

February 24, 2015

RE: Governor Presents Budget Proposal and Promotes Pension and Benefit Reforms

Dear Mayor:

Today in Trenton, Governor Christie presented his \$33.8 Billion State Fiscal Year 2016 budget proposal to the legislature. The Governor's proposal would provide \$12.7 Billion in School Aid, \$2.2 Billion in aid to Higher Education and \$1.5 Billion in municipal property tax relief funding.



The municipal property tax relief funding figures represent a \$3.1 million reduction from last year. This includes a shift of \$18.3 million shift from the Transitional Aid account to combined Energy Tax and Consolidation Municipal Property Tax Relief Aid (CMPTRA), which will assure most municipalities with no less property tax relief funding than was received last year. The proposal would fund the Transitional Aid program at \$107 million, down from \$121.5 million last year; eliminate the \$7.3 million Meadowlands Adjustment Payments Aid program; provide level funding in Open Space PILOTs (at \$6.5 million); pReadrovide level Highlands Protection Fund Aid (at \$4.4 million); and the Consolidation Implementation program would be funded at \$4 million, down from \$8.5 million.

Details and individual certifications will soon be posted by the Division of Local Government Services in the Division of Community Affairs. We will let you know when that occurs.

No mention was made of the Transportation Trust Fund in the Governor's speech. The printed Budget in Brief document (link provided below) simply states "The Governor's budget supports the State's ongoing Transportation Capital Program. The fiscal 2016 Program includes

Transportation Trust Fund projects (inclusive of local highway projects) and Port Authority of New York and New Jersey-funded projects.” No specifics are provided.

The bulk of the Governor’s presentation focused on public employee pension and health benefits. Specifically, he focused on the recommendations released just before the speech began, by the Governor’s Pension and Health Benefit Study Commission. (The report can be accessed at <http://www.state.nj.us/treasury/pdf/FinalFebruaryCommissionReport.pdf>.)

Those proposals include the following steps:

- 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 full prepared text of the Governor’s budget address is online at:
<http://nj.gov/governor/news/news/552015/approved/20150224a.html>

The budget in brief document is online at:
<http://www.state.nj.us/treasury/omb/publications/16bib/BIB.pdf>

Further analysis of the proposal will be included in a future letter. If you have any questions, please contact Jon Moran at 609-695-3481, ext. 121 or jmoran@njslom.com

Very truly yours,

William G. Dressel, Jr.
Executive Director