



TO: The Hon. Chris Christie,
Governor, State of New Jersey

Phil Murphy
Governor-Elect, State of New Jersey

Members, New Jersey State Legislature

FROM: Michael Cerra, Assistant Executive Director, NJLM
John Donnadio, Executive Director, NJAC

DATE: December 6, 2017

RE: Joint Letter Calling for the Immediate Extension
of the 2% cap on interest arbitration awards

Attached please find a joint letter from a diverse group of stakeholders asking for your support for an extension of the 2% interest arbitration cap. The following groups, listed in alphabetical order, have signed on to this letter:

Chamber of Commerce Southern New Jersey
Commerce and Industry Association of New Jersey
Government Finance Officers Association of New Jersey (GFOANJ)
International Council of Shopping Centers (ICSC), NJ Chapter
NAIOP New Jersey
New Jersey Association of Counties (NJAC)
New Jersey Builders Association (NJBA)
New Jersey Business & Industry Association (NJBIA)
New Jersey Chamber of Commerce (NJCC)
New Jersey Conference of Mayors (NJCM)
New Jersey League of Municipalities (NJLM)
New Jersey Municipal Management Association (NJMMA)
New Jersey Realtors (NJR)
New Jersey Urban Mayors Association (NJUMA)

Please do not hesitate to contact us, at the contact information listed below, if you have any or comments. We would appreciate your immediate attention to this critical issue.

Michael Cerra, Assistant Executive Director
New Jersey League of Municipalities
609-695-3481 x120

John Donnadio, Executive Director
New Jersey Association of Counties
609-394-3467

December 6, 2017

Re: Joint Letter Calling for the Immediate Extension of the 2% cap on interest arbitration awards

The Hon. Chris Christie
Governor, State of New Jersey
PO Box 001
Trenton, NJ 08625

Phil Murphy
Governor-Elect, State of New Jersey
20 West State Street, PO Box 002
Trenton, NJ 08608

Members, New Jersey
State Senate and
General Assembly

Dear Governor Christie, Governor-Elect Murphy and All Members of the New Jersey Legislature:

On behalf of our collective organizations, we're urging the Legislature to act immediately to extend the 2% cap on interest arbitration awards. This is a critical issue for all of our organizations, as the expiration of the cap will have a negative impact on property taxes and jeopardize the continued delivery of critical services as well as adversely impact residential and commercial property taxpayers, working class families and those on fixed incomes.

As you know, the 2% cap on binding interest arbitration awards, first enacted in 2010 and extended for an additional three years in 2014, empowers municipalities and counties across the State to effectively control public safety employment salaries and personnel costs. In general, local governments dedicate the majority of their overall annual operating budgets to employee salaries, wages, health benefits, and other related costs. In addition to these considerable expenses, local governments face a 2% property tax levy cap, which is permanent. The expiration of the interest arbitration cap with the permanent 2% levy cap will create an untenable position. Failure to permanently extend the 2% cap on binding interest arbitration awards will allow arbitrators to once again award generous contracts that will force municipal and county governments throughout the State to further reduce or even eliminate essential services, critical personnel, and long-overdue infrastructure improvement projects. Further, local governments may be forced to go to the voters, as the result of the decision of an unelected arbitrator, to ask to go above the 2% levy cap just to maintain some level of services.

In addition to this, please consider the combined impact on property taxpayers and the business environment from the potential expiration of the interest arbitration cap and the proposed federal tax reform bills, currently making their way through Congress. In particular, the repeal of the State and Local Tax (SALT) deduction, and its substitution by an artificially capped property tax deduction, and the elimination of the tax exemption for interest earned on Private Activity Bonds (PABs), which is included in the House bill, would have a devastating effect on property taxpayers, job creation and the cost of capital projects. Further, elimination of federal tax breaks on advanced refunding bonds, which is included in both bills, will unnecessarily and unfairly saddle taxpayers with higher costs. The combination of this federal tax package and the expiration of a cap that has contained property tax increases will be devastating to New Jersey taxpayers and businesses alike and further erode our ability to compete for private sector investment and jobs.

While we all have the utmost respect and admiration for the police, firefighters, correction officers, and sheriff officers who put their lives on the line every day to protect the communities in which they serve,

we must recognize that our State, local governments, and property taxpayers are struggling to make ends meet. The 2% cap has proven to be an effective tool for controlling cost without impacting the recruitment, retention or response of our public safety officials. With this in mind, we respectfully request your immediate support of legislation that would permanently extend the 2% cap on binding interest arbitration awards.

Submitted on behalf of the following:

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