

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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STATE HOUSE NEWS

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STATE BUDGET SNAPSHOT

On July 4th, the Legislature passed and Governor Chris Christie signed into law his final spending plan of \$35.1 billion for State fiscal year 2018, which contains the following items pertinent to county government.

- TRANSPORTATION FUNDING: \$2.0 billion for the State's Transportation Capital Program, which includes approximately \$400.0 million in Local Aid for counties and municipalities and a supplemental allocation of \$26.0 million. The table below provides an overview of Local Aid Allocations for State fiscal year 2018.

LOCAL AID ALLOCATION	FY 2017 FUNDING	FY 2018 FUNDING	FY 2018 SUPPLEMENTAL ALLOCATION
County Aid	\$78,750,000.00	\$150,000,000.00	\$11,250,000.00
Municipal Aid	\$73,750,000.00	\$140,000,000.00	\$11,250,000.00
Transit Village	\$1,000,000.00	\$1,000,000.00	\$0.0
Safe Streets	\$1,000,000.00	\$1,000,000.00	\$0.0
Bikeway	\$1,000,000.00	\$1,000,000.00	\$0.0
Local Bridges-LBFN	\$25,000,000.00	\$44,000,000.00	\$3,300,000.00
Load Infrastructure-LAIF	\$7,500,000.00	\$7,500,000.00	\$562,500.00
Local Freight Fund	\$0.0	\$28,000,000.00	\$0.0
Urban Aid	\$5,000,000.00	\$10,000,000.00	\$0.0

- PUBLIC SAFETY AND CRIMINAL JUSTICE REFORM: \$9.3 million for 20 new judges to help implement criminal justice reform; \$1.1 million for new State attorneys and investigators to help implement criminal justice reform; and, \$11.0 million in new monies for the State's text to 9-1-1 system.
- LOCAL GOVERNMENT: \$1.5 billion for general municipal aid; \$1.43 billion for consolidated municipal property tax relief aid; \$86.0 million for transitional aid to distressed cities; and, \$6.5 million for open space payments in lieu of taxes.
- DRUG ADDICTION AND MENTAL HEALTH SERVICES: \$64.0 million for the statewide drug court program; \$136.0 million for the behavioral rate increase; and, \$2.8 million for the opioid overdose recovery program.

- **SCHOOL FUNDING:** The table below provides an overview of the funding for county vocational technical schools based on the formula adopted in the State’s fiscal year 2018 budget. Special thanks to the New Jersey Council of County Vocational Technical Schools for their hard work and advocacy on educating the Legislature on the importance of our county vocational technical schools. As summarized below, the Council successfully advocated for additional funding and made sure that no county experienced a decrease. Pursuant to the new formula, the three highest growth districts received increases of 10% or more; ten districts with moderate growth rates received smaller increases; and, the remaining districts receive level funding.

VOCATIONAL TECHNICAL SCHOOL DISTRICT	TOTAL INCREASE	FINAL 2018 STATE AID
Atlantic County	\$1,239,473.00	\$4,940,398.00
Bergen County	Level Funding	\$5,695,547.00
Burlington County	\$1,234.00	\$14,599,895.00
Camden County	\$80,396.00	\$22,581,598.00
Cape May County	Level Funding	\$1,396,049.00
Cumberland County	\$120,518.00	\$4,049,194.00
Essex County	\$294,889.00	\$21,094,830.00
Gloucester County	\$247,923.00	\$7,980,648.00
Hudson County	\$89,265.00	\$21,293,444.00
Hunterdon County	Level Funding	\$933,283.00
Mercer County	\$65,371.00	\$2,498,009.00
Middlesex County	\$218,557.00	\$13,520,973.00
Monmouth County	Level Funding	\$8,120,555.00
Morris County	Level Funding	\$1,233,065.00
Ocean County	Level Funding	\$5,585,095.00
Passaic County	\$1,821,923.00	\$21,841,555.00
Salem County	\$197,697.00	\$4,848,291.00
Somerset County	Level Funding	\$1,428,562.00
Sussex County	Level Funding	\$4,197,167.00
Union County	\$679,059.00	\$6,404,316.00
Warren County	\$17,290.00	\$3,166,477.00
TOTALS	\$5,073,595.00	\$177,408,951.00

- **HEALTH AND HUMAN SERVICES:** \$4.2 billion for NJ Family Care; \$252.0 for Charity Care; \$89.7 million in new money for community placement and services for the developmentally disabled.

- LOCAL BOARDS OF HEALTH: \$10.0 million in new money for local boards of health to identify elevated blood-lead levels in children consistent with those established by the Centers for Disease Control (CDC).

OPEN PUBLIC MEETINGS AND RECORDS

On June 29th, the Senate Budget and Appropriation Committee amended and reported without recommendation **SENATE, Nos. 1045 & 1046** (*Weinberg D-37/Pennacchio R-26*), which would amend the Open Public Meetings Act (OPMA) and the Open Public Records Act (OPRA). Although NJAC appreciates the fact that the sponsors addressed some of our initial concerns and supports their intent to modernize the government records request process and to allow local governing bodies to charge fees to commercial entities under certain circumstances, we remain concerned with the provisions below and their impact on daily operations, staff time and resources, and exposure to liability and frivolous lawsuits.

- AGENDA MATTERS: the OPMA legislation would require providing adequate notice, which *“shall include each individual time to be discussed or acted upon, and a brief description thereof, and shall identify the names of the parties to and approximate dollar amounts of any contracts, including employment contracts, to be discussed or acted upon.”*
- AGENDA MATTERS: the OPMA legislation would require that *“no public body shall act upon a matter that is not listed on the agenda for which notice was given 48 hours prior to meeting.”* Additionally, a public body may only add an item to the agenda for a meeting *“when necessary to deal with a matter of such urgency and importance that a delay for the purpose of providing adequate notice would be likely to result in substantial harm to the public interest, and provided that the minutes contain a statement that explains the reason for adding that item to the agenda, why the item did not appear on the agenda for that meeting, and why delaying consideration of the item would be likely to result in substantial harm to the public interest, except the Legislature may add an item to its agenda at any time.”*
- MEETING MINUTES: the OPMA legislation would require providing comprehensive meeting minutes that include *“the time and place, the members present, the subjects considered, the actions taken, including all motions made, the identities of the moving and seconding parties members, the vote of each member, and each member’s stated reasons if any, for his or her action or vote, the identity of each member of the public who spoke and a summary of what was said....”*
- MEETING MINUTES: The OPMA legislation would require that *“minutes shall be made available to the public as soon as possible but not later than 15 days after the next meeting of the public body occurring after the meeting for which the minutes were prepared....”*

- **ATTORNEY’S FEES:** The OPMA legislation would require *“any party, other than a public body, that prevails in an action brought pursuant to this section, shall be awarded the amount of reasonable attorney’s fees incurred in bringing the action. The cost of any attorney’s fee awarded by the court shall be paid by the public body.”*

- **REDACTION OF RECORDS:** The OPRA legislation would require the custodian of a government record whom redacts information from a copy of the record to provide *“the requestor with a redacted version of the document and one affidavit or certified statement for the entire request that states the date of the record, the originator or author of the record, the subject matter or title of the record, the number of pages with redactions, and the specific statutory provision or other lawful basis for each such redaction.”*

The above summary is not an exhaustive list of our concerns with the legislation, which we plan to review with our county clerks of the boards of chosen freeholders, county counsels, the New Jersey State League of Municipalities (NJSLOM), and the New Jersey School Boards Association (NJSBA). S-1045 & S-1046 are now on Second Reading in the Senate; and, the companion versions **ASSEMBLY, Nos. 2699 & 2697** (*Johnson D-37*) are currently in the Assembly Judiciary Committee awaiting consideration.

LIBRARY BOND CONSTRUCTION ACT

On June 29th, both houses passed **SENATE, No. 2171/ASSEMBLY No. 222** (*Bateman R-16/Greenstein D-14*)(*DeAngelo D-14/Giblin D-34*), which would authorize the issuance of \$125,000,000.00 in State general obligation bonds to provide grants for the construction, expansion, and equipping of New Jersey’s public libraries.

In summary, the measure would direct the State Librarian, in consultation with the President of Thomas Edison State University, to establish eligibility criteria for the receipt of grants by local governing bodies that provide support to public libraries. The State Librarian, with the approval of the President, must prepare a list of eligible projects. The grants would support 50% of the cost of a project for any project financed by the bond proceeds with the appropriate local governing body served by the public library supporting the balance. The bill would also authorize local governing bodies to solicit and receive grants, and other funds from any private source to support its required share of the project. The bill would provide that the bond act is to be submitted to the people for approval at the General Election to be held at least 70 days after enactment and appropriates \$5,000.00 to the Department of State for expenses in connection with the publication of the public question. NJAC supported the measure as it made its way through the Legislature as it will provide financial assistance to county governments across the State in their efforts to operate and maintain state of the art public library systems. Governor Christie is expected to sign the measure into law.

STATE PENSION SYSTEMS HIT THE LOTTERY

Also on July 4th, Governor Christie signed into law **SENATE, NO. 3312/ASSEMBLY, NO. 5003** (*Sarlo D-36/Bucco R-35*)(*Schaer D-36/O'Scanlon R-13*) as P.L. 2017, c.98., which contributes the State Lottery Enterprise to the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) for a term of 30 years.

Under the bill, the TPAF, PERS, and PFRS will receive a portion of the proceeds of the Lottery Enterprise, based upon their members' past or present employment in schools and institutions in the State. More specifically, the entirety of the Lottery Enterprise is contributed to the newly created Common Pension Fund, but there is no material change in the operation and management of the Lottery Enterprise. The new law further directs that the operation of the State lottery will remain with the Division of the State Lottery, which will continue in its current form as a division within the Department of the Treasury. The State Lottery Commission will continue to have seven members, but adds the Director of the Division of Investment as a member of the Commission and removes one public member. The State Lottery Commission will continue to exercise regulatory oversight over the State Lottery.

With the exception of a few retained assets and liabilities, such as annuities purchased to pay previous prize winners, the new law provides that all of the assets and liabilities of the State lottery, are conveyed to the retirement systems. Consistent with current State law, annual lottery net proceeds must be at least 30 percent of gross proceeds. The net proceeds may then be used by each retirement system for payment of benefits to members of the retirement systems or may be invested on behalf of the retirement systems by the Director of the Division of Investment. The lottery contribution given to the retirement systems will increase the funded ratio of such systems with respect to members of the retirement systems who are employed, or were employed, in schools and institutions in this State.

The new law allocates the lottery contribution to the retirement systems as follows: 77.78% for TPAF; 21.02% for PERS; and, 1.20 percent for PFRS%. The allocations were determined based on: (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system. The bill would provide each retirement system an initial equitable interest in Common Pension Fund, equal to its allocable percentage of the entire lottery contribution made on its behalf.

The State Treasurer estimates that the transfer will increase the initial assets of three retirement systems by approximately \$13.54 billion; and, will increase the funded ratios as follows: 47% to 63.9% for TPAF; 37.8% to 49.6% for PFRS (State portion only); 41.2% to 44.5% PFRS (State portion only). The impact of funded ratios would then vary over the 30-year term based on the impact of the annual allocation of Lottery net revenues to the systems and the periodic revaluation of the Lottery asset. These results assume that annual actuarial valuations of the TPAF, PRES and PFRS acknowledge that the Lottery assets held in Common Pension are properly recognized as assets of the systems. The contribution of the Lottery to the retirement systems should have no direct impact on the gross revenue or the net proceeds of the State Lottery. Beginning in FY 2018, for 30 years Lottery revenue collections will shift from the State Lottery Fund to Common Pension Fund, and would become unavailable for that time period for transfer to the General Fund as State revenue available for budgetary purposes. The estimated net proceeds of the Lottery for FY 2018 are \$1.01 billion. . All State Lottery revenue would return to the State Lottery Fund in the 31st year, and at that time, Lottery net proceeds would become available for transfer to the General Fund as required by law.

HORIZON BLUE CROSS BLUE SHIELD

And finally on July 4th, Governor Christie signed into law **SENATE, NO.2/ASSEMBLY, NO. 5129** (*Vitale D19/Prieto D-32*), which makes various revisions to the regulation of health service corporations.

In general, the new law will clarify the role of health service corporations, revise the membership of the board of directors of health service corporations, regulate surplus, and direct the reduction of surplus that is in excess of an established range. More specifically, the measure provides that a health service corporation shall have a mission to: provide affordable and accessible health insurance to its subscribers; and, promote the integration of the health care system to meet the needs of its subscribers. Additionally, the new law requires a health service corporation to develop goals, objectives, and strategies for carrying out its statutory mission. The law requires a health service corporation to, on an annual basis, and in a form and manner prescribed by the Department of Banking and Insurance, file with the Department information relating to the health service corporation's operations, including but not limited to the following: the health service corporation's mission, activities, revenues, expenses, assets, liabilities, and total compensation provided to officers, directors, trustees and the five other highest compensated employees who are not an officer, director or trustee, which information shall be posted on the department's website.

With respect to the board of directors of a health service corporation, the law adds one public member to be appointed by the Senate President and one public member to be appointed by the Speaker of the General Assembly, each of whom shall have experience in either finance, insurance, or health care delivery. The measure also regulates the surplus of a health service corporation by directing the Commissioner to, on an annual

basis, examine a health service corporation's annual regulatory filings to determine whether the health service corporation's surplus is within 550% to 725% of risk based-capital. If at any time the Commissioner determines that a health service corporation surplus exceeds this range, the Department must notify the health service corporation and the health service corporation shall, within 30 days of notice from the Commissioner, file a report with the commissioner to reduce the surplus to be within the range. The report shall include a plan to benefit subscribers, which may include but not be limited to proposals to lessen potential rate increases in the future. The Department must also conduct an annual audit of the financial statements and surplus of the health service corporation to verify risk-based capital.

UPCOMING NJAC EVENTS AND THE ANNUAL CELEBRATION OF COUNTY GOVERNMENT

Don't miss NJAC's annual "Night at the Ballpark" set for 7:00 p.m. on July 20th at the Arm & Hammer Park in Trenton to watch the New Hampshire Fisher Cats take on the Trenton Thunder. This event is free for county officials and ends with a terrific fireworks show, but space is limited. NJAC is also pleased to announce our partnership with the Rutgers University Center for Government Services on 2017 "New Jersey County Administrators Certificate Program." Make sure to check out our website at www.njac.org for details about both exciting events.

STATE HOUSE TRIVIA: *Did you know* that Joey Chestnuts ate a record 72 hot dogs with buns in 10 minutes on his way to earning his 10th Nathan's Hot Dog Eating Contest Mustard Belt this past weekend? That's almost 20,000 calories in one sitting for anyone that's counting.

"The harder the conflict, the more glorious the triumph. What we obtain too cheap, we esteem too lightly; it is dearness only that gives everything its value." Thomas Paine