

April 7, 2017

RE: WEEKLY UPDATE

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I. State Policy Issues

a. PFRS Legislation Update, S-3040

A bill ([S-3040/A-99](#)) that could lead to dramatic property tax increases or drastic cuts to vital services is now on the Governor's desk. This legislation would disproportionately shift control of the Police and Fire Retirement System (PFRS) from balanced labor-management control to a union dominated (7-5) decision making structure. In its current form, the bill will allow public safety union members and retirees to enhance their own benefits; while forcing their public employers and New Jersey taxpayers to assume a disproportionate amount of the risk.

The League, along with the New Jersey Conference of Mayors and the New Jersey Association of Counties, opposes the bill for the reasons outlined below. **We urge you to please continue to communicate with the Governor's office and your Legislators to convey your concerns. If the Governor either vetoes or conditionally vetoes the bill, it will go back to the Legislature for further action. Your continued engagement is vitally important.**

Our objections to [S-3040/A-99](#) are:

- The bill creates a system where taxpayers are responsible for funding 70% of the system, but are a minority on the board which governs decisions and thus bear the majority of the risk;
- As a result the unions are responsible for funding just 30% of the system but are in control of the board governing decisions on such matters as contribution rate, benefit levels, and investments.

Please keep these facts in mind as you talk with your legislators.

PFRS is a defined benefit plan. Retirement pay is calculated on a formula, using factors like length of employment and salary history; not on the return of the funds' investments, like a 401K. In the event of any shortfall in a return from investments, the employers (in this case, municipalities, counties and their property taxpayers) must make up the difference.

Employers with a minority seat at the table will have an uphill battle in preventing run-away costs that will ultimately be passed on to the taxpayers. Since **employers have the greater risk** the board should be comprised of an equal number of labor and management representatives.

If the board composition is to remain in favor of labor, then we strongly believe that the plan must be changed from defined benefit to a defined contribution plan, with a flat contribution rate from the employers (property taxpayers). Otherwise, a system will be created that provides public safety unions with control, but with little risk. This is a concerning prospect for taxpayers.

Ultimately, the League shares the same objective as the public safety unions, that is, to secure the local PFRS system. But, **the system created in S-3040/A-99 does not provide adequate safeguards for New Jersey's property taxpayers.**

Again please contact your Legislators to explain to them the serious problems that plague this legislation, as currently drafted. If the Governor either vetoes or conditionally vetoes the bill, it will go back to the Legislature for further action. Your continued engagement is vitally important.

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b. State Budget Update

On Wednesday and Thursday, the Assembly and Senate Committees responsible for drafting an Appropriations Act that will guide State spending through New Jersey's next Fiscal Year (July 1, 2017 through June 30, 2018), met in Trenton. The Committees took testimony from the nonpartisan Office of Legislative Services (OLS) Budget and Finance Officer, Frank Haines, and from Catherine Brennan, Chief of the OLS Revenue, Finance and Appropriations Section. That testimony was followed by an appearance by State Treasurer Ford Scudder.

All testimony presented to the Committees, as well as OLS' detailed analysis of all aspects of the Governor's budget proposal, including reports on each Executive Branch Department, is or will be available on-line at the [OLS FY '18 Budget site](#). All information on Treasury's analysis of the budget can be accessed at [Treasury's FY '18 Budget site](#).

OLS estimates for both current year State revenues and projections for revenues to be anticipated in FY '18 came in somewhat lower than the estimates that the Executive Branch relied on, when constructing the Governor's proposed budget in February. In comparison to the figures used to craft the Governor's Budget message, OLS, having the advantage of an extra month of data on which to base their projections, anticipates \$223.3 million in reduced revenues collections for this year and \$212.9 million less in FY '18. A note of caution is appropriate. Both OLS and Treasury will present an update on the revenue projections in mid-May, after crucial data of April tax collections is crunched.

In making its projections, OLS factored in what they refer to as a 'reverse fiscal cliff.' Those in office at the time may remember back to late 2012-early 2013, when the Federal government was

facing the need to enact a spending plan to keep the government in operation, couple with the need to address a looming debt limit. The convergence of those deadlines was called the ‘fiscal cliff.’

At that time, many high income tax payers, fearing an increase in Federal tax rates, took capital gains in 2013. That resulted in a bump in New Jersey income tax collections, for the 2012 calendar year, in April, 2013. With President Trump and leaders in Congress promising tax cuts and tax reform, this year, OLS suspects that New Jersey high income earners may have delayed realizing capital gains until the new year. If correct, some New Jersey revenues, anticipated for April, 2017, may not be realized until April, 2018, when taxes of those capital gains will be due.

Mr. Haines also sounded a note of caution on a few other aspects of the Governor’s proposal. First, it relies on the expectation of \$325 million from the sale of State assets, some of which will be contingent on the Federal Communication Commission’s auction of broadband spectrum, including a consignment from the New Jersey Public Broadcasting Authority. Second, the Governor’s proposal assumes \$100 million in unspecified employee health benefit savings. Third, the proposal allocates \$10.34 million for Department of Transportation winter operations. That is about \$40 million short of projected DOT snow and ice response costs, in the current fiscal year, which, itself, is well below costs experienced during more severe winters. Finally, the Governor’s proposal assumes no drastic cuts from the Federal budget.

Treasurer Scudder expressed confidence in the State’s ability to meet those expectations.

Ms. Brennan also provided the Legislators with a detailed analysis of the out-year results of the various tax revisions that formed a part of last year’s Transportation Trust Fund compromise. The State will potentially lose revenues, via the changes to the Sales Tax, the Estate Tax, the Income Tax pension and veterans’ income exclusions and the increased Earned Income Tax Credit. The State will collect more revenues (dedicated to transportation improvements), via the petroleum and diesel fuels tax increases. Those changes will result in net revenue losses for the State, beginning in FY 2020, according to that analysis.

We will keep you posted on further developments, as the process continues.

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Bills on the Governor’s Desk.

In addition to S-3040 (see item ‘a’ above) there are a handful of other bills of interest on the Governor’s desk, including:

- [Bill That Increases Consolidation Cost on Governor’s Desk](#)

[S-690](#) which will increase consolidation costs. We have asked Governor Christie to veto, or conditionally veto, S-690. This bill in its current form, would grant tenure, continued

employment and terminal leave rights to selected employees of consolidating municipalities.

The sponsors claim that the bill is intended to increase flexibility and provide new tools that would be available to municipalities considering consolidation. In its current form, the bill will actually limit local flexibility, increase consolidation costs and, thereby, discourage future consolidations. [For more on this bill, please click here for the League's Town Crier blog posting on this bill.](#)

- Bill Requiring Financing Cost Estimates from NJEIT on Governor's Desk

[A-1649/S-853](#) would require municipalities and counties seeking to finance \$1 million or more of the cost of an environmental infrastructure project or project component to request a financing cost estimate from the New Jersey Environmental Infrastructure Trust (NJEIT). The League of Municipalities had initially opposed A-1649/S-853 due to mandates it placed on municipalities that would have added expense and time to projects. However, amendments made to the bill addressed our concerns. Based on those amendments, we withdrew our opposition.

- Bill Authorizing Special Emergency Appropriations for Consolidations on Governor's Desk

[S-956/A-2202](#) would authorize a municipality to use special emergency appropriations for the payment of non-recurring expenses incurred by the municipality to implement a consolidation with another municipality. Unlike S-690 (see above), S-956/A-2202 would provide new tools that would be available to municipalities considering consolidation. The use of special emergency appropriations will allow consolidating municipalities to immediately begin to experience the financial savings of municipal consolidation by spreading the effect of the non-recurring costs associated with municipal consolidation over a five-year period.

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d. NJLM submits comments on Draft MS4 Permits

On Monday, the League submitted comments regarding the New Jersey Department of Environmental Protection's (NJDEP) Draft Renewal Tier A and Tier B Municipal Stormwater General Permits. The League supports efforts to assure that our environmental resources are

protected and clean water policies, generally. However, the League has a number of concerns with the proposal that we requested be addressed.

[Please click here for the League's comments.](#)

[You can also click here for a copy of the comments submitted by the Society of Municipal Engineers.](#)

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II. Federal Policy Issues

a. News on the Struggle to End the Opioid Epidemic

Last week, President Trump signed an Executive Order that establishes The President's Commission on Combatting Drug Addiction and the Opioid Crisis.

.Our own Governor Chris Christie will serve as the chair of the commission, which will study the scope and effectiveness of the federal government's response to drug addiction, nationwide, and the opioid crisis. In response to the announcement, National League of Cities (NLC) President Matt Zone, Cleveland councilmember, released the following statement:

“The nation's cities are on the front lines of the opioid epidemic each day, and we welcome any effort to start a conversation and bring people together to find real solutions. Today, we applaud the President for forming the Commission on Combatting Drug Addiction and the Opioid Crisis, and naming Governor Christie as its chair.

“Now, however, the commission must also continue and build upon the extensive efforts already made to curb and reverse the trend of rising addiction rates. The previous Congress and administration had worked to provide local governments with some of the tools needed to fight the opioid crisis, including the 21st Century CURES Act, passed last December.

“Solutions to this deadly drug epidemic will only come from a broad array of voices and will require input from the federal, state and local levels of government. We urge Governor Christie to seek local insight by appointing local officials to serve alongside him. The commission needs to hear from those who experience the fight against opioid addiction firsthand, and to act swiftly to save lives in our communities.”

NLC has been at the forefront of efforts to combat the opioid crisis. Just last year, NLC and the National Association of Counties (NACo) launched the City-County National Task Force on the Opioid Epidemic, which released the report, '[A Prescription for Action: Local Leadership in Ending the Opioid Crisis.](#)' The report provides recommendations for how local officials should address the opioid crisis, and explores how municipalities and counties can strengthen

collaboration with each other and with state, federal, private sector and nonprofit partners.

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b. Talk to Your Federal Representatives During Recess

With Congress on recess for the next two weeks, and most Members of Congress returned to their Districts, local officials have the opportunity to discuss local priorities with their federal representatives. Here are some matters you might want to mention.

a. Infrastructure Investment

Earlier this week, at a White House Town Hall meeting with business officials, U.S. Transportation Secretary Elaine Chao said, “We’re working on a legislative package that will probably be [announced] in May or late May, or something like that....we’re very much aware of the need for legislation.” Secretary Chao indicated that the plan would focus on funding for projects which can get underway soon. President Trump told the executives, “So we have to build roads. We have to build highways. We’re talking about a very major infrastructure bill of a trillion dollars, perhaps even more...We’re going to be very strong that it has to be spent on shovels and not on other programs...If you have a job that you can’t start within 90 days, we’re not going to give you the money for it.”

In the meantime, however, state and local leaders could face a significant cut in federal infrastructure funding, as more than \$1 billion of federal highway funding scheduled to be provided this federal fiscal year is in jeopardy, absent Congressional action on a transportation budget for the current fiscal year. With Congress’ current budget resolution set to expire at the end of this month, achieving resolution by the commencement of the construction season already appears in jeopardy.

Grants and special programs in the current Fixing America’s Surface Transportation Act (FAST), Public Law 114-94, which authorized \$305 billion over fiscal years 2016 through 2020 for highway projects, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs are at risk. Congress adopted a continuing resolution last September to keep transportation funding flowing to states and local governments into December, and then, last December, extended the resolution and the funding freeze until this month.

According to the American Association of State Highway Transportation Officials (AASHTO), delayed action on federal spending bills jeopardizes the ability of state and local governments to launch projects during the spring 2017 construction season. AASHTO Policy Director Joung Lee noted, this week, “Particularly for states in northern areas with short construction seasons, not having their full federal funding assured by late April makes it harder for them to put federal funds to work...This really adds up for state transportation departments, and is now starting to cause headaches for some that face tight deadlines to wrap up their 2017 project budgets and lock in construction contracts.”

Of the \$934 million, which New Jersey could receive during the current Federal Fiscal Year, according to the FAST Act, \$525 million has been obligation by the continuing resolution, set to expire on April 28. Continued funding at the same rate for the balance of the fiscal year would give our State \$912 million. That is less than the statutory limit, but much better than any further cuts.

b. Community Development Block Grants

New Jersey's citizens are best served when all of their public servants, at all levels of government, work together for the common good. Since 1975, the CDBG program has been a keystone of that partnership.

Through the Administrations of Presidents Ford, Carter, Reagan, Bush, Clinton, Bush and Obama, and through changes in partisan control of both Houses of Congress, the program has continued to deliver federal support to address national priorities on the local level. Fifty-nine New Jersey municipalities and six counties are receiving funding through this program during the current year. The list of recipient communities can vary, from year to year. The State's Department of Community Affairs also channels CDBG grants to a host of non-profits, providing services for those in need.

Endeavors eligible for CDBG funding include actions that benefit low- and moderate-income people, the prevention or elimination of slums or blight, and other efforts to address urgent threats to the public's health or safety. CDBG funds may be used for community development activities (such as real estate acquisition, relocation, demolition, rehabilitation of housing and commercial buildings), construction of public facilities and improvements (such as water, sewer, and other utilities, street paving, and sidewalks), construction and maintenance of neighborhood centers, and related economic development and job creation/retention activities.

Since the Administration's FY 2018 budget blueprint calls for the termination of CDBG funding, work is needed to preserve this program. The League's CDBG Task Force, co-chaired by Mayors and Past League Presidents Chris Bollwage (Elizabeth) and Joe Tempesta (West Caldwell), has been guiding our effort. Please contact us if you want to get involved.

c. Tax Reform

Last week, President Trump met with Treasury Secretary Steven Mnuchin, National Economic Council Director Gary Cohn, Senior strategist Steve Bannon, Jared Kushner and staff from the National Economic Council to begin discussions on a new tax reform proposal. At this time, it appears that the Administration will proceed without any discussion with key provisions with House or Senate Republican leaders. When released, the new proposal will be President Trump's third tax blueprint in less than a year, after his campaign advisers and transition staff each developed separate blueprints. The President's transition team, after his election, had developed its own 14-page tax proposal between Election Day and the inauguration, a plan which proposes to cut corporate income taxes to 15 percent; offer a child care tax credit, and leave current capital gains rates where they are.

These developments raise uncertainty regarding the continuation of favorable tax treatment for interest earned on municipal bonds. Please see our comments on ‘League Officers Ask Congress to Protect Municipal Bonds’ in [our March 31 Weekly Update](#).

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c. FCC Proposed Wireless and Wireline Rules

As anticipated, the Federal Communications Commission (FCC) has released a draft Notice of Proposed Rulemaking, "[Accelerating Wireless Broadband Deployment by Removing Barriers to Infrastructure Investment](#)." What is noteworthy is that it is joined by a second Notice of Proposed Rulemaking, "[Accelerating Wireline Broadband Deployment by Removing Barriers to Infrastructure Investment](#)." [Click here](#) for all the April FCC meeting materials, including the draft Notice of Proposed Rulemakings.

As a reminder, both of these items are DRAFTS and will need to be approved by the Commissioners at their April meeting to move forward with a formal commenting and rulemaking process. However, the FCC has opened dockets for both of these items to allow for some early informal commenting, and the National League of Cities (NLC) will participate in this process.

The fact sheets indicate that they are indeed broadening the discussion to all wireless facilities and reopening conversation on historical and environmental review, as well as examining pole attachments.

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III. 2017 League Salary Survey

The League is conducting its biannual compilation of wages and salaries paid to mayors, governing body members and other key administrative personnel, including police officials. We are writing to request your response to a survey to help us gather this data. In order to use the data that you so generously take the time to provide, we request your response no later than **April 12, 2017**.

You may find and complete the survey in 9 minutes by clicking here. If you would prefer to print a copy of the survey to complete by hand, you may do so by clicking here.

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IV. Also of Interest

a. Municipal Land Use Law Re-Forum

The MLUL Re-Forum is for experienced practitioners, decision-makers and opinion leaders who seek the opportunity to share your vision for how the Municipal Land Use Law (MLUL) could be updated –to authorize the use of innovative planning tools in your communities; to prevent internal inconsistencies between master plans, zoning ordinances and reexamination reports that confound even the attorneys; and to improve the local review process, to name just a few examples. With the help of experienced facilitators, our open meeting format will allow participants to shape the agenda, lead the discussion and leave with a set of action items for putting changes in place.

The League, along with affiliate organization the New Jersey Planning Officials (NJPO) is partnering with a broad range of other groups, including the New Jersey Chapter of the American Planning Association, on this program. The event, designed for experienced municipal officials, planners, land use attorneys, developers, architects, environmentalist or anyone else interested in the MLUL will held on Friday, May 19, 8am to 4pm at the Hyatt Regency in New Brunswick. The cost is \$50 if you register before April 30 and \$75 after that date. Registration includes breakfast, lunch, and a networking reception immediately following the event. You can register now at: <http://njplanning.org/event/mlul-re-forum/>

b. April Grants Posted

The League's April grants page has been posted and includes links to several federal funding opportunities. [Click here](#) to visit the Grant Resource Center.

The League's Grant Resource Center features links and resources to assist municipalities in their grant search. Through a partnership with GrantStation, we also offer a discounted membership to use their funding databases; [click here](#) for more information.

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Sincerely,

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