

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice

BETH E. TIMBERMAN
NJAC President
Salem County Freeholder

JOHN G. DONNADIO
Executive Director

STATE HOUSE NEWS

August 11, 2011

CAP CALCULATIONS

NJAC is in the process of scheduling a meeting with the Commissioner of the Department of Community Affairs Lori Grifa to discuss the fact that county governments *must* prepare their budgets pursuant to both the “1977 Cap Law” and the “2010 Cap Law,” and then use the more restrictive one as its cap calculation for 2011.

The “2010 Cap Law” imposes a 2.0% cap on local government spending, with certain cap exceptions for capital expenditures; debt service; pension contributions in excess of 2.0%; increases in health care costs in excess of 2.0%, but not greater than the percentage increase of the State Health Benefits Program (SHBP); and extraordinary costs incurred by a local unit directly related to a declared emergency. The new law also eliminates waivers; provides that local governments may only exceed the 2.0% cap levy restriction by a local cap override approved by a majority of the voters; and authorizes the use of cap banking for three years.

The “1977 Cap Law” imposes a cap of either 2.5% or the Cost of Living Adjustment (COLA), which ever is less, of the previous year’s county tax levy. Please note that the Cost of Living Adjustment (COLA) rate for FY 2011 is 2.0%; and as such, counties must use this figure in their calculations. Although this cap restriction contains certain cap exceptions for capital expenditures; debt service; emergency appropriations; and several others, it does not contain an exception for pension contributions and limits the exception for health expenses for such expenses incurred over 4.0%. Additionally, the use of cap banking is restricted to two years.

ISSUES

- The formulation of two complex, yet significantly different cap calculations, impose an undue burden on county governments that other local governments do not endure.

- County governments exercise little control over pension expenditures as such employer contributions are dictated by the Division of Pension and Benefits.
- Pension expenditures are becoming increasingly more difficult to manage at the local level; and, both the Administration and Legislature recognized this challenge by including pension contributions in excess of 2.0% as an exception under the “2010 Cap Law.”

RECOMMENDATIONS

All twenty-one counties and the New Jersey Association of Counties (NJAC) urge the Administration and Legislature repeal the “1977 Cap Law” as it’s contrary to leaderships’ intent to limit cap exceptions and streamline the cap calculation process; imposes an undue burden on county governments to formulate two separate and distinct cap calculations; does not contain a necessary exception for pension contributions; and limits the exception for ever increasing health care costs. Although a repeal of the “1977 Cap Law” is the most effective method for providing some much-needed clarity under the “Local Budget Law,” the Administration and Legislature may also consider amending the law to provide uniformity with the “2010 Cap Law” with respect to pension and health benefits as cap exceptions.

COST SAVING INITIATIVES

As an organization that represents the only true regional form of government in the State of New Jersey, NJAC is proud of the innovative programs and initiatives taken by our county governments to save valuable taxpayer dollars. As has been well documented, county governments provide cooperative purchasing, 9-1-1 communications and emergency dispatch, public health, animal control, and juvenile detention services on behalf of constituent municipalities and neighboring communities. Moreover, county governments have taken the lead on holding the line on salary increases and have implemented successful health care cost containment measures. In light of these progressive reforms, statewide county budgets actually decreased by 2.1% from \$5,983,989,398.00 in 2009 to \$5,857,855,483.00 in 2010. Despite our commitment to delivering often mandated services in a cost effective and efficient manner, failure to repeal or amend the “1977 Cap Law” will force county governments to eliminate essential services and personnel, and drastically reduce improvements to county facilities, roads, and bridges.

PATIENTS IN COUNTY INSTITUTIONS

NJAC will continue working with our county adjusters on the complex rate setting methodology used by the State House Commission to establish per diem rates for county indigent patients housed in State psychiatric hospitals. As has been well documented, the Department of Human Services from 2009 through 2011 increased the amount it estimates it will spend on the reasonable costs of maintaining county residents expected to be admitted to one of the State's psychiatric hospitals or developmental centers. Pursuant to N.J.S.A. 30:4-78, the State historically paid 90% of these costs, but has increased the counties share over the past three years from 10.0% to 15.0%. Moreover, the "County Blended Rate" increased from \$253.17 in 2005 to \$449.23 in 2011 for a total cost of \$50,186,246.00 in 2011.

DIRECT DEPOSIT

Assemblyman Ruben Ramos recently introduced **ASSEMBLY, NO. 3899**, which requires direct deposit for all State employee compensation by 2014. At the request of Hudson County Administrator Abe Antun and based on the recommendations of our Legislative Affairs Committee, the Assemblyman has graciously agreed to amend the bill to authorize county governments to pay its employees by direct deposit as a more cost effective alternative for conducting business. As you may know, current law N.J.S.A. 34:11-4.2 requires local government employers to pay its employees by check, while N.J.S.A. 34:11-4.2a authorizes public employees to consent to receiving wages through direct deposit. The Assembly State Government Committee will very likely consider this bill at one of its upcoming meetings where NJAC will testify in support of this important and timely initiative. The Senate version **SENATE, NO. 2833** (*Stack D-33*) is currently in the Senate State Government, Wagering, Tourism, and Historic Preservation Committee awaiting consideration.

CHARTER COUNTY ORDINANCES

NJAC supports **SENATE, NO. 1956** (*Whelan D-2*), which permits certain county boards of chosen freeholders to publish notices of proposed or amended ordinances by title and summary.

In summary, this legislation as it will save significant taxpayer dollars for county governments established pursuant to the "Optional County Charter Law." These counties include Atlantic, Bergen, Essex, Hudson, Mercer, and Union. Although current law under N.J.S.A. 40:49-2 authorizes municipalities to publish ordinances in a newspaper in their entirety or by title and summary, N.J.S.A. 41A-1-101 mandates charter counties to publish ordinances in their entirety at a

substantially higher cost. Please note that except for certain bond, capital expenditure, or health ordinances as required by specific statute, non-charter counties typically adopt resolutions at a much lower cost to publish. S-1956 is on Second Reading in the Senate.

PROJECTED COST ESTIMATES

If you haven't done so already, please join NJAC and several other counties in adopting a resolution opposing **ASSEMBLY, NO. 3285** (*Wisniewski D-19*), which requires certain public contract bid advertisements to contain certified cost estimates and specifies grounds for the rejection of all bids.

NJAC is initially concerned with the fact that this legislation defeats the intended purpose and cost benefits of competitive bidding as the bill provides contractors with little incentive to submit proposals below projected cost estimates. For example, if a contractor is aware that a county has earmarked a specific dollar amount for a proposed construction project, there's little incentive for that contractor to bid below the projected price. This is particularly true in the context of large scale construction projects of which very few companies are equipped to handle.

NJAC is also concerned that this legislation will increase the cost of doing business with local governments as preparing bid solicitations become more complex. Depending on the size and scope of a projected construction project, a county may be required to hire a professional consultant to prepare a comprehensive cost estimate. Moreover, county employees may not be qualified to "attest" to the accuracy of such cost estimates; and, face potential litigation if the reasonableness of the estimate is challenged in court.

NJAC finally objects to the fact that this legislation eliminates the important discretion and flexibility local governments exercise under current law when making decisions concerning the acceptance or rejection of bids. County officials submit that the establishment of finite parameters for rejecting bids will have an adverse impact upon the ability of local governments to pursue the completion of construction projects upon terms that are most favorable to taxpayers. There's currently no Senate version of this legislation, which Governor Jon Corzine conditionally vetoed in January of 2008.

AUGUST 31ST AT MERCER COUNTY WATER FRONT PARK

Don't miss the opportunity to take a well deserved break from budgets and pension and health benefits reform to join us at beautiful Mercer County Waterfront Park at 7:05 P.M. ON AUGUST 31ST for an outstanding minor league

baseball game between the *New Hampshire Fisher Cats and Trenton Thunder*. This event is free of charge for county officials, but reservations are based on a first come first serve basis as seating is limited to a maximum of 30. Please contact us for additional details.

SEPTEMBER 26TH GOLF OUTING AT MERCER OAKS

We have 50 golfers signed up already for this charitable event, so please make sure to register soon as we're limiting play to 120 golfers. As you know, the NJAC Foundation will dedicate 50% of the proceeds from its 2011 golf outing to the National Guard State Family Readiness Council (NGSFRC). NGSFRC is a 501 (C)(3) non-profit organization dedicated to providing significant assistance to deployed military personnel and their families. The NJAC Foundation is 501 (C)(3) non-profit organization affiliated with the New Jersey Association of Counties (NJAC) and is committed to providing aid to educational, social, and governmental institutions in the furtherance of their stated goals. Please contact us for additional details.

"Success is the ability to go from failure to failure without losing your enthusiasm." Sir Winston Churchill

