NJLM Weekly Round-Up
New Jersey State League of Municipalities
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March 13, 2020

I. State Issues
II. Federal Issue
III. Annual League Conference

Municipal Clerks: Please forward to your Mayor, Governing Body and Department Heads.

I. State Issues

a. COVID-19 Update

The State is conducting daily calls with designated representatives in each county. We strongly suggest you discuss local concerns with your county's designated official. We have stressed to both the Governor's Office and the county' designated official the importance of sharing information and coordinating local efforts.

We would like to highlight the following from today's call:

- The State has provided guidance on public meetings during the health emergency.
- The Civil Service Commission has provided guidance. While most of the guidance pertains to State employees, the Civil Service Commission did note that all Civil Service employers may implement flextime programs, alternative workweek programs, and adjusted daily or shift offers without prior approval of the Civil Service Commission.
- The Department of Education has been in contact with county superintendents and local superintendents regarding possible school closings. It is strongly suggested that local officials contact their local district school superintendent regarding school closings. In addition, guidance has been issued regarding the requirements for public health-related school closures. Please note: During his

daily press conference, in regards to a potential statewide public school district closure, the Governor said, “it is a when, not an if.”

- The Governor is recommending that public events with more than 250 people be cancelled.
- Beginning March 14, local health officers will be required to submit daily to the county LINCS agency the number of presumptive and confirmed positive COVID-19.
- BPU announced that the state’s electric and gas utilities have agreed to suspend utility shut-offs until the end of April.

In addition, it was also stressed that local officials should communicate information with county and state officials to ensure the information provided to the public is accurate and up to date. To assist in providing information, the State has developed a COVID-19 Dashboard that provides information on the number of presumed cases broken down by county.

To assist in providing guidance and information we have created a COVID-19 resource page. We will continue to update the page as we get pertinent information and include announcements in our Daily Updates.

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b. Your Action Needed: Senate Advancing PFRS 20 and Out Legislation

On Monday, the Senate Budget Committee is scheduled to consider S-1017 which permits a PFRS employee who is enrolled before or after the bill’s effective date to retire, regardless of age, upon attaining 20 or more years of service credit and would allow that employee to receive a retirement allowance equal to 50% of the member’s final compensation.

As we previously reported the public safety unions are pushing this legislation in response to what they believe is a misinterpretation of the 1999 law. The public safety unions have argued that the minimum increase cost incurred by this legislation will be off-set by the healthcare savings.

The League, along with the New Jersey Association of Counties, view this legislation as an enhancement of benefit at a time we can least afford it. The benefit provided in S-1017 will impact the pension fund liability leading to increase costs. Before enhanced benefits are even considered we all have the responsibility to ensure that the pension fund is stable.
While a 74% funding ratio for the local Police and Fire System (PFRS) is on the right track, the fund is not yet stable enough to consider enhanced benefits.

This legislation does not account for the impact of the recent market downturn or the reduction of the assumed rate of return on the pension fund.
In addition, we question how healthcare benefits savings will offset the increase pension

liability cost as not all municipalities and counties provide healthcare benefits in retirement. Furthermore, there is the simple accounting issue that the state will fund the liability the municipality or county pays for healthcare benefits if provided, in retirement.

In the previous legislative term, the non-partisan Office of Legislative Services (OLS) provided an objective fiscal impact analysis on the then Assembly companion bill, A-6024.

While the public safety unions claim that the bill will not increase any costs, the OLS analysis noted that the bill "...will have a significant, indeterminate fiscal impact, likely in the hundreds of millions of dollars, on both the State and local portions of the PFRS pension funds and the unfunded liability costs that would be charged to the State and local government entities to fund the unfunded liability created by the bill."

In addition, the analysis stated that "the bill **will increase** the annual actuarially determined (required) contribution to the PFRS in order to fund the actuarial liability created by the bill. As such, the early retirement allowances created by this bill and paid out of the pension fund are funded over time by increased State and local public employer normal contributions and unfunded liability contributions."

Funded by property taxpayer dollars, county and municipal governments across the State will spend $1.038 billion in 2020 to subsidize the PFRS, while PFRS members will contribute approximately $348.439 million to the defined benefit plan.
In other words, property taxpayers will finance over 70% of PFRS in 2020, while PFRS members will pay 30%. Since these additional costs will be borne by taxpayers, the League opposes this legislation.

Please contact your Senator and urge them to oppose S-1017.

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c. New Property Tax Relief Restoration Bill Will Benefit All

We thank Assemblyman Gerry Scharfenberger for introducing (A-3482), which would require energy providers and public utilities to pay energy taxes directly to municipalities instead of the state. We also thank Senators O'Scanlon and Oroho for sponsoring the companion bill, S-2210.

Over the last century, many taxes that had been collected by municipal governments were either abolished or became state taxes. In most cases, when these changes were made, the state promised to reimburse municipalities–either the amount they had been collecting or the amount that the state would collect. Chief among these were the gross receipts and franchise taxes (now known as Energy Taxes) that public utilities submitted to municipalities, to compensate local taxpayers for the utilities' use of public rights of way.

The Energy Tax and the Consolidated Municipal Property Tax Relief Aid (CMPTRA) programs are, or were meant to be, municipal revenue replacement programs. They were not meant to make things better for municipal property taxpayers. They were only intended to keep things from getting worse. And things did get worse when the State slashed funding in the years after the 2008 financial crisis.

A total of about $331 million has been diverted in every year, since 2010. That money could have benefitted local property taxpayers, but instead has been used to address State-level needs. The slight CMPTRA funding increases in recent years are largely attributable to the State's decision to shift some funding for some municipalities from the Extraordinary Aid program to CMPTRA. It isn't additional relief. It's only funding distributed in a different line-item of the State budget. And, for the vast majority of municipalities, it isn't relief at all.

Under A-3482/S-2210, the Treasurer would determine the total amount of energy tax receipt aid provided statewide, how much each municipality would receive. The Treasurer would, next, direct payment of energy taxes to the municipalities, and inform each municipality of the amount due, the party or parties responsible for making payments, and the dates on which each payment would be provided. The bill also prevents the state from retaining any portion of these energy tax collections for other purposes.

Under the bill, if total energy taxes exceed the amount of state aid that would be provided under current law, then the difference would be distributed among all municipalities in proportion to the assessed value of property owned by all energy taxpayers located within each municipality. Alternatively, if the total energy taxes are less than the amount that would have been provided under current law, then the treasurer is required to make additional payments from the property tax relief fund to ensure that each municipality receives the amount owed.

A-3482 has been referred to the Assembly State and Local Government Committee. S-2210 awaits referral. Please contact your State Legislators, urging them to support these bills.

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II. Federal Issue

a. Federal COVID-19 Guidance on Telework Flexibility and Higher Risk Populations

We wanted to make you aware of this updated guidance on telework flexibilities that was released by the Office of Management and Budget late last night. This was provided to us by the National League of Cities (NLC). All Federal Executive Branch departments and agencies are encouraged to maximize telework flexibilities to eligible workers within those populations that the Centers for Disease Control and Prevention (CDC) has identified as being at higher risk for serious complications from COVID-19 (CDC High Risk Complications) and to CDC-identified special populations, including pregnant women (CDC Special Populations).

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

III. Annual League Conference

a. Claim Your CEUs from the 2019 League Conference

Attention Municipal Officials! Do Not Forget to Claim Your CEUs from the 2019 NJLM Annual Conference! Visit the Conference Tracking page to claim your credits.

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