

February 16, 2018

RE: WEEKLY UPDATE

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Dear Mayor:

I. State Issues

a. PFRS Takeover Legislation Update

Yesterday Assemblyman Thomson, who is a pension actuary by trade, introduced legislation proposing alternatives to [S-5](#). [A-3414](#) would add additional 3 non-union members to the board, require a supermajority to increase any benefits, reinstate the 80% target fund ratio, and reporting requirement of underperforming investments. Senator O'Scanlon has introduced the companion bill, S-1964. We are currently reviewing the bill.

[S-5](#) is poised to be considered by the full Senate as early as February 26. (For more on S-5 please click [here](#)).

Given the Legislature's inaction on extending the 2% cap on binding interest arbitration awards, the sun setting of employee health benefit controls implemented under Chapter 78, the restricting of SALT deductions on federal income taxes, and the long-term ramifications of enacting S-5 without the recommended safeguards, municipal and county leaders are facing a perfect storm of uncontrollable property tax growth and substantial service cuts.

WHAT YOU CAN DO:

Communicate your concerns immediately with the Governor's Office, Legislative Leaders and your Legislators. Ask them to oppose S-5 in its current form. Ask them to support the amendments advanced by the League and the Association of Counties found [here](#).

The Office of Governor Phil Murphy
609-292-6000

The Hon. Steve Sweeney
Senate President
(856) 251-9801, SenSweeney@njleg.org

The Hon. Craig Coughlin
Speaker, NJ General Assembly
(732) 855-7441, AsmCoughlin@njleg.org

Your State Senator and Assembly representative click [here](#).

Contacts:

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

b. Extending Interest Arbitration Cap Update

It has been almost 7 weeks since the expiration of the 2% cap on Interest Arbitration awards and unfortunately, there has been no legislative action to #renewthecap. During that time, legislation has been introduced ([S-1858/A-3378](#)) and a PBA (*Bergen County Sheriff's Office & PBA Local 49, Docket No IA-2018-012*) raised an argument that the 2% hard cap would not apply to the parties' successor agreement. Fortunately, PERC ruled that the collective bargaining agreement, with an expiration date of December 31, 2017, falls under the 2% interest arbitration cap. It is anticipated that the PBA and FMBA will appeal this ruling.

We respectfully request, if you have not done so already, to please take action and consider adopting the sample resolution ([click here for word](#) or [click here for pdf](#)) expressing your support of the permanent extension of the 2% Interest Arbitration cap.

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c. S-1 Shared Service Bill Advances

Senate President Sweeney's shared services bill [S-1](#) was approved by the Senate Budget and Appropriations Committee yesterday and awaits consideration by the full Senate. The League opposes S-1 due to its taxpayer voting penalty provision. Specifically, S-1 requires Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) to study and make recommendations for sharing of services between specific local governments. If a local government chooses not to enter into the shared service agreement or the voters reject the public question whether to enter into the shared service, the declining municipality's CMPTRA aid will be reduced by the savings LUARCC claims sharing would produce. In addition, S-1 makes reforms to the "Uniform Shared Service & Consolidation Act" that eliminate terminal leave payment for employees terminated for reasons of economy and efficiency; relaxation of Civil Service rules; eliminate of tenure rights of certain employees; and provides local units with the authority to determine which employees will transfer.

We must continue to oppose any proposal which would, on the one hand, allow the voters to express their will; but on the other hand, inform those voters that they will be penalized if their will does not comport with that of a majority of the appointed members of LUARCC. To us, this is a fundamental position, respecting our voters and the concept of self-determination.

Though we oppose the bill, we thank the Senate President for involving local officials in the development of this legislation, for listening to our concerns and accepting some of our recommendations. We remain committed to working with the sponsors and other interested stakeholders to address our concerns with the legislation.

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

d. Bill Looks to Provide NJ Taxpayers with Federal Income Tax Relief

Though future decisions, yet to be made by the Federal Internal Revenue Service (IRS), could sap its efficacy, Senator Paul Sarlo has introduced legislation (S-1893) meant to provide relief for many New Jersey taxpayers.

The bill, which was approved by the Senate Budget and Appropriations Committee yesterday, is a response to the \$10,000 (Ten Thousand Dollar) limit on the Federal Income Tax deduction for State and Local Taxes (SALT). That limit was imposed, effective this year, by the recent Tax Cut and Jobs Act, which was opposed by all but one member of our State's Congressional Delegation.

S-1893 would allow municipalities, counties, and school districts to set up 'charitable funds.' Monies donated into a fund would have to be expended for 'a specified public purpose ... materially narrower than the general purposes of the local unit' (or for any administrative expenses involved in the establishment of the fund or to address new costs imposed on the tax collector). A taxpayer's donation to any fund could qualify for a property tax credit, equaling 90 percent of the donation in 2018. (That percentage could be adjusted in future years.) Donations could be made to multiple funds.

In order to qualify for a credit, the donor would need to notify the charitable fund administrator (who would be designated as such by the ordinance establishing the fund) of the specific property parcel to which the credit is to be applied. The administrator would, then, need to notify the municipal tax collector, who would, then, apply the donation to the specified purpose. Next, 90 percent of all donations (or another percentage, as determined in subsequent years) would be credited to the specified parcel and applied in next quarterly tax bill. If the collector is unable to apply the full value of the credits in the first bill, the remaining credits will carry forward to subsequent bills. However, no credits can be carried for more than five years.

The tax collector would need to indicate the value of any credits, and the value of any residual credits, on the tax bill. Residual credits would attach to the property parcel, regardless of ownership. The State Treasurer and the Director of the Division of Local Government Services would be empowered to adopt rules to effectuate the purposes of the act.

This proposal was conceived by Congressman Josh Gottheimer. It has been championed by Governor Murphy. And it has earned the support of many Mayors. Earlier this week, however, Acting IRS Commissioner David Kautter told the U.S. Senate Finance Committee that charitable contributions only qualify for tax deductions if they're given for truly charitable purposes. Donations, he said, would qualify, only if "... the primary purpose of the contribution is donative, which is a disinterested and detached interest of generosity." Also, U.S. Secretary of the Treasury, Mnuchin, has spoken, dismissively, of other SALT limit 'work-arounds'.

We thank Senator Sarlo and look forward to working with him on this matter.

Contacts:

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

e. Weakened UEZ Bill Headed for Senate Vote

Yesterday, in Trenton, the Senate Budget and Appropriations Committee approved a Committee Substitute for S-846, the bill that was originally intended to reauthorize and extend the life of Urban Enterprise Zones (UEZs) in qualifying municipalities.

The prior version of the bill, which was approved by the Senate Economic Growth Committee in January, would have extended the duration of each previously designated UEZ for 10 years beyond their current expiration date. It would also have reauthorized the UEZs in five municipalities, where the program sunset on January 1, 2017.

Yesterday's substitute bill, which is now headed for final Senate approval, reauthorizes the program in those five towns – Bridgeton, Camden, Newark, Plainfield, and Trenton – until September 30, 2019. The bill also directs the Urban Enterprise Zone Authority to conduct a study of the program. That study, including findings and recommendations, will need to be delivered to the Governor and the Legislature, before March of next year.

In order to qualify to host a UEZ, municipalities need to meet certain criteria. Those include chronically higher than average unemployment rates. Qualifying municipalities also have lower than average per capita and household incomes, and the vast majority of these towns are home to high percentages of tax-exempt properties.

The UEZ Program offers incentives to participating businesses, designed to encourage business growth, provide jobs, and stimulate local economies. Approximately 6,800 certified UEZ businesses participate and benefit from the advantages of the UEZ program statewide. To qualify for these advantages, a business must agree that 25 percent of its workforce will include either residents of the host municipality, or State residents who have been unemployed for at least a year.

This program is not a panacea. But it does prevent the loss of business to other states, provide jobs where they are needed most, and preserve ratables that help to fund basic services in qualifying municipalities.

We support the Committee Substitute for S-846. Please ask your State Senator to do the same.

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

II. Federal Issues

a. Administration's Budget Proposal for the Next Federal Fiscal Year Includes 10 Year Infrastructure Ideas

The President's 2019 Budget Proposal was unveiled on Monday, as Congressional appropriators went to work, setting spending specifics for the balance of the federal government's current (2018) fiscal year. The Administration's 2019 proposal, "Efficient, Effective, Accountable: An American Budget," encompasses 160 pages, which specify the President's priorities.

In his budget message to Congress, included in the proposal, the Commander-in-Chief writes:

"World-class infrastructure is possible for the American people. Together we will build stunning new bridges, railways, waterways, tunnels, water treatment facilities, and highways. The Budget reflects a new vision for American infrastructure that would generate \$1 trillion in infrastructure investment and speed its delivery to the American people."

The American Society of Civil Engineers estimates \$4.59 trillion will need to be invested in America's infrastructure by 2025. The Administration's plan would dedicate \$200 billion in federal funds, over ten years. The plan imagines that investment will inspire states, local governments, and the private sector to advance another \$1.3 trillion for infrastructure improvements. The White House says it would be up to local communities to decide how to raise money to pay for their projects, with sources that could include property taxes, sales taxes or user fees.

Under the plan, applications for infrastructure improvements, needing federal approval, would be expedited by streamlining federal regulatory reviews. The Administration's goal, according to reports, is

to shorten the process to two years, by putting the onus on a single agency to render a final decision on any application.

Half of the \$200 billion would be allocated to a competitive program in which states and localities can apply for federal funding. Those who have already secured their own sources of cash would be most likely to receive federal money.

Ten percent would be added to existing federal loan programs for infrastructure (\$14 billion) and to broaden eligibility for tax-exempt private activity bonds (\$6 billion). Another 10 percent, or \$20 billion, would be set aside for what the budget describes as "bold, innovative and transformative projects." (Sources in the White House indicated the Gateway project could qualify for a share on this funding.)

A quarter, or \$50 billion, would be reserved for projects in rural parts of the country. That money would go to states as block grants with relatively few strings. It would at least partially address concerns from lawmakers who say rural infrastructure projects may be relatively unappealing to private investors — and seems tailor-made to attract support in the Senate.

The White House official indicated that governors would make the call on how to divide the rural money. In contrast, some rural lawmakers have been pushing to steer a designated portion to broadband internet service.

Five percent of the federal dollars would be used to set up a "capital financing fund."

Some component of the plan will also center on workforce training, the official said. The administration will suggest broadening eligibility for Pell grants, tweaking requirements for trade licensing and growing apprenticeships.

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

III. League Conference Follow- Up

a. Claim Your CEUs from the Annual Conference

Attention Municipal Officials! Do Not Forget to Claim Your CEUs from the 2017 NJLM Annual Conference! Please click on the following link to claim your credits: www.njslom.org/confceu.

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.

IV. Also of Interest

a. Presidents Day

With President's Day on Monday, you may want to have and share this information on the proper way to display the US Flag <https://www.usa.gov/flag>.

b. LEAD Marijuana Symposium

Law Enforcement Against Drugs (LEAD) is holding a marijuana symposium in conjunction with its annual conference March 18-20 in Atlantic City.

It will take an agnostic look at marijuana, legal or not; including national and international presenters in the fields of health, law, and policy.

For details, [click here](#).

c. The NJ Conservation Foundation Holds its 22nd Annual NJ Land Conservation Rally

Only four days left for early bird registration. Regular admission (\$95) starts at 5:00 pm Friday, February 16th.

The Rally is a one-day educational conference program bringing professionals together in connection with environmental leadership, ideas, and experiences. The program is beneficial for those looking to obtain CEU's in NJ Recreation and Parks, NJ Urban and Community Forestry, American Planning Assoc. Certification Maintenance, and more. There will be an abundance of workshops and exhibitors, including keynote speaker and Author, David Case.

The Rally is **March 2, 2018**, at the Hyatt Regency Hotel, New Brunswick, NJ. You can check the agenda by clicking [here](#). Register soon or [click here](#) and reserve your spot today!

Contact: Laura Szwak at rally@njconservation.org or 908-234-1225.

Sincerely,

Michael J. Darcy, CAE
Executive Director