

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

HEATHER SIMMONS
NJAC President
Gloucester County Freeholder

JOHN G. DONNADIO
Executive Director

STATE HOUSE NEWS

April 21, 2017

LOCAL GOVERNMENT INVESTMENT POOLS

NJAC is urging the Legislature to pass **ASSEMBLY, No. 4404/SENATE, No.2978** (*Greenwald D-6/Beach D-6*), which would permit local units and school districts to invest in local government investment pools managed in accordance with applicable Governmental Accounting Standards Board (GASB) guidelines. GASB is an independent private-sector organization that establishes accounting and financial reporting standards for national, state, and local governments that follow Generally Accepted Accounting Principles (GAAP).

In 2014, the Securities and Exchange Commission (SEC) promulgated new rules that took effect in April of 2016, which forced money market funds to abandon the stable Net Asset Value (NAV) for a floating Net Asset Value (NAV). The rule changes also imposed penalties and early redemption fees for the premature withdrawal of funds often used to meet liquidity needs. NJAC objected to these untimely corrections to the capital markets as they will ultimately impair a county governments' ability to manage cash reserves and obtain low cost financing for critical infrastructure projects. Prior to the SEC's rule changes, county governments relied on the stability of managing cash with a consistent principal value, and will now be forced to either limit the scope of vital projects or risk spending additional taxpayer dollars on financing.

In response to the SEC's rule changes to the structure of money markets, GASB published comprehensive guidelines in 2015 to establish criteria for external investment pools that will measure investments by amortizing cost for reporting purposes, provided that the pools use a stable NAV and meet all GASB requirements concerning investment, maturity, quality, diversification, and liquidity. The GASB guidelines also require investment pools and pool participants to disclose any limitation on participant withdrawals. With this in mind, NJAC is urging State leaders to pass A4404/S-2978 as it would authorize local governing bodies to once again use safe and liquid investments with competitive interest rates. A-4404 is currently in the Assembly State and Local Government Committee awaiting consideration, and S-2978 is currently in the Senate Community and Urban Affairs Committee.

INMATE VIDEO VISITATIONS

Thank you to Assemblyman Gordon Johnson for taking the time out of his busy schedule to meet with NJAC and Gloucester County Jail Warden Eugene Caldwell, Passaic County Jail Warden Mike Tolerico, and Sussex County Jail Warden Mark Farsi on behalf of the New Jersey County Jail Wardens Association (NJCJWA) to discuss **ASSEMBLY, No. 4389** (*Johnson D-37/Muoio D-15*).

In summary, this legislation would impose certain requirements on video visitation service contracts for inmates in State, county, and private correctional facilities, and would further require such facilities to provide contact visits for inmates. NJAC and NJCJWA met with the Assemblyman to address claims that county jails were eliminating contact visits for inmates and replacing them with video visitations. Pursuant to N.J.A.C. 10A:31-20.1 et seq., correctional facilities must provide contact visits for inmates; and as such, may not eliminate them as widely reported. In fact, video visitations are merely a supplement to non-contact visits and have no bearing on contact visits. Moreover, video visitations are convenient for families, eliminate visitor search procedures, and increase visitation time. An estimated eight counties currently provide video visitations for inmates. These counties typically permit two free visits per week if the visits take place at the jail, and typically charge a fee of 40 - 50 cents per minute for 20 – 30 minute visits from remote locations at home or elsewhere.

In general, A-4389 would prohibit State, county, and private correctional facilities from contracting with vendors for video visitation services at a rate that exceeds 11 cents per minute. The measure would also prohibit these facilities from receiving a commission or imposing any additional surcharges on inmates, and would impose penalties on vendors that do not maintain consistent and reliable service. Additionally, the legislation would prohibit State, county, and private correctional facilities from imposing a charge for video visitation between an inmate and the inmate's attorney, a representative of the attorney, or a member of the clergy. Although already regulated under current law as noted above, the legislation would also allow inmates to have contact visits with approved visitors and may only impose reasonable conditions necessary for safety and security within the correctional facility. NJAC and NJCJWA look forward to working with Assemblyman Johnson on making the legislation more palatable for county jails to continue providing convenient and affordable video visitations for inmates and their families. A-4389 is currently in the Assembly Appropriations Committee; and, the Senate companion version **SENATE, No. 2896** (*Turner D-15*) is currently in the Senate Law and Public Safety Committee awaiting consideration.

ENVIRONMENTAL INFRASTRUCTURE FINANCING

Governor Christie is expected to sign into law **ASSEMBLY, No. 1649/SENATE, No. 853** (*Schaer D-35*)(*Stack D-330*), which would require local government units to obtain a financing cost estimate from the New Jersey Infrastructure Bank (NJIB) when financing certain projects valued over \$1.0 million.

In general, the measure would require a local government unit seeking to finance \$1.0 million or more of the cost of an environmental infrastructure project or project component to request a financing cost estimate from NJIB. The bill would not require a local government unit to request a cost estimate if the unit is financing less than \$1.0 million, or has approved an ordinance or resolution before the 180th day after enactment of the bill. The legislation would also require NJIB to make available online a form for requests for the financing cost estimate. The estimate would allow the local government unit to evaluate any potential costs savings and compare it to other available financing methods.

The bill would further provide that NJIB may require the local government unit to provide information concerning the project, which may include a detailed description of the project, design, engineering and environmental information, a cost estimate prepared by the project engineer or other qualified person, information regarding the borrower, the amount to be financed, and any other information NJIB deems relevant in order for the cost estimate to be as accurate as possible. Upon submission of the completed form, the NJIB must provide the estimate within 15 days. If a local government or authority does not use NJIB financing for the project, the financing cost estimate must be submitted by the local government to the Division of Local Government Services in the Department of Community Affairs with the local government's supplemental debt statement. Lastly, the bill would amend the NJIB's enabling statute to increase bond maturities up to 30 years instead of up to 20 years as is the case under current. NJAC supports the measure as it would provide county governments across the State with a viable and alternative option for securing critical financing for environmental infrastructure projects.

POLICE AND FIREMEN'S RETIREMENT SYSTEM

Late last month, both houses passed and sent to the Governor's Desk **ASSEMBLY NO. 99/SENATE, NO. 3040** (*Prieto D-32/Sumter D-35*)(*Sweeney D-3/Kean R-21*), which would transfer management of the Police and Firemen's Retirement System (PFRS) to the Board of Trustees of PFRS.

In general, the State's Constitution requires the Governor to sign A-99/S-3040 into law within 45 days or the measure becomes law at Noon on May 8th. However, if the house of origin where the bill originated is on temporary adjournment on the 45th day, the Constitution permits the Governor to take action on the legislation on the day after said house reconvenes. A-99/S-3040 originated in the Senate, which is on temporary adjournment for budget hearings and will likely reconvene on May 25th. As such, it appears that the Governor has until May 26th to take action. Until then, the Governor may sign the measure into law as presented to him; veto the legislation in its entirety; or conditionally veto certain provisions of the bill and return it to the Legislature with his objections. In the case of an absolute or conditional veto, the Legislature would need two-thirds of all the members of each house for an override. In the case of a conditional veto and short of an override, the Senate may only consider and concur with the

Governor's recommendations. Once passed by the Senate, the General Assembly may then only consider the Governor's conditional veto as well. If both houses concur accordingly, the measure would become law if the Governor signs it within ten days.

As previously reported, NJAC and the New Jersey State League of Municipalities (NJSLOM) oppose A-99/S-3040 in its current form as the measure would inequitably vest the Board's far-reaching power with labor by a 7-5 majority. As has been well documented, property taxpayers subsidize 70% of PFRS annual contributions while employees fund 30%; property taxpayers assume the risk of loss in PFRS as a defined benefits plan; and, counties and municipalities have met their pension obligations as employers. As such, the PFRS Board of Trustees should at a minimum be comprised of an equal number of labor and management representatives with one independent member for a total of 15 members. If the Legislature and Governor fail to amend the measure accordingly, then NJAC and NJSLOM recommend changing PFRS to a defined contribution plan where employees make greater contributions and assume a greater risk of loss. Additionally, we're urging the Legislature and Governor Christie to include in this legislation, a permanent cap of 2.0% on binding interest arbitration awards as the 2014 cap law is set to sunset at the end of the year. As such, NJAC and NJSLOM have asked Governor Christie to conditionally veto the measure, but it's unclear at this point what action the Governor will take.

The Senate previously amended A-99/S-3040 to require at least 8 votes of the "authorized membership of the board to approve any enhancement or reduction of a member benefit, other than for the activation of the now suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employee contribution rate that is more than what is recommended by the actuary for the system, and for the purpose of the annual funding requirements." The bill would also vest control with the PFRS Board of Trustees, by simple majority vote, the power to invest or reinvest monies, and the power to purchase, sell, or exchange investments. Benefit enhancements that would in general require a vote of 8 members include: the process for the review, appeal, and applications for retirement; caps on creditable compensation; formulas for the calculation of final compensation; and the age at which a member may be eligible for special retirement.

UPCOMING NJAC EVENTS AND THE ANNUAL CELEBRATION OF COUNTY GOVERNMENT

Time's A-Wastin – visit www.njac.org for additional details about NJAC's outstanding annual celebration of county government scheduled from May 10th through May 12th at Caesar's in Atlantic City.

STATE HOUSE TRIVIA: *Did you know* that the Internal Revenue Service receives over 140 million individual tax returns and collects over \$950 billion in taxes each year.

"The difference between a taxidermist and a tax collector is that the taxidermist takes only your skin." - Mark Twain