

February 28, 2017

Dear Mayor,

Today Governor Christie presented his proposed fiscal year 2018 budget (covering July 1, 2017 through June 30, 2018) to a joint session of the State Legislature.

The Governor proposed a \$35.5 billion State budget for fiscal year (FY) 2018. That budget assumes revenues growth of 3.65% in the upcoming fiscal year. The proposal includes flat funding for “municipal aid,” with the overall funding remaining at approximately \$1.5 billion. This includes a slight increase in the Consolidation Municipal Property Tax Relief Act (CMPTRA) and a slight decrease in “Transitional Aid,” down to approximately \$93 million. Applications for calendar year municipalities seeking transitional aid will be due in March; please see [Local Finance Notice 2017-4](#) for more details to follow. Fiscal year municipalities may apply in the fall.

The following are other highlights of interest to municipal governments.

**Pension Contribution.** A proposed \$2.5 billion contribution to the state pension fund.

**New health benefit reforms.** The Governor said, “In 2001, health benefit costs represented 4.5% of the State budget. In 2018, without reforms, they would represent 10% of the State budget. This is not sustainable, and as such I am once again calling for the enactment of health benefit reforms in my budget proposal. My budget assumes \$125 million in health benefit savings from those reforms. And because these costs are also borne by the State's local governments and the employees themselves, this \$125 million in State savings will also equate to approximately \$127 million in local government savings and approximately \$30 million in savings to State and local government employees. ... Let's not go through the brinksmanship of last year—let's pass these modest but important reforms by June 30.”

**New pensions reforms.** In part, the Governor proposes a diversion of “... the revenues from the Lottery to eligible pension plans. The contribution would have the immediate effect of reducing the unfunded liability of the pension system by approximately \$13 billion, and would increase the funded ratio of the pension system by almost 15 percentage points in one fell swoop, from 49% to 64%. This would also significantly reduce the amount we have to pay into the pension system every year out of the general fund. ... if implemented correctly this action would increase the value and stability of our pension funds immediately and would please bond investors and credit rating agencies, also giving greater confidence to New Jersey's public employees.”

**Transportation Funding.** A \$400 million supplemental appropriation in the current budget cycle (money that will be committed to projects before the end of June) for bridge repairs, road repairs and for New Jersey Transit. The Governor noted, “This \$400 million will allow the NJ Department of Transportation to deliver the largest construction program in state history starting right now. The result will be smoother roads, safer bridges and a more technologically sound mass transit system – all great things for New Jersey commuters.”

The Governor's proposal also calls for further investments in the battle against drug addiction, including an initiative to establish a permanent fund that Horizon would fund every year through their revenue surpluses. The proposed fund would provide greater access to in-patient and out-patient drug rehabilitation treatment.

The Governor also challenged the Legislature to work with him to reform the school funding formula, before June 30.

We will provide a more complete analysis of the budget proposal, once the full document is posted on the Treasury website.

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Sincerely,

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Executive Director