

NJAC LEGISLATIVE UPDATE

Board of Directors Meeting

April 23, 2010

1. STATUS OF BILLS DISCUSSED AT MARCH 12TH MEETING

ASSEMBLY, NO. 2115 (*Moriarity D-4*), which prohibits employees of certain organizations from enrolling in State-administered retirement systems or health care plans. The board directed NJAC to support this legislation. In light of opposition from the New Jersey Education Association (NJEA) and the Police Benevolent Association (PBA), Assemblyman Moriarity introduced A-2499. This new bill prohibits NJAC, the New Jersey State League of Municipalities, and the New Jersey School Boards Association from enrolling in a State-administered retirement system or health care plan, but does not similarly ban those on leave from labor organizations, as was the case under A-2115. The Assembly Appropriation's Committee favorably reported A-2499 on March 23rd and it's currently on Second Reading in the General Assembly. There is no Senate version at this time. Please note that Assemblyman Moriarity promised to amend A-2499 on the Floor of the General Assembly to address a technical oversight that would have removed NJAC employees from the State Health Benefits Program (SHBP) effective immediately, as opposed to providing a 24-month transitional period, as is the case with the League and others covered under the bill.

SENATE, NO. 201 (*Whelan D-1*), which requires the custodian of a government record to make that record available to the public for inspection, examination, copying, and printing at no charge by posting the government record, in searchable format, on an internet website maintained by the custodian. The board directed NJAC to support the concept of transparency in government, but suggested that NJAC request the Senator for clarification on a funding source, what constitutes a government record, and an extension on the timeframe for compliance. With this in mind, NJAC and representatives from Morris County testified before the Senate State Government committee on March 15th, where Senator Whelan, who also serves as Chair of the committee, and committee members, promised to work with NJAC on crafting a more palatable piece of legislation. The committee did not release the bill.

ASSEMBLY, NO. 2478 (*Moriarity D-4*), which requires all State and local public employees to reside in the State of New Jersey. In summary, this legislation requires all new employees to reside in the State within four months, and all current employees to reside in the State within two years and four months from the bill's effective date. The board directed NJAC that it should remain neutral on the bill, which remains in the Assembly State Government awaiting consideration.

2. ASSEMBLY, BILL NO. 559 (Cyrus D-20)

On behalf of the Constitutional Officers Association of New Jersey (COANJ), Hudson County Surrogate Donald W. De Leo requested NJAC to oppose A-559 for the reasons set forth below.

In summary, this legislation changes the fees set for copies of documents in various parts of the New Jersey Statutes relating to government entities, excluding the court system. More specifically, the bill decreases certain public document copy fees to \$0.10 per letter size page and \$0.15 per legal size page. A-559 is currently in the Assembly State Government Committee awaiting consideration; and the Senate version, SENATE, NO. 1212 (*Weinberg D-37*), is currently in the Senate State Government, Wagering, Tourism, and Historic Preservation Committee awaiting consideration as well.

History - Last session, the Assembly State Government Committee favorably reported this legislation, and the General Assembly was scheduled to vote on the matter before the end of the lame-duck session. However, the bill was ultimately pulled from the board list, and then reintroduced in both houses this session as noted above.

Fiscal Impact - Although the Fiscal Estimate conducted by the Office of Legislative Services was inconclusive, this legislation clearly reduces the revenue collected by counties to cover the costs associated with OPRA by up to 90%. Moreover, several counties have reported that the current fee structure is insufficient to cover the costs associated with complying with the Act and other public records statutes.

Recommendation - Although NJAC should continue to support transparency in government, the Association has publicly opposed this legislation in the past, as has COANJ and the New Jersey State League of Municipalities. As such, NJAC should continue to oppose this untimely legislation, as it will have a significant fiscal impact on county governments as custodians of records.

3. STATE FY 2010/11 BUDGET AND ITS IMPACT ON COUNTY GOVERNMENTS

The Senate and General Assembly Budget and Appropriations committees are in the process of holding public hearings to discuss the Fiscal Year 2010/11 State budget until the end of May.

As you know, Governor Chris Christie has taken several steps to reduce the State's \$10.7 billion budget shortfall, some of which include: a fiscal year 2011 budget of \$28.3 billion, which is \$1.6 billion less than last year's budget; a deferral of pension payment obligations by State and local governments; a revision To Whom It May Concern: the Homestead Rebate Program by replacing checks with tax credits; a reduction in State

aid to school districts by \$820 million, and a reduction in State aid to municipalities by \$466 million.

The Governor has also proposed significant State department reductions that will impact county services and initiatives. Some of these cutbacks include: county prosecutor aid; county jails substance abuse aid; county solid waste services aid; and a cap on billable rates for expenditures at county psychiatric hospitals. Additional decreases include: a reduction of the State inmate population in county correctional facilities, targeted reductions in General Assistance (GA), and less operating support for community colleges. Some of these line item reductions include:

RELATED COUNTY INITIATIVE	PROPOSED REDUCTION
County Jail State Inmate Reduction	\$22.0 million
County Solid Waste Debt Service Aid	\$16.0 million
Consolidation Fund (<i>SHARE Included</i>)	\$8.0 million
County Prosecutor Funding Pilot Program	\$8.0 million
Regional Efficiency Aid Program	\$6.0 million
County College Operating Support	\$4.8 million
County Environmental Health Act	\$500,000.00

Please note that this is not an exhaustive list of all the proposed cuts, but merely a synopsis of some of the more important ones.

4. PROPERTY TAX CAP LEVY RESTRICTIONS/ COLLECTIVE BARGAINING REFORM

In addition to the above-noted cuts, Governor Christie has also suggested that he will provide local governments with the necessary tools to manage their budgets more effectively without raising property taxes. One of these tools recently became law in the form of pension and health benefits reform for public sector employees. Two additional tools that need legislative action and then some, include: a 2.5% property tax cap levy restriction on local government spending, and substantive collective bargaining reform. Please find below a brief summary of both issues.

2.5% Property Tax Cap Levy Restriction - *The Governor's proposed budget recommends:*

- A constitutional amendment that imposes a 2.5% property tax cap levy on local government spending;
- Repealing provisions of current law that provides automatic cap growth to offset decreases in State aid;
- Limiting the use of cap exceptions for items such as healthcare costs; and
- Permitting the use of "cap banking," which authorizes local governments to "bank" for use in any one of the next three succeeding budget years, the difference in any budget year between the amount of the adjusted tax levy and the amount to be raised by taxation.

Collective Bargaining Reform - *The Governor's proposed budget recommends legislation:*

- Prohibiting local governments from awarding contracts, including benefit costs, that exceed any statutory or constitutional cap levy;
- Requiring the Executive Branch of State government to select arbitrators on behalf of local governments; and,
- Requiring arbitrators to take into account the impact on property taxes in reaching their decisions.

Although not included in the Governor's proposal for collective bargaining reform, some additional solutions may include regionalizing collective bargaining at the county level, and authorizing arbitrators to choose between two competing proposals, as is the case in Major League Baseball. To further reduce the reliance on the collection of property taxes to provide necessary services, NJAC may also consider supporting the use of certain "local option" taxes. In summary, these taxes authorize local governments to impose additional sales or income taxes, and then dedicate the collection of such funds for a specific purpose. In light of the lack of long-term and stable funding for the State's Transportation Trust Fund, NJAC may consider supporting a local option sales tax - dedicated to maintaining county roads and bridges.

Importantly, NJAC must take a proactive approach to addressing the Governor's proposed reforms and develop a set of recommendations accordingly. For example, NJAC may decide to support the imposition of a 2.5% property tax cap levy, provided there's regional collective bargaining and a local option sales tax. Please note that time is of the essence, as the Legislature is set to return to action in a few short weeks and will very likely consider most of these reforms.