used against taxpayer interests.
- **Part II. “And You Will Pay”: How a Special Interest Dominates New Jersey Politics.** The NJEA used its clout to influence politicians of both parties and structure the political system to perpetuate its power and benefit itself. This extraordinary special-interest influence has shaped the current status quo in the state and threatens the state’s solvency.

- **Part III. Job Number One: The New Jersey Education Association's Role in New Jersey's Disastrous Pension and Benefits Crisis.** Again using its money and clout, the NJEA created the broken benefit system we have today. While the NJEA seeks to blame the state, the facts show that the NJEA structured the system to maximize benefits for its members and consistently fought reform efforts. It participated in pension-asset raids and financing schemes that greatly damaged the soundness of the system. It gained for its members premium-free, "Cadillac" health plans. Because it was politically convenient, it chose not to punish politicians for underfunding the state's retiree liabilities, thus contributing to \$202 billion in underfunding that threatens the future of the state. And it recently tried to lock this bankrupt system into the state constitution.
- **Part IV. Talk Is Cheap, but Good Education Costs: The Truth About New Jersey's High Tax Burden.** Using its money and clout, the NJEA has consistently pushed for higher taxes. At the local level, the NJEA consistently pushed for higher education spending and higher property taxes. Once high property taxes became a political problem, it pushed for higher state education spending and higher state taxes. The NJEA was a major force behind the

initiation of New Jersey's first sales and income taxes and continues to push for higher taxes to this day.

- **Part V. New Jersey Is Dying: A Special-Interest-Dominated Status Quo Is Hurting the State's Economy.** High taxes and cost-of-living have hurt the state's economy. The tax system renders the state inhospitable to businesses and uncompetitive with other states—particularly with neighboring New York and Pennsylvania. Consequently, economic and job growth are weak and significantly underperform both the nation and New York and Pennsylvania. Businesses, taxpayers, and most ominously, young adults are emigrating to more favorable states. Reform and economic growth are the only way out of this fiscal hole, but our special-interest-dominated political system allows for neither.

New Jersey citizens and taxpayers must wake up to what has happened in our state and why we are where we are. In the end, the best description of what has occurred is "legal corruption." Our political system has been thoroughly corrupted—so much so that the corruption itself has been made legal. Either we change the system and root out the legal corruption or it will bankrupt the state—along with the future of our children and the next generations of New Jerseyans.