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June 8, 2018

- I. State Issues
- II. Federal Issues
- III. League Conference
- IV. Also of Interest

I. State Issues

a. League Discusses ETR Shift with State Treasurer

On Thursday, League staff met with State Treasurer Elizabeth Maher Muoio, members of her Senior Staff and Governor Murphy's Chief Counsel Matt Platkin. Among other things, we discussed the Administration's proposed Energy Tax (ETR) shift.

As we have previously written, this change is not meant to, and will not, decrease the amount of property tax relief funding that the State will provide to any municipality, neither this year nor next. As Treasurer Muoio has consistently stated, the Administration means "to ensure that the municipal aid that Energy Tax Receipts have historically funded remains constant ..." and that this change "will have NO impact on municipal revenue and towns will see NO change in the amount of money they receive."

Specifically, the Governor's proposal would open the ETR 'lock box,' which has always been funded through taxes (Sales and Corporate) levied on energy supplying utilities. Instead, the upcoming budget would deliver level funding with Income Tax dollars. To be clear, this does not mean a reduction in funding for what the State calls municipal aid. The funding would generally be the same as it was last year (and the eight previous years) but would be allocated from a different fund at the State level.

This would be accomplished through specific budget language, not a statutory change and thus would only apply, we are told, to the upcoming State Appropriations Act for FY 2019. In other words, the Administration is taking the position that the amount of funding would remain the same for FY 2019 and that in order to accomplish this again in the future, it would require annual budget language.

A little background on New Jersey State finance will help to explain the State's reason for the proposed shift.

The vast majority of the money that the State collects (and spends) every year goes into one of four main funds. (A fifth fund, the Gubernatorial Election Fund, exists only to provide State funding for those elections.) Three of the four funds can only be used for specific purposes.

The Casino Control Fund (with revenues derived from casino-related licensing fees, which must be used to fund the Casino Control Commission and the Division of Gaming Enforcement) and the Casino Revenue Fund (with resources derived from a gross revenue tax on the casinos, and which must be used for the benefit of senior and disabled citizens) are not involved in the matter at hand. Monies collected through the State Income Tax are deposited into the Property Tax Relief Fund (PTRF) and are constitutionally dedicated and must be spent on a purpose that can reduce or offset property taxes.

The General Fund receives most other State taxes, fees, fines and Federal funding. The two largest sources of General Funds are the State Sales Tax and the Corporation Business Tax. (Portions of Sales and Corporate Taxes are, like the ETR, dedicated for specified purposes. But the lion's share of all sales and corporate taxes goes into the General Fund.) General Fund revenues can be used for any number of purposes, and the General Fund supports State government operations.

In recent years, Income Tax collections (and the PTRF) have grown more rapidly and more consistently than Sales and Corporate Taxes (and the State's General Fund). The Administration's proposal would treat the Sales and Corporate Taxes derived from energy supplying utilities that same as most other Sales and Corporate Taxes. Without the proposed shift, the General Fund could run out of cash.

While we remain very concerned with the long-term implications of this shift, and expressed that concern directly to the State Treasurer. We do appreciate the Treasurer's position and her willingness to consider further discussions on this problem. We will continue to advise you of developments.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481, Ext. 121.

b. S-716 Update

Yesterday, the State Senate approved, by a vote of 29-4, [S-716](#). The League opposes this legislation, which creates a rebuttable presumption of workers' compensation coverage for public safety workers and other employees in certain circumstances. The public safety workers covered by the bill include paid or volunteer emergency, correctional, fire, police, and certain medical personnel.

S-716 now joins its Assembly companion, A-1741 and awaits possible consideration by the Assembly Labor Committee. For more information, please see the [League's June 6 advisory](#).

Please contact your two representatives in the General Assembly, asking their

consideration of our objections.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481, Ext. 121.

c. Senate Accepts Governor's Conditional Veto of S-5

The Senate unanimously accepted the Governor's conditional veto of S-5, which would transfer the management of the Police and Fire Retirement System (PFRS) to a Board of Trustees comprised of Labor and Management representatives. The earliest the Senate can vote on the conditional veto is June 21. The conditional veto must then also be accepted by the Assembly.

For more on the Governor's conditional veto please see our [blog post](#).

Contacts:

- Michael F. Cerra, Assistant Executive Director, mcerra@njslom.org, 609-695-3481, Ext. 120.
- Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481, Ext. 112.

d. FAST Update

The Division of Local Government Services issued [Local Finance Notice 2018-16](#) providing an update on the Financial Automation Submission Tracking (FAST) and the reopening of the budget module for municipalities. Calendar Year municipalities will be required to enter their budget into FAST starting in 2019. However, the FAST budget module does contain a "roll-over" feature that allows information from one year to be pre-populated in following year's budget documents, so entering your adopted 2018 budget information into the FAST system now may reduce the burden of doing so later. State Fiscal Year municipalities will be required to submit their 2019 financial documents and budget using FAST.

Contact: Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481, Ext. 112.

e. Division Issues Local Finance Notice on Recent Legislation

The Division of Local Government Services has issued [Local Finance Notice 2018-17](#) summarizing certain local government-related laws recently enacted. The notice includes information on laws such as Equal Pay and [Dedicated Prepayment of Property Taxes](#). In regards to the Dedicated Prepayment of Property Taxes, the Division advises that if a municipality wishes to allow taxpayers the option to apply the excess taxes towards subsequent property tax payments in lieu of a refund, the municipality should adopt a resolution expressly permitting taxpayers to do so upon written request to the tax collector. In addition, the Local Finance Notice includes a model notice for P.L. 2017, c. 266, which permits the creation of a special assistance list for public safety purposes, and the required ballot language for P.L. 2017, c. 260, which permits a public question to increase in the free public library tax.

Contact: Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481, Ext. 112.

II. Federal Issues

a. Federal Court Issues Ruling Impacting Federal Funding to Municipal Governments

Earlier this week a Federal Judge in Pennsylvania ruled that the Federal administration could not withhold law enforcement grants from a municipality based on a municipality's "sanctuary city" policy. In, [The City of Philadelphia v. Sessions, Attorney General of the United States](#), the court ruled that the Trump administration's policy of withholding certain law enforcement grants, unless the City agreed to assist federal agents with immigration enforcement, "violates statutory and constitutional law." The judge further ruled that the city's policies were reasonable, rational, and equitable, and ordered that the funds from the Edward Byrne Memorial Justice Assistance Grant should be distributed promptly to the city.

Regardless of one's political affiliation or feelings towards sanctuary cities, this ruling will have a profound impact on the executive branch's ability to set conditions on grant money, outside of those conditions expressly contemplated in enabling legislation. This goes beyond the issue of sanctuary cities and touches upon other matters and grant programs. Nearly all municipalities in the state and nationwide, in one way or another rely on federal grant money to fund services or projects. Limiting the strings that can be attached to this grant money provides a sense of consistency in the ability to receive funds, regardless of the political party at the helm of the federal administration.

While nothing is yet to be filed, it is expected that this decision will be appealed. We will keep our members updated on any future developments in this matter. You should review this ruling with your municipal attorney for further information on how it may impact your municipality.

Contact: Frank Marshall, Esq., League Staff Attorney, FMarshall@njslom.org, 609-695-3481, Ext. 137.

b. House Passes Administration Rescission Bill

Yesterday in Washington, the House passed legislation that would rescind spending agreed to in the March budget deal, which prevented a government shut-down. It faces an uncertain future in the Senate.

The bill would 'claw back' nearly \$15 billion in previously approved government funding. The House approved the measure in a vote of 210-206, with fiscal conservatives calling it a step in the right direction after they criticized the \$1.3 Trillion spending bill, which the President had signed earlier this year.

A Congressional Budget Office (CBO) analysis concluded that the plan would not affect The Children's Health Insurance (CHIP) Program. But it also showed that the move would have little impact on spending or on the deficit. The analysis concluded that it would only

cut about \$1.1 billion in spending over a decade, while annual spending is running at about \$4 trillion.

Opponents fear that this action could jeopardize future bipartisan budget negotiations. Further such “clawback” bills are expected from the Administration.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481, Ext. 121.

III. League Conference

a. Unauthorized Hotel Reservation Services

Every year there are unauthorized firms soliciting housing and hotel reservations from attendees at the 103rd Annual League Conference. We assure you that the only firm authorized to handle our conference housing reservations is AC Central Reservations. This information is on the top of the official conference housing form sent to all municipal clerks and posted on our [website](#).

Using unauthorized reservation services creates real problems for you and the conference as a whole. You cannot be assured your credit card information is secure and your room reservation may not actually be made. Using unauthorized services means your room will not be part of the official conference housing block so you won't get emergency housing information (which happened in both 2011 and 2012) nor will there be adequate shuttle bus services to your hotel.

As always, the League is available to answer your questions on any aspect of the annual conference and we strive to make your participation both enjoyable and highly productive.

Contact: Michael J. Darcy, CAE, Executive Director, mdarcy@njslom.org, 609-695-3481, Ext. 116.

b. Exhibits at the Annual Conference

Do you know a vendor that would be a good fit for the Annual Conference? If so, ask them about being an exhibitor or have them contact Kristin Lawrence, Exhibit Manager at 609-695-3481, Ext. 125 or klawrence@njslom.org. Information is also available at njslom.org/exhibit.

IV. Also of Interest

a. Updated Mayors Wellness Campaign Toolkit

The new and improved Mayors Wellness Campaign (MWC) toolkit is geared to help mayors and community organizations address their unique local health needs. The toolkit contains an introductory video, and nearly 30 evidence-based, step-by-step, cost-effective program ideas in four main categories: physical health and nutrition, environment and health, education and health, and arts and health. Users can filter their search by the age of the population they wish to serve, and by the season. View the MWC at-a-glance

program guide to help determine which program is best for your community. Check out the [new MWC toolkit here](#) !

Questions about the toolkit or how to join the MWC? Contact Deborah Levine at dlevine@njhcqi.org or 609-452-5980.

b. Connect with the NJLM National Affiliate

The National League of Cities represents 19,000 cities, towns, and villages across America, giving local leaders a voice in Washington and beyond. Every day, NLC posts news, resources, and opportunities that empower elected officials to become better leaders. Sign up for NLC's Weekly newsletter at nlc.org, and follow NLC on [Facebook](#) (National League of Cities), [Twitter](#) (@leagueofcities), [Instagram](#) (@leagueofcities), and [LinkedIn](#) (National League of Cities).



New Jersey State League of Municipalities

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