

January 12, 2018

RE: WEEKLY UPDATE

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Dear Mayor: **I.**

State Issues

a. 2% Interest Arbitration Cap Update

While the Legislature failed to extend the 2% interest arbitration cap before the adjournment of the 217th Legislature, it remains a top priority for the League until it is renewed and our property taxpayers are again provided this critical tool.

[The League's recap last week](#) included the recent analysis provided two of the rating agencies, Fitch and Moody's. Now the third rating agency, Standard and Poor's, has also raised the same alarm bells. Standard and Poor's analysis, "**New Jersey and Local Governments Face Numerous Issues in 2018, Including Increased Pension Contributions and Tax Reform**" took an even broader view and considered the cumulative impact of the federal tax changes, the impact of the expiration of the cap, and the reduced rate of returns assumption for pension contributions of both local governments and the State. [Please click here for a Ledger article which summarizes S&P's analysis.](#)

Before the adjournment of the 217th Legislature, and as we previously noted, then Assemblyman, and now Senator Declan O'Scanlon made motion to consider A-2123 at the Assembly's final voting Session. [A-2123](#) would have permanently extended the 2% cap on binding interest arbitration awards. Unfortunately, the Assembly tabled O'Scanlon's motion by a vote of 41-25 (the minimum number required) with 14 not voting. The vote was as follows:

Voted to Table (41):

Andrzejczak (D1)	Giblin (D34)	Mosquera (D4)
Barclay (D5)	Greenwald (D6)	Mukherji (D33)
Benson (D14)	Gusciora (D15)	Pinkin (D18)
Burzichelli (D3)	Houghtaling (D11)	Pintor Marin (D29)
Caputo (D28)	Jimenez (D32)	Prieto (D32)
Chaparro (D33)	Johnson (D37)	Quijano (D20)

Chiaravalloti (D31)	Jones (D5)	Schaer (D36)
Conaway (D7)	Karabinchak (D18)	Singleton (D7)
Coughlin (D19)	Lagana (D38)	Sumter (D35)
Danielsen (D17)	Lampitt (D6)	Taliaferro (D3)
DeAngelo (D14)	Land (D1)	Tucker (D28)
Downey (D11)	Mazzeo (D2)	Vainieri Huttle (D37)
Egan (D17)	McKnight (D31)	Wimberly (D35)
Eustace (D38)	Moriarty (D4)	

Voted to Consider (25)

	Howarth (R8)	Rooney (R40)
Auth (R39)		
Bramnick (R21)	Jasey (D27)	Rumpf (R9)
Brown, C. (R2)	Kean, S (R30)	Schepisi (R39)
Bucco (R25)	McGuckin (R10)	Space (R24)
Ciattarelli (R16)	McKeon (D27)	Thomson (R30)
Clifton (R12)	Munoz, N. (R21)	Webber (R26)
Dancer (R12)	OScanlon (R13)	Wolfe (R10)
DiMaio (R23)	Peterson (R23)	
Gove (R9)	Rodriguez-Gregg (R8)	

Did Not Vote or Not in Attendance (14)

	Holley (D20)	Russo (R40)
Caride (D36)		
Carroll (R25)	Kennedy (D22)	Watson (D29)
DeCroce, B. (R26)	Muoio (D15)	Wisniewski (D19)
Green (D22)	Oliver (D34)	Zwicker (D16)
Handlin (R13)	Phoebus (R24)	

Please keep in mind that the vote above was on a motion to table the Assemblyman’s effort to bring his bill to the floor. Thus, if your legislator voted no (i.e. voted to consider) or did and is still a member of the State Legislature, please thank them for their support and urge them to press for permanent IA cap extension in the current legislature. If you have a new legislator or your legislator did not vote, please reach out to them, urging their support for the permanent extension of the interest arbitration cap.

Despite the fact that the law sunset on December 31st, we’re not giving up and will continue to aggressively press this critical issue with Governor Murphy and legislative leadership.

Contacts:

- Michael F. Cerra, Assistant Executive Director, mcerra@njslom.org, 609-695-3481 x120.

- Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481 x112.

b. Bills Awaiting Governor's Action

This week marked the end of New Jersey's 217th Legislative Session and the final chance for legislators to have their bills voted on to be brought to the Governor for his action. Included amongst these bills are various pieces of legislation that impact local governments. A recent blog post, prepared by the League, provides an overview of these passed bills, along with the League's position.

Please click [here](#) to review the League's recent blog post.

Contact: Frank Marshall, Esq., League Staff Attorney, fmarshall@njslom.org, 609-695-3481 x137.

c. Governor Takes action on Pending Bills

Days before the approaching end of his term, Governor Christie took action on 42 pending bills, signing 40 into law and vetoing 2 others. The League has taken a position on a handful of different legislation signed into law, each impacting significant elements of local government. To read more about bills from the 217th Legislative Session that have municipal interest and have been signed, please click [here](#) to review the League's recent blog.

Contact: Ciara Bradley, Legislative Administrator, Cbradley@njslom.org, 609-695-3481 x128.

d. Outgoing Governor Christie Gives Final 'State of the State'

On Tuesday, in Trenton, with one week left in office, Governor Christie delivered his eighth, and final, State of the State message to both Houses of the Legislature and all who were listening and watching, live, and at remote locations, via radio, television or the internet. In what can be considered the Governor's Farewell Address, he highlighted progress New Jersey has made under his leadership. The Governor cited tax cuts, improvements in higher education, the response to superstorm Sandy, the Transportation Trust Fund reauthorization, and the limited increases in property taxes. In particular, the Governor announced the annual property tax in 2017 increased by only 1.64%. He went on to say that brings the seven year average (since the implementation of the 2% levy cap and 2% interest arbitration cap) to 1.98%, saving taxpayers over \$18 billion.

Governor Christie also devoted a portion of his speech to advocate for the renewal of the cap on binding arbitration awards. He said, in part:

If we do not act in a bi-partisan way to renew the arbitration cap, your property taxes will skyrocket again. The cap expired nine days ago, our progress is at real risk and our Governorelect has refused to ask the Legislature to act before this cap expired. If our public

safety officers were underpaid I could understand the debate. But, even after seven years of this cap, they remain the highest paid officers in our entire country while our taxpayers still pay the highest property taxes in America. Failure to renew this cap would be a failure of leadership -- a failure which would cost our citizens money they need to support their families. As a property taxpayer, I urge you to pass the arbitration cap and not return to the days of 7% annual increases in property taxes.

Click here for a copy of the Governor's prepared remarks.

II. Federal Issues

a. States' Plan to Mitigate Cap on SALT Deduction Comes Under Scrutiny

The recently passed Federal tax law caps the individual deduction for State and Local Taxes ("SALT") at \$10,000. Many believe this cap will have a negative impact on states with higher property taxes, such as New Jersey, and since its passage, state leaders have been scrambling to come up with a plan to mitigate the anticipated negative impact of the SALT deduction cap. A common plan, and one that has been proposed for NJ by Congressmen Josh Gottheimer and Bill Pascrell and Governor-elect Phil Murphy, is to allow for municipalities to create charitable funds which property-tax-payers can then contribute to, and in return would receive a dollar-for-dollar credit against their property tax bills.

The thought behind this plan being, that while the SALT deduction is capped at \$10,000, no such cap has been set on the deductibility of charitable contributions, thus allowing taxpayers who contribute to the municipal charitable fund the renewed ability to deduct the full cost of their property taxes. In short, this plan would shift the deduction for the cost of property taxes out of the SALT and instead categorize it as a charitable deduction.

Commentators and legal scholars disagree on whether or not this type of plan would pass legal muster. Some argue that this plan would have no real charitable intent, such as required for a charitable deduction, as the taxpayer is in essence receiving something in return for their contribution – a credit against property taxes. Based on these arguments many believe the IRS would disallow any claimed charitable deduction that results in a property tax credit.

The concern that the plan will not pass IRS scrutiny was further bolstered when on Thursday, Treasury Secretary, Steve Mnuchin commented, "Let me just say again from a Treasury standpoint and IRS...I think it's one of the more ridiculous comments to think you can take real estate tax that you are required to make and dress that up as a charitable contribution." While there has been no official guidance from the IRS clarifying their position, the strong comments from the Secretary may signal the agency's stance on the matter.

We will keep you updated on this important issue as it develops.

Contact: Frank Marshal, Esq., League Staff Attorney, fmarshall@njslom.com or 609-6953481 x. 137.

b. Interior Secretary Divulges Plans to Open Atlantic Seaboard to Off-Shore Drilling

On Thursday, January 4, U.S. Interior Secretary Ryan Zinke set in motion a plan that would expand offshore drilling opportunities for oil and gas corporations on federal waters, from the Atlantic Ocean to the Arctic. The new five-year drilling plan, as originally released, would have opened new areas for oil and gas exploration in areas off the East Coast, from Maine to Florida, where drilling has been blocked for decades. Objections raised by officials from Florida convinced Secretary Zinke to grant the Sunshine State a waiver from the proposal.

The scheme, which will need to go through a period for public comment and possibly public hearings, follows on the heels of another proposal by the federal administration, designed to rewrite off-shore drilling safety rules that were put in place after the 2010 BP Deepwater Horizon disaster in the Gulf of Mexico. That explosion, as you may remember, killed 11 workers and produced the biggest offshore oil spill in US history.

The rules at risk targeted blowout preventers, which are designed to contain spills from wells on the ocean floor. They require more frequent inspections of those and other devices and required on-shore monitoring of off-shore rigs.

Governor-elect Murphy, Governor Christie, Senators Menendez and Booker, the Members of our House delegation, and several New Jersey State Legislators, have joined local officials in objecting to the off-shore oil lease plan.

On behalf of officials in municipal office, up and down New Jersey's maritime coast; on behalf of the workers and businesspeople whose livelihoods depend on the health of our coastal waters; on behalf of the millions of visitors who annually visit our ocean and bay beaches for rest and recreation; and on behalf of the millions who count on our saltwater fisheries for nourishment and enjoyment; the League of Municipalities objects to this plan to permit oil and gas exploration on any sites off our Atlantic shores.

This proposal will put at risk a fragile and priceless ecosystem that supports an irreplaceable and diverse array of marine life. Further, Atlantic Coast drilling will jeopardize New Jersey's \$38 billion tourist industry, which has just recovered from the havoc wreaked by Superstorm Sandy. Tourism in New Jersey provides 312,000 jobs to our Garden State friends and neighbors. These could also be lost when faulty drilling operations, sabotage or a natural disaster result in a spill.

Congressman Frank Pallone has called on the U.S. Department of the Interior to hold a public hearing on this ill-conceived proposal, here in our Garden State. We will keep you posted on that, and on any further developments.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org, 609-695-3481 x121.

III. League Conference Follow- Up

a. Claim Your CEU's from the Annual Conference

Attention Municipal Officials! Do Not Forget to Claim Your CEU's from the 2017 NJLM Annual Conference! Please click on the following link to claim your credits:
www.njslom.org/confceu.

b. The Conference App is Still Available!

Misplaced your printed Session or Exhibitor Program Guide? The app can still be downloaded in your app store to reference session details or view contact information for participating consultants and exhibitors. The app will be available for download through the end of this calendar year and remains available for accessing on your device as long as it is installed.

c. Exhibits at the Annual Conference

Don't forget to follow up with the exhibitors you met during the Annual Conference! They're available to answer your questions and provide solutions to your town's issues. The full listing with contact information is available on the interactive floor plan and the mobile app.

IV. 2017 Campaign Contribution Notice

At the Department of State's request, please see the 2018 Campaign Contribution Notice [here](#). It is important that this notice come to the attention of each municipal clerk.

V. Also of Interest

a. Mayors' Climate Summit

Mayors and community leaders across New Jersey have taken up the challenge. Learn what we must achieve locally, and understand the specific steps to take today to succeed. It is vital for our mayors and communities to take a leading role in preserving the environment and protecting the public health of our citizens. Three panels of experts, resource organizations, and local leaders discussing a pathway forward to enable New Jersey to succeed in meeting the challenges presented by climate change. This event is hosted by Mayor Phil Kramer of Franklin Township, Mayor Bruce A. Harris of Chatham Borough, and brought to you by NJ League of Conservation Voters Education Fund, Rutgers University Bloustein School of Planning & Public Policy, and Sustainable Jersey. For more information and to register, click [here](#).

When: February 03, 2018 - 9:00 am to 1:30 pm

Where: Rutgers University Bloustein School of Planning & Public Policy 33
Livingston Ave, New Brunswick, NJ 08901

b. Commemorative Event

On behalf of the New Jersey Martin Luther King Jr. Commemorative Commission we are sharing this information with you!

There will be a commemorative event on Monday, January 15 from 3PM to 5PM at the State Museum Auditorium, 205 West State Street, Trenton. The focus will be on restorative justice; there will also be a special memorial for Ms. Edith Savage-Jennings, a founding member of the NJ Dr. Martin Luther King Jr. Commemorative Commission.

Admission is free. Please call for details: 609-633-9627.

c. 2018 New Jersey Planning Conference (Elected Official Discounts)

The American Planning Association, NJ Chapter (APA-NJ) is offering discounts on registrations to local elected officials to attend the 2018 New Jersey Planning Conference, which will be held on January 25-26 at the Hyatt Regency in New Brunswick. Single-day passes are available. Topics will include economic development, fiscal impact analysis, tax abatements, market and affordable housing, public health, transportation, complete streets, climate change, resiliency, the environment, historic preservation, sustainability, master plans, zoning codes, creative placemaking, urban design, regional planning, partnerships, and more. The conference will feature 50 sessions and 200 presenters and will include the luncheon keynote speakers Lt. Governor-Elect Sheila Oliver, Dr. James Hughes, and one of the world's leading urbanists, Richard Florida.

To learn more please visit <https://njplanningconference.org>. Special discounted rates for elected officials are posted on the registration page.

d. Alert From the NJ Department of Agriculture – Invasive Insect and Christmas Trees

The New Jersey Department of Agriculture, Division of Plant Industry requests that municipalities chip Christmas trees that are collected after the Holiday season to reduce any risk of movement of Spotted Lanternfly (SLF) egg masses. During the Holiday season, there are numerous shipments of Christmas trees into New Jersey from Pennsylvania and various other states. The Spotted lanternfly was discovered in Pennsylvania in 2014 which initiated a quarantine to restrict the movement of this invasive agricultural insect to other counties and states. Pennsylvania Christmas tree growers shipping their commodities out of the SLF quarantine zone currently follow compliance guidelines issued by the Pennsylvania Department of Agriculture. So far, there has been no observed occurrence of SLF egg masses being found on cut Christmas trees.

The Spotted Lanternfly, *Lycorma delicatula*, is a planthopper that is native to China. It feeds on many hosts and is considered an economic pest of grapes and other agricultural crops in its native range. Nymphs feed on a variety of hosts, but adults prefer the tree of heaven,

Ailanthus altissima for feeding and oviposition and subsequent overwintering, which occurs in the egg stage. The insect naturally disperses slowly but is a prolific hitchhiker and its propensity for laying egg masses on flat surfaces. To learn more about the SLF please click [here](#).

As of November 2, 2017, SLFhas been detected within 13 Pennsylvania counties: Berks, Bucks, Carbon, Chester, Cumberland, Lancaster, Lebanon, Lehigh, Monroe, Montgomery, Northampton, Philadelphia, and Schuylkill. To date, this insect has spread to Delaware and portions of New York state.

Please pass this information along to your public works department or any other department that should be made aware of this important issue.

Sincerely,

Michael J. Darcy, CAE
Executive Director