**The Path to Progress Bill Package**

**PENSION & HEALTH BENEFITS:**

1. **S.3753 (Sweeney, Oroho, O’Scanlon) Establishes cash balance plans in PERS and TPAF for new public employees and employees with less than five years of service; makes various changes to PERS and TPAF retirement eligibility.**

This bill would make the following changes for new employees and employees with less than five years of service: 1) increases the age of retirement to 67 years old; 2) moves these employees into a hybrid pension plan in which employees have a defined benefit pension on the first $40,000 of salary and a cash balance plan that provides an interest credit of 75 percent of the State’s rate of return or a minimum return of 4 percent, whichever is greater; 3) details the distribution of funds when the employee retires or terminates employment after less than 10 years; and 4) requires no employer contribution to the employees cash balance plan.

This bill makes various changes to the Public Employees’ Retirement System and the Teachers’ Pension and Annuity Fund. All the changes in the bill apply only to public employees who become members of the PERS or TPAF on or after July 1, 2020 or who have been members of the PERS or TPAF for less than five years as of that date.

Under the bill, these employees will not be eligible for service retirement until they are at least 67 years of age. An employee will be required to have at least 30 years of service credit to be eligible to retire before 67 years of age, but the employee’s pension will be reduced by 3 percent per year for each year that the employee is under 67 years of age.

The bill also changes the amortization period for the unfunded liability of the PERS and the TPAF, beginning July 1, 2023.

In addition, these employees will be members of the new cash balance plans to be established, one in the PERS and one in the TPAF. When the annual salary of these employees exceeds $40,000, the employee will be enrolled in the cash balance plan and the employee’s mandatory contribution as a percentage of the salary amount that exceeds $40,000 will be deposited into the employee’s account in the cash balance plan.

An annual minimum interest credit of 4 percent annually will be added to the account. Also, a separate alternate interest credit will also be added to the account of each employee annually. The alternate interest credit will be 75 percent of the rate of return on the asset investments for a fiscal year, as that rate of return is certified by the actuary in the actuarial valuation when the valuation is adopted by the board of trustees of the system or fund, as appropriate. Upon a member’ retirement or a distribution of the accumulated account balance, the member or beneficiary will receive the accumulated member contribution with the minimum interest credit or the accumulated member contribution with the alternate interest credit, whichever is greater.

If a member terminates employment after less than 10 years of service and requests a distribution, there will be no interest paid on the member contributions to the account for the first two years. For the third and each subsequent year of plan membership, distribution of the accumulated account balance at the request of the member will only include a portion of the interest for each year of plan membership commencing with 30 percent in the third year of plan membership and increasing by 10 percent for each year thereafter.

There will be no employer contributions added to an employee’s account in the cash balance plan.

The bill contains provisions for distribution of accumulated account balances in the cash balance plans when an employee terminates employment, retires, or dies, and for the enrollment retroactively of employees who have less than five years of service credit in the PERS or TPAF as of July 1, 2020.

The board of trustees of the PERS and TPAF will be responsible for the operation of the cash balance plans, in compliance with State law, the federal Internal Revenue Code, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

The bill requires the savings realized by a local unit or a school district as a result of this bill to be used solely and exclusively for the purpose of reducing the amount that is required to be raised by the local property tax levy for the local unit or school district.

2. **S.3754 (Sweeney, Oroho, O’Scanlon)** *BILL TEXT CURRENTLY UNAVALABLE* **Terminates SEHBP; terminates SHBP Plan Design Committee; transfers coverage from SEHBP to SHBP; requires certain plans with no employee or retiree contribution; imposes limit on health care benefits for public employees.**

This bill would terminate the SEHBP as of Jan. 1, 2020, and shift employees to SHBP. The bill would also dissolve the State Health Benefits Plan Design Committee and move the responsibilities to the State Health Benefits Committee. The bill would add new members to the Committee. Health plans offered would not be able to exceed an actuarial value of 80 percent. No plan offered by a public employer could provide greater benefits than the highest level provided under the SHBP. The bill would permit a local public entity and bargaining unit to renegotiate a collective bargain agreement to account for these modifications.

3. **S.2455/A.2001 (Sweeney, Oroho, Murphy, McKnight, Mosquera, DiMaso, Wirths) ABSOLUTE VETO BY GOVERNOR 12.17.18 Transfers county college employees and retirees from membership in SEHBP to membership in SHBP.**

**BILL STATEMENT**: This bill would transfer New Jersey county college employees and retirees from membership in the SEHBP to membership in the SHBP.

4. **S.2578/A.1851 (Sweeney, Weinberg, Lampitt, Coughlin, Schepisi) Limits payments for unused sick leave earned after effective date by public officers or employees represented by union; for all public employees, limits vacation leave carry-forward and requires suspension and forfeiture of certain supplemental compensation. (Sweeney/Weinberg)**

The bill would cap payments for unused sick leave at $7,500 and would grandfather sick leave earned prior to the effective date. Under the bill, if accumulated unused sick leave earned prior to the effective date is $7,500 or more at the time of retirement, accumulated unused sick leave earned after the effective date will have no monetary value.

This bill imposes limits on the payment of supplemental compensation for unused accumulated sick leave to, and the accumulation of vacation leave by, any current or future State, local government, or board of education employee. Under this bill, unused sick leave payments will not be permitted upon retirement in any amount for any sick leave time accumulated after the bill’s effective date. Supplemental compensation for any time earned prior to that date is payable as under current law. For unused sick leave over 60 days earned and accumulated after the effective date, an employer will apply an actuarial value placed on that leave and the employer will appropriate that value, in monthly installments, to offset any cost of post-retirement health care charged to the employee. The portion the employer pays will not exceed $7,500 in the aggregate.

**BILL STATEMENT**: This bill prohibits the payment by a public employer of supplemental compensation for unused sick leave that is earned after the bill’s effective date by a current or future State, local government, or board of education officer or employee who has a majority representative for collective negotiations purposes. Supplemental compensation for any time earned prior to that date will be payable as under current law.

Under the bill, if the supplemental compensation based upon accumulated unused sick leave earned prior to the effective date is $7,500 or more at the time of retirement, accumulated unused sick leave earned after the effective date will have no monetary value. If the supplemental compensation based upon accumulated unused sick leave earned prior to the effective date is less than $7,500 at the time of retirement, upon the retirement of an officer or employee who is eligible to receive after retirement health care benefits coverage that is fully or partly paid by the employer or a public entity, the employer will determine the dollar value of the number of days of unused sick leave earned after the effective date of the bill or after the expiration of a collective negotiations agreement with a relevant provision applicable to that officer or employee in effect on that date, without interest, which cannot exceed $7,500 in the aggregate taking into account the value of the sick leave earned prior to the effective date. For local government and education officers and employees, the dollar value will be calculated using the number of such days that may be used for the calculation and the per diem or other rate, if any, that have been agreed upon through collective negotiations between the employer and the majority representative of the relevant officer or employee, if the agreement contains provisions regarding these items. For State employees, the value will be calculated in accordance with current law. In addition to any other contributions by the employer, the employer will make contributions in equal monthly payments for a period of five years, not to exceed $7,500 in the aggregate, from appropriations which will be applied toward the contributions for health care benefits coverage required of such retired officer or employee, whether as a percentage of premium, percentage of the retirement allowance, or a specific amount, to the extent necessary to pay such contributions. The remaining amount, if any, necessary to pay such contributions will be contributed by such retired officer or employee. This would also apply to the survivor of a deceased retired officer or employee if the survivor has been provided with health care benefits coverage, by law or contract, that is fully or partly paid by the employer or a public entity.

Upon the retirement of an officer or employee who is not eligible to receive, or for whom the employer or a public entity does not provide, health care benefits coverage after retirement that is fully or partly paid by the employer or a public entity, the provisions of the above paragraph will not apply and a Health Reimbursement Arrangement, or a substantially similar account, by the employer will be established and governed in accordance with the requirements of the Internal Revenue Service and the Internal Revenue Code. The purpose of the arrangement will be for the employer to reimburse the retiree or eligible person for qualified medical expenses incurred by the retiree up to the dollar value of the accumulated unused sick leave, if any, as computed in accordance with a collective negotiations agreement in the aggregate, but only up to one fifth of that amount annually for five years. The arrangement will reimburse the retiree or eligible person for copayments, coinsurance, deductibles, and services as set forth in the plan document and permitted by the Internal Revenue Service and Code. The plan document will provide for the carry forward of the total amount of the unused reimbursement from year to year for five years. Unused reimbursement will not be payable as cash to the retiree or the retiree’s estate or beneficiaries. The arrangement will be available to the survivor of the retiree, in accordance with the Internal Revenue Service or Code, if permitted by law or a collective negotiations agreement.

If the officer or employee is a veteran of the Armed Forces of United States and has been issue a certificate of such veteran status by the Adjutant General of the Department of Military and Veterans’ Affairs, the veteran will receive from the employer supplemental compensation in an amount, if any, as computed in accordance with a collective negotiations agreement and as limited as described above and will not be eligible for an individual Health Reimbursement Arrangement.

All officers and employees in service on the effective date of the bill who have a contractual right to receive, if eligible, supplemental compensation for accumulated unused sick leave will continue to have that contractual right.

In addition, this bill limits the carry-forward of unused vacation leave to one successive year only for current State, local government, or board of education officers and employees whether they have a majority representative for collective negotiations purposes or do not have such a representative.

Also, for current and future State, local government, or board of education officers and employees whether they have a majority representative for collective negotiations purposes or do not have such a representative, a payment for accumulated unused sick leave or vacation leave will be suspended if such officer or employee is indicted for certain crimes that involve or touch the office or employment. The payment will be forfeited if such an officer or employee is convicted. The bill requires the Attorney General to develop guidelines or establish procedures to provide the appropriate governmental agency or public employer with notice of any indictment or conviction of a current or former officer or employee.

Certain provisions of the bill would apply on the effective date or upon the expiration of a collective negotiations agreement or an individual contract of employment with a relevant provision in effect on the bill’s effective date.

The bill clarifies that its provisions with regard to accumulated unused sick leave earned after the effective date, the suspension or forfeiture of payments for unused sick leave or vacation leave, and the carry forward of vacation leave will apply to all officers and employees of independent State authorities and of public institutions of higher education in this State.

The bill will take effect the first day of the second month after enactment.

5. **S.3042/A.4619 (Sarlo, Oroho, Singleton, Pintor Marin) Creates subaccounts for SHBP and SEHBP health care services and prescription drug claims; requires procurement by State of third-party medical claims reviewer.**

This bill would create subaccounts in the SHBP Fund and the SEHBP Fund. The bill would also require the State to procure a professional services contract for a third-party medical claims reviewer for SHBP and SEHBP. The third party medical claims reviewer will provide real-time or near-real-time review and oversight of the medical claims payment processing, and will maintain a secure archive of medical claims and other health services payment data.

**BILL STATEMENT**: This bill creates subaccounts in the State Health Benefits Program Fund and the School Employees’ Health Benefits Program Fund. The bill also requires the State to procure a professional services contract for a third-party administrator for the State Health Benefits Program (SHBP) and the School Employees’ Health Benefits Program (SEHBP).

The bill creates subaccounts in the SHBP and the SEHBP funds that will be dedicated for the payment of health care services claims and fees for covered services and for prescription drug benefits. No person may use or authorize the use of the assets in the subaccount for any purpose other than for the provision of benefits and the defraying of reasonable costs of administering the subaccount.

The bill requires the State to procure, in an expedited manner, a third-party administrator for the SHBP and the SEHBP. The third party administrator will adjudicate claims for health care services provided under the programs, process direct payments of adjudicated claims for covered health care services and other health care services fees from the subaccount to health care providers and facilities, process payments for prescription drug benefits, and provide other related services, including maintaining a secure archive of medical and prescription drug claims and other health services payment data. The third-party administrator is to take all necessary action to reduce the administrative costs of the program, and the authority of the third-party administrator will not extend to health care services for Medicare-eligible retirees. The third-party administrator may not be a carrier, or subsidiary of that carrier, that has contracted with the State Health Benefits Commission (SHBC) or School Employees’ Health Benefits Commission (SEHBC) to provide health care services under the State Health Benefits Program Act or School Employees’ Health Benefits Program Act.

The bill authorizes the Division of Purchase and Property in the Department of the Treasury, to the extent necessary, to waive or modify any requirement under any other law or regulation that may interfere with the procurement. Upon the expiration of the initial contract awarded in an expedited manner, the division is to award any subsequent contract for a third-party administrator in accordance with current law governing a State agency’s award of a public contract.

The third-party administrator will serve as a fiduciary of the subaccount in accordance with fiduciary standards equivalent to those under the “Employee Retirement Income Security Act of 1974,” and is to act in the best interest of covered employees and their enrolled eligible dependents. The third-party administrator will provide claims data and other reports in compliance with applicable State and federal laws, including HIPAA, to document the cost and nature of claims incurred, demographic information on the covered population, emerging utilization and demographic trends, and such other information as may be available to assist in the governance of the programs and in timely response to any requests from the Governor, State Treasurer, Division of Pensions and Benefits, SHBC, SEHBC, State Health Benefits Plan Design Committee, School Employees’ Health Benefits Plan Design Committee, President of the Senate, and Speaker of the General Assembly.

The State Treasurer will deposit the funds necessary to accomplish the purposes of the bill, and deposits and contributions to the subaccount will be irrevocable and applied to the distribution of payments for the costs of health care services and prescription drug benefits and to fund the reasonable costs of administering the subaccount. Subaccount funds are to be invested or held in interest-bearing accounts, and any interest or other income or earnings derived from the investment or reinvestment of that money is to be credited to the subaccount.

The bill also requires any carrier with which the commission’s contract for the provision of hospital, surgical, obstetrical, and other covered health care services and benefits to grant to the third-party administrator access to any provider network contract applicable to a health benefits plan offered under the SHBP or SEHBP.

Sections 1 and 2 of the bill will take effect immediately, and sections 3 through 6 will take effect after the expiration of all contracts with a carrier now in effect purchased for the provision of hospital, surgical, obstetrical, and other covered health care services and benefits under the State Health Benefits Program Act and the School Employees’ Health Benefits Program Act.

Passed Senate 34-0, pending Assembly amendments in Assembly Appropriations, no vote scheduled

6. **S.103 (Weinberg, Kean) Limits eligibility of certain public employees for health care benefits; prohibits those so limited from receiving payments for waiving benefits.**

This bill limits a public employee of the State, a local government, or a local board of education, or agency or authority thereof, to receiving health care benefits coverage from only one public employer of this State if the employee holds more than one public position simultaneously. The bill prohibits a public employee so limited from continuing to receive any payment from the employee’s public employer for waiving the health care benefits coverage provided by the employer and from waiving any coverage and receiving payment in the future.

**BILL STATEMENT**: This bill limits a public employee of the State, a local government, or a local board of education, or agency or authority thereof, to receiving health care benefits coverage from only one public employer of this State if the employee holds more than one public position simultaneously. The bill prohibits a public employee so limited from continuing to receive any payment from the employee’s public employer for waiving the health care benefits coverage provided by the employer and from waiving any coverage and receiving payment in the future.

If the public employee has a spouse who also is a public employee eligible for health care benefits coverage from a public employer of this State, the employee will be required to select coverage with the employer or with the spouse’s employer, but not both. An employee required to select coverage with the employer or the spouse’s employer will continue to be eligible to waive coverage and receive payment for the waiver if the employer paying for the waiver of coverage is outside of the State Health Benefits Program or the School Employee’s Health Benefits Program and if the employer provides such waivers.

The bill also changes eligibility for payments for waiving health care benefits coverage by providing that a local elected official whose term of office commences after the effective date of the bill will not be eligible for a payment in consideration for filing a waiver of any health care benefits coverage. Also, the bill requires public employers to annually reauthorize the allowance of waivers. Current law limits payments for waiver of health care benefits coverage filed after May 21, 2010 to an amount, established by the employer that does not exceed 25 percent, or $5,000, whichever is less, of the amount saved by the employer because of the employee’s waiver of coverage.

The bill provides that a board of education that offers health care benefits will be able to allow any employee who is eligible for other health care coverage to waive coverage under the board of education’s plan, and may offer to its employees, but not to an elected official whose term of office commenced after the effective date of the bill, a payment amount subject to the collective bargaining process. The bill requires the payment if it is provided for in a collective bargaining agreement.

**EDUCATION**:

7. **S.3755 (**[**Gopal**](http://govnetnj.com/GOV/billsrch?s=2018&t=spon&d=31)**,** [**O'Scanlon**](http://govnetnj.com/GOV/billsrch?s=2018&t=spon&d=37)**)** *BILL TEXT CURRENTLY UNAVALABLE* **Requires executive county superintendent of schools to establish consolidation plan to combine all school districts in county, other than preschool or kindergarten through grade 12 districts, into all-purpose regional schools districts.**

The bill would require the consolidation of all school districts, other than PreK or kindergarten through grade 12 districts, into all-purpose regional school districts. Within the first 3 months, districts would develop their own consolidation plans. Any districts without a plan would have a plan developed for them by the executive county superintendent. All costs of the studies would be borne by the State. The study should take into account the feasibility of consolidation and any consequences of consolidation. Districts would then have 2 years to consolidate if approved by the commissioner, or 3 years if the commissioner does not and creates their own plan.

**BILL STATEMENT:** This bill would require the executive county superintendent of schools to establish a plan for the consolidation of all districts in the county, other than preschool or kindergarten through grade 12 districts, into all-purpose regional school districts.  The plan would be required to be completed within 12 months of the bill’s effective date.  Prior to the executive county superintendent establishing the consolidation plan, however, the bill provides districts in the county with a three-month period to voluntarily adopt a plan for the formation of an all-purpose regional district or enlargement of an existing one.  These voluntary plans must be adopted by a resolution of each participating district and may occur without consideration of a district’s membership in a regional district or participation in a sending-receiving relationship on the bill’s effective date.  The executive county superintendent is required to take into consideration to the greatest extent possible these voluntary plans in establishing the county consolidation plan.

After establishing the consolidation plan, the executive county superintendent will commission a feasibility study for each all-purpose regional district established or enlarged under the plan and pay the costs of the feasibility study.  The bill additionally provides that the executive county superintendent will pay the costs of any feasibility study for the establishment of an all-purpose regional school district which was commissioned within 12 months prior to the bill’s effective date.

     The bill includes a list of items that must be included in the feasibility study including:

     (1)   A general description of the proposed regional school district;

     (2)   The proposed structure of the new district board of education;

     (3)   An analysis of administrative staffing, collective bargaining agreements, and compensation guides of the constituent school districts and recommendations and guidance for the proposed regional school district on these issues;

     (4)   An analysis of each proposed constituent school district's educational program and recommendations and guidance for establishing the educational program of the proposed regional school district;

     (5)   An analysis of potential opportunities for greater effectiveness and efficiency;

     (6)   An analysis of socioeconomic and demographic information;

     (7)   A comparison of the estimated State aid and property tax impact for the proposed regional school district and the sum of State aid and property taxes for the constituent school districts;

     (8)   A comprehensive financial analysis of current and projected spending, local community wealth, debt limit, and current debt burden; and

     (9)   If any of the constituent members of the proposed regional district would be leaving another regional district or a sending-receiving relationship with a school district which is not a member of the proposed regional district, a comprehensive analysis of the financial and educational condition, and effect on the racial composition, of the school districts which are not a part of the proposed regional district.

     Under the bill, the feasibility studies must be submitted to the Commissioner of Education for his approval.  If the commissioner approves the feasibility study, by July 1 of the second full school year following the approval, the all-purpose regional school district will be established or enlarged in accordance with the laws governing regional school districts, except no voter approval will be required.  If, however, the commissioner does not approve a feasibility study, the commissioner will be required to determine an appropriate regionalization plan for the districts covered in the feasibility study, and the all-purpose regional school district determined by the commissioner pursuant to this new plan will be established or enlarged by July 1 of the third full school year following the commissioner’s determination.

8. **S.3756 (Ruiz, Sarlo, O’Scanlon)** *BILL TEXT CURRENTLY UNAVALABLE* **Requires limited purpose regional school districts to coordinate with constituent districts regarding school calendar and curriculum.**

This bill would require the board of education of a limited purpose regional school district to meet and work with constituent schools districts of the regional district to coordinate school calendars and ensure consistency in curriculum. This would be required to take place at least once a year.

9. **S.3757 (Smith, Oroho, Sweeney) Establishes a pilot program in DOE for organization of county administrative school districts.**

This bill would establish a pilot program for the organization of at most five county administrative school districts. The pilot program would be ongoing for 9 years. After 9 years, the commissioner would prepare a report for the Legislature and Governor with recommendations of the program.

**BILL STATEMENT**: This bill requires the Commissioner of Education to establish a 10-year pilot program to organize a county administrative school district in five counties selected by the commissioner. The goal of the pilot program would be to evaluate the administrative and educational effectiveness of the county school district model in New Jersey.

Under the pilot program, any county of the second, third, fourth, fifth, or sixth class that has fewer than two SDA districts in the county would be eligible to participate in the pilot program. The commissioner would, within nine months of the bill’s enactment, submit to the county board of chosen freeholders and executive county superintendent of schools in each eligible county a report that includes a description of the application process, a description of a county’s responsibilities under the pilot program, including information on the pilot program evaluation requirements established by the commissioner, the commissioner’s general assessment of the advantages and disadvantages of participation in the pilot program, including an assessment of additional costs, a model procedure for the transition to a county administrative school district, and a model procedure for the transition of a county administrative school district to the system of locally-operated school districts in place prior to the establishment of the county administrative school district.

If interested, the board of chosen freeholders of a county that is eligible to participate in the pilot program would apply by adopting a resolution, with the concurrence of the executive county superintendent of schools, and completing the application process prescribed by the commissioner. The county would be required to submit current data on comparative administrative spending by the school districts in the county and a statement describing the savings and efficiencies that the board of chosen freeholders believes would result from the establishment of a county administrative school district in the county. The commissioner would then select five counties from among the eligible applicants and develop a plan for the transition of the locally operated school districts in the county to a county administrative school district. A county’s final acceptance for participation in the pilot program would be contingent on the adoption of the transition plan by the county board of chosen freeholders.

The schools of the county selected for participation in the pilot program would be conducted by and under the supervision of a board of education of the county administrative school district and administered by a chief school administrator of the county administrative school district. Local boards of education in the county, including the vocational school district and county special services school district boards, if any, would continue to exist in an advisory role; however, district boards would cede authority to govern the public schools within their jurisdiction to the county administrative board of education.

The bill would abolish local district-level administrative or supervisory personnel positions, including the district superintendent of schools. The county administrative board of education would instead appoint a district supervisor for each municipality in the county to oversee operations of the public schools located in the municipality and perform such other duties as the board may prescribe. The district supervisor would work under the supervision of the chief school administrator.

The county administrative board of education would consist of the executive county superintendent of schools and four members appointed, with the advice and consent of the county board of chosen freeholders, by the chief elected executive officer of the county or the director of the board of chosen freeholders, as appropriate to the appointment procedures established by the form of government of the county. A member would be required to be a citizen and resident of the county during service and for the three years preceding appointment. No more than two members of the same political party would be permitted to serve on the board.

The county administrative board of education would organize annually on November 1 by the election of a president and vice-president. The board would have the same powers to govern the county administrative school district that school district boards of education have to govern school districts. For example, the board would have the power to enter into contracts for the provision or performance of goods or services, purchase, sell, and improve school grounds, and take and condemn land and other property for school purposes.

The chief school administrator of the county administrative school district would be appointed by contract by the Governor for a term of no fewer than three nor more than five years. An appropriate certificate, as prescribed by the State board, would be required for the position. The chief school administrator would have general supervision over all aspects of the county administrative school district, including fiscal operations and instructional programs, under rules and regulations prescribed by the State board, and would have such other powers and perform such additional duties as may be prescribed by the board of education of the county administrative school district.

The board of education of the county administrative school district and the board of chosen freeholders would each be required to submit a report to the commissioner no later than eight years after the establishment of the county administrative school district. The report would contain, at a minimum, an evaluation of the relative merits of the county administrative school district, as compared with the public school system in place in the county prior to the implementation of the pilot program, and recommendations on whether the pilot program, or components of the pilot program, should be established in the county on a permanent basis. The commissioner would then, no later than nine years after the establishment of the county administrative school district, submit to the Governor and the Legislature an evaluation of the effectiveness of the pilot program. The commissioner’s evaluation would, at a minimum, include a detailed analysis of the impact of the pilot program on administrative costs and student achievement in the county selected for participation, copies of the reports submitted to the commissioner by the board of chosen freeholders of the pilot county and the board of education of the county administrative school district, and the commissioner’s recommendation on the advisability of the pilot program's continuation and expansion to other counties.

10. **S.3758 (Pennacchio, Gopal, Lagana, Sarlo) provides for direct State payment of cost of special education and related services for certain students.**

This bill would create in but not of the Department of Education, the Office of High Needs Placement Funding. This office, along with the High Needs Placement Committee, would assume all extraordinary special education costs over $55,000. The State would assume the costs of each student above the $55,000 threshold. Extraordinary Special Education Aid would be eliminated within 2 years of the establishment of direct State funding. The Committee would also be charged with reviewing the program and providers.

**BILL STATEMENT**: Under this bill, the State would assume the responsibility of entering into a contract with, and making payments to, entities that provide special education and related services to certain students with disabilities. If a school district anticipates that the cost of providing the special education and related services included in a student’s Individualized Education Program (IEP) will exceed $55,000, then that student is considered to require a high needs placement. A school district would forward the IEP to the newly created Office of High Needs Placement Funding within the Department of Education. That office would be responsible for entering into contracts with, and making payments to, providers of the special education and related services for these students. The office would make 10 equal monthly payments, starting on the first business day of October of that school year. Payments for summer and extended year programs will be paid on a monthly basis following submission of an invoice for services rendered. Additionally, the office would be responsible for:

* establishing and maintaining a directory of providers of special education and related services, including information regarding performance and cost; and
* implementing a quality rating system that will be developed for providers, ensuring that each provider undergoes a quality rating review at least once every three years.

The bill establishes a High Needs Placement Committee in the Office of High Needs Placement Funding. The committee members will include the commissioner and State Treasurer, or their designees, and 15 public members. Seven of the public members will be appointed the Governor, and the Senate President, Minority Leader of the Senate, the Speaker of the General Assembly, and Minority Leader of the General Assembly will each have two appointments. The committee would be responsible for:

* developing the quality rating system that will be used by the office to assess the performance of providers in terms of measurable outcomes in providing special education and related services to students who require a high needs placement;
* collecting, analyzing, and reporting data regarding the provision of special education and related services;
* providing recommendations in the event that the committee’s analysis determines that school districts are identifying students as requiring special education and related services at an inappropriately high rate or failing to provide services in the least restrictive environment;
* conducting a longitudinal study on students with disabilities who cease to require a high needs placement; and
* examining the threshold criteria used to define “high needs placement.”

Under the bill, a portion of the cost of educating students who require a high needs placement would be supported by deducting a portion of a school district’s State aid payable by an amount of the general fund tax levy, equalization aid, special education categorical aid, and security categorical aid attributable to those students. The State aid payable to a district would also be reduced by the amount of federal funding awarded under the “Individuals with Disabilities Education Act” and the “Elementary and Secondary Education Act of 1965” attributable to the students. In the event that the amount to be deducted exceeds the district’s total State aid payable, then the district would pay the difference to the State.

Under current law, extraordinary special education costs aid is awarded to school districts as a reimbursement of costs incurred in the prior school year in educating individual special education students whose costs exceed certain thresholds. This bill eliminates this category of State aid. However, in the first year in which the State would assume the costs of high needs placements, the State would continue to provide the extraordinary special education costs aid reimbursement for costs incurred in the prior school year.

11. **S.3219 (Singer, Diegnan) Eliminates use of census-based funding of special education aid in school funding law.**

This bill eliminates the use of the census-based methodology, and calculates State aid for special education based on the actual number of special education students included in the district’s resident enrollment.

**BILL STATEMENT**: Under the provisions of the “School Funding Reform Act of 2008,” P.L.2007, c.260 (C.18A:7F-43 et al.), the State provides special education aid to school districts using the census-based method. Under this method, districts receive funding for special education based on the assumption that a fixed percent of the total student population requires special education services, rather than using the actual number of special education students to determine the amount of State aid that school districts will receive. This bill eliminates the use of the census-based methodology, and calculates State aid for special education based on the actual number of special education students included in the district’s resident enrollment.

12. **S.3759 (Addiego, Corrado) Creates special education unit within the Office of Administrative Law.**

This bill would establish a unit within the Office of Administrative Law dedicated to special education cases. The administrative law judges within this unit would have expertise in special education law. The bill would allow time for the OAL to develop a timeline to hire, train, and assign judges as needed to this unit. The bill would also require a report on the adherence to the 45-day adjudication schedule and any other recommendations for improvements to the Legislature and Governor.

**BILL STATEMENT**: This bill would establish a unit within the Office of Administrative Law (OAL) dedicated to special education cases. The special education unit would consist of administrative law judges having expertise in special education law. The number of administrative law judges in the unit would be proportional to the number and complexity of special education cases referred to the OAL. Under the bill, all contested cases concerning special education law referred to the Office of Administrative Law would be assigned to and adjudicated by the administrative law judges in the special education unit.

The bill directs the Director and Chief Administrative Law Judge shall prepare an annual report to the Governor and to the Legislature regarding:

1. the number of special education cases referred to the special education unit during the reporting period;
2. the number of special education cases resolved by the special education unit during the reporting period; c. the average number of cases pending before the special education unit during the reporting period;
3. the average time to resolution of the special education cases,
4. a brief description of the outcome of the resolved cases and f. other relevant information and recommendations at the discretion of the Director and Chief Administrative Law Judge.

The bill has a delayed effective date in order to allow the OAL to develop a timeline for training judges and assigning judges to the new unit. The bill would take effect on the first day of the ninth month next following enactment except the Director and Chief Administrative Law Judge of the Office of Administrative Law may take any anticipatory administrative action in advance as shall be necessary for the implementation of the bill.

13. **S.3760 (Ruiz, Singleton, Sarlo, Oroho) Requires municipalities, school districts, and local authorities to regularly meet to discuss shared service agreements.**

The bill would require the governing body of a municipality, the board of education of each district, and the governing body of each local authority to hold a public meeting at least twice a year to evaluate shared service agreements and discuss entering into new agreements. Any municipality that violates the requirements of the bill would incur a five percent reduction in formula aid.

**BILL STATEMENT**: This bill requires municipalities, counties, school districts, and local authorities to regularly meet to discuss shared service agreements. Specifically, the governing body of a municipality would be required to conduct not less than two public meetings per year with the board of chosen freeholders of the county, the board of education of each school district, and the governing body of each local authority, or any representatives thereof, to evaluate current shared service agreements and the possibility of additional shared service agreements. The public meetings may be conducted jointly among all or several local units, or separately between each local unit. However, each public meeting would be subject to the requirements of the "Senator Byron M. Baer Open Public Meetings Act.”

Under the bill, a school district is defined as any local or regional public school district that services residents of the municipality that conducts the public meeting. As used in the bill, a “local authority” is an authority, as defined in the “Local Authorities Fiscal Control Law,” that services residents of the municipality that conducts the public meeting. Similarly, the bill defines a “county” as the county in which the municipality is located.

Additionally, any municipality that violates the requirements of the bill would incur a five percent reduction in formula aid (i.e., Energy Tax Receipts Property Tax Relief Aid and Consolidated Municipal Property Tax Relief Aid). However, a municipality would not be penalized if the violation occurred due to the inaction of a county, school district, or local authority.

The bill would take effect on January 1 next following the enactment of the bill.

**LOCAL GOVERNMENT AND SHARED SERVICES**:

14. **S.3761 (Sweeney, Cardinale) Establishes County and Municipal Study Commission**

This bill would establish the County and Municipal Study Commission as a permanent commission in the Legislative Branch of State Government. The commission would be charged with studying county and municipal government holistically and with a long-term perspective in order to identify opportunities to deliver local government services in a more modern and efficient manner and reflects the changes to the fiscal circumstances of the State and local government, development patterns, technology, and expectations for local government services. The Commission would make regular recommendations to the Legislature.

**BILL STATEMENT**: This bill would establish the County and Municipal Study Commission as a permanent commission in the Legislative Branch of State Government. The commission would be charged with studying county and municipal government holistically and with a long-term perspective in order to identify opportunities to deliver local government services in a more modern and efficient manner that reflects changes to the fiscal circumstances of the State and local government, development patterns, technology, and expectations for local government services. The commission would provide the Legislature with broad-scale insights on how to reform local government in the State so that it can deliver its services in a more modern and efficient manner.

The commission would consist of nine members as follows: one public member, who would serve as the chair of the commission, jointly appointed by the President of the Senate and the Speaker of the General Assembly; the chair of the Senate Community and Urban Affairs Committee; the chair of the Assembly State and Local Government Committee; one public member appointed by the President of the Senate; one public member appointed by the Speaker of the General Assembly; one public member appointed by the Senate Minority Leader; one public member appointed by the Assembly Minority Leader; the president of the New Jersey State League of Municipalities or a designee; and the president of the New Jersey Association of Counties or a designee.

The commission would have a staff that includes an executive director and up to two professional staff members. The Office of Legislative Services would provide administrative support to the commission as may be requested by the commission. The executive director would be permitted to contract with any consultant or State institution of higher education, as necessary and authorized by the commission, within the limitations of appropriations for commission purposes, and to seek and spend any appropriation or grant from the State, its political subdivisions, the federal government, or any other source, public or private, as authorized by the commission.

The commission would study the structure, functions, and powers of county and municipal government and recommend legislative changes that provide for the modern, effective, and efficient delivery of services by counties and municipalities. In this regard, the commission would be required to prepare and submit reports, on at least an annual basis, to the Governor and the Legislature that set forth the results of its studies and any recommendations for constitutional or statutory changes.

The commission would be authorized to form subcommittees to review issues before the commission, but only the commission would be authorized to take any formal action, including the release of any study or recommendation to the Governor and the Legislature. The commission would also be authorized to form advisory committees to advise and assist the commission in carrying out its functions and duties.

The bill appropriates $350,000 from the Property Tax Relief Fund to fund the expenses of the commission.

The bill requires the commission to first study and report on the assessment of real property for property tax purposes and the optimal scale of the delivery of county and municipal government services.

15. **S.3762 (Sweeney, O’Scanlon) Concerns assessment of real property**

This bill would permit any county to adopt the provisions of the “Property Tax Assessment Reform Act,” which provides for county-based real property assessment. The bill would also require that the true value of real property be determined by the municipal-wide reassessment of that real property performed by municipal assessors when the ratio of assessed value to true value is lower than 90 percent or greater than 110 percent.

**BILL STATEMENT**: This bill makes several changes to current statutory law concerning the assessment of real property in this State.

This bill would permit additional counties to adopt the provisions of the “Property Tax Assessment Reform Act,” P.L.2009, c.181 (C.54:1-86 et seq.), enacted as a pilot program to explore the efficacy of county-based real property assessment. As enacted, that law limited the pilot program to Gloucester County. This bill would permit any county to adopt the provisions of the “Property Tax Assessment Reform Act,” except a county that, on the bill’s effective date, is operating under the “Real Property Assessment Demonstration Program,” P.L.2013, c.115 (C.54:1-101 et al.). Currently, only Monmouth County operates under that demonstration program. Under county-based real property assessment, a county assessor can maintain, and correct as necessary, the value of real property in each municipality within a county so that all property taxpayers are treated equitably.

The bill also revises how real property assessments are determined across the State. Current law requires that the standard in the State for the assessment of a parcel of real property is its “true value,” which is essentially the market value of a parcel of real property. This bill would require that the true value of real property shall be determined by the municipal-wide reassessment of that real property performed by municipal assessors when the ratio of assessed value to true value is lower than 90 percent or greater than 110 percent, and reduces the common level range calculated annually by the Director of the Division of Taxation to those levels. The bill would also require the assessor of each municipality to perform periodic municipal-wide reassessments of real property as the assessor deems necessary to ensure that the ratio of assessed value to true value of the real property is not less than 90 percent or greater than 110 percent in any tax year.

16. **S.1 (Sweeney, Gopal, Bucco, Singer, Lampitt, Moriarty, Pinkin) Encourages sharing of services; makes appropriations. (Sweeney/Gopal)**

This bill modifies the "Uniform Shared Services and Consolidation Act," sections 1 through 35, and the law governing the Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC), to encourage and facilitate the provision of local and regional services through shared service agreements and joint contracts. Some modifications include civil service relief for shared service agreements.

**BILL STATEMENT:** Under current law, the Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) examines the consolidation of municipalities, the merger of autonomous agencies into their parent municipal or county government, and the sharing of services between municipalities or between municipalities and other public entities. The bill would clarify LUARCC's powers to recommend specific consolidations and mergers under current law. The bill would also clarify and enhance LUARCC's powers to facilitate shared service agreements by authorizing LUARCC to recommend or to order the execution of specific shared service agreements. The provisions of Title 11A, Civil Service, would not apply to an employee affected by a shared services agreement ordered or recommended by LUARCC.

The bill would require LUARCC to include in every consolidation proposal and every shared services proposal an estimate of the savings that will result from implementation of the proposed consolidation or sharing of services. The bill allows local units to contest LUARCC's estimate of savings by appeal to the Commissioner of Community Affairs.

Current law provides for public hearings when municipal consolidations are being considered. The bill provides that when a LUARCC recommends a municipal consolidation, the commission must be present at one or more of those public hearings. The bill also requires LUARCC to hold at least two public hearings whenever the commission recommends or orders a sharing of services.

Under the bill, as under current law, LUARCC-recommended consolidation or shared service proposals would become effective upon adoption by a majority of the voters of each affected municipality. If the voters of a municipality do not approve a shared services proposal or if a municipality or other entity identified in a proposed shared services agreement does not enter into and implement the proposed shared services agreement within 14 months following the effective date of the proposal, the State would annually reduce that municipality's State aid by the amount of savings that was estimated by LUARCC.

With regard to a LUARCC-ordered sharing of services, if a municipality or other entity identified in a shared services order does not implement the order within 14 months of its effective date, the State would annually reduce the total amount of aid it provides to that municipality or entity by the amount of savings that was estimated by LUARCC. Furthermore, the bill provides that under these circumstances the State may take other steps it deems necessary to enforce the order, including withholding all State aid allocated to that municipality or entity until it complies with the order.

Additionally, the bill clarifies the Legislature's intention that LUARCC have sufficient resources to fulfill its statutory obligations by empowering LUARCC to request specific resources from the State and localities and to contract for necessary services. The bill would appropriate funds to LUARCC to cover the costs of operations and to fund extraordinary expenses of local units needed to implement a LUARCC-proposed consolidation plan or shared service agreement.

The bill also provides that when local units enter into, renew, or extend shared service agreements or joint meetings pursuant to the "Uniform Shared Services and Consolidation Act," P.L.2007, c.63 (C.40A:65-1 et seq.) or any other law providing for the sharing of services, the provisions of Title 11A, Civil Service, would not apply to employees affected by the shared service agreement or joint contract.

17. **S.3763 (Addiego, Bateman, Sarlo) Renames joint meetings as regional service agencies; grandfathers existing joint meetings**

This bill would amend the “Uniform Shared Services and Consolidation Act” and other laws that refer to “joint meetings” to “regional service agencies.” Joint meetings created prior to the enactment of the bill would be grandfathered.

**BILL STATEMENT**: This bill amends the “Uniform Shared Services and Consolidation Act” (USSCA) and other statutory law to change the name of “joint meetings” to “regional service agencies” to better reflect the purpose and operation of these entities.

Under the provisions of the bill, a “regional service agency” would have the same definition and the same powers and authority as a “joint meeting.” The bill provides that on or after its effective date, any joint contract entered into by two or more local units would form a regional service agency, rather than a joint meeting. Any joint meetings created by joint contract prior to the enactment of the bill would continue and would be governed in the same manner by the USSCA as regional service agencies.

Current law provides that joint meetings are the joint operation of any public services, public improvements, works, facilities, or other undertaking by contracting local units pursuant to a joint contract. A joint meeting is a public body corporate and politic constituting a political subdivision of the State for the exercise of public and essential governmental functions to provide for the public health and welfare. A joint meeting has the following powers and authority, which may be exercised by its management committee to the extent provided for in the joint contract:

* to sue and be sued;
* to acquire and hold real and personal property by deed, gift, grant, lease, purchase, condemnation or otherwise;
* to enter into any and all contracts or agreements and to execute any and all instruments;
* to do and perform any and all acts or things necessary, convenient or desirable for the purposes of the joint meeting or to carry out any powers expressly provided under the USCAA.
* to sell real and personal property owned by the joint meeting at public sale;
* to operate all services, lands, public improvements, works, facilities or undertakings for the purposes and objects of the joint meeting;
* to enter into a contract or contracts providing for or relating to the use of its services, lands, public improvements, works, facilities or undertakings, or any part thereof, by local units who are not members of the joint meeting, and other persons, upon payment of charges therefor as fixed by the management committee;
* to receive whatever state or federal aid or grants that may be available for the purposes of the joint meeting and to make and perform any agreements and contracts that are necessary or convenient in connection with the application for, procurement, acceptance, or disposition of such State or federal aid or grants; and
* to acquire, maintain, use, and operate lands, public improvements, works, or facilities in any municipality in the State, except where the governing body of the municipality, by resolution adopted within 60 days after receipt of written notice of intention to so acquire, maintain, use, or operate, finds that the same would adversely affect the governmental operations and functions and the exercise of the police powers of that municipality.

Under the bill, this definition and these powers and authority also would apply to regional service agencies. Additionally, the bill clarifies that joint meetings and regional service agencies are subject to the “Local Fiscal Affairs Law.”

18. **S.3764 (Andrejczak, Bucco) Requires counties to appoint shared service coordinators; appropriates $2 million to fund these appointments**.

This bill would require each county to appoint a county shared service coordinator who would be responsible for promoting and facilitating shared service agreements between local governments in the coordinator’s county, including the county itself. The bill would provide State grants to offset total compensation by up to $95,000. An appropriation of $2 million is included for this purpose.

**BILL STATEMENT**: This bill would require each county to appoint a county shared services coordinator. A county-shared services coordinator would be responsible for promoting and facilitating shared service agreements between local governments in the coordinator’s county, including the county itself. Providing a point-person at the local level to encourage and facilitate more shared services between local governments would ultimately help drive down the cost of local government to property taxpayers.

Under the bill, a county could fulfill the requirement of having a county shared services coordinator by entering into a shared service agreement with another county or counties to share a county shared services coordinator.

The bill requires each county-shared services coordinator to complete any training course on shared services established by the division within six months of the course’s availability.

The Division of Local Government Services (DLGS) in the Department of Community Affairs would serve as a resource to support the work of a county-shared services coordinator. Other State officials would be required to cooperate with a request by a county-shared services coordinator for specialized technical advice.

The bill provides State grants to cover the total compensation costs of the county shared services coordinators, up to a maximum of $95,000 per year per coordinator. The director of DLGS may condition the award of future grants on compliance with reporting requirements and whether satisfactory progress has been made toward any goals established by the director. The bill makes an appropriation of $2 million to fund these grants.

19. **S.3765 (Singleton, Bucco) Establishes Office of Local Government Efficiency in DCA; appropriates $250,000 for program support.**

This bill would establish the Office of Local Government Efficiency in DCA. The office would be charged with working to promote and facilitate the regionalization and innovative delivery of local government services with the aim of lowering property taxes. Under the bill, Rutgers would be charged with providing training courses on delivery local government services through shared service agreements, joint contracts, and alternative service delivery methods.

**BILL STATEMENT**: This bill would establish the Office of Local Government Efficiency in the Division of Local Government Services in the Department of Community Affairs. This new office would be charged with working to promote and facilitate the regionalization and innovative delivery of local government services with the aim of lowering the notoriously high property tax burden in this State.

The office would be responsible for:

* Providing technical advice to local units pursuing, or already implementing, shared service agreements, joint contracts, or alternative service delivery methods;
* Preparing and updating a guidance handbook outlining and explaining the procedures and requirements for the formation and implementation of shared service agreements and joint contracts;
* Preparing and updating a guidance handbook outlining and explaining the various options and evaluation of alternative service delivery methods;
* Preparing and updating promotional materials on shared service agreements, joint contracts, and alternative service delivery methods;
* Identifying best practices in shared service agreements, joint contracts, and alternative service delivery methods, and compiling information on these practices;
* Approving and overseeing a training program on delivering local government services through shared service agreements, joint contracts, and alternative service delivery methods;
* Establishing, maintaining, and updating a user-friendly shared services, joint meeting, and alternative service delivery method resources webpage on the Internet website of the department;
* Serving as a liaison between local unit officials and State officials who can provide specialized technical advice;
* Compiling, and providing upon request of local unit officials, contact information of current and former local unit officials with relevant experience who volunteer to be a resource to other local units pursuing or implementing shared service agreements, joint contracts, or alternative service delivery methods; and
* Promoting shared service agreements, joint contracts, and alternative service delivery methods through events hosting local unit officials.

Rutgers, The State University of New Jersey, which already provides for the professional education of many local government officials through its Center for Government Services, would be charged with developing and offering training courses on delivering local government services through shared service agreements, joint contracts, and alternative service delivery methods. Certificates would be issued upon the satisfactory completion of these courses.

The bill appropriates $250,000 to fund the expenses of the office.

20. **S.3766 (Singleton, Bucco) Requires Edward J. Bloustein School of Planning and Public Policy to undertake study to determine efficiency and scaling in delivery of local government services.**

The bill would direct the Edward J. Bloustein School of Planning and Public Policy to conduct a study for scaling for the most efficient delivery of services by local units within the context of shared services agreements, joint contracts, and alternative service delivery methods. The study would examine the following, including, but not limited to: 1) municipal courts; 2) construction code enforcement; 3) fire code enforcement; 4) municipal and county health services; 5) property tax assessments; 6) public works; and 7) provisions of emergency services.

**BILL STATEMENT**: This bill directs the Edward J. Bloustein School of Planning and Public Policy of Rutgers, the State University of New Jersey, to conduct a comprehensive study to research scaling for the most efficient delivery of services by local units within the context of shared service agreements, joint contracts, and alternative service delivery methods.

New Jersey residents face the highest property tax burden in the United States and reducing this burden has been and continues to be a priority for the Legislature. In an effort to further encourage streamlining of the delivery of local government services, a determination of efficiency and scaling is required in order to inform the Legislature as to the most effective methods to achieve savings for taxpayers, while still ensuring a high level of quality in the delivery of services.

Under the bill, the study will examine, but not be limited to examining, increasing efficiency in the following areas of service delivery:

* municipal courts;
* construction code enforcement;
* fire code enforcement;
* municipal and county health services;
* property tax assessments;
* public works; and
* provision of emergency services, including police, fire, and emergency medical response, and dispatch for emergency response.

The bill specifies that the study may utilize a variety of research methods with a mission to collect and compile the data on which comprehensive decisions can be made to encourage the most efficient and effective streamlining of delivery of services by local units. Under the bill, the Bloustein School is required to issue a report of its findings and recommendations to the Governor and the Legislature within one year of the commencement of the study.

The bill appropriates from the Property Tax Relief Fund to Rutgers, the State University $30,000 conduct the study and issue the report.

21. **S.3767 (Sarlo, Thompson) Establishes pilot program to permit use of generally accepted accounting principles in certain county and municipal annual financial statements.**

Under the bill, the governing body of a pilot county or pilot municipality may apply to the Director of the Division of Local Government Services in the Department of Community Affairs to participate in the pilot program to use the generally accepted accounting principles (GAAP). The pilot program would operate for approximately three years. Within six months after each participating county and municipality has submitted its third annual financial statement using the GAAP standards, the division would be required to submit a report to the Legislature concerning the pilot program.

**BILL STATEMENT**: This bill establishes the “GAAP Reporting Pilot Program.” The pilot program would permit the annual financial statement of participating counties and municipalities to be completed in accordance with the generally accepted accounting principles (“GAAP”) promulgated by the Governmental Accounting Standards Board.

Currently, county and municipal financial statements are not required to comply with GAAP accounting standards. However, most local governments throughout the country, as well as all school districts in this State, currently follow these standards.

Under the bill, the governing body of a pilot county or pilot municipality may apply to the Director of the Division of Local Government Services in the Department of Community Affairs to participate in the pilot program. The bill defines a “pilot county” as any county having a population of not more than 150,000 people. Any municipality located within a pilot county is defined a “pilot municipality.” The pilot program would begin after at least six counties and municipalities are approved to participate in the pilot program. The pilot program would operate for approximately three years.

The bill requires the director of the division to prescribe a form upon which any participating county or municipality may complete its annual financial statement using the GAAP standards. The bill also requires the division to provide technical assistance to any county or municipality that participates in the pilot program.

Within six months after each participating county and municipality has submitted its third annual financial statement using the GAAP standards, the division would be required to submit a report to the Legislature concerning the pilot program. Specifically, the report would be required to examine whether the interests of the State would be served by requiring every local unit to adopt the GAAP standards. Under the bill, the pilot program would terminate immediately following the submission of this report.

22. **S.1701 (Singleton, Sweeney, Stack) A.345 (Murphy, Pinkin, Milam, Land) Requires cost-benefit analyses for long term tax exemption; requires DCA to create database of these exemptions; requires new distribution of annual service charges; requires five-year tax exemption and abatements be filed with certain county officials. (Singleton/Sweeney/Stack)**

This bill would require an application for a long-term property tax exemption to include a cost-benefit analysis and for the mayor or other chief executive officer of the municipality to produce an independent cost-benefit analysis to be submitted along with the application to the municipal governing body before it can decide on the exemption. The bill would require municipalities to consider and evaluate whether an investment in a redevelopment project through the grant of a long-term property tax exemption will generate satisfactory revenue returns to the municipality, as well as the financial impacts to counties, school districts, and other local governments. Finally, The bill would require each municipality which enters into a financial agreement on or after the effective date of the bill to remit a portion of the annual service charge collected by the municipality to the county, school district, and any other taxing district, within which a redevelopment relocation housing project is located, in direct proportion to the distribution of the amount raised by taxation in the municipality in the prior tax year.

**BILL STATEMENT**: This bill would require an application for a long-term property tax exemption to include a cost-benefit analysis and for the mayor or other chief executive officer of the municipality to produce an independent cost-benefit analysis to be submitted along with the application to the municipal governing body before it can decide on the exemption. The bill would also require a municipal governing body to include in its resolution approving or disapproving of a project for which a long-term tax exemption is sought specific findings about the net impact of the project on the finances of the affected local governments, including the municipality, county, and school district.

This bill would require that municipalities consider and evaluate whether an investment in a redevelopment project through the grant of a long term property tax exemption will generate satisfactory revenue returns to the municipality, as well as the financial impacts to counties, school districts, and other local governments, and would allow the public to do the same by making the required cost-benefit analyses and findings part of the public record.

Under the bill, the cost-benefit analyses and financial impact findings required for grants of long-term property tax exemptions would have to be posted on the Internet website of the granting municipality. If the municipality does not have a website, this information would have to be provided for public inspection on the Internet website of the Department of Community Affairs (DCA).

The bill would also require municipalities that grant new long term property tax exemptions to provide pertinent information about each approved project to DCA, which would post that information, along with existing long term property tax exemption information retrieved from plain language budget summaries submitted to DCA, in a database, sorted by municipality, on its Internet website.

**SENATE BUDGET COMMITTEE AMENDMENTS**: The committee amendments:

* require the cost benefit analysis of a long term property tax exemption to address the impact on school funding;
* require the annual service charge to be distributed in proportion to the amount of revenue received by the county, municipality, and school district from the property tax;
* require municipalities to file a copy of the five-year property tax exemption and abatement agreement with certain county officials; and
* change the effective date to nine months after the date of enactment

23. **S.3768 (Singleton, Bateman) Requires shared service agreements to include certain provisions**.

The bill would require that share service agreements between local governments include the following provisions in addition to requirements under current law: 1) performance evaluation criteria; 2) procedures for determining any fee adjustments; 3) alternative dispute resolution procedures; and 4) exit procedures to govern the dissolution of the agreement.

**BILL STATEMENT**: This bill would require that shared service agreements between local governments include certain provisions. Specifically, and in addition to provisions required under current law, the bill requires such an agreement to include: (1) performance evaluation criteria; (2) procedures for determining any fee adjustments; (3) alternative dispute resolution procedures; and (4) exit procedures to govern the dissolution of the agreement. Requiring these items to be addressed at the outset will help avoid, and make easier to resolve, potential issues that may arise over the course of such an agreement.

24. **S.3769 (Madden, O’Scanlon) Permits county police department and force to provide police services to municipalities.**

This bill would authorize a county police department and force to enter into a shared service agreement pursuant to the "Uniform Shared Services and Consolidation Act" with any municipality located in the county to provide any, or all, police services to the municipality that a municipal police department and force is authorized to perform itself.

**BILL STATEMENT:** This bill would authorize a county police department and force to enter into a shared service agreement pursuant to the "Uniform Shared Services and Consolidation Act," sections 1 through 35 of P.L.2007, c.63 (C.40A:65-1 through C.40A:65-35), with any municipality located in the county to provide any, or all, police services to the municipality that a municipal police department and force is authorized to perform itself, as recommended by the New Jersey Economic & Fiscal Policy Workgroup in its report “Path to Progress.” Authorizing counties to perform police services on behalf of municipalities would lower, or eliminate, municipal costs relating to policing and provide property tax relief to municipal residents.

The bill also makes a technical correction to N.J.S.40A:14-107 by removing current language in the statute authorizing a county police department and force to enforce all provisions of chapter 171 of Title 2A of the New Jersey Statutes. The statutes in that chapter, designated “Observance of Sabbath Days,” were repealed at different times between 1970 and 1999.

**TAX STRUCTURE:**

25. **S.3246 (Sarlo, Singleton, Oroho, Bucco, Bateman, Lagana, O'Scanlon, Greenstein, A.4807 (Bucco, Benson) Establishes elective pass-through business alternative income tax and allows refundable gross income tax credit for taxpayers earning income from pass-through businesses in taxable year.**

This bill would create an optional entity-level tax on pass-through businesses. For a business that opts to pay the pass-through tax in a tax year, the bill would provide a refundable gross income tax credit that is available to taxpayers who are members of the pass-through business, irrespective of whether the taxpayer is a natural person, business entity, or estate or trust. This would allow these businesses to take advantage of federal tax deductions that were recently capped for individuals. The bill would also contribute to correcting the existing imbalance between the Property Tax Relief Fund and General Fund.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE STATEMENT (with committee amendments 12.2018): The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3246, with committee amendments.

Senate Bill No. 3246, as amended, the “Pass-Through Business Alternative Income Tax Act,” establishes an elective entity-level tax that may be paid by pass-through businesses, and provides an offsetting credit to taxpayers who receive income from a pass-through business that elect to pay the tax.

Pass-through businesses are partnerships, New Jersey limited liability companies that are not taxed as incorporated entities by the State, and New Jersey S corporations. These entities are called pass-through businesses because, generally, the profits are passed directly through the business to the owners, and tax on the business’s income is assessed and levied on the owners' individual gross income tax returns.

This bill creates an optional entity-level tax on pass-through businesses. Specifically, at the election of the business, the tax is levied on a pass-through business that has at least one partner, shareholder, or member (collectively, “member”) that owes New Jersey gross income tax on income, dividends, and gain received from the pass-through business, and sourced to the State, in the tax year (the “distributive proceeds”). To calculate the amount of tax due, the pass-through business is first required to determine the amount of distributive proceeds that each member receives from the business in the tax year. Then, each member’s pro rata share of the distributive proceeds is multiplied by: (i) 5.525 percent, if the distributive proceeds of the pass-through business are less than $250,000 in the tax year; (ii) 6.37 percent, if the distributive proceeds are between $250,000 and $1 million; (iii) 8.97 percent, if the distributive proceeds are between $1 million and $3 million; and (iv) 10.75 percent, if the distributive proceeds are more than $3 million (the “taxed share”). Finally, the pass-through business adds together each member’s taxed share to determine the business’s pass-through business alternative income tax liability for the tax year. However, if a member does not owe gross income tax in a tax year on distributive proceeds, or the liability is less than $1, then that member’s amount of distributive proceeds is disregarded for purposes of calculating the pass-through tax liability for the tax year.

For a business that opts to pay the pass-through tax in a tax year, the bill provides a refundable gross income tax credit that is available to taxpayers who are members of the pass-through business, irrespective of whether the taxpayer is a natural person, business entity, or estate or trust. Specifically, the amount of this credit is equal to that member’s taxed share. However, if a member does not owe gross income tax in a tax year on distributive proceeds, or the liability is less than $1, then that member cannot claim the tax credit that is available under this bill for the tax year, since that member’s pro rata share of distributive proceeds was disregarded for purposes of determining the tax liability. This credit may only be claimed by a qualifying taxpayer after the application of all other credits allowed by law.

The Director of the Division of Taxation in the Department of the Treasury is authorized to develop and promulgate rules, regulations, procedures, and forms for the administration and collection of the tax, including but not limited to the payment schedule, the tax credit provided by the bill, and for the application of the credit relative to tax liabilities of estates and trusts.

Pass-through businesses may be small and medium-sized, privately owned entities that operate for federal and State personal income tax purposes as pass-through entities. For each of these entities, the taxable income is reported on the member’s personal tax return, and taxes are paid by the individual. The ability of these individuals to deduct these personal state income tax payments are now restricted as federal personal itemized deductions to no more than $10,000 per year, but are not capped for businesses to use as unlimited business expenses that can reduce the income passed on to their individual members. This bill establishes a new tax and individual tax credit that will preserve, at the business level, an uncapped offset against taxable income, and that business income offset will credit the individual taxpayer for their individual liability attributable to that income derived from the pass-through business.

The bill takes effect immediately and is retroactive to taxable years of pass-through entities beginning on or after January 1, 2018.

COMMITTEE AMENDMENTS:

Revise the tax rate; previously the rate was 10.75 percent for all pass-through entities, and the amendments provide that the rate is as follows:

Pass-Through Entity Income, per Taxable Year Tax Rate

Under $250,000 5.525%

Under $1 million, but at least $250,000 6.37%

Under $3 million, but at least $1 million 8.97%

$3 million and above 10.75%

* remove the requirement that a taxpayer be a ‘natural person’ in order to receive the gross income tax credit under the bill, thereby permitting natural persons, business entities, and estates and trusts to be eligible to receive the corresponding pass-through credit;
* increase the amount of the gross income tax credit under the bill, from 89.25 percent to 100 percent;
* provide that the gross income tax credit may only be claimed by a qualifying taxpayer after the application of all other credits allowed by law;
* make the bill retroactive to taxable years beginning on and after January 1, 2018; and
* make technical corrections to add two omitted words and update an internal cross-reference.

Passed Senate 40-0 | 12.2018

01/15/2019 – Received in Assembly and referred to Assembly Appropriations Committee

03/18/2019 – Reported out of committee, 2nd reading in Assembly

26. **S.3770 (Sarlo, Oroho, Sweeney) Establishes “New Jersey Economic and Fiscal Policy Review Commission” to provide ongoing review of State and local tax structure, economic conditions, and related fiscal issues.**

The bill would establish a 12-member “New Jersey Economic and Fiscal Policy Review Commission” in the Legislative branch. The commission would be charged with studying significant economic and fiscal concerns confronting the State to assure that policymakers, academics, and the public are provided with information and analyses of the State’s policies and their implications.

**BILL STATEMENT**: This bill establishes a 12-member “New Jersey Economic and Fiscal Policy Review Commission” in the Legislative Branch of State government. This legislation implements a proposal in the New Jersey Economic & Fiscal Policy Workgroup’s “Path to Progress” report, issued August 9, 2018.

The commission is charged with studying significant economic and fiscal concerns confronting the State to assure that policymakers, academics, and the public are provided with information and analyses of the State’s policies and their implications, ultimately improving the decision-making capabilities of State and local government officials, business leaders, and concerned members of the general public. The commission will be composed six members of the Legislature (three Senators and three Assemblypersons) and six public members. Legislative members of the commission would be serve during the two-year term in which they were appointed; public members would serve three-year terms.

The commission will engage in ongoing study of conditions and prospects for the State’s economy and other fiscal issues facing New Jersey. The bill requires the commission to adopt an annual plan of work. The plan of work will outline significant economic or fiscal policy concerns confronting the State that will be studied the commission during a calendar year. Issue studies must be completed within the calendar year they were initiated and transmitted to the Governor and Legislature with the commission’s annual report.

The commission may respond to specific study requests by the President of the Senate or the Speaker of the General Assembly if the work is within the staff and financial limits of the commission. To facilitate the commission’s work, the bill authorizes the commission to divide itself into subcommittees and task forces that can include persons other than members of the commission, such as academics, government officers, representatives of business, and other professionals, and the bill allows the commission to enter into cooperative arrangements with academic or research institutions as it deems necessary to accomplish its purposes.

The commission is authorized to employ an executive director and staff, employ counsel, contract for professional and consulting services, and incur other expenses within the limits of funds available for its purposes. The commission may call to its assistance and avail itself of the services of employees of any State, county, or municipal department, board, bureau, commission, agency, or authority as it may require and as may be available and to make use of any existing studies, surveys, data, and other materials in the possession of any State agency or authority and such materials in the possession of any county, municipality, or political subdivision of the State. The commission is granted the powers available pursuant to Chapter 13 of Title 52 of the Revised Statutes, which includes the power to compel the attendance of witnesses.

27. **S.2179/A.307 (Kean, Singleton, Gordon, Oroho, Bucco, Doherty, Addiego, Bateman, Diegnan, Turner Allows gross income tax deduction for charitable contributions to certain New Jersey-based charitable organizations. (Kean/Singleton)**

The bill allows a New Jersey gross income taxpayer to deduct from gross income the contributions made by the taxpayer during the taxable year to a qualified New Jersey-based charitable organization. The bill provides that the amount of the deduction is limited to the amount allowable as a deduction from federal adjusted gross income by the taxpayer for the federal taxable year.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE STATEMENT (3.4.19): The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2179. Senate Bill No. 2179 allows a New Jersey gross income tax deduction for charitable contributions that are made to certain New Jersey-based charitable organizations to encourage philanthropic giving to Garden State charities.

The bill allows a New Jersey gross income taxpayer to deduct from gross income the contributions made by the taxpayer during the taxable year to a qualified New Jersey-based charitable organization. The bill provides that the amount of the deduction is limited to the amount allowable as a deduction from federal adjusted gross income by the taxpayer for the federal taxable year pursuant to section 170 of the federal Internal Revenue Code.

The bill provides that the New Jersey gross income tax deduction mirrors the federal income tax deduction for charitable contributions, and is allowed without regard to whether the federal itemized deduction is taken by the taxpayer.

The bill defines “qualified New Jersey-based charitable organization” as a charitable organization that is registered pursuant to the "Charitable Registration and Investigation Act," or an organization that is exempt from the registration requirements of that act, and that maintains an office, employs persons, and provides services in this State. The bill takes effect immediately upon enactment and applies to charitable contributions that are made in taxable years beginning on or after the January 1 next following the date of enactment.

FISCAL IMPACT: The Office of Legislative Services (OLS) is unable to determine the exact magnitude of the State gross income tax revenue loss from the charitable contribution deduction provided in this bill, given the absence of information on contributions by New Jersey gross income taxpayers to qualified New Jersey-based charitable organizations. Subject to certain assumptions, however, the OLS estimates that the annual revenue loss could range from $215 million to $365 million.

03/25/2019 – Senate 3rd Reading/Final 39-0-0; Pending in Assembly Appropriations Committee