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State House News for Finance Officers

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Minimum Wage

On January 28th, GFOA, the New Jersey State League of Municipalities (NJLM), the New Jersey School Boards Association, and the New Jersey Association of Counties (NJAC) testified before the Assembly Appropriations Committee and the Senate Budget and Appropriations Committee concerning **Assembly, No. 15/Senate, No. 15** *(Coughlin D/ Tucker D)(Sweeney D-3)*, which would increase the minimum wage to $15.00 per hour over time.

Our collective organizations testified that this legislation, may ultimately, force certain local governing bodies to either increase user fees, reduce or eliminate services, or cut staff as the measure would now include counties, municipalities, and school districts as employers. The State's current minimum wage law only applies to private businesses and does not include the State, counties, municipalities, and school districts Allen v. Fauver 327 N.J. Super. 14 (App. Div. 1999). However, all must comply with the federal minimum wage requirement of $7.25 per hour. In light of the 2% property tax cap levy, recently enacted laws such as the "Workplace Democracy Enhancement Act" and "Earned Sick Leave" that place additional burdens on local governments, and the failure to permanently extend the 2% cap on binding interest arbitration awards and Chapter 78, an increase in the minimum wage does not help counties and municipalities deliver often mandated services in an effective and efficient manner, and does help control the continued growth of property taxes. *Special thanks to GFOA's Board of Directors and county finance officers as members of NJAC for providing the following data on how an increase in the minimum wage would impact local governing bodies across the State.*

- Atlantic County reported that it would cost the County $182,000.00 per year to fully implement a $15.00 per hour minimum wage to primarily pay entry level employees. The County further reported that the County has been using the collective bargaining process to ensure that employee wages are above the federal poverty level.
- Bridgewater Township in Somerset County reported that it would cost the Township $74,710.00 per year to fully implement a $15.00 per hour minimum wage to primarily pay seasonal employees. The Township further reported that the increase would eventually force the Township to increase registration fees for recreation programs and forgo hiring seasonal park employees.

- Burlington County reported that it would cost the County $312,713.00 per year to fully implement a $15.00 per hour minimum wage to primarily pay entry level election board, human services, library, and animal shelter employees. The County further noted that the above figure does not include potential increases for similar employees earning a wage slightly above $15.00 per hour.
- Cinnaminson Township in Burlington County reported that a $15.00 per hour minimum wage would not impact the Township as all Township employees currently earn at least $15.00 per hour.
- Cumberland County reported that it would be a minimal cost for the County to fully implement a $15.00 per hour minimum wage to primarily pay student interns, library assistants, and laborers. The County further reported that the County adopted a "Living Wage" resolution in 2002.
- Gloucester County reported that there would be an insignificant cost for the County to fully implement a $15.00 per hour minimum wage. The County further reported that the County adopted a "Living Wage" resolution in 2019
- Harrison Township in Hudson County reported that it would cost the Township $86,000.00 per year, an increase of 86%, to fully implement a $15.00 per hour minimum wage to primarily pay recreational aides and seasonal employees. The Township further reported that the increase would eventually force the Township to increase registration fees, but that the increases would not cover the costs associated with operating the programs.
- Hudson County reported that the County enacted an Executive Order in 2018 to increase the minimum wage for County employees to $15.00 per hour at a cost of $744,425.00 to implement and that the measure affected 406 of the counties 3100 employees. Hudson County took the initiative to enact the "Fair Wages for County Employees" Executive Order No. TAD-7.
- Monmouth County reported that a $15.00 per hour minimum wage would affect 300 seasonal park employees, 100 library monitors, and several clerical employees. The County further noted that the above figures do not include similar employees earning a wage slightly above $15.00 per hour.
- Morris County reported that it would cost the County $85,356.00 per year to fully implement a $15.00 per hour minimum wage primarily to pay seasonal interns and library employees.
- Moorestown Township in Burlington County reported that it would cost the Township $59,400.00 per year, an increase of 43.9%, to fully implement a $15.00 per hour minimum wage to primarily pay recreation aides and laborers.
- Somerset County reported that it would cost the County $277,818.00 per year to fully implement a $15.00 per hour minimum wage to primarily pay various county ($24,897.00), library ($79,723), and park ($173,198.00) employees.
- Sussex County reported that it would cost the County $201,000.00 per year to fully implement a $15.00 per hour minimum wage. The County further noted that the above figure does not include potential increases for similar employees earning a wage slightly above $15.00 per hour; and, does not include fringe benefits which would add an additional $105,000.00.
- Toms River Township in Ocean County reported that it would cost the Township $575,673.00 per year to fully implement a $15.00 per hour minimum wage. The

Township further reported that the increase would force the Township to increase registration fees for recreation programs, youth programs, beach tags, and the Township's swimming pool. These increases would likely lead to decreased program enrollment and eventually job cuts. The Township would also seek assistance from the State to subsidize the additional financial burden as the Township's working class has been subject to several years of substantial post Hurricane Sandy tax increases.

- Warren County reported that a $15.00 per hour minimum wage would likely increase staffing costs associated with programs that depend on contracted labor and services, such as the County's senior nutrition programs. The County also reported that it would not be affected by the gradual increase in the minimum wage until 2022 and that financial impact would be minimal at that time. Waterford Township in Camden County reported that the Township pays most of its employees at the Township's library between $9.00 and $15.00 per hour and two employees more than $15.00 per hour. Otherwise, a $15.00 per hour minimum wage would not impact the Township.
- Wharton Borough in Morris County reported that it would cost the Borough $8,769.00 per year, an increase of 9.09%, to fully implement a $15.00 per hour minimum wage specifically for part-time employees at the Township's library. The Borough further reported that this increase would force the Township to reduce services at the library as the library's budget is subject to a statutory formula generally driven by the Borough's ratable base, and the library may not pass on operational increases to residents in the form of user fees.

In an effort to alleviate some of our concerns, both committees amended the legislation to expand the definition so seasonal employment to mean "*employment during a year by an employer that is a seasonal employer, or non-profit or government entity of an individual who is not employed by that employer outside of the period of that year commencing on May 1 and ending September 30, or employment by a governmental entity in a recreational program or service during the period commencing on May 1 and ending September 30, except that "seasonal employment" does not include employment of employees engaged to labor on a farm on either a piece-rate or regular hourly rate basis."* Please note that the legislation would not exempt seasonal employees but would extend the phase-in date to $15.00 per hour to 2026.

More specifically, this legislation would incorporate into the minimum wage law the constitutional provision which has resulted in the increase of the minimum wage rate to $8.85 per hour on January 1, 2019, and which increases the rate on January 1 of each subsequent year by any increase which occurs in the consumer price index for all urban wage earners and clerical workers (CPI-W) during the 12 months prior to the September 30th before that January 1st. The bill would also incorporate into the law that whenever the federal minimum wage exceeds the State minimum wage, the federal minimum wage would be adopted as the State minimum wage and the increases based on increases in the CPI-W would be applied to the federal minimum wage rate.

In addition, the bill would provide for certain increases in the State minimum wage greater than the increases resulting from the provisions of the Constitution. The bill would provide that except for certain specified workers, the general minimum wage rate would be increased to $10.00 per hour on July 1, 2019, to $11.00 per hour on January 1, 2020, followed by $1.00 increases each year until the rate reaches a level of $15.00 per hour in 2024. As noted above, the measure would provide for a longer phase-in period for employees of any employer with less than six employees, and for seasonal employees other than tipped employees. For these employees, the minimum wage rate would be increased to $10.30 per hour on January 1, 2020, and then increased each year from 2021 to 2025 by eighty cents, and then increased in 2026 by seventy cents so that it reaches a level of $15.00 per hour in 2026, followed by further increases from 2027 to 2028 as needed to have these employees earning the same minimum wage rate as the general minimum wage rate in 2019. Both houses are expected to pass the legislation and Governor Murphy is expected to sign the reform into law.

TAX ABATEMENTS

On January 17th, the Senate Community and Urban Affairs Committee favorably reported **SENATE, NO. 58** *(Singleton D-7),* which would require municipalities to file copies of tax abatement and exemption agreements with county chief financial officer and county counsel with 10 days of execution.

In summary, this bill would require municipalities to file copies of any tax agreements authorizing short-term property tax abatements and exemptions with the county chief financial officer and county counsel within 10 days of their adoption. Under current law, these tax agreements are required to be filed within 30 days of their adoption with the Division of Local Government Services in the Department of Community Affairs. This bill would lower this timeframe to 10 days, delete the requirement that a copy be sent to the Division of Local Government Services, and instead require copies be forwarded to the county chief financial officer and county counsel.

This bill would also require municipalities that provide short-term property tax abatements and exemptions to annually report the total amount of real property taxes exempted and abated in the current tax year. Under current law, this information is only reported to the Division of Local Government Services and the Division of Taxation in the Department of the Treasury. This bill would add the county chief financial officer and county counsel to the list of recipients of this information. S-58 is on Second Reading in the Senate and with no current companion version in the General Assembly.

EARLY BID RELEASE

On January 31st, the Senate will consider and is expected to pass **SENATE, NO. 2947** *(Singleton D-7),* which would require the release of a bid list prior to the bid date under the Local Public Contracts Law.

In summary, this legislation would amend the "Local Public Contracts Law" to provide that once three or more parties have received bid documents, the local contracting unit would be required to release the names of all parties who have received bid documents, upon request. The bill would further require that the local contracting unit is required to make the information available in a timely manner. Alternatively, if the contracting unit maintains its own website, the contracting unit may post the information on its site. Failure to release or post the information would prevent the contracting unit from accepting bids and would require the re-advertisement of bids. Additionally, the bill would require bid proposal documents for contracts to erect, alter, repair or improve real property, the total price of which exceeds the Local Public Contracts Law bid threshold, to include a bidder's affidavit of non-collusion

The sponsors' stated intent of the bill is to encourage minority and women owned businesses to bid on public projects as typically only subcontractors specifically noticed by bidders may submit bids on subcontracting work. The sponsors further submit that the legislation should reduce the costs of projects because it will expand the pool of subcontractors competing for work. GFOA's Legislative Affairs Committee and the NJLM are concerned that the legislation would lead to bid rigging and collusion among bidders and oppose the measure accordingly. The companion version **ASSEMBLY, NO. 4580** *(Mazzeo D-2/Armato D-2)* is currently in the Assembly State and Local Government Committee awaiting consideration.

DELINQUENT TAXES

Also on January 31st, the General Assembly will consider and is expected to pass **ASSEMBLY, NO. 4904** *(Mukherji D-33/Quijano D-20)*, which would authorize a municipality, upon adoption of a resolution, to forgo charging interest on delinquent property tax installment payments of certain property taxpayers.

Under the bill, a property taxpayer who is a federal employee, who is not being paid due to a full or partial shutdown of operations of the federal agency by which the property taxpayer is employed as the result of a federal budget impasse or who is a contractor whose pay is received from a federal agency, but is delayed or diminished as a result of such an impasse, and who is a delinquent taxpayer, would not be charged interest on the delinquent property taxes of the property taxpayer if the federal shutdown occurs less than 45 days prior to the date upon which a property tax installment payment is payable and remains in effect on the date that the property tax installment payment is payable. The governing body of the municipality would be required to adopt a resolution providing that interest shall not be charged to a delinquent taxpayer under these circumstances if payment of the property tax installment is made on or before the date upon which the next property tax installment payment is payable.

The Legislature further amended the bill as introduced to clarify that an eligible delinquent property taxpayer must be a federal employee who is furloughed, or is working, but not being paid, during the federal budget impasse; or a contractor paid by a federal agency whose pay is delayed or diminished as the result of the federal budget impasse and is receiving unemployment benefits. The amendments would also remove the requirement that the shutdown must occur less than 45 days prior to the date upon which a property tax installment payment is payable; and would revise the bill's effective date so that the bill is retroactive to December 22, 2018 and will apply to property tax payments due and payable on February 1, 2019 and property tax payments due and payable thereafter.

Importantly note that this legislation is permissive and would provide municipalities with the discretion to forgo charging interest on delinquent property tax installment payments under certain circumstances. However, and was the case under the "SALT" legislation and regulations, GFOA's Legislative Affairs Committee opposes the measure because of its concerns with implementation and in defining who *"qualifies as a contractor whose pay is received from a federal agency."* GFOA's Legislative Affairs Committee is also concerned about whether a municipality that adopts a resolution to forgive interest on delinquent property taxes would still be required to forward 100% of property taxes collected to its county and school districts as required under the law. The Senate companion version **SENATE, NO. 3347** *(Cryan D-20/Sweeney D-3)* is currently on Second Reading. The Senate is expected to vote on the measure at one of its upcoming voting sessions and Governor Murphy is expected to sign the bill into law.

STORMWATER UTILITIES

Finally on January 31st, the General Assembly will consider and is expected to pass **SENATE, NO. 1073/ASSEMBLY, NO. 2694** *(McKeon D-17/Pinkin D-18)(Smith D-18/Bateman R-16)*, which would permit counties, municipalities, and certain authorities to establish stormwater utilities and related fees.

In summary, this bill would authorize a county or municipaliy to establish a stormwater utility for the purposes of acquiring, constructing, improving, maintaining, and operating a stormwater management system. The county or municipality may establish a stormwater utility as a new department within the county or municipality, or as an operation of an existing department having responsibility and control over a stormwater management system. Under the bill, a county, municipality, or authority that establishes a stormwater utility would be authorized to charge and collect reasonable fees and other charges to recover the stormwater utility's costs for stormwater management. These fees and other charges would be collected from the owner or occupant of any real property from which stormwater runoff enters the stormwater management system or the waters of the State. In establishing a fee or other charge, a local unit would be required to provide a partial fee reduction in the form of a credit for any property which has installed and is operating and maintaining stormwater best management practices that reduce, retain, or treat stormwater onsite. A local unit would be required to provide an additional credit to any property which has installed and is operating and maintaining green infrastructure onsite. Under the bill, land actively devoted to agriculture or horticulture would be exempt from any fee or other charge.

The measure would also authorize a local unit to use the fees or other charges collected for a variety of stormwater-related purposes outlined in the bill. A local unit that collects fees or other charges would be required to remit to the State Treasurer annually an amount equal to five percent of all fees or other charges, or $50,000, whichever amount is less. The State Treasurer would deposit these moneys into the "Clean Stormwater and Flood Reduction Fund" (fund), established by the bill. Moneys deposited in the fund would be specifically dedicated and used by the Department of Environmental Protection (DEP) to fund planning, implementation, and coordination activities related to stormwater utilities in the State, water quality monitoring and assessment, point and non-point source water pollution reduction projects, implementation of the DEP's stormwater management program, and a public education and outreach program relating to stormwater management.

Under the bill, a local unit that establishes a stormwater utility would be permitted to issue bonds for the purpose of raising funds to pay the cost of any part of the stormwater management system. Additionally, the bill would provide that a local unit that establishes a stormwater utility may acquire by gift, grant, purchase, condemnation, or in any other lawful manner, any privately-owned stormwater management system or any real property necessary for the construction, improvement, operation, or maintenance of a stormwater management system. However, if a local unit requires any payment as a condition of assuming ownership, operation, or maintenance of any privately-owned stormwater management system, the payment could not exceed the costs attributable to the stormwater management system The bill would further provide that a local unit that establishes a stormwater utility may enter into a contract with a private entity for the planning, design, engineering, construction, improvement, maintenance, and operation of a stormwater management system. Additionally, the legislation would permit a local unit to use local competitive contracting in lieu of public bidding for the hiring of a private or nonprofit entity to operate and manage a stormwater management system.

TREASURY NOT WORRIED ABOUT SLOW REVENUE GROWTH IN EARLY FY2019 — SHOULD IT BE?
John Reitmeyer, NJ Spotlight, January 22, 2019

New Jersey's fiscal year is a little more than halfway over and thus far there's been only modest revenue growth. That's something of a surprise considering a series of tax hikes were enacted over the summer, but top Department of Treasury officials are not yet sounding alarms. One reason for their optimism is that they expect the recently ended tax-amnesty program will net at least the $200 million in back taxes originally budgeted. The state's new tax for online sales has also gotten off to a slow start as companies grow accustomed to it, suggesting revenue from that source should eventually become more robust.

Treasury is also downplaying concerns about the overall pace of tax collections: The first half of the fiscal year closed at the end of December with revenues up about 2 percent compared with the same period last year. Overall growth will have to hit 7.5 percent through the end of June to keep the budget balanced, which is a requirement of the state constitution. While some fear there may be too much ground to make up, Treasury officials are more sanguine heading into the back end of the fiscal year, which always makes or breaks a budget thanks to April income-tax filings. “Right now, in the aggregate, we’re on track,” said Catherine Brennan, the state’s deputy treasurer, at a recent public-finance meeting in New Brunswick that was sponsored by the New Jersey Bar Association.

In all, the fiscal 2019 budget totals $37.4 billion, which is the largest in the state’s history. It relied on a series of tax hikes to help support an increase in spending on things like K-12 education, public-employee retirements, and mass transit. Among them were higher income-tax rate on earnings over $5 million and a higher corporate-tax rate for companies with more than $1 million in annual profits. New taxes were also established for ridesharing and home-sharing services, and for online sales and sports betting following recent federal court rulings. Meanwhile, the Murphy administration and legislative leaders also launched the tax-amnesty program in an effort to raise revenue without having to rely on even more tax hikes. While the amnesty window was open between November 15 and January 15, delinquents were able to settle outstanding liabilities with reduced interest charges and no penalties.

Brennan, speaking during last week’s event in New Brunswick, suggested the effort was a success based on preliminary results. The fiscal 2019 budget counts on the state netting $200 million from the tax amnesty. “It’s actually too early to say how we’ve done, (but) we’re confident we’ve met our revenue projection,” Brennan said. Reaching or surpassing the revenue goal for the amnesty program could give the state a boost heading into the crucial April income-tax season given the only modest pace of growth in general revenues that has occurred through the end of December. According to Treasury’s latest revenue report, total tax collections were just shy of $13 billion heading into the second half of the fiscal year. That figure bested the $12.6 billion that was collected by this time during fiscal 2018 and generated the 2.1 percent growth rate.

But New Jersey’s income-tax collections were disappointing in December, falling well short of what the state collected from the income tax — which is the budget’s largest source of revenue — during the same month last year. To explain the drop-off, Treasury officials pointed to federal tax changes that went into effect at the start of 2018 that likely caused many taxpayers to push payments into the end of 2017, falsely inflating that year’s December receipts. They now expect to see a rebound in January, and nonpartisan analysts from the Office of Legislative Services suggested in their own review that December and January collections should be viewed together before any conclusions are drawn. But an analysis of the same tax-collection data by the Garden State Initiative, a right-leaning think tank based in Morristown, suggested only 2.1 percent growth in tax collections through the first half of the fiscal year is a cause for real concern. The pace of growth will have to “accelerate geometrically” through the final six months of the fiscal year to meet the year-end goal of 7.5 percent, the group’s analysis said.

Meanwhile, budget officials in neighboring New York are also concerned about the pace of revenue collections, with the administration of Gov. Andrew Cuomo recently deciding to downgrade the state’s revenue forecast by about $400 million due to an unexpected to drop in income-tax collections, according to a recent report from Bloomberg. If a forecast adjustment does end up being necessary for New Jersey’s budget, it would likely come in early March when Murphy is due to put forward his budget proposal for fiscal

2020. Treasury officials said very little about any new tax changes that could be in the works for fiscal 2020 during last week's event. But they did confirm the Murphy administration remains committed to a series of fiscal-policy goals that were first identified as top priorities last year. They include increasing the contribution into the pension system, which is due to go up by about $700 million in fiscal 2020, and further boosting the state's budget surplus, an account that is used to hedge against unforeseen revenue gaps that right now equals about 2 percent of total spending.

Putting even more pressure on the fiscal 2020 budget will be the need to make up for the $200 million in net revenue from the tax-amnesty program — assuming that target is met — because it is only a one-time source of funding that was used to balance the fiscal 2019 spending plan. "Without a new source of revenue or significant cuts to programs that New Jersey families rely on, it's unclear what will fill this $200 million budget hole," said Sheila Reynertson, a senior policy analyst at New Jersey Policy Perspective, a left-leaning think tank based in Trenton.

NEW JERSEY-NEW YORK AREA LOST 5,700 MILLIONAIRES IN 2018
David M. Zimmer, North Jersey Record, January 18, 2019

The New Jersey area lost thousands of millionaires in 2018, even as their ranks grew worldwide. A tumultuous year for global stock markets and federal and state tax changes are responsible, experts say.

The New Jersey-New York population center that encompasses New York City, Jersey City and Newark last year lost more than 5,700 of its high-net-worth individuals with liquid assets of $1 million to $30 million, according to a new report from research firm Wealth-X. Debra Taylor of Taylor Financial Group in Franklin Lakes said she has been advising many of her wealthy New Jersey clients to set up residency in other states. The loss of unlimited state and local tax deductions for the 2018 federal tax year is drastically elevating the metro area's already high cost of living for some, she said.

"The folks that technically can afford to live here are also the people who have second homes. They could be in Pennsylvania. They could be in the Southwest. Very often it's Florida," she said. "The tax situation in those states is much more attractive." One client, Taylor said, would have to spend $150,000 more each year to remain a New Jersey resident. By spending half the year outside of New Jersey, that client can avoid the full brunt of the amended federal tax code that caps state and local tax deductions at $10,000, she said. Some of Taylor's other clients, who are considered middle class in New Jersey, are finding that their money buys them more in places with a lower cost of living and taxes, such as Florida and Texas.

"These people are doing OK here. They'd be doing great anywhere else, and what I'm finding is those people are relocating," she said. "They are leaving New Jersey." In 2016, New Jersey lost its richest taxpayer at the time: David Alan Tepper, a billionaire businessman, hedge fund manager and owner of the Carolina Panthers NFL team. He and his family left Livingston and relocated to Miami Beach, Florida. His exit caused one state official at the time to warn of a risk to the state budget because of the resulting loss of income tax. Tepper's net worth is believed to be $11.6 billion. New Jersey lost more than just millionaires in 2018. Twice as many people moved out of New Jersey last year as moved in. The migration, the largest of any state, has dropped the Garden State's population to pre-2013 levels. Statistics show newcomers skew younger than those moving out. Nevertheless, retirees are leading an emigration that saw the state's ratio of outbound movers top United Van Lines' 42nd annual National Movers study.

Where are the millionaires? Despite the decline in the New York-New Jersey metro area, the number of millionaires is growing worldwide and nationwide. The number of high-net-worth individuals reached 8.68 million in the U.S. last year. Worldwide, the number increased to 22.4 million last year. The totals represent year-over-year increases of 2.3 percent in the U.S. and 1.9 percent overall. Six of the top 10 cities for high-net-worth individuals are in the U.S., including Los Angeles (576,000), Chicago (353,775), San Francisco (314,055), Washington, D.C., (301,495) and Dallas (298,220). The highest growth in the top 10 cities was found in Paris. European nations saw significant growth relative to countries in North America, Asia and Oceania. Growth of 4.7 percent in France, 4.9 percent in Germany and 6.2 percent in Italy contested with declines of 1.1 percent in Canada, 1.2 percent in South Korea and 2.3 percent in Australia. "Hampered by declines in equity markets and relatively slower GDP growth, the U.S. came in fourth in terms of growth in its [high-net-worth] population and their wealth across the top 10 countries," the report reads.

The fastest-growing nations in terms of future wealth are in Africa, according to the report. Expected growth over the next five years tops 16 percent in Nigeria, where there are more than 29,000 millionaires, and 12 percent in Egypt, where there are 22,000 millionaires. Following closely behind is Bangladesh, at 11.4 percent. The densely populated emerging market leads the charge for the Asia-Pacific region, which Wealth-X expects to see the highest annual growth rate up to 2023. Asia is now home to as many high-net-worth individuals as Europe. That number is expected to grow, with 32 of the 40 cities predicted to see the highest growth all in China. "The region's HNW population is projected to increase at a compound annual growth rate of 7.6 percent over the next five years, with total net worth trailing slightly at 7.5 percent," the report states. "At a global level, our forecast shows near identical compound annual growth rates of 6.1 percent for the [high-net worth] population and 6.0 percent for their combined wealth, indicating minimal change to average net worth."