NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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STATE HOUSE NEWS

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Earlier this week, NJAC testified before the Senate Budget and Appropriations Committee concerning Governor Murphy's proposed Fiscal Year 2024 State Budget where the Association noted its support for full funding of the State's retirement systems along with monies to offset health benefit premium increases imposed on local governments participating in the State Health Benefit Program (SHBP) and 911 funding for all 21 counties.

HEALTH BENEFITS

The Association contends that the $200.0 million in federal pandemic relief funds included in the Governor's proposed budget and intended to mitigate the rising costs of employee health benefits for county and municipal governments in plan year 2024, should instead be made available in the form of grants to provide immediate financial relief for local governments and local public sector employees.

As a direct result of the State Health Benefits Commission (SHBC) approving substantial health benefit premium increases in 2023, several county governments providing health benefits to employees through the State Health Benefits Program (SHBP) have been forced to impose hiring freezes, eliminate budget vacancies, use American Rescue Plan Act (ARPA) monies, and increase tax rates. Moreover, these counties are exploring the possibility of establishing a regional county health insurance fund as permitted under current law or reconfiguring existing health insurance funds to take advantage of economies of scale. In general, health insurance funds provide for the ownership and governance by members as opposed to SHBP where local governments have no voice in the decision-making process; offer stable and renewable premium rates; and, permit early renewals to assist with budgeting timeframes. Moreover, health insurance funds may offer lower operating expenses and annual profits; the flexibility to maintain or alter plan designs; the potential for dividend distributions; premium rates determined in the best interest of members by the fund's actuary; and, all professionals selected and appointed by fund commissioners subject to public bidding requirements. It also appears that health insurance funds have a documented track record of stability and strong financial performance that offer an effective long-term solution for managing and delivering employee health benefits.

Without any immediate relief from the Administration with borrowed or federal monies held in reserve for emergencies such as this, property taxpayers should expect to see even greater increases in their tax bills in the coming year as health benefit increases. Importantly, any immediate relief must be accompanied by long-term structural reforms enacted by the State Legislature such as adopting referenced based pricing to effectively manage costs, incentivizing employees to select lower cost plan designs, modifying co-pays for specialists and urgent care to further reduce long-term expenses, and implementing other innovative cost containment measures. Given this year's rate approval process, the Legislature must also provide local governments with a voice on the SHBC as it would undoubtedly improve the Commission's responsibility to report annual rate hikes to all stakeholders in a more accurate, transparent, and timely manner.

911 FUNDING

Although NJAC certainly appreciates the fact that for the second consecutive year, the proposed Fiscal Year 2024 State Budget includes $10.0 million in funding for "Public Safety Answering Upgrades and Consolidation" through the "Office of Emergency Telecommunications Services within the Office of Information Technology…," NJAC is urging the Legislature to include $21.0 million in funding to county 911 centers with a $1.0 million grant being made available for each county to regionalize, upgrade, or maintain its 911 system with a precise, accurate, and reliable communications network. In addition to the $21.0 million, NJAC is urging the Administration to make all 21 counties eligible for the funding as certain counties were deemed ineligible in 2023 because their populations fell below an arbitrary 65,000 requirement despite providing 911 services to municipalities located within their borders as recommended by the "New Jersey 911 Consolidation Study."

The State of New Jersey collects annually from consumers approximately $126.0 million in telecommunication surcharges as "Telephone Assessment Fees" (Fees) and deposits these monies into the 911 System and Emergency Trust Fund Account (Fund). As noted above, the Garden State has diverted more than $1.5 billion of the nearly $1.75 billion collected since 2009 with only 11% of Fund monies being spent on eligible expenses. Moreover, the Fiscal Year 2023 State Budget marked the first time since 2009 that the State has provided any level of funding to counties and municipalities for local 911 centers. As has been well documented, county governments alone spent an estimated $250.0 million over the last several years on capital improvements for facility upgrades, telephone systems, computer aided dispatch, location mapping technology, voice recording technology, data analytics, and Next Generation 911 upgrades. Counties also spend an estimated $125.0 million per year on general operating expenses for salaries, staff training, system maintenance, and network security.

Given that the stated intent of the 2004 law of which imposed a monthly telecommunication surcharge of .90 cents on every telephone line in the State was to build a cutting edge and fully funded 911 system with revenues collected from the surcharge, NJAC submits that our $21.0 million request is fair and reasonable. In addition to laying the groundwork for an imminent public safety crisis, the long-standing misallocation of 911 fees from administrations on both sides of the aisel has imposed an inequitable system of double taxation on residents already burdened with paying the highest property taxes in the nation.

LOCAL PENSION OBLIGATIONS

NJAC supports Governor Murphy's commitment to making full contributions to the State's pension systems in the Fiscal Year 2024 State Budget as it will help preserve the long-term health, viability, and solvency of the retirement systems.

Despite county and municipal governments fulfilling their fiduciary duties for more than a decade and full pension payments by the State for consecutive budget cycles, local government employers will once again experience double digit increases in total pension contributions in 2023. As reported late last year, the Division of Pension and Benefits released the local government employer pension contribution rates for 2023 at 17.11% for employees enrolled in the Public Employees Retirement System (PERS) and 36.51% for employees enrolled in the Police and Fireman's Retirement System (PFRS). Although theses annual increases may, in part, be explained by underperforming investments, a reduction in the assumed rate of return for long-term investments, and other relevant factors, the main culprit is the massive unfunded accrued liability that the State created by underfunding the pensions systems in varying degrees since 1996. Unfortunately, local government employers and property taxpayers must endure the financial burden of the State's long-standing mismanagement.

County governments in particular are responsible for paying bills with increases that range from 4.9% to 18.4% in total pension contributions, which the New Jersey Division of Pension and Benefits (Division) generally defines as the sum of "normal costs" and "unfunded liability." With respect to normal costs, which the Division defines as the present value of benefits that have accrued on behalf of the members during the valuation year, county governments will see increases between 31.6% - 48.5%. Additionally, county governments will see a 1.1% - 14.0% increase in the unfunded liability, which the Division defines as the employer's share of the pension system's total unfunded actuarial liability amortized over a 30 - 40 year period. All referenced materials may be found on the Division's website at www.state.nj.us/treasury/pensions.

Even more alarming for local government employers is the fact that the unfunded accrued liability once again increased in 2023 to a staggering $31.45 billion for PERS alone. Additionally, the funded ratio for the Local Part of PERS remains stagnant at

67.9%, with the State Part funded at 33.2%, and the combined rate a disconcerting 52.9% - far below the target funded ratio of 75.0%. With this in mind, local officials have long supported establishing a new board of trustees for the Local Part of PERS to provide direct property tax relief and to preserve the structure and integrity of the more solvent Local Part as a new board of trustees would have the ability to determine or modify member benefits, direct policies and investments to achieve full funding, and serve as the fiduciary of the system.

INMATE RE-ENTRY SERVICES

For the second consecutive budget cycle, the Fiscal Year 2024 State Budget also includes grant funding of $2.1 million for each county to hire a county re-entry coordinator responsible for helping inmates, upon release from a county jail after being incarcerated for 90 days or longer, navigate the broad spectrum of services available under S-2953 (Sweeney D-3/Cunningham D-31) signed into law as P.L. 2012, c.312. We learned earlier this month through our friends at the New Jersey County Jail Wardens Association (NJCJWA), that the Administration is finalizing its Memorandum of Agreement (MOA) and that FY23 monies will be made available shortly through NJSTART – the State's eProcurement system at www.njstart.com.

SMALL CHANGES AND PILOT PROGRAMS AT CIVIL SERVICE

Over the past few months, NJAC has had several meetings with the Civil Service Commission (CSC) to discuss our recommendations to streamline and modernize the civil service system. Although the meetings have produced some positive changes and we very much appreciate the willingness of Allison Chris Meyers as the new Chair/CEO of CSC to make some much needed reforms, the system is in desperate need of an of even greater overhaul on how local governments hire, promote, transfer, and discipline public sector employees. In the meantime, CSC has agreed in principle to consider the following:

- *Special Reemployment Lists:* Based on the recommendation of NJAC Labor Consultant Grace Kelly, CSC eliminated 4000 names (42%) on Special Reemployment Lists by working with the Division of Pension and Benefits to remove retirees CSC plans to take additional steps to reduce Special Reemployment Lists even further by requiring individuals to certify, on an annual basis, that they would like to remain on a list and are still interested in the subject titles/employment accordingly. CSC also recommended that county employers use the "RAPS" system as a resource for reviewing titles.

- *Temporary Seasonal Employees:* CSC has agreed in principle to authorize temporary seasonal employees to work up to 944 hours in any given year with local employers to record and report the hours on a biannual basis. Stay tuned for an official memorandum and guidance from CSC. This action should provide some relief for counties that hire temporary seasonal employees as current law restricts local governments from hiring such employees for more than six months.

- *Working Test Period Pilot Program:* CSC has agreed in principle to establish a pilot program in (2) counties where CSC and NJAC will evaluate extending the Working Test Period (WTP) from (3) months to (4) months with the ability to request and extension to (6) months. As is the case with state government, extending the Working Test Period will provide counties with a greater opportunity to fully assess the potential of future employees. Both NJAC and CSC recommend a more manageable (1) mid-size county and (1) smaller county with a county from each political party as a participant.

- *Promotional Testing Pilot Program:* CSC has agreed to establishing pilot program in (2) counties where CSC and NJAC will evaluate having counties announce, administer, and score, under the clearly defined parameters, the promotional examination of the following titles: clerk series, record support series, road repairer, senior public works repairer, senior maintenance, senior planning aid, and senior library assistance. CSC and NJAC are in the process of working on how the pilot program would work and we'll make sure to additional details shortly. Both NJAC and CSC recommend a more manageable (1) mid-size county and (1) smaller county with a county from each political party as a participant. Moreover, counties participating in the Promotional Testing Pilot Program should be different than the counties participating in the Working Test Period Pilot Program.

Special thanks to NJAC's Labor Consultant Grace Kelly and President Jon Young for their hard work and commitment to working on this important and challenging matter. Please also note that NJAC plans to revisit strategies for opting out of the civil service system at the Association's next Board of Directors meeting set for June 23rd. Although initially established to create fair and equal opportunities for all employees, public sector workers in the Garden State now enjoy multilayered and unparalleled protections through the collective bargaining process, the Public Employment Relations Commission (PERC), the "Workplace Democracy Enhancement Act," several layers of paid leave laws, and countless other workplace protections. With this in mind, NJAC submits that county and municipal governments should have the ability to opt-out of civil service and the provisions of Title 11A provided that the governing body in a county or municipality passes a resolution to opt-out accordingly and the decision is supported by the majority of the voters in the county or municipality as a binding referendum question at a General Election.

Although NJAC appreciates the original intent of the protections afforded public sector workers under the State's civil service system, CSC has transformed into an overly burdensome and outdated bureaucracy that prevents the effective and efficient operation of government. As summarized in the Association's document entitled "Recommendations to Streamline Civil Service," the rules, regulations, and directives imposed on local governments as employers by CSC present enormous challenges in the hiring, promoting, transferring, and disciplining of public sector employees. Moreover, as the State of New Jersey continues to struggle with controlling the highest property taxes in the land, CSC rules, regulations, and directives disincentivize the regionalization and sharing of services as meaningful strategies for saving valuable taxpayer dollars. Stay tuned for additional details.

UPCOMING NJAC EVENTS: Don't miss NJAC's Annual Celebration of County Government set for May 3rd through May 5th at Caesar's in Atlantic City. Please visit our website at www.njac.org for additional details and the action-packed schedule of events.

TOP TEN SONGS SPRINGTIME SONGS THAT SHOULD CHEER YOU UP UNTIL HAPPY HOUR

10. Spring in Manhattan *by Tony Bennett*
9. When it's Springtime in Alaska *by Johnny Horton*
8. Spring Affair *by Donna Summer*
7. It Might as Well be Spring *by Frank Sinatra*
6. I got the Spring Fever Blues *by Ella Fitzgerald*
5. Spring Cleaning *by Fats Waller*
4. I got Spring Fever by *Little Willie John*
3. Springtime on the Range *by the Sons of Pioneers*
2. Spring Fever *by Elvis*
1. While Strolling through the Park One Day *by Elmer Fudd*

"Spring is nature's way of saying, let's party." Robin Williams