

Under the Dome with DeAngelo

*An Update on the New Jersey State Government by Assemblyman Wayne DeAngelo
(July 2014)*

The heat of summer in New Jersey is certainly upon us across the state. But, under the Trenton State House dome activity has cooled off for the summer after heated negotiations to balance the Fiscal Year 2015 state budget. Given the drastic budget shortfall caused by projected tax revenues anticipated in Governor Christie's budget proposal put forth in February, the final \$34 billion budget meant dramatic change in spending priorities. The most significant change is the cut of almost \$1 billion in payments into the state's pension system.

As a reminder, under Governor Christie's plan to close the budget deficits, payments into the pension system would be drastically cut and deferred. The payment for Fiscal Year 2014 was slashed to \$696 million from the necessary \$1.6 billion while the Fiscal Year 2015 payment will be reduced to \$681 million down from the necessary \$2.25 billion. Both payments will be not be completed by June 30 of the respective fiscal years; instead they will occur in July of the following year.

With just days before the June 30 constitutional budget deadline, Superior Court Judge Mary Jacobson ruled against legal challenges brought by labor unions representing teachers, police and fire officers, state troopers, probation officers and public employees. Under the ruling, Governor Christie would be permitted to defer the full pension payments for Fiscal Year 2015, but it was silent on future payment deferrals. This means that the payment in the passed budget only covers the state's portion of pension payments for current enrollees and those already retired. It does not address the extraordinarily large unfunded liability in the state's pension system.

Some key highlights of the state Fiscal Year 2015 budget signed by Governor Christie include:

- Pushing off Homestead Rebates payments from June 2014 to May 2015. When rebates are sent out, they will be an average of \$516 for seniors and disabled homeowners with incomes under \$150,000 and an average of \$402 for homeowners with incomes under \$75,000.
- Maintaining funding for the Property Tax Reimbursement (Senior Freeze) program for 152,000 current recipients and an estimated 32,500 new residents who can claim first-year benefits.
- Vetoing language that would require millionaires to pay their fair share of income taxes.
- Eliminating and initial proposal that would institute a tax on e-cigarettes similar to the taxation on other tobacco products.
- Increasing funding for enrollment outreach for NJ FamilyCare to provide insurance coverage to more than 182,000 children.

A major bi-partisan effort in last month also led to the enactment of an extension of the cap on arbitration awards in disputes between police and fire departments and public entities. The previous law initially implementing a cap on arbitration awards expired on April 1, 2014. Since then, legislative leaders and the Administration have engaged in intense bi-partisan negotiations to address the concerns of municipalities as well as policemen and firefighters.

Under the new law that expires on December 31, 2017, a two percent cap on base salary increases in arbitration awards will remain with awards being compounded for each year of the contract. An arbitrator, who could not be compensated more than \$10,000 for their services, will have up to 90 calendar days to render a decision. An appeal of the decision could be filed up to 14 days after it is rendered, and then the Public Employees Relations Commission (PERC) will need to render a decision in the appeal within 60 days.

With this updated law in place, there remains a mechanism by which governing bodies and police and fire unions can seek a neutral resolution to contract stalemates. Most importantly, the law protects taxpayers from being faced with the cost of runaway arbitration awards or never-ending contract disputes. The bi-partisan law ensures that the needs of communities are met while police and fire services are properly maintained.

In our district, I have worked during the last several months in a bi-partisan manner with Hamilton Mayor Kelly Yaede, East Windsor Mayor Janice Mironov, and Robbinsville Mayor Dave Fried to draft legislation that would similarly seek to protect local taxpayers. Under the new legislation, Assembly Concurrent Resolution 176 (ACR-176), a statewide ballot question would ask voters to authorize a constitutional amendment that would require restoration of aid through energy receipts tax to municipalities over a five-year period of time.

Beginning in Fiscal Year 2008, energy receipts taxes collected by local residents were diverted to the state coffers in an effort to address budget shortfalls. The diversion practice has continued since then thereby leaving municipalities to make difficult decisions to cut services or programs as a result of the loss of a compounded nearly \$400 million statewide. During a five-year period beginning in the fiscal year after the ballot question passes, the energy receipts aid would return to municipalities in addition to 20 percent of the previously diverted monies (ie. an addition in year one of 20 percent return; in year two a 40 percent return, etc.)

In working with local mayors, we have crafted this measure with the hope that towns can be made whole again after suffering the diversion of millions of dollars out of local communities. This on-going practice needs to come to an end. It's simply a way to rob Peter to pay Paul and, as a result, our towns have suffered. I will be working throughout the summer to garner support amongst my legislative colleagues and encourage bi-partisan support to put this question before the voters of New Jersey.

As you can see, the vast majority of the last month in state government has been dedicated to the financial issues and challenges facing us. The Legislature will be in summer break now, for the most part, until September when we will return in earnest. If the last few months have been any indication, our state needs to get our fiscal house in order to place us on solid ground for the coming years.

The July and August summer recess will provide the State Legislature some time to catch their breath Under the Dome, and I will see you back here next month for our monthly update.

Editor's Note: Assemblyman Wayne DeAngelo (D-Hamilton) represents the 14th Legislative District which includes parts of Mercer and Middlesex counties. He can be reached at AsmDeAngelo@njleg.org; phone (609) 631-7501; online: www.WayneDeAngelo.org; Facebook: Assemblyman Wayne DeAngelo.