

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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STATE HOUSE NEWS

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LOCAL BRIDGES FUTURE NEEDS PROGRAM

After initially announcing that the Department would freeze Local Bridges Future Needs Program (LBFN) monies in 2015, NJ DOT confirmed late last week that it plans to restore the \$25.0 million for vital bridge repair, replacement, and rehabilitation funding, and that counties should expect to receive grant solicitation letters from the Department early this month. Special thanks to the New Jersey State Association of County Engineers (NJSACE), which worked with NJAC to identify the list of pending and future projects that would have been impacted by the Department's proposed freeze.

Although this is very good short term news and we certainly appreciate the Department's efforts to reinstate this critical funding, NJAC plans to actively pursue maintaining LBFN monies for 2016 and beyond; and, will continue to advocate for a stable, dependable, and long-term source of dedicated funding for the nearly insolvent Transportation Trust Fund (TTF). As county and municipal roads and bridges carry an estimated 53% of the State's overall traffic, yet inequitably receive only a 12% share of funding as Local Aid allocations under the State's current Transportation Capital Program, NJAC will also continue to advocate for an increase in Local Aid allocations as a means to mitigate the reliance on the collection of local property taxes, promote job growth and economic development, and ensure a safe and reliable transportation network.

LBFN is funded by TTF monies and provides annual grants of \$1.0 million to each county as financial assistance to repair or replace structurally deficient and functionally obsolete bridges. NJ DOT also makes available an additional \$4.0 million as discretionary funding for a total of \$25.0 million per year. As has been well documented, county governments operate and maintain approximately 7,140 bridges with 11.0% of the 2,566 major bridges classified as structurally deficient and 17.0% of these same bridges classified as functionally obsolete in need of repair or replacement. Moreover, 64.1% of the 4,584 minor bridges are in need of repair and 21.9% of these same bridges must be replaced.

PENSION AND HEALTH BENEFITS STUDY COMMISSION

On February 24th, the New Jersey Pension and Health Benefit Study Commission released “A Roadmap to Resolution,” which proposes several recommendations to reform and stabilize the public employee pension and health benefits systems. Please keep in mind that the following recommendations will need legislative approval or a constitutional amendment for enactment. In summary, the Commission proposes to:

- Freeze existing State and local pension plans to stop the accrual of future benefits under the plans, but maintain benefit credits earned through service prior to the freeze.
- Create new “cash balance” retirement plans to provide future retirement benefits based on an employee’s salary and interest credits.
- Align State and local public employee health benefits coverage with high-quality private sector coverage.
- Adopt a unified State/local approach to benefits funding that would permit the use of benefit savings at the local level to help fund the State level pension gap in a manner that is cost-neutral to local government.
- Establish an adequate, sustainable, and certain funding mechanism for pension benefits by a constitutional amendment.

NJAC is in the process of reviewing the Commission’s report, but is particularly concerned with the recommendation to adopt a unified State/local approach to benefits funding as the local pension systems funded by counties and municipalities are actuarially sound simply because local governments have made full employer contributions as required under the law for over a decade. In fact, the local Public Employees Retirement System (PERS) is currently funded at 73.9% and the local Police and Fire Retirement System (PFRS) is currently funded at 76.9% according to the latest valuation reports. Moreover, the local pension systems are well funded and solvent. Based again on the latest valuation reports, local PERS currently holds actuarial valued assets of approximately \$20.0 billion with estimated retirement allowances due of \$1.5 billion, while PFRS currently holds actuarial valued assets of approximately \$22.0 billion with estimated retirement allowances due of \$1.5 billion.

Although NJAC recognizes that the State must take meaningful steps to make its pension and health benefits systems more affordable for taxpayers and sustainable for members, NJAC objects to any recommendation that would affect, alter, or integrate the local pension systems as counties and municipalities have met their obligations as employers and the local pension systems are fiscally sound as a result.

MONEY MARKET FUNDS.

NJAC recently sent a letter to United States Senator Robert Menendez regarding changes made by the Securities and Exchange Commission (SEC) to the structure of money market funds that will substantially impair county governments' ability to manage cash reserves and obtain low-cost financing for critical infrastructure projects. NJAC objected to these changes during the ruling making process as well.

NJAC is particularly concerned with the fact that SEC rule changes in 2014 forced money market funds to abandon their stable \$1.00 per-share price and instead "float" net asset values (NAV). NJAC is also concerned that the new rules impose penalties and early redemption fees for the pre-mature withdrawal of funds to meet liquidity needs. As you know, money market funds have proven to be a vital cash management tool for county governments, which until the SEC's untimely rule changes, relied on the stability of managing cash with a consistent principal value. Moreover, county governments counted on the convenience and simplicity that a stable NAV provided for accounting, recordkeeping, and the tax treatment of cash balances accordingly.

The dangers of a floating NAV are clear and will undoubtedly lead to increase costs for county governments across New Jersey and the nation. As you also know, money market funds hold more than half of the short-term debt that finances vital public projects such as roads, bridges, airports, water and sewage treatment facilities, hospitals, and low-income housing. Without such financing, local governments may be forced to limit projects, spend more on financing, or increase taxes. Moreover, a floating NAV will force county governments to use bank products that have historically paid lower yields or are much less secure. A floating NAV will also undermine local economies as money market funds hold more than one-third of the commercial paper that businesses use to finance payrolls and inventories. The flight of investors in the wake of a floating NAV will disrupt the supply of short-term credit that employers need to operate.

COUNTY IMPROVEMENT AUTHORITY FINANCING

On February 24th, the Senate Education Committee favorably reported **ASSEMBLY BILL NO. 3970** (*Prieto D-Hudson*), which would allow a county vocational school district to request that a county improvement authority construct and finance a county vocational school district school facilities project that has been approved by the Commissioner of Education. The General Assembly passed the measure by a vote of 70-4 on February 23rd.

In summary, this legislation would authorize a county improvement authority to issue its bonds to finance either the local share of a project that will receive an up-front grant for the State share of the project under the Educational Facilities Construction & Financing Act (EFCFA) or the total costs of a project that is eligible to receive State debt service aid. The bill would provide that bonds issued by a county improvement authority to finance the total costs would be eligible for State debt service aid in accordance with the provisions of the Act. The bill would further provide that a county vocational school district may lease its lands or facilities to the county improvement authority which would construct the project through a design-build contract that would be required to follow the procedures established by the New Jersey Schools Development Authority.

Additionally, the county improvement authority would lease the county vocational school district school facilities project to the county which would then lease it for nominal consideration to the county vocational school district. The county lease payments made to the county improvement authority would not be subject to any cap on appropriations or spending or to any tax levy cap. The county lease payments must be sufficient to pay the debt service on the county improvement authority bonds that remains after the application of any State debt service aid paid on those bonds. When the bonds of the county improvement authority are no longer outstanding, the leases and liens of the county and the county improvement authority would expire and the school facilities project would be solely vested in the county vocational school district.

Finally, the measure would prohibit a county could not require a county vocational school district to bear any portion of the cost of the debt service on the county improvement authority bonds issued to fund the county vocational school district school facilities project or on any refunding bonds. NJAC supports this legislation as it provides county governments with an innovative financing mechanism that could streamline school facilities projects and save valuable taxpayer dollars.

SOLITARY CONFINEMENT

Special thanks to Hudson County Jail Director Oscar Aviles and Passaic County Jail Warden Mike Tolerico for taking the time out of there busy schedules on February 12th to meet with Senator Lesniak and then testify before the Senate Law and Public Safety Committee on **SENATE NO. 2588** (*Lesniak D-20/Barnes D-18*). In summary, this legislation would prohibit inmates incarcerated in correctional facilities from being placed in isolated confinement unless there's reasonable cause to believe that the inmate or others would be at risk of serious harm, and any less restrictive intervention would be insufficient to reduce that risk.

Although NJAC and the New Jersey County Jail Warden's Association (NJCJWA) support the intent of this legislation and discussed relevant county best practices, we're concerned that the bill as introduced would substantially increase the cost of operating county jails as it would prohibit certain healthcare professionals from conducting mental health evaluations and would also require counties to hire licensed clinicians 24/7. It was also important for us to make the distinction between the State prison system and county jails, which typically house inmates awaiting trial on a temporary basis. The Committee held the bill for discussion purposes only, and Senator Lesniak assured us that the measure is a work in progress. A companion version of the legislation does not exist in the General Assembly at this time.

STATEWIDE TRANSITION PLAN

NJAC recently sent a letter to the State Department of Human Services respectfully requesting that the Department consider extending the 30 day public comment period on the Statewide Transition Plan for an additional 30 days.

Unfortunately, most county governments have not had the opportunity to review and comment on the comprehensive Statewide Transition Plan, which outlines the steps required to come into full compliance with the final rule issued by the Centers for Medicare & Medicaid Services. As you know, the final rule was adopted to ensure that Medicaid's home and community-based services (HCBS) programs provide full access to the benefits of community living and offer services in the most integrated settings. As county governments across the State continue to struggle with making ends meet, NJAC is primarily concerned that final implementation of the Statewide Transition Plan will substantially increase demand on already strained county para-transit services for the aged and disabled. With this in mind, NJAC respectfully requested that the Department extend the public comment period for an additional 30 days to provide county governments with the opportunity to fully review and comment on this broad-based and far-reaching initiative.

THE HIGHLANDS ACT

In August of 2004, the State Legislature passed and Governor Jon Corzine signed into law, the "Highlands Water Protection and Planning Act. The purpose of the Act was to preserve open space and protect the region's natural resources that supply drinking water to more than half of the State's population. The New Jersey Highlands is a 1,343 square mile region that lies within portions of Hunterdon, Somerset, Sussex, Warren, Morris, Passaic, and Bergen counties. After a decade of regulation under the New Jersey Highlands Council, which is charged with implementation of the Act, county and municipal officials

throughout the region are calling for State leaders to conduct a comprehensive examination the reform's impact on economic development, job growth, real property values, and the drinking water and open space the Act was intended to protect. Please contact Warren County Freeholder Ed Smith at edsmith@co.warren.nj.us for additional details about this important and timely matter.

STATE FISCAL YEAR 2016 BUDGET ADDRESS

On February 24th, NJAC attended Governor Chris Christie's State fiscal year 2016 budget address. NJAC is in the process of analyzing the \$33.8 billion spending plan and you may review the Governor's budget summary on our website at www.njac.org. Some budget highlights include:

- 3.1% increase over State's fiscal year 2015 adjusted budget
- 3.8% increase in revenue projections valued at \$1.2 billion
- \$350.0 million in surplus funds
- \$1.3 billion for State pension systems
- \$3.3 billion for active employee and retiree health benefit costs
- \$4.2 billion for NJ Family Care Program
- \$12.8 billion for general school aid
- \$1.5 billion of general municipal aid
- \$1.38 billion in municipal property tax relief aid and energy tax receipts
- \$107.4 million in transitional aid for distressed cities

NJAC ANNUAL CELEBRATION OF COUNTY GOVERNMENT

NJAC conference registration, hosting opportunities, and the action packed schedule of events are now available online on our terrific new website at www.njac.org. Don't miss the opportunity to be a part of our 65th annual celebration of county government scheduled to take place from May 6th through May 8th at Caesar's in Atlantic City. And, make sure to mark your calendars for NJAC's next Board of Directors meeting at 9:30 a.m. on March 13th in Committee Room 4 of the State House Annex.

STATE HOUSE TRIVIA

Did you know that Daylight Savings Time is this Sunday on March 8th, so don't forget to move your clocks ahead Saturday night before you go to bed.

"Daylight Savings Time: only the government would believe that you could cut a foot off the top of a blanket, sew it to the bottom, and have a longer blanket." Anonymous