

December 8, 2017

RE: WEEKLY UPDATE

- I. State Issues
- II. Federal Issues
- III. League Conference Updates

Dear Mayor:

I. State Issues:

a. Coalition Letters Calls for Extension of IA CAP

With only 23 days left before the 2% cap on interest arbitration awards expire, your voices need to be heard! We know that hundreds of municipalities have publicly called for the extension of the cap, but it is clear we must redouble our efforts to maintain this important protection for property taxpayers. If you have not done so already please contact your State representatives, the Legislative Leaders, Governor Christie, and Governor-Elect Murphy expressing the urgent need for the extension of the 2% cap on interest arbitration awards. Consider sending a coalition letter with your county officials and mayors like Essex County, which is available [here](#).

Earlier this week, the League, along with a coalition of local government and business groups, sent a letter to the Governor, Governor-Elect, and Legislature clearly expressing the need to extend the cap on arbitration. The letter noted that 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 impacting residential and commercial property taxpayers, working-class families, and those on fixed incomes.

[Please click here for a copy of the coalition letter.](#)

We thank the following organizations who signed the coalition letter and support the extension of the 2% interest arbitration cap:

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 (Commercial Developers)
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)

Trenton needs to hear directly from you on the critical need for the common sense extension of the 2% cap on interest arbitration awards. In 23 calendar days, the cap will expire, along with over 100 police and fire contracts. With this deadline looming, local officials' voices must be heard in Trenton. If the cap is not extended it will be local leaders, not the special interest groups or State elected leaders, facing the dilemma of funding an unelected third party arbitrator's award under the state-mandated 2% levy cap. **Resources:**

- [Please click here](#) for the League's 2% IA cap page. Please [click here for the League's Town Crier](#) blog post on this issue.
- Editorial boards across the State support our call to extend the interest arbitration cap. To read these, please see the [League's 2% IA cap page](#).

Contacts:

- Michael F. Cerra, Assistant Executive Director, mcerra@njslom.org, 609-695-3481 x120.
Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481 x112.

b. Final Report of Pension and Health Benefit Study Commission

On Wednesday, the Pension and Health Benefit Study Commission issued their [final report](#). The Commission continues to call for reforms to State Health Benefits, including:

- a constitutional amendment to set a payment schedule but only in exchange for reforms;
- future retirement benefits should be a cash balance program (i.e. 401K);
use health benefit savings to bolster pension funding; and re-examining the role of early retirement in the public sector.

The report acknowledges the 2010 reforms, but calls for additional action, noting that, "intransigence, inaction, apathy, and denial are habits the State can no longer afford when it is at risk of losing budget flexibility necessary to respond to emerging challenges and crises. This is dangerous for everyone." The Commission calls for significant legislative and constitutional action.

Contact: Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481 x112.

c. Alert from the NJ Department of Agriculture – Invasive Insect and Christmas Trees

The New Jersey Department of Agriculture, Division of Plant Industry requests that municipalities chip Christmas trees that are collected after the Holiday season to reduce any risk of movement of Spotted Lanternfly (SLF) egg masses. The Spotted lanternfly was discovered in Pennsylvania in 2014 which initiated a quarantine to restrict the movement of this invasive agricultural insect to other counties and states. Pennsylvania Christmas tree growers shipping their commodities out of the SLF quarantine zone currently follow compliance guidelines issued by the Pennsylvania Department of Agriculture. So far, there has been no observed occurrence of SLF egg masses being found on cut Christmas trees.

The Spotted Lanternfly, is considered an economic pest of grapes and other agricultural crops in its native range. To learn more about the SLF please click [here](#).

As of November 2, 2017, SLF has been detected within 13 Pennsylvania counties. To date, this insect has spread to Delaware and portions of New York State.

Please pass this information along to your public works department or any other department that should be made aware of this important issue.

II. Federal Issues

a. 2020 Census Update Registration Closes on December 15

The Local Update of Census Addresses (LUCA) program is the once-in-a-decade opportunity for governments to add, correct, or delete addresses on the lists and maps used to conduct the decennial census. It represents the first step to ensuring an accurate and complete count in your municipality; but, in order to participate in the [Local Update of Census Addresses](#) program, you will need to register by next Friday, **December 15**. The Census Bureau should have already mailed LUCA registration forms and instructions to every municipality. You can also access all the forms and information needed to register at the links available online at the LUCA Operations Page.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481 x121.

b. Federal Tax Reform Update

Having passed both Houses in different forms, it now looks like a Conference Committee, comprised of representatives from both the House and the Senate, will craft legislation on tax reform that can be approved by both bodies and sent to the White House to be signed into law. (The alternative would be for the House to rubber stamp the Senate version, which appears unlikely.)

Since Senate Rules require 60 votes to approve any bill that will, over ten years, exceed a limit to the amount that can be added to the National debt - and since the Senate version of the bill was crafted to stay below that limit - we believe that the Conference Committee will begin work by

focusing on that bill. Any changes to the bill that would decrease revenues would need to be offset by changes elsewhere that generate more revenue. Such changes are possible, so we need to be vigilant.

That said, we are pleased to say that both versions of the bill would preserve the Federal Income Tax exemption for interest earned on municipal bonds. The Senate bill preserves the exemption for interest earned on most Private Activity Bonds, but the House version would tax that income. Both bills would tax interest earned on advanced refunding bonds.

With regards to the State and Local Tax (SALT) deduction, both bills now eliminate income and sales tax deductions and cap the deduction for local property taxes at \$10,000.00. With regards to the deduction for Mortgage interest payments, both bills limit the deduction and the House bill would eliminate the deduction for mortgage interest on a second home. The Senate bill retains the Student Loan Interest Deduction, which the House bill would repeal. The Senate bill retains the Medical Expense Deduction, which the House bill would repeal.

We need to thank New Jersey Congressmen Leonard Lance and Josh Gottheimer, who has advanced a proposed amendment to the Conference Committee.

The amendment proposes a reasonable balance of pro-growth tax reforms and preservation of the existing pro-growth policies and tools, including the State and Local Tax Deduction and the exemptions for bonds.

We have written a letter to our entire delegation, urging them to get behind the amendment, which would:

- Fully reinstate the state and local tax deduction. States and local governments deploy revenues from state and local property, sales and income taxes to help finance long-term infrastructure projects, local law enforcement, emergency services, education costs and many other services. By eliminating the federal deductibility of these taxes, Congress would also be shifting the intergovernmental balance of income taxation and would thus limit state and local decision-making in our tax systems.
- Fully protect the tax exemption on Private Activity Bonds (PABs). PABs help spur private investment and allow state and local governments to harness the private sector's experience and expertise toward public projects and initiatives, and therefore should be preserved and enhanced.

New Jersey municipalities cannot afford or support the current versions of the Tax Cuts and Jobs Act (H.R. 1) passed from both chambers. We recognize that our tax code is in need of simplifications, but offsetting the cost of this tax plan onto America's state and municipal governments cannot be an option. We believe that the Lance-Gottheimer amendment is a feat for bipartisanship and a major step in the right direction toward creating a simpler, fairer tax code.

Our own Senator Bob Menendez has been appointed to serve on the Conference Committee. We expect his to be a strong voice in favor of the Lance-Gottheimer amendment. And we expect almost all members of our delegation to advocate for its adoption.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481 x121.

c. Continuing Resolution Averts Federal Government Shutdown-Action Needed on Gateway

With more than 24 hours to spare, both Houses have passed a second Continuing Resolution, which will allow Federal programs and services to operate for another two weeks. Hard negotiations face both parties in each House, ahead of that deadline.

Among the issues is the question of federal funding for Amtrak's Northeast Corridor and, in particular, the Gateway Project. The Gateway project will involve the improvement and repair of New Jersey's essential rail link with midtown Manhattan. That link is vital to the economy, the quality of life and the future of New Jersey. Imagine the impact on our State's economy, the traffic impact on our roads, the devastating impact on the quality of life and the impact on property values, if our rail link with midtown Manhattan were to be severed. After assessing the strains that the passage of time, intense usage and Sandy have placed on the infrastructure, former Amtrak CEO Joseph Boardman announced that, in less than 20 years, one or both of the 107-year old tunnels would have to be shut down. The cost of doing nothing will far exceed the cost of the project.

The House has already advanced legislation, piloted by our own Congressman and House Appropriations Committee Chairman Rodney Frelinghuysen, which includes funding absolutely essential to the project. But until an agreement is reached in both the House and the Senate on the federal government's FY'18 budget, that bill and that funding remain on the back burner.

Please reach out to your federal representatives urging a continuing commitment to investments in our State's and our Nation's vital, but deteriorating, infrastructure. Ask them to support the funding included in H.R. 3353.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481 x121.

III. League Conference Follow Up

a. Claim Your CEU's from the Annual Conference

Attention Municipal Officials! Do Not Forget to Claim Your CEU's from the 2017 NJLM Annual Conference! Please click on the following link to claim your credits:
<https://nj-njslom.civicplus.com/302/2017-Conference>.

b. The Conference App is Still Available!

Misplaced your printed Session or Exhibitor Program Guide? The app can still be downloaded in your app store to reference session details or view contact information for participating consultants and exhibitors. The app will be available for download through the end of this calendar year and remains available for accessing on your device as long as it is installed.

c. Exhibits at the Annual Conference

Don't forget to follow up with the exhibitors you met during the Annual Conference! They're available to answer your questions and provide solutions to your town's issues. The full listing with contact information is available on the [interactive floor plan](#) and the mobile app.

Sincerely,

Michael J. Darcy, CAE
Executive Director