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April 5, 2019

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Municipal Clerks: Please forward to Mayor, Governing Body and Department Heads.

I. State Issues

a. State Budget Makers Focus on Revenue Forecasts

Early this week, the Assembly Budget Committee and the Senate Budget and Appropriations Committee began a series of hearings on Governor Murphy's proposed spending plan for the 2020 Fiscal Year. The process started, as it should, with a focus on revenues, projected to be available for the balance of the current (FY 2019) fiscal year and for FY 2020.

Testimony was presented by Office of Legislative Services (OLS) Budget and Finance Officer Frank Haines, by OLS Revenue, Finance and Appropriations Section Chief David Drescher, and by State Treasurer Elizabeth Maher Muoio.

Mr. Haines' focused on the State's projected surplus (\$1.2 Billion) for FY '20. While an improvement over recent past balances, the State's roughly 3.1 percent surplus is less than the 8.4 percent average among all states. That surplus could support average daily State of New Jersey spending for 8 days. The median 50 state surplus could support average state programs and services for 40 days. Mr. Haines suggested that the Legislature might want to consider the adequacy of the surplus "... in different contexts of budgetary challenges, like surges in service demand, emergencies, and changing economic conditions, including a recession."

Regarding the State's current Fiscal Year, Mr. Drescher said, "Personal income tax and sales tax collections so far this year have been considerably less than originally assumed

in the budget, while corporate tax collections have jumped to more than make up the shortfall. ...OLS expects that the current fiscal year revenues will outpace the targets used to develop the budget by about \$218 million.”

Discussing the upcoming (FY '20) spending plan, Treasurer Muoio stated, "... the budget is built on four strong pillars ..." They are, in the Treasurer's words, "Number one is smart and strategic savings ... Number two – this budget is built on fiscal responsibility with an eye towards restoring our credit worthiness ... Number three – this budget continues to invest in our shared priorities ..." (Specifically, the Treasurer highlighted NJ Transit, Pre-K education, higher education, reducing the Clean Energy Fund diversion, and the elimination of the Affordable Housing Trust funds diversions.), and "Number four – this budget continues to build on our goal of tax fairness ..." (A reference to the Governor's proposed expansion of the "Millionaires' Tax" and the expansion to the Earned Income Tax Credit.)

Treasurer Muoio noted that, "... there is an estimated \$812.5 million in one-time revenues for FY19 that must be factored out of our base when projecting FY20 revenues." This \$812.5 million includes non-recurring corporate tax receipts, tax amnesty payments, and the expiration of the Estate Tax. To compensate for those losses, the Governor's budget calls for tax policy changes that would generate an estimated \$558 million. These changes include the expansion of the "Millionaires' Tax," revenues from the state tax on recreational cannabis sales, a Corporate Responsibility Fee on large employers that do not provide health insurance benefits to employees, and an assessment on opioid drug manufacturers and distributors. (The latter of which would be used to fund efforts to attack the opioid epidemic.)

Taking account of revenue trends in all state funds, for the current Fiscal Year OLS projects \$109.2 million less than the \$37,410.3 million projected by the Executive Branch. Assuming the Governor's tax policy initiatives are adopted, for FY 2020, OLS projects \$182.7 million less than the \$38,832.9 million forecast by the Administration.

Contact: Lori Buckelew, Senior Legislative Analyst, lbuckelew@njlm.org, 609-695-3481 x112.

b. DCA Announces Main Street New Jersey Program with Regional Workshops

Earlier this week, Lt. Governor Oliver announced the restoration of the [Main Street New Jersey Program](#) (MSNJ) as a key, updated component of the New Jersey Department of Community Affairs' municipal planning and downtown revitalization portfolio. Main Street is a comprehensive revitalization program that promotes the historic and economic redevelopment of traditional business districts in New Jersey.

The new MSNJ Program will kick off with three regional workshops on Tuesday, [April 23rd in Montclair](#); Wednesday, [April 24th in Vineland](#); and Thursday, [April 25th in Red Bank](#). All workshops are free and open to all. Individuals involved in economic development and downtown revitalization in your community will especially benefit from attending. The workshops will introduce the new MSNJ Program, explore economic trends affecting downtowns and equip you with techniques to achieve your community's downtown economic development and equitable revitalization goals through information sessions and case studies.

Contact: Lori Buckelew, Senior Legislative Analyst, lbuckelew@njlm.org, 609-695-3481 x112.

c. Appellate Division Reverses Ruling on Tax Exemption for Surviving Spouse of Disabled Veterans

Earlier this week the Appellate Division issued a published opinion dealing with the applicability of the disabled veterans' property tax exemption to certain surviving spouses of qualified disabled veterans. Simply put, in [Rosanna Pruent-Stevens v. Toms River Twp.](#), the court was tasked with determining whether the terms widow/widower define a person or a marital status.

This case stems from a [2017 Tax Court ruling](#) that found the term widow/widower applies to a person and not a marital status; allowing a surviving spouse who lost eligibility due to remarriage to regain eligibility should they once again be unmarried. The Appellate Division reversed the Tax Court, finding that once a widow/widower remarries they completely extinguish their eligibility for the disabled veterans property tax exemption, even if the surviving spouse is later unmarried.

You should review this ruling with your municipal attorney and your municipal tax assessor and collector for more information on how this decision could impact your municipality.

Contact: Frank Marshall, Esq., League Staff Attorney, FMarshall@njlm.org or 609-695-3481, x137.

d. Small Municipality Economic Development Proposal Gains Traction

On Monday, the State Senate unanimously approved S-2256, a bill which establishes the "Main Street Assistance Program" to provide financial and technical assistance to businesses located in the "Main Street area" within a "small municipality" The bill's purpose is to encourage business development in small municipalities having substantially developed commercial areas.

There are two ways to qualify for the assistance as a "small municipality. First, a municipality with a population of less than 20,000, according to the latest decennial census, can qualify, if it is over 70 percent developed, according to the 2012 New Jersey Department of Environmental Protection (DEP) land use/land cover data set. Second, a county seat can qualify, if its population was less than 11,000, according to the last census.

The bill authorizes the governing body of a small municipality to designate a Main Street area in the municipality. To designate a Main Street area, the governing body must provide a statement of intent to the Economic Development Authority (EDA) setting forth the municipality's findings concerning the economic conditions existing in the Main Street area and the municipality's intentions for addressing them.

For a business to be eligible to receive financial and technical assistance from the EDA under the program, at least 15 percent of the full-time employees of the business are to reside within the small municipality. Under the bill, the EDA is to work cooperatively with other State agencies to explore and implement opportunities to direct resources and create enhanced incentives for Main Street area businesses participating in the program.

The bill provides qualifying Main Street area businesses with corporation business tax credits and gross income tax credits equal to 15 percent of the cost of employee compensation expenses. The bill, further, requires the EDA to establish a "Main Street Assistance Fund," which would be used to provide loans, loan guarantees, and technical assistance to Main Street area businesses.

We support this bill, and expect it to join its companion, A-1183, in the Assembly Commerce and Economic Development Committee.

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

II. Federal Issue

a. Municipal Compliance with Federal Overtime Requirements – Avoiding Litigation

We are providing this information to assist you in determining whether your municipality complies with Federal overtime pay requirements. The US Department of Labor Wage & Hour Division advised the League many municipal governments are not complying with FLSA section 7 overtime requirements. This involves paying for compensatory time and paying for all hours worked.

To proactively avoid litigation, municipalities can self-audit for compliance using the Payroll Audit Independent Determination ([PAID](#)) program. Using this program you can self-audit and inform USDOL of any violations you uncover. They will then work with you in good faith to correct noncompliance and resolve potential violations without litigation.

For questions or to discuss contact USDOL Community Outreach and Resource Planning Specialist Shavonne Person at 609-895-8525

b. Bipartisan Effort to Advance Gateway Continues

In a letter sent on Monday to United States Secretary of Transportation Elaine Chao, a bipartisan group of Congressional Representatives, led by New Jersey Congressman Tom Malinowski, called on the Department of Transportation (DOT) to finalize and publish the Hudson Tunnel Project Environmental Impact Statement (EIS), which will allow the critical Gateway Project to finally move forward.

Other signers of the letter are New Jersey Representatives Bill Pascrell, Frank Pallone, Donald Payne, Jr., Bonnie Watson Coleman, Mikie Sherrill, Andy Kim, Jeff Van Drew, Donald Norcross, and Josh Gottheimer. They were joined by Representatives Sean Patrick Maloney, Adriano Espaillat, Thomas R. Suozzi, Eliot L. Engel, Jerrold Nadler, Peter T. King, Antonio Delgado, Max Rose, Kathleen M. Rice, Nydia M. Velázquez, Grace Meng, Carolyn B. Maloney, and Lee Zeldin.

Eleven months have now passed since DOT's original deadline for the review, and all deadline and status dates have been removed from government dashboards. The average length of time for a final EIS report to be published is five months.

"Without the completed EIS, the construction phase cannot move forward, impeding job

creation and increasing the likelihood that a catastrophic failure of the existing tunnel will occur before construction of the new tunnel is complete," the letter states.

Noting the age and condition of the tunnels now in use, the letter continues, "If the tunnel were to collapse or becoming structurally unsound, it would endanger public safety and devastate the U.S. economy ... The Gateway Project is vital and there is no justification for placing artificial and unnecessary roadblocks in its path, including delaying the EIS."

The existing North River tunnels, which carry some 200,000 passengers each day between New York and New Jersey, are more than a century old and nearing the end of their useful life. At least one tube will need to be taken out of service in coming years for repairs, a development that would reduce capacity by 75 percent.

U.S. DOT has given no clear indication of when the final impact statement will be ready.

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

c. Census Preparation

The National League of Cities is committed to supporting a fair and accurate 2020 Census, which will be underway in less than twelve months. To better understand how municipalities are preparing for 2020 and to better target their resources to support cities, towns and villages, they have asked us to share a quick survey with you. We would appreciate if you or the relevant member of your city staff would complete the survey linked below about your municipality's 2020 Census preparations.

You can access the survey here: [NLC Local Census Preparedness Survey](#).

NLC will add insights from this survey to their growing list of resources available at nlc.org/census.

III. League Conference Follow Up

a. Do Not Forget to Claim Your CEUs from the 2018 NJLM Annual Conference!

Attention Municipal Officials! Do Not Forget to Claim Your CEUs from the 2018 NJLM Annual Conference! Please go to [our website](#) to claim your credits.

IV. Also of Interest

a. Let your Vendors know about *NJ Municipalities Magazine*!

Do you work with vendors that you would recommend to other municipalities? Let these vendors know about the League's magazine; placing advertisements in the magazine helps to increase the reach of their marketing message and supports the League as an organization in the process.

Contact: Taran Samhammer at tsamhammer@njlm.org with your vendor's mailing

address and we will send them a sample issue!

b. How to Celebrate 1st NJ Local Government Week April 7-13!

The 1st NJ Local Government Week is approaching quickly; have you started planning yet?

NJ Local Government week creates an opportunity to let your residents know about your municipal facilities and careers, and highlight the services that their local government provides on a daily basis.

Visit the League website for a [how to packet](#) with ideas ranging from basic, no cost activities to some that are more complex.

Want the League to share the events that your municipality is planning to hold? [Complete this form on the League website](#) and let us help you spread the word! Share your activities and event photos with the League so that we may share on the League's website, social media and in NJ Municipalities magazine. And remember to use the #NJLocalGovt on social media.

c. League Publications: Read All About It

The League offers a wide variety of publications to provide extra insights on the hot topics in local government, from Newly Elected guidebooks to the latest editions on OPMA, License Fees, Salaries, and Local Public Contracts. For more information on the full publication list or to order volumes for your reference, see the [Publication Order Form](#).



New Jersey State League of Municipalities

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