

## **Under the Dome with DeAngelo**

*An Update on the New Jersey State Government by Assemblyman Wayne DeAngelo  
(March 2015)*

Welcome back to Under the Dome where we too are waiting for warmer temperatures and spring flowers. But, the Dome also is where the Legislature and State Executive Branches are deep into one of the busier times of the year crafting fiscal policy and the annual state budget.

At the end of February, Governor Christie presented his Fiscal Year 2016 state budget to the Legislature. The budget will increase by 3.1 percent over the current fiscal year to a total of \$33.8 billion. A few highlights of the Governor's budget proposal:

- Funding for local government services will remain flat as will the overall school funding formula.
- Property tax relief programs – the Homestead Rebate and the Property Tax Reimbursement (known as Senior Freeze) will remain at \$1.1 billion.
- Direct higher education and county college funding also will remain at the Fiscal Year 2015 levels. Tuition Aid Grants (TAG) will increase by \$19 million to \$2.2 billion. This increase will translate to an average 2.2 percent increase in grants that are provided to an estimated 66,000 New Jersey students.
- The State will save \$120 million (or about 12 percent) of spending on hospital care because of its participation in the Medicaid expansion under the Affordable Care Act (ACA) -- known as Obamacare.
- Charity care spending for uninsured individuals is down from \$675 million in FY 2014 to \$502 million since an additional 390,000 people are now covered by NJ FamilyCare while approximately 250,000 people also have enrolled in private insurance under the ACA.
- The proposed budget does nothing to address the Transportation Trust Fund (TTF) that will be depleted on June 30. The TTF provides for bridge and roadway construction and repair.

The biggest hurdle in balancing the Fiscal Year 2016 budget will be the requirement to pay the State's share of its obligation into the pension system. The day before Governor Christie presented his budget proposal to the Legislature the New Jersey Superior Court ruled in a suit brought by several unions representing teachers, law enforcement, and public employees to demand that the state fulfill its obligation to pay its share into the pension system. Under the ruling, the Christie Administration must pay its share into the system -- \$1.57 billion – by June 30, 2015.

In 2011, Governor Christie signed into law his plan to address the unfunded liability in the state pension system and maintain benefits for retirees. At the time, the plan was touted as the necessary way to solve the multi-billion dollar shortfall. Public employees including teachers, law enforcement, firefighters were required to pay more into the pension fund as well as a greater contribution to health benefits.

However, the Christie Administration has not upheld its end of the agreement to pay a fair share into the pension system. Payments have been delayed and pushed off into the next fiscal year with no revenue stream identified.

On the same day as the Governor presented his state budget proposal, the panel that he created to examine the pension system – The New Jersey Pension and Health Benefit Study Commission – issued its final recommendations via “A Roadmap to Resolution.” The Commission recommended freezing existing pension plans and replacing it with a new plan. Benefits currently earned would be protected. However, both the existing plan and the new plan would be transferred to a trust that would be overseen by employee entities – such as unions – willing to oversee it. The State would be required to make periodic contributions to the trust to retire the existing unfunded liability. But, that effort could take up to 40 years, if necessary.

Health benefits for public employees also would be dramatically altered. Among the changes would be: defining terms and plan costs to encourage lower costing level plans; setting co-pays, deductibles and co-insurance measures to encourage in-network usage as well as on-site clinics or urgent care facilities as opposed to emergency room care; promoting the use of generic medications and mail-in pharmacy; and creating patient-based “medical homes” and accountable care organizations. These changes would be in addition to the changes made under the 2011 reforms wherein employees began paying more for their coverage.

Supporters of these pension and benefit reforms argue that they would be more in-line with retirement and health benefits provided to private sector employees. However, these reforms do not take into account the salary disparity for many public sector jobs that are equivalent to private sectors employees. Furthermore, given the nature of public sector jobs, these employees do not have bargaining power in their positions as do their private sector counterparts.

While details of this new round pension and benefit transformation plan would need to be further examined, I am greatly concerned about the details and ramifications of it. Employees have paid their fair share into the fund and the state must do its part as opposed to pushing the responsibility off onto the entities representing employees and local taxpayers.

The Legislature will be required to review and vote on any legislation that would enact the Commission’s proposal. Such a measure is not currently pending. In addition, the proposal also would need to go before the voters of New Jersey in the form of a statewide ballot question as early as November 2015.

The issue of pension payments and the future financial stability of the state budget will be tied hand-in-hand for the next few years until there is a sizable payment made by the state in keeping with the law. Most certainly, the state budget, pension payments, and reauthorizing the Transportation Trust Fund will dominate state government for the next few months and here Under the Dome.

***Editor’s Note:*** Assemblyman Wayne DeAngelo (D-Hamilton) represents the 14<sup>th</sup> Legislative District which includes parts of Mercer and Middlesex counties. He can be reached at [AsmDeAngelo@njleg.org](mailto:AsmDeAngelo@njleg.org); phone (609) 631-7501; [www.WayneDeAngelo.org](http://www.WayneDeAngelo.org) or Facebook: Assemblyman Wayne DeAngelo.