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Fragmented Reporting and Oversight Undermines Transparency at NJ “Shadow Governments,” Hughes Center Research Shows

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GALLOWAY TWP., NJ – A fragmented system of financial reporting and oversight frustrates the public’s ability to track billions of dollars in spending and borrowing by New Jersey’s independent authorities, according to a research paper published today by the William J. Hughes Center for Public Policy.

Dr. David L. Carr, a Professor of Political Science at The Richard Stockton College of New Jersey and a Senior Fellow at the Hughes Center, studied the role of public authorities in governing New Jersey at every level. The entities include big state-level agencies such as the N.J. Turnpike Authority as well as county and municipal authorities in charge of water, utilities, economic development, and other areas.

Dr. Carr found that no one entity is responsible for oversight of the authorities, also known as special purpose governments. Nobody pulls together a big picture of all authority finances. As a result, it is nearly impossible for the average citizen to gain a complete understanding of the

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amount of money being spent or borrowed. The fragmentation contributes to a lack of transparency at the independent agencies.

“Public authorities remain shadow governments,” Dr. Carr said. “The effort necessary to acquire even rudimentary information goes far beyond what one would expect from an active and engaged citizen.”

Every time a new governor takes office, public authorities are identified by transition teams as an area ripe for reform. With recent legislative proposals and other reform attempts, some progress has been made, but more needs to be done. Dr. Carr’s research conservatively estimates that New Jersey authorities – bi-state, state, regional, and local agencies – spend at least \$10 billion a year and have debt of at least \$40 billion.

“While many authorities have independent sources of revenue in the form of tolls or user fees, New Jersey’s citizens are the major source of these revenues as users of these services,” said Dr. Carr, the former Provost of Stockton College.

Among his findings are:

- No one government agency comprehensively reports on revenues, spending and debt of state and local authorities. Often the public must piece together information from individual agencies to see the big picture.
- Most state and local authorities are free to set their own fiscal years starting in any month of the year, making direct comparisons difficult.
- No state entity is in charge of ensuring the accuracy of information provided by independent authorities. For example, the N.J. Building Authority list negative expenditures for the period of July 1 to Dec. 31 on the State of New Jersey’s Transparency website, even though it has spent money.

Dr. Carr points out that the Christie Administration has taken steps to increase transparency and accountability at authorities. However, the State of New York has established an Authorities Budget Office to centralize agency oversight and produce plain-language reports on their finances.

“Increasing transparency requires a more comprehensive and systematic approach,” Dr. Carr said.

The paper suggests that the state produce a comprehensive annual report on both state and local authorities, and provide a simplified summary modeled on New Jersey’s “Citizen’s Guide to the Budget.” In addition, the State Treasury’s annual authorities debt report, which limits the

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agencies whose finances are included, could provide an addendum that reports on debt incurred by all state authorities.

While some authorities may set their fiscal calendars according to federal or state requirements, the state could encourage common fiscal years to facilitate comparisons, the research paper suggests.

For a copy of Dr. Carr’s paper, *Public Authorities in Governing New Jersey*, visit the Hughes Center’s website at www.stockton.edu/hughescenter.