

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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STATE HOUSE NEWS

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PENSION STUDY COMMISSION

On August 1st, Governor Christies signed into effect Executive Order No. 161, which establishes a non-partisan study commission of at least five members appointed by the Governor to examine, evaluate, and make recommendations concerning the State's pension and health benefits systems. In summary, the Commission will examine the history of the State's existing pension and health benefit systems in order to understand what has put the systems in their current state; reform by other government entities; pension and health benefits provided in the private sector; and other factors it deems relevant in order to develop its recommendations regarding pension and health benefit reforms that will strengthen the systems' financial standing with less cost to taxpayers while providing public employees and retirees with an appropriate level of benefits.

The Commission will issue its recommendations in a report to the Governor, which shall include the following: estimates of future benefit payments, expenses, investment returns, funded status and funding requirements of the pension and health benefit system, including the impact of funding requirements on the State's budget, using whatever assumptions and estimates, or ranges of assumptions and estimates, for economic environments and investment returns that the Study Commission determines to be appropriate; an examination of the competitiveness of the pension programs within a total compensation perspective available to participants in the plans compared to similarly situated employees and to New Jersey residents working in the private sector; and necessary constitutional, legislative, and regulatory actions required to implement the proposed changes.

The Commission will further evaluate and consider the work already undertaken by the Department of the Treasury to devise solutions to the challenges currently facing the pension and benefit systems, and, further, is authorized to call upon the expertise and assistance of all State departments, divisions, offices and agencies to carry out its mission. The Commission shall report its findings and recommendations to the Governor as soon as possible and no later than thirty

(30) days after organizing shall provide a status report as to its progress. On August 8th, Governor Christie appointed the following members to the Commission: *Thomas J. Healy, Tom Byrne, Raymond Chambers, Leonard W. Davis, Carl Hess, Dr. Ethan Kra, Ken Kunzman, Larry Sher, and Margaret Berger.*

CAPE MAY COUNTY BOARD OF ELECTIONS LITIGATION

Cape May County recently filed a Petition for Certification with the New Jersey Supreme Court concerning the Appellate Division's recent decision affirming the Attorney General's denial to provide Cape May County with a defense and indemnification in connection with a tort action filed by a citizen voter against the County and the Cape May County Board of Elections. In light of the decision's far reaching implications and substantial impact on county governments across the State, NJAC plans to file an Amicus brief in support of Cape May County's Petition. *Special thanks to Assistant Cape May County Counsel James Arsenault for helping NJAC prepare its Brief.*

PRE-ADJUDICATED INMATES

On Tuesday, approximately 200 county officials from across the State attended the Department of Human Service's training session on *Medicaid and County Inmates* pursuant to the SFY 2015 Appropriations Act, which requires the Department to work with county corrections agencies to promote the NJ FamilyCare/Medicaid enrollment of all eligible inmates requiring inpatient hospitalization. The Department presented its short-term solution for paying hospitalization expenses for eligible inmates including training on a new Inmate Presumptive Eligibility application. *Please note that copies of the presentation are not currently available and were not distributed at the session, but the Department plans to post the presentation on its website and will share it with NJAC for distribution shortly.*

PRIVATIZATION CONTRACTS

On August 8th, Governor Christie vetoed **S-770/A-2873** (*Weinberg D-Bergen*)(*Vainieri-Huttle D-Bergen*), which would establish procedures and standards concerning public services privatization contracts. NJAC has long opposed this legislation as it would effectively prohibit the use of privatization contracts by requiring counties to pay new employees' wages and benefits at a rate not less than the wages and benefits paid to displaced employees. NJAC is also concerned that this legislation would create an overly burdensome and unnecessary level of bureaucracy by requiring the Office of the State Ombudsman to review and approve privatization contracts. Moreover, elected county officials should retain the autonomy to enter into privatization contracts that they believe are in the best interest of their local constituents.

BAIL REFORM

On Monday, Governor Christie signed into law **S-946/A-1910** (*Norcross D-Camden, Gloucester/Scutari D-Middlesex, Somerset, Union*)/*Burzichelli D-Cumberland, Gloucester, Salem/Watson-Coleman D-Mercer*), which establishes speedy trial deadlines; reforms the way in which bail and pretrial release determinations are made; provides courts with the authority to deny pretrial release; and, authorizes the Judiciary to revise fees to help fund certain programs and legal services for low-income residents. The public will have the opportunity to consider at November's General Election a constitutional amendment to authorize, under certain circumstances, the pretrial detention of persons in criminal cases. The question will generally appear on the ballot as follows:

Yes - Do you approve amending the Constitution to allow a court to order pretrial detention of a person in a criminal case? This would change the current constitutional right to bail. The change to the Constitution would mean that a court could order that a person remain in jail prior to trial, even without a chance for the person to post bail, in some situations. The amendment also removes language in the Constitution about bail eligibility for death penalty cases. The death penalty no longer exists in New Jersey

No - The Constitution currently requires a court to grant bail to a jailed person in a criminal case before trial. If the person posts bail, the person is released from jail pending trial. The amendment would give a court the option of ordering a person to remain in jail in some situations. The court could order such detention based upon concerns that the person, if released: will not return to court; is a threat to the safety of another person or the community; or will obstruct or attempt to obstruct the criminal justice process. The amendment authorizes the Legislature to pass laws concerning pretrial release and pretrial detention. The amendment would take effect on January 1, 2017 to allow any new laws to be enacted and their requirements to be established. The amendment would also remove language in the Constitution about bail eligibility for death penalty cases. The death penalty no longer exists in New Jersey.

TRANSPORTATION TRUST FUND (TTF)

1. County Facts

- A. County governments maintain approximately 6,775 centerline miles of roads, 13,550 lane miles of roads, and 7014 total bridges that along with municipal roadways carry an estimated 59% of the State's traffic.

- B. County governments fund over \$514.0 million each year in critical transportation projects that include: \$277.0 million for bridges; \$86.0 million for resurfacing; \$84.0 million for construction and reconstruction; and, \$67.0 million for design and contract administration.
- C. The current Transportation Trust Fund (TTF) allocates \$175.0 million per year as Local Aid that includes: \$78.75 million each for counties and municipalities, \$7.5 million in discretionary funding, and an additional \$25.0 million for county bridges leaving county governments responsible for financing at least \$407.0 million of its total need through the collection of local property taxes.

2. State Budget Fiscal Year 2015

The FY 2015 State budget appropriates \$190.0 million as Local Highway Funds. The \$190.0 million is consistent with the local support numbers in the Transportation Capital Program (TCP) and were allocated as follows:

- \$78.75 million for county roads
- \$78.75 million for municipal roads
- \$25.0 million for county bridges
- \$7.5 million for Commissioner's discretionary funding

3. County Aid Distribution Formula

- A. Governor Christie included in the State's fiscal year 2015 budget, a supplemental appropriation of \$4.0 million as additional County Aid to mitigate the reduction in funding to Bergen, Camden, Essex, Hudson, Mercer, Middlesex, Monmouth, Morris, Passaic, and Union counties.
- B. These counties lost lost \$5.79 million in funding when the State eliminating the Federal Aid Urban System (FAUS) minimum allotment from the County Aid distribution formula in 2012.

4. TTF History

Courtesy of the North Jersey Transportation Planning Authority (NJTPA)

Governor Thomas Kean established the TTF in 1984 to provide stable funding for transportation, relying on a combination of regular state budget appropriations and constitutionally-dedicated portions of the gas and sales taxes. The TTF allows the State to issue long-term bonds for transportation without voter approval. TTF sources of revenue listed on the following page include:

- Base gas tax of 10.5 cents per gallons that has not increased since 1988.
- 4 cent per gallon petroleum gross-receipts tax introduced in 1990.
- Contributions from the New Jersey Turnpike Authority and the South Jersey Transportation Authority.
- Fees imposed on heavy trucks.
- Certain contributions from the Port Authority of New York & New Jersey (PANYNJ)

All revenues from the gas tax and a minimum of \$200.0 million per year from the petroleum gross-receipts tax are dedicated to transportation. New Jersey's total tax for regular gasoline of 14.5 cents per gallon, is third lowest in the nation, behind only Wyoming (14 cents) and Alaska (8 cents).

5. *Current Status of TTF*

Courtesy of the North Jersey Transportation Planning Authority (NJTPA)

- A. The TTF was last renewed through legislation in 2012. The renewal was based on a spending plan announced by Governor Christie in 2011 that called for \$8.0 billion in spending authority through 2016 as follows:
 - \$4.4 billion from bonding, drawing on gas tax and other fees/taxes.
 - \$1.8 billion provided by the PANYNJ for New Jersey projects.
 - \$1.3 billion from the New Jersey Turnpike Authority and other tolling entities.
 - \$500.0 million is to be appropriated from State general fund revenues in increasing amounts over the last three years. *(This "pay-as-you-go" financing was intended to move the State away from debt financing to a larger cash component.)*
- B. In 2012, 2013, 2014, and 2015 the "pay as you go" general fund revenues were not included in the annual budgets, which instead used bond premiums raised through higher interest rates to fill the funding gap.
- C. The TTF must be renewed at the end of State FY 2016 (June 2016). Without additional revenue from the gas tax or other sources, the State would be required to further increase its debt load, which currently is the third-highest in the country, behind New York and California.

6. *Various Tax/User Fee Facts*

Courtesy of the North Jersey Transportation Planning Authority (NJTPA)

- A. A 1 cent per gallon increase in the gasoline tax would raise approximately \$40.0 - \$58.0 million per year.

- B. If the State's 7% percent sales tax was applied to gas purchases, it would roughly be the equivalent of raising the gas tax by 15.4 cents per gallon, generating approximately \$800 million a year.
- C. About a 1/3 of gas taxes are paid by out-of-state drivers. About 1/2 of Turnpike tolls are paid by out-of-state drivers.
- D. New Jersey's base gas tax has lost 40% of its spending power since it was last raised in 1988 due to inflation in the costs of construction. The tax would have to be increased by 9.8 percent to regain the 1988 spending power. To limit the impact of inflation, 15 states link their gas tax rate to the price of gasoline and three states to construction costs.
- E. Improved auto fuel efficiency is steadily eroding the yield from the gas tax, prompting proposals to replace it with a tax on miles traveled.

7. *Recent Transportation Funding Solutions in Other States*

Courtesy of the North Jersey Transportation Planning Authority (NJTPA)

- A. 2014: Pennsylvania lifted the cap on taxes on the price of gasoline at the wholesale level. Within five years that will increase the gas tax by about 28 cents, from 31.2 cents to 59.2 cents a gallon (the highest in the nation). Also increased were fees for driver's licenses and traffic violations.
- B. 2013: Virginia eliminated its 17.5-cent-a-gallon gasoline tax and replaced it with multiple taxes and fees that will increase net funding for transportation. These taxes include a 3.5% wholesale gas tax, increased vehicle registration fees, an extra 2.1% sales tax on gas purchases in some areas, and 3% increase in the State's general sales tax.
- C. 2013: Maryland maintained its 23.5-cent gas tax, adjusted it for inflation, and added a new wholesale gasoline sales tax, initially set at 1 percent and increasing to 2 percent in 2015.
- D. 2013: Wyoming increased its gas tax by 10 cents and Massachusetts increased its tax by 3 cents.
- E. 2013: Vermont imposed a 2 percent sales tax on gasoline.

NJAC has long advocated for a stable, dependable, and long-term source of transportation funding that would enhance Local Aid allocations to the levels recommended by the Transportation Blue Ribbon Commission in 2003 at \$300.0 million per year as a necessary means to mitigate the reliance on the collection of local property taxes.

MARK YOUR CALENDARS FOR THESE UPCOMING EVENTS

- A workshop on employee responses to an active shooter *September 19th*
- NJAC's board of directors meeting *September 26th*
- County finance officer continuing education program & public purchasing officials continuing education program *October 3rd*
- Road supervisors continuing education program *October 10th*
- County administrators certificate training program *October 24th & 31st*
- NJAC's year-end conference on transportation *December 12th*

Please contact our office at (609) 394-3467 or visit our website at www.njac.org for additional details about any of the upcoming events.

STATE HOUSE TRIVIA

Did you know that Robin Williams improvised most of his lines as the Genie in Aladdin?

"I'm sorry, if you were right, I'd agree with you." Robin Williams