

**State of New Jersey**

OFFICE OF THE GOVERNOR

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CHRIS CHRISTIE
Governor

March 31, 2010

Barbara Keshishian, President
New Jersey Education Association
180 West State Street
Trenton, New Jersey 08607-1211

Marie Bilik, Executive Director
New Jersey School Boards Association
413 West State Street, P.O. Box 909
Trenton, New Jersey 08605-0909

Dear Ms. Keshishian and Ms. Bilik:

In my Budget Address to the Legislature and in my letter to you last week, I talked about the need for school districts and local education associations to become partners in facing the current economic and fiscal crisis facing our state. I understand that making sacrifices is never easy. Considering school districts are facing budget challenges this year with a loss of over \$1 billion in nonrecurring federal fiscal stimulus money, we are left with little choice. Yet, while faced with this immense challenge, many school districts and associations have already stepped up to the challenge and made the tough and difficult choice to forego a salary increase for one year and thereby preserve their colleagues' jobs, protect education in the classroom for our children and prevent unnecessary property tax increases.

Over the last few weeks, school districts and local education associations across the state have made an effort to work together. West Essex, Boonton, Edison, Montclair, Metuchen and Randolph are just a few of the districts that recognize we are confronting extraordinary circumstances and the only way to survive is by uniting in our shared sacrifice. These districts and associations have gone back to the table to find budget solutions that protect education in the classroom and limit property tax increases.

I know it is not easy to negotiate even a one-year salary freeze. And while this is not the easy choice, it is the choice that puts New Jersey's children first. It recognizes that during these difficult economic times, providing our children a quality education is our shared priority.

In response to this shared sacrifice, I am proposing to provide additional state aid to the districts that have made this effort. The additional aid would help offset reductions in state aid by providing state aid in an amount equal to the Social Security and Medicare employer payroll taxes that would have been paid on the salary increase were a freeze not adopted.

If school boards and local education associations come together to achieve cost savings by implementing a one-year salary freeze and contributing to health benefits prior to the submission of school district budgets to county clerks on April 5th, districts will receive additional state aid. This aid can be used to retain teachers, fund afterschool programs and protect educational services.

The State of New Jersey pays Social Security payroll taxes in the amount of 6.2 percent on employee earnings up to \$106,800 and Medicare payroll taxes in the amount of 1.45 percent with no cap. The total payroll levy from these two taxes is a combined 7.65 percent on employee earnings.

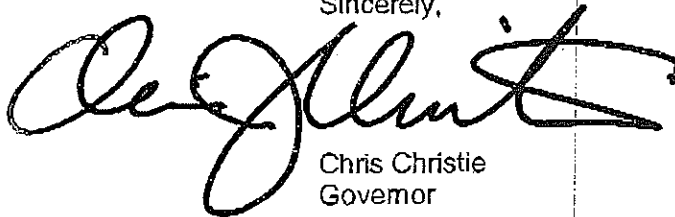
My proposed Fiscal Year 2011 Budget includes total expenditures of \$792 million for these anticipated Social Security and Medicare payroll taxes for all school districts. By reducing payroll expenses via a salary freeze, the State would experience savings on these tax levies and apply those funds in the form of additional aid in the districts where those savings occurred. As a result, we are able to offer this proposed aid at no additional cost to the state.

As an example, a school district that saves \$1 million through a one-year salary freeze would receive additional state aid of \$76,500 as result of these savings. Statewide, if \$500 million of savings were achieved through salary freezes, additional aid would total \$38,250,000.

I know this is hard, which is why it is our obligation and intention to reward those who are doing the right thing to achieve savings and protect education.

I thank you for making the sacrifice now that will lead to a stronger New Jersey tomorrow.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Christie", written in a cursive style.

Chris Christie
Governor