



***“STATE OF THE STATE RECAP
AND
2016 LEGISLATIVE PREVIEW”***

WEDNESDAY, JANUARY 27, 2016

**MICHAEL CERRA, ASSISTANT EXECUTIVE DIRECTOR
JON MORAN, SENIOR LEGISLATIVE ANALYST
LORI BUCKELEW, SENIOR LEGISLATIVE ANALYST
ED PURCELL, ESQ. LEAGUE STAFF ATTORNEY**

Agenda



- **LAME DUCK RECAP**
- **STATE OF THE STATE RECAP—**
- **LOOKING AHEAD—**
 - Pension and Health Benefits Task Force and “Roadmap” update
 - Transportation Trust fund
 - Affordable Housing.

Lame Duck Recap



- **At 12 noon on January 12, the 216th State Legislature ended and the 217th commenced.**
- **That same day, the Governor delivered his State of the State address, which will be discussed later.**
- **On January 19, on the deadline to act, the Governor acted, or chose not to act, on several bills of interest to local government**

Lame Duck Recap



- **The Governor “pocket vetoed” these bills of particular interest:**
 - [S-3299/A-4903](#), Property Tax Exemption for Non-Profit Hospitals, Instituting a Community Contribution Fee in its place.
 - Fee was \$2.50 per day, per licensed bed and \$250 per day for each satellite emergency care facility.
 - Bill resulted from Tax Court ruling involving Town of Morristown and Morristown Memorial Hospital. Ruling found the hospital was subject to a property tax assessment because of its for-profit ventures.
 - League opposed legislation. The bill was unlikely to pass constitutional muster and the fees were arbitrary and, in most cases, inadequate.

Lame Duck Recap



- **Also pocket vetoed by the Governor was:**
 - [S-3277/A-4764](#), would clarify that the Licensing Act is an important tool for local government that ensures residents' safety and decent living conditions.
 - As a result of a recent Appellate Division decision, Timber Glen v. Township of Hamilton, municipalities may no longer be able to annually inspect residential rentals leased for more than 175 days.
 - League supported bill, will push for passage in this session.

Lame Duck Recap



- **All told, Governor signed nearly 100 bills and pocket vetoed over 50.**
- **For a summary of bills of interest to local government, please see the League's January 20 letter at:**

<http://www.njslom.org/letters/2016-0120-legislation.html>

State of the State Recap



- **On the State's pension and benefits funding gap, the Governor argued strongly against the proposed constitutional amendment to require fixed payments.**
- **The alternative he offered was the report advanced by his Blue Ribbon Commission. (We'll discuss that later separately.)**

State of the State Recap



- **Beyond that, he recommended,**
 - Increased anti-addiction efforts
 - Abolition of the estate tax
 - Increased promotion of charter schools.

- **No mention was made of**
 - Transportation Trust Fund
 - Affordable Housing
 - Restoration of Local Property Tax Relief Funding

Looking Ahead



MAJOR ISSUES REMAIN FOR 2016

- **Governor's Budget Address**
- **Transportation Trust Fund**
- **Pension and Health Benefits**
- **Affordable Housing**

Pension & Health “Roadmap”



- **A Roadmap to resolution: Report of the New Jersey Health Benefit Study Commission released a report on February 24, 2015**
- **Proposal:**
 - Freeze existing State and local pension plans
 - Create new retirement plans
 - Align health benefits with “high quality” private sector coverage
 - Adopt Unified benefits funding to use savings to fund State level pension gap
 - Constitutional Amendment
 - Transfer Plans

Roadmap-Continued



- **Concern with Report's failure to acknowledge municipalities and employees contributions**
- **Concern with recommendation that savings from health benefit reforms be used to off-set the pension cost at the State level**
- **Based on faulty premises:**
 - Local property taxpayers cannot absorb the costs of the failing State pension plan
 - Enough savings cannot be achieved by changing local health benefits

Roadmap-Continued



IMPACT ON PROPERTY TAXES

Roadmap-Continued



- **Recommendation to have local boards of education assume the cost of local education retirees' health benefits**
- **Local school districts accept responsibility for funding new retirement plan for local (K-12) education employees**

Roadmap-Continued



- **Partnered with NJ School Boards Association**
- **Policy neutral report**
- **Assist in understanding potential cost to your municipality**
- **Report is available at www.njslom.org/letters/LOM-SBA-PENSION-STUDY.pdf**

Roadmap-Continued


- **Potential employer match is a policy hypothetical used 1% as place holder**
- **Example:**
 - TPAF Salaries – 25,000,000
 - Class 2 Properties – 7,212
 - 1% Placeholder – 22
 - If cost is 12% - 264 per residential property owner

Roadmap-Continued



HEALTH BENEFITS

Roadmap-Continued



- **Affordable Care Act excise tax 40% on high cost employer sponsored health insurance**
- **Thresholds**
 - \$10,200 for individual
 - \$27,500 for coverage other than self
- **Scheduled for January 2018 using 2017 experience**
- **Delayed two years**

Roadmap-Continued



- **Constitutional amendment to require State payments to State administered retirement system and establish a constitutional right of public employees to pension benefits**
- **State would be required to pay 1/8th each year until full contribution in July 2021**
- **Require State to make their contribution in quarterly payments**

Roadmap-Continued



WHAT IS NEXT?

Roadmap-Continued



- **Constitutional Amendment on November ballot**
- **Additional Report from the Roadmap Commission calling for health benefit reforms**
- **Possible reforms to the pension system**
- **Continuing exploring all options**

TRANSPORTATION TRUST FUND



- **This year, the TTF is living on borrowed time and is funding projects with borrowed money**
- **Unless the administration and legislative leaders reach an agreement, a program which has provided over \$4 billion for local transportation projects during its 30 years will expire**

TRANSPORTATION

continued



- **The legislature plans to advance a proposal that will amend the state constitution to dedicate all gas and petroleum tax revenue to the TTF.**
- **Other than his commitment to raise no taxes, we do not know what the governor plans to do.**

HOUSING UPDATE



MARCH 10, 2015 ORDER

**TRANSITION OF “PARTICIPATING” COAH
TOWNS TO COURTS**

HOUSING UPDATE



BATTLE OF THE EXPERTS

KINSEY REPORT

NJLM ANALYSIS REPORTS

RECENT E-CONSULT REPORT

HOUSING UPDATE



CRITICAL “GAP” PERIOD ISSUE

HOUSING UPDATE



**AFFORDABLE HOUSING TRUST FUND
DECISION**

**IN RE FAILURE OF COAH TO ADOPT TRUST
FUND COMMITMENT REGULATIONS**

**COAH ENJOINED FROM ANY FURTHER
ATTEMPTS TO SEIZE THESE FUNDS**

HOUSING UPDATE



**EXPIRING PRICE CONTROLS FOR HOMES
BUILT PURSUANT TO PRE-FAIR HOUSING
ACT LITIGATION**

**QUESTION ABOUT WHETHER THESE
CONTROLS CAN BE UNILATERALLY
EXTENDED**

SOCIETY HILL V. TOWNSHIP OF PISCATAWAY

Monitor Developments



**PLEASE MONITOR LEAGUE ALERTS FOR ANY
SUCH DEVELOPMENTS**

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THANK YOU!

Contacts:

Michael Cerra, 609-695-3481 x120, mcerra@njslom.com

Jon Moran, 609-695-3481 x121, jmoran@njslom.com

Lori Buckelew, 609-695-3481 x112, lbuckelew@njslom.com

Ed Purcell, Esq, 609-695-3481 x137, epurcell@njslom.com