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**From:** NJLM - Municipal Clerks [mailto:njlm-clerks@cityconnections.com]  
**Sent:** Wednesday, March 17, 2010 2:36 PM  
**To:** Lashway, Lisa  
**Subject:** From NJLM Mayors Letters on Budget

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### LEAGUE ALERT

Municipal Clerk: Please forward to Mayor and Governing Body.

March 17, 2010

Re State Budget Follow-up

Dear Mayor:

We continue to analyze Governor Christie's budget proposal and the various documents relating to that. Included among these is Treasury's "Budget in Brief," which is available on our website at <http://www.njslom.org/letters/Budget-Brief.pdf>.

The "Budget in Brief" provides more detailed information on the Governor's "Tool Kit to Meet Today's Fiscal Challenges." This tool kit is intended to provide "long overdue ... mandate relief and regulatory flexibility for beleaguered towns and schools." It includes:

- A constitutional cap on property tax increases
- A constitutional cap on increases in spending for direct State government services
- Collective bargaining reform
- Pension and benefits reform
- Civil service reform, and
- Management reform.

**Constitutional Caps** -Pending Legislative and voter action on the Governor's proposed Constitutional Amendment to impose a 2.5% levy cap, Governor

Christie will ask the Legislature to limit current cap exceptions, repeal provisions that allow local budget-makers to make up decreases in municipal revenue replacement funding (such as CMPTRA and the Energy Tax), lower the levy and expenditure caps to 2.5% and permit cap banking.

**Collective Bargaining** - Governor Christie recognizes that the current statutory collective bargaining framework “unfairly favors the interests of public sector unions against taxpayers.” Accordingly, he has asked the Legislature for binding arbitration reforms that will forbid awards that would, inclusive of benefit costs, exceed the levy cap, require arbitrators to account for the impact of their awards on property taxes and allow the executive branch of State government to select arbitrators.

**Pension and Benefits** - In the area of benefits reform, the Governor has asked the Legislature to expand on the reforms currently awaiting action in the General Assembly by repealing the N/55 pension benefits formula for current, as well as future, employees, cap accrued sick leave payouts at \$15,000 for current, as well as future, employees and require local employee health benefit contributions to equal or exceed contributions made by State employees under the SHBP.

**Civil Service** – The Governor has asked the Legislature to amend civil service to eliminate obstacles to service sharings and to allow local units to opt out of civil service entirely.

**Management Reforms** – The Governor has directed the Division of Local Government Services to work with municipalities to develop “best practices” and “to implement ideas that will provide mandate relief to lower the local tax burden.”

**Other Important Tools** – The Governor recommends that the Legislature enact a new law that would allow municipalities to offset unpaid property taxes against State income tax refunds; and a law to move school board and fire district elections to November.

We thank Governor Christie for advancing a set of proposals that would allow local officials to reign in some of the major cost drivers of local budgets. Many of these initiatives, such as pension, interest arbitration and civil service reforms, have long been championed by the League. Coupled with next month’s report by Lieutenant Governor Guadagno’s Red Tape Review Group, these reforms will begin to allow local officials to craft more efficient, effective and economical programs and policies.

The League, however, has concerns about the practical implementation of the

proposed 2.5% cap. We are currently reviewing the impact of the 2.5% cap on municipal budgets and will share our concerns and findings with the Christie Administration.

Also, Governor Christie has launched a new website for State Budget information. Access the "Rebuilding NJ's Economy" website at <http://www.nj.gov/governor/home/budget.shtml> for documents and applications available to the public including: Video of Governor Christie's budget address; Speech transcripts; Video messages from various department commissioners; Budget solutions; Press releases; and Frequently asked questions and answers. The webpage will be continually updated as Governor Christie and the state departments implement their solutions for FY 2011.

On the property tax relief funding side of the ledger, the State will treat CMPTRA and the Energy Tax as a single source of property tax relief funding. Combined funding will be cut \$271.4 million, and the funds will be distributed by a new formula. Special Municipal (Urban) Aid, Extraordinary Aid and Capital City Aid will be combined into a new program called "Transitional Aid to Localities," which will be funded at \$160 million (about 10% less than combined funding for the three programs in FY '10). Open Space Payments in Lieu of Taxes will be reduced by \$3.53 million, as the first step in a phase out of this funding. Both Pinelands and Highlands Property Tax Stabilization funding (\$7.6 million) will be eliminated. The Consolidation Fund and the REAP program will cease to exist in their current form. And, during FY '11, the State will divert all Urban Enterprise Zone Sales Tax receipts (estimated at about \$91 million) to the State's General Fund.

We expect DCA to release municipal-specific property tax relief funding information later today. We will notify you, as soon as we know it has been posted. In the meantime, if you have any questions, contact Jon Moran at 609-695-3481, ext. 121.

Very truly yours,

William G. Dressel, Jr.  
Executive Director