

July 17, 2015

Weekly Policy Update - 2015 Legislative Priorities

Dear Mayor:

In January we identified the League's legislative priorities for 2015. As identified by the League's Officers, these are issues of statewide importance and relevance to local governments. The purpose of this letter is to update you, at the approximate midpoint of the year, on the status of these priorities.

I. Transportation Trust Fund

The replenishment of the Transportation Trust Fund (TTF) remains a top priority for the League. League President Wahler, Past President McDonough and Montclair Mayor Jackson have taken the lead in advocating on behalf of the League and municipal government. The TTF has been a major source of funding for local transportation projects for almost thirty years.

*This year, the New Jersey Transportation Trust Fund is living on borrowed time and State, county and municipal transportation projects are relying on borrowed money, which **will only get us through the next 11 months. As a result, long term transportation planning, which is absolutely essential to our State's and your municipality's economic well-being, will have to wait.***

Long-term reauthorization of the TTF, with assurances of sufficient, sustainable, dedicated funding for State and local needs will need to be a top Legislative priority, after the November General Assembly elections.

The American Society of Civil Engineers reports that 651 of the 6,554 bridges in New Jersey (9.9%) are considered structurally deficient and 1,717 (26.2%) are considered functionally obsolete. That report also estimated that driving on roads in need of repair costs New Jersey motorists \$3.476 billion a year in extra vehicle repairs and operating costs – \$601 per motorist, and that 66% of New Jersey's roads are in poor or mediocre condition.

The State Department of Transportation (DOT) reports that New Jersey's municipalities are responsible for 64 percent (28,539 center line road miles) of our roads. County governments are responsible for another 22 percent (6,649 center line road miles). Together, local governments are responsible for 39 percent of our bridges. Local roadways and bridges carry about 55 percent of all traffic.

In the first year of the Transportation Trust Fund (FY 1985), Local Aid funding represented almost 22 % of total Transportation Capital funding. Over the years, the Local Aid portion was reduced to 16% in FY 1997, 12% in FY 2004, it and 15% in FY 2013. The average Local Aid funding over the first 29 years of the Transportation Trust Fund was just under 15%.

The need for investments in local roads and bridges has not decreased since 1985. No one has suggested that it will decrease in the future. So given the extent of the local infrastructure, and given the need for strong and steady investment in that infrastructure, we will call for assurances that Local Aid will represent, at a minimum, 25% of annual Transportation Capital spending. And we will call for adjustments in funding, to account for the effects of inflation.

The long-term solution could come during the upcoming lame duck session (following the November elections.) Partnering with other interested stakeholders, the League's objectives are, as follows:

1. **Reauthorize the Transportation Trust Fund to ensure adequate and reliable funding to meet State and local transportation infrastructure funding needs for the next 10 years.**
2. **Increase Local Aid funding to ensure adequate and reliable funding to meet all local transportation infrastructure needs. (The NJDOT reports New Jersey municipalities are responsible for 64% of road miles and, along with county governments, 39% of bridges in New Jersey.)**
3. **Increase the municipal share of Local Aid funding and ensure fair funding for all municipalities.**

Contact: Jon Moran, 609-695-3481 x121 or jmoran@njslom.org

II. Affordable Housing Reforms

July 9 marked the deadline for municipalities to file for declaratory judgments pursuant to the March State Supreme Court ruling. If you recall, the Court established a timetable for municipalities to obtain, in practical effect, a judicial version of the substantive certification that they had either received or applied for under N.J.S.A. 52:27D-313.

The Court distinguished two categories of municipalities: 1) "certified municipalities," meaning towns substantively certified by COAH under the previous, though invalidated, third round rules; and 2) "participating municipalities," meaning towns which had participated in the process for, but had not yet received, substantive certification.

The March ruling effectively eliminates the administrative process, overseen by COAH, through which municipalities could be deemed compliant with their Mt. Laurel obligations. Barring action by COAH to adopt rules or action taken by the State Legislature, the effect of this order will be that the courts will be the only forum to make these determinations.

The solution to this lingering impasse lies not in the Courts but rather with the Administration and the Legislature. League Conference Resolution 2014-19 "...urges the Governor and the State Legislature to partner with municipalities and enact legislation to implement a reasonable and rational state affordable housing policy which promotes rational planning, seeks to achieve

results with available housing funding and incentives, encourages partnerships and protects the interest of taxpayers. For a copy of that resolution please [click here](#).

Please urge your Legislators to support and pass rational reforms to the Fair Housing Act **this year**. And please remind them of the importance of such reform at every opportunity.

Contact: Mike Cerra, 609-695-3481 x120 or mcerra@njslom.org

III. Pension and Health Benefit Study Commission

The League has taken an active role in responding to the report of the Governor's Pension and Health Benefit Study Commission Report, "A Roadmap to Resolution." In March, the League Officers met with representatives of the Affiliate organizations to discuss their respective viewpoints on the report and its recommendation. The report itself can be reviewed at: <http://www.state.nj.us/treasury/pdf/FinalFebruaryCommissionReport.pdf>.) Recommendations in the Report include the following:

- Freeze the existing pension plans; benefits earned to date would not be affected;
- Align future public employee retirement benefits with private-sector levels;
- Align public employee health benefits with private-sector levels;
- Realign State and local responsibility for new and sustainable pension and health benefits;
- Lock in fixed and certain pension funding with a constitutional amendment;
- Transfer the assets, liabilities and risks of the existing pension and new retirement plans to employee entities willing and able to assume this obligation.

The Commission's February 24 report also calls for the creation of a Roadmap to Resolution Implementation Task Force. The Commission now serves as that Task Force.

In March the valuation reports as of July 1, 2014 for PERS and PFRS were released. The fund ratio for the LOCAL PERS is 73.5% compared to 43.8% for the State PERS. The LOCAL PFRS fund ratio is 76.3% compared to 47.2% for the State PFRS. The local PERS ratio decreased by 0.5% from 2013 while the State PERS decreased by 4.3%. While, the local PFRS ratio decreased by 0.6% from 2013 while the State PFRS decreased by 3.6%.

The League of Municipalities partnered with New Jersey School Boards Association to assess the impact such a cost transfer would have on both municipal and school district taxpayers. We employed Raphael J. Caprio, Ph.D., Director of Bloustein Center for Local Government Research, Rutgers University to provide a policy neutral analysis that seeks an informed answer to the potential (and estimated) impact on each municipality for each one percent "employer" contribution that would need to be raised on the local level should local boards of education be asked to fund part, or all, of the employer TPAF contribution.

This assessment can help you understand the potential cost to your municipality for assuming part or all current and/or previously unfunded or underfunded employer contributions of the Teachers Annuity Pension Fund (TPAF). A copy of the report is available by [clicking here](#). For more, please see the [League's June 17 letter](#).

The League has established communications with the Commission/Implementation Task Force and met with Commission/Implementation Task Force representatives throughout the Spring. The League also met with both Senate President Sweeney and Assembly Speaker Prieto to express our concerns and comments with the proposed roadmap.

To summarize, the League has expressed the following concerns:

1. The Roadmap Report fails to acknowledge that municipalities and their employees have consistently contributed to the Local PERS and Local PFRS funds and that the real funding deficient is with the State's pension funds.
2. The local pension systems are well funded and solvent. Based again on the latest valuation reports, local PERS currently holds actuarial valued assets of approximately \$20.0 billion with estimated retirement allowances due of \$1.5 billion, while PFRS currently holds actuarial valued assets of approximately \$22.0 billion with estimated retirement allowances due of \$1.5 billion.
3. Local property taxes are not able to absorb the costs of the failing State pension plans for teachers and state police, which are currently the responsibility of the State.
4. Enough savings cannot be achieved by changing local health benefits to offset pension costs the Roadmap proposes to shift to local property taxes.

To date there has been no formal action on the Roadmap's recommendations. At this time, the Legislature could not satisfy the constitutional requirements to have the constitutional amendment on the ballot in November.

We are continuing our meetings and gathering of research relative to best approach to protecting the local pension funds which are fiscally sound. The League Officers and staff continue to be directly engaged in responding to the proposals impacting the pension systems. We will keep you informed of any developments.

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For more details on our 2015 Legislative priorities, please see our January 9 letter at: <http://nj-njslom.civicplus.com/Archive.aspx?ADID=412>

Very truly yours,

Michael J. Darcy, CAE
Executive Director