

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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STATE HOUSE NEWS

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BUDGET SHORTFALL

The Office of Legislative Services (OLS) and State Treasurer estimated yesterday that State revenue projections will fall short from original estimates by approximately \$1.07 billion in State fiscal year 2014 and \$1.59 billion in State fiscal year 2015. OLS noted that Gross Income Tax revenue projections will fall short by \$877.0 million in FY 2014 and \$1.2 billion in FY 2015, and that Sales Tax revenues will miss the mark by \$120.0 million in FY 2014 and \$254.0 in FY 2015. Although the Corporate Business Tax projections appear on point, all other revenue projections are down as well.

State Treasurer Andrew P. Sidamon-Eristoff also appeared yesterday before the Assembly Budget Committee to announce the State's plan to address its significant challenges over the next two fiscal years. In summary, the Administration is proposing an \$887.0 million reduction in State budget pension contributions for FY 2014 and an additional \$681.0 million reduction in contributions for FY 2015. We'll make sure to provide you with the complete list of additional reductions shortly, but the Treasurer noted the need for painful cuts in education, healthcare, and social service programs.

REALTY TRANSFER FEE

In light of the daunting fiscal realities facing the State, it appears unlikely that the Administration and Legislature will move forward with eliminating the Realty Transfer Fee (RTF). However, senators Diane Allen (*R-Burlington*), Kevin O'Toole (*R-Bergen, Essex, Morris, Passaic*), and Jeff Van Drew (*D-Cape May*) recently introduced **SENATE, NO. 2044**, which would schedule the termination of the RTF. This bill is currently in the Senate Community and Urban Affairs Committee awaiting consideration. Additionally, Assemblyman Ron Dancer (*R-Burlington, Middlesex, Monmouth, Ocean*) and Assemblywoman Caroline Casagrande (*R-Monmouth*) recently introduced the companion version in the General Assembly as **ASSEMBLY, NO. 3132**, which is currently in the Assembly Housing and Community Development Committee.

As of this writing, NJAC is projecting that eliminating the RTF would result in a \$90.0 million dollar loss in revenue to county governments throughout the State and an additional \$300.0 million dollar loss in revenue to the State. Given the fact that counties do not levy taxes and impose very few user fees, eliminating the RTF would leave county governments with no means to make up for the substantial loss in revenue. As counties also face a restrictive property tax cap levy, a declining ratable base, significant pension and health benefit expenses, and an ever increasing list of unfunded state mandates, terminating the RTF would force county governing bodies to drastically reduce and eliminate critical services and personnel as the only viable solutions.

With this in mind, NJAC has respectfully requested that the sponsors and Administration amend the legislation to at a minimum maintain the portion of the RTF collected and used by the counties as general revenues and to offset the costs associated with Public Health Priority Funding. The RTF is imposed on the recording of deeds evidencing transfers of title to real property in the State. The Fee is required to be paid upon the recording of deeds conveying title to real property in New Jersey. The RTF is calculated based on the amount of consideration recited in the deed or, in certain instances, the assessed valuation of the property conveyed. RTF is usually collected at the real estate closing by the legal representatives or title insurance agents responsible for recording the deed at the county clerk or registry offices. The State of New Jersey and all 21 counties share in RTF proceeds.

PRIVATIZATION CONTRACTS

On May 15th, NJAC testified before the Assembly Labor Committee in opposition to **ASSEMBLY, NO. 2873** (*Vainieri Huttle D-Bergen/Moriarty D-Gloucester*), which would establish procedures and standards concerning public service privatization contracts.

NJAC is primarily concerned with the fact that this legislation would effectively prohibit the use of privatization contracts by requiring counties to pay new contractual employees' wages and benefits at a rate not less than the wages and benefits paid to displaced employees. As noted below, counties enter into privatization contracts to recognize substantial cost savings in salary, wage, and health benefit costs that comprise up to 60% of overall operating budgets. 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.

As has been well documented, county governments are struggling to make ends meet and have been forced to reduce or even eliminate critical staff, essential services, and long overdue capital improvement projects. As a means to deliver often mandated services in a more cost effective and creative manner, and without jeopardizing the level of service provided, several counties have chosen to privatize various services and functions that may include: dietary and laundry services at county jails and juvenile detention facilities; maintenance services at county administration, judicial, and prosecutorial facilities; home health services, and much more. Prior to entering into these agreements, counties typically conduct comprehensive feasibility studies, solicit competitive bids, hold public hearings, and certify the cost savings.

Despite opposition from NJAC, the New Jersey State League of Municipalities, the New Jersey School Boards Association, the New Jersey Chamber of Commerce, and the New Jersey Business and Industry Association, the Committee favorably reported the bill and it is now on Second Reading in the General Assembly. On May 12th, the Senate passed its companion version **SENATE, NO. 770** (*Weinberg D-Bergen*) by a vote on 24-14.

PRE-ADJUDICATED INMATES

NJAC and the New Jersey County Jail Wardens Association (NJCJWA) are planning to meet again in June with the Director of Medicaid Services to further discuss the extension of the 24-hour hospital stay exception to pre-adjudicated inmates housed in county jails. NJAC and NJCJWA initially met with the Director on February 28th where the Director agreed to include pre-adjudicated inmates housed in county jails under the exception and to suspend inmate benefits upon incarceration. However, the Director advised that it will likely take some time before the State has the capacity to implement the initiative as the State's Consolidated Assistance Support System (CASS) may not be fully operational for approximately 12 months. In the meantime, we're hoping that the Director will use us as a resource to discuss inmate timelines, a pilot program, and best practices.

As has been well documented, pre-adjudicated inmates housed in county jails make up approximately 90% of the statewide county prison population, and including them under the exception would yield significant cost savings for county governments struggling to make ends meet. In fact, pursuant to a random sampling of pre-adjudicated inmates housed in county jails conducted by NJCJWA, Cape May, Hudson, Passaic, and Essex counties would save an estimated \$4.5 million per year in inmate medical expenses. Although these cost savings are substantial, the NJCJWA random sampling also demonstrates that the caseload for county welfare agencies and boards of social services would

marginally increase an average of 49 new cases per month for the four counties in question.

Additionally, fourteen states currently authorize the 24-hour hospital stay exception without making a distinction between convicted and pre-adjudicated inmates housed in county jails. These states include: Arkansas, California, Colorado, Delaware, Louisiana, Michigan, Mississippi, Nebraska, New York, North Carolina, Oklahoma, Pennsylvania, and Washington. As a means to streamline the administrative process, the above counties strongly recommend establishing a system that authorizes counties to bill Medicaid directly; and, suspending as opposed to terminating inmate benefits upon incarceration.

COUNTY MOSQUITO CONTROL RESERVES

NJAC is pleased to report that on Monday, Senator Jeff Van Drew (*D-Cape May*) introduced **SENATE, NO. 2115**, which would authorize a county by resolution to establish a mosquito control reserve. S-2115 is currently in the Senate Community and Urban Affairs Committee awaiting consideration, and we expect Assemblyman Gary Schaer (*D-Passaic*) to introduce the companion version in the General Assembly within the next few days. NJAC's Board of Directors unanimously adopted this initiative as one of our top legislative priorities as it would stabilize the mosquito control budgeting process and enhance fiscal planning for mosquito control activities. Moreover, a mosquito control reserve would streamline the process for using emergency monies by eliminating the need to issue an overly burdensome bond that a county must provide in full as a deferred change in the next budget year.

INTEREST ARBITRATION

We still have no new news to report on whether the General Assembly plans to consider Governor Chris Christie's conditional veto of legislation that would extend the 2% cap on binding interest arbitration awards through December 31, 2017. Earlier this week, NJAC, the New Jersey State League of Municipalities, the New Jersey Conference of Mayors, and the Urban League sent a joint letter to members of the General Assembly urging them to concur with the conditional veto as it addressed our substantial concerns with the bill as introduced that included: eliminating the "One Bite of the Apple" provision; prohibiting arbitrators from including employee health benefit and workforce reduction cost savings when rendering awards; and, maintaining the random selection of arbitrators.

NJAC'S ANNUAL CELEBRATION OF COUNTY GOVERNMENT

Thank you to everyone that joined us for our 64th annual celebration of county government that included representation from all 21 counties, 70 vendors, and over 500 registered guests. This year's convention was a tremendous success as all of our main events took place in the central exhibit hall designed to provide maximum opportunities to share resources and ideas with county and business leaders from across the State.

Congratulates to Warren County Freeholder Richard D. Gardner for receiving the "Maurice Fitzgibbons Freeholder of the Year Award," and to Investors Bank for earning NJAC's "Business Associate of the Year Award." We were also pleased to present Senator Jim Whelan and Assemblyman Declan O'Scanlon with "Legislative Leadership Awards"; and, Atlantic County Counsel James Ferguson, Hunterdon County Clerk Mary Melfi, Monmouth County Supervising Drafting Technician Spencer Keats, and Salem County Welfare Director Kathy Lockbaum with "County Service Awards."

As expected, the nation's only County Vocational-Technical School Cook-Off Challenge once again stole the show as culinary art students from Atlantic, Burlington, Camden, Cumberland, Gloucester, Hudson, Mercer, Monmouth, Ocean, Somerset, and Warren counties competed for titles in taste, creativity, and food presentation. Hudson County retained its title as Champion in the People's Choice Category with Ocean County earning a silver medal and Monmouth County bronze. *Please check out our website at www.njac.org and this month's edition of NJ County Biz for a complete listing of cook-off winners and their amazing dishes.* Although this year's event was terrific, we've already begun planning on how to make next year's celebration even better.

STATE HOUSE TRIVIA

Did you know that the American Flag should be flown at half-mast until Noon on Memorial Day, and then raised to full staff until sunset?

"I only regret that I have but one life to lose for my country." Nathan Hale

