

Date: February 17, 2016

Re: Governor Presents State Budget Proposal for Next Fiscal Year

Dear Mayor,

Yesterday in Trenton, Governor Christie highlighted components of his State Fiscal Year 2017 (SFY '17) Budget proposal. Noting that the proposal would give New Jersey a balanced budget without any new taxes, the Governor spoke of the "two key principles" undergirding his proposal: fiscal restraint and a willingness to pursue "hard reforms" to build a stronger economy and to make the State a better place to live.

Once again, some local Energy Tax Receipts funding will be redirected to cover unspecified State priorities.

On the need for a Transportation Trust Fund (TTF) reauthorization, the Governor downplayed concerns, saying, "The reality is that New Jersey is fully able to support the current capital program as originally proposed in the current five-year authorization. My administration continues to examine ways to control cash flow and make the most of every taxpayer dollar that the TTF spends. So, while we wait for realistic proposals and for a legitimate discussion on tax fairness, not just tax hikes, my administration has been hard at work analyzing cost drivers and ways to maintain its roadways in a more cost-effective manner. There is time to reach a reasonable agreement. But it will need to be the right one for the hardworking taxpayers of New Jersey."

The Governor's proposal will look to increase the State's public employee pension payments through the use of savings, expected to be produced by proposed State Health Benefit Plan reforms. The Administration projects those reforms to produce \$250 million in State savings from public employee and retiree health costs. The Governor said, "Through reasonable reforms such as requiring the use of generic drugs when available, modest increases in co-pays to discourage unnecessary visits, and establishing new delivery methods for primary care services, we can continue to provide quality care, but with important savings. Absent any reforms, State costs for government worker and retiree health insurance would increase by \$487 million, and at a comparable rate moving forward. We cannot afford this."

The Governor, further, noted that his proposed health benefit reforms would also save municipal and county governments a bit less than \$100 million, and school districts a bit more than \$100 million. (In addition to that, State and local public employees would see \$100 million in savings through reduced premium sharing.) It could, then, produce savings for property taxpayers and for public employees. The Governor said, "It's a win-win-win for our citizens"

Earlier in the day, Department of Community Affairs (DCA) Commissioner Chuck Richman advised us that the budget proposal would provide flat funding (\$1.4 billion) in combined Energy Tax Receipts and Consolidated Municipal Property Tax Relief Aid (ETR/CMPTRA) to each of

New Jersey's 565 municipalities. Commissioner Richman also advised that Transitional Aid funding would hold level at \$107 million. The Governor also proposes level funding for Open Space Payments in Lieu of Taxes (\$6.5 million) and The Highlands Protection Fund (\$4.4 million).

Direct relief to property taxpayers through Homestead Relief, Senior, Disabled and Veterans' Property Tax deductions and the Property Tax Deduction Act would be funded at \$1 billion.

Additional SFY '17 Budget information is available at
<http://www.nj.gov/treasury/omb/index.shtml>

The full text of the Governor's prepared speech can be accessed at
<http://nj.gov/governor/news/addresses/2010s/approved/20160216.html> . Greater detail will emerge over the next few weeks and we will keep you advised on any and all developments.

Sincerely,

Michael J. Darcy, CAE Executive
Director