

REPORT OF  
ASSEMBLY SELECT COMMITTEE  
ON CIVIL SERVICE AND EMPLOYEE BENEFITS

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May 21, 1992



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May 21, 1992

The Honorable Garabed "Chuck" Haytaian  
Speaker of the General Assembly

Honorable Members of the General Assembly

Ladies and Gentlemen:

I am pleased to transmit with this letter the report of the Assembly Select Committee on Civil Service and Employee Benefits.

The Select Committee, which was appointed by the Speaker of the General Assembly on March 16, 1992, met numerous times over the past two months to receive information and testimony on various statutory, regulatory, administrative, and other policies affecting public employees.

On behalf of the members of the committee, I would like to extend sincere thanks to all those who testified, many of whom rearranged personal and professional schedules in order to appear before the committee, often on relatively short notice.

As chairman, I would also like to express my thanks to the members of the committee, who also rearranged their schedules in order to attend meetings, and who spent a great deal of time and effort examining the information and testimony presented and developing the recommendations.

On behalf of the committee, I respectfully submit the following report for consideration by the Legislature.

David C. Russo  
Chairman

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## Introduction

The Assembly Select Committee on Civil Service and Employee Benefits held six hearings during March and April of 1992, to accept testimony on the non-salary aspects of public employment compensation in New Jersey. The committee examined the interrelationships of public employees, public employers, the Civil Service, employment security, union contracts, statutory mandates, departmental regulations, employee benefits, cost containment, and government budgets.

Members of the Executive Branch who appeared before and provided information to the committee were Anthony J. Cimino, Commissioner of the Department of Personnel, Margaret M. McMahon, Director of the Division of Pensions in the Department of the Treasury, Melvin L. Gelade, Director of the Office of Employee Relations, and Michael J. Scheiring, Executive Director of the Governor's Management Review Commission. The committee heard speakers representing the Communication Workers of America, the Public Employee Committee of the New Jersey AFL-CIO, the American Federation of State, County and Municipal Employees, the New Jersey State League of Municipalities, the New Jersey School Boards Association, and the New Jersey Education Association. David Kehler, President of the Public Affairs Research Institute of New Jersey, appeared and provided information to the committee. The Disabled American Veterans, Department of New Jersey, communicated with the committee by letter.

The Civil Service system, through the Department of Personnel, affects some 74,000 State employees and over 120,000 county and municipal employees. The State Health Benefits Program (SHBP) provides coverage for over 315,000 employees of State and local governments who, together with their dependents, account for a covered membership of almost one million individuals, approximately one of every seven residents of the State. State employees represent 35% of the members of the SHBP and local government and school board employees represent 65%.

Speakers before the committee covered a range of topics yet provided specific information on issues that are both complex and technical. Areas discussed included the Civil Service, its history, structure and mechanics; the voluntary furlough program; the reduction in the number of State employees through attrition, hiring freeze, early retirement incentive program, and layoffs; and the layoff bumping process.

The committee heard descriptions of various aspects of the SHBP, touching upon the issues of a self-insured system, dual coverage, deductibles, co-payments, prescription drug benefits, managed care programs, incentives for controlling costs and usage, and contributions for employee and dependent medical coverage. The Public Employment Relations Commission, collective negotiations agreements with the unions that represent public employees, vacation and sick leave, the proportion of compensation needed to pay fringe benefits, the escalating costs of medical care and the concomitant difficulty in balancing public employer budgets because of statutorily mandated public employee benefits were discussed. Speakers also provided comparative information on the private sector and other states.

### Summary of Testimony

In trying to capture an overview of public employment in the State, the committee reviewed the principal factors that define public employment: the statutes of the Civil Service Act; statutes that establish and delineate pension and health insurance; the regulations promulgated by the relevant executive branch departments in order to carry out the purpose of those statutes; and labor union negotiations. A public employee's employment experience is defined by a combination of one or more of these four factors. School district employees are affected by pension and health program statutes, their regulations, and a contract agreed upon through union negotiations. The role of employer likewise is controlled by these same factors for the State and other public employers. In its exploration of these statutes, regulations and negotiated terms, the committee came to understand that complex, interdependent relationships exist among the elements that define public employment in the State.

The Civil Service Act (N.J.S.A. 11A:1-1 et seq), for example, is a statutory structure that defines public employment policies that have evolved over time yet has flexibility to meet current situations. The committee explored the parameters of an ongoing reduction of the State's workforce with Commissioner Cimino of the Department of Personnel. The Commissioner stated that "layoffs are tragic events that should only be undertaken if all other options are exhausted." Once all other remedies are exhausted, the Civil Service rules function "to protect employees from arbitrary and capricious actions on the part of employers." The Civil Service Act requires that the "order of layoff" be provided for in rules adopted by the Merit System Board. Commissioner Cimino and public employee representatives commented that those rules (N.J.A.C. 4A:8), which establish the layoff bumping process, have been refined as recently as 1990 to reduce the bumping ratio (i.e., the number of displaced employees per layoff) from 10-to-1 to less than 3-to-1.

A key to further improving the layoff process appears to be more accurate and narrower targeting of layoff notices. Committee members noted from testimony that a threat of layoffs can affect morale and that the current seniority system integral to the bumping layoff process may mean that the burden of layoffs falls disproportionately on women and minorities.

The committee received written testimony from the Disabled American Veterans, Department of New Jersey, concerning veterans' preference (N.J.S.A. 11A:5-1 et seq.). Since no objections to the veterans' preference system were brought to the committee's attention, members generally endorsed the system and agreed that it should be retained with no changes.

Commissioner Cimino submitted for the committee's review a "workforce profile" of New Jersey State employees. According to this document, the number of State employees (excluding the employees of State colleges and universities, the Legislative branch and the independent authorities) peaked in 1988 at 80,300. By January, 1992 that number had declined to 74,483 employees.

The committee learned that of the 5,000 persons who have most recently left State employment, about half did so through the temporary early retirement programs enacted in 1991. Employees in the unclassified service were laid off at almost a three to one ratio and currently comprise 15% of the State workforce. The annual attrition rate is usually between six and eight percent, but is lower at present because of the sluggish economy.

The committee heard testimony indicating that the ratio of management to non-management positions has increased significantly. For example, management positions increased 31% between 1985 and 1990 while the non-managerial workforce increased 1.2% since 1985. (Testimony presented by Robert W. Pursell, Area Director of the Communication Workers of America, April 2, 1991.) Further testimony alleged misuse of the "project specialist" title, and unnecessary appointments to "confidential assistant" and "confidential secretary" positions.

The Commissioner of Personnel described a program under which State employees may voluntarily take unpaid furloughs, in order to save money in the salary accounts to prevent layoffs. Furloughs may take the form of shorter workdays, intermittent days or weeks, single days, consecutive days, or extended leave. During the furlough period, employees continue to accrue job seniority, are eligible for promotional opportunities, and retain their anniversary date. Health benefits coverage is maintained, and employees continue to make any contributory payments. The commissioner testified that he is seeking to extend this program to local public employers, but to do so would require assurances that health benefits coverage and accrual of service credit would be continued during the furlough period as it is for State employees.

David Kehler, President of the Public Affairs Research Institute of New Jersey (PARI), reviewed for the committee a survey undertaken by PARI which compared public sector employee compensation with that of comparable private sector employees. Mr. Kehler stated, "It's typically understood that while salaries in the private sector are often considered to be higher than in state government, that the state government benefits plans tend to compensate for that."

Summarizing the results of the survey, Mr. Kehler testified that in a number of instances, the state government benefits were better from the employees' standpoint than those of the benchmark companies (those companies used in the study). As an example, he pointed out that the State health insurance program, with no payroll contribution requirement and lower co-insurance and deductibles, is more generous than the private plans surveyed. In addition, State government employees receive more leave time.

The results of the PARI survey parallel those of a survey conducted by the Governor's Management Review Commission (GMRC). The GMRC study, which was presented to the committee, found that public sector employees on average are paid less than their private sector counterparts, but indirect compensation costs are typically higher than average; the combination of direct and indirect compensation elements of public sector employees compares favorably with private sector counterparts for classifications other than professional or management.

A large number of public employees, State and local, Civil Service and non-Civil Service, are covered by the SHBP. Several speakers before the committee discussed how escalating costs of medical care drive up the cost of participation in the program, and in turn cause difficulty in balancing State or local budgets, particularly in a sluggish economy.

Michael Scheiring, Executive Director of the GMRC, summarized the GMRC's detailed and comprehensive review of the SHBP for the committee. He discussed possible revisions in the program to include employee contributions, an increase in major medical deductibles and co-insurance, financial incentives for the use of generic drugs in the prescription drug program, a flexible benefit program that uses pre-tax employee income for contributions, changes in utilization through managed care programs, and consumer education. Mr. Scheiring pointed out that managed care programs provide the greatest opportunity to control overutilization and limit costs.

Committee members noted that the GMRC's "Operational Review of Fringe Benefits" (October 19, 1990) offers an excellent resource for the process of evaluating and improving the SHBP, and the committee commends that report and other products of the GMRC to the attention of the Legislature.

Representatives of the New Jersey School Boards Association also testified before the committee. Among their suggestions was that the Legislature consider establishing a two-tiered health benefits system, under which the second tier would provide coverage, albeit with lesser benefits, for part-time employees.

### Conclusions

Over the several days of testimony, the committee became aware that there are many facets to the framework of Civil Service and employee benefits. Employees and employers alike have suggestions for revisions or improvements of public employment in the State. The committee is aware, too, of the balance that must be struck between attracting, retaining and rewarding a skilled workforce and the efficient allocation of budgetary resources to maintain that workforce; and that achieving the balance is particularly challenging in times of a slow economy. The committee heard testimony suggesting that this balance might be more easily achieved by transferring various aspects of public employment from the rigidity of statutory thresholds to the more flexible arena of negotiations.

Within the context of limited economic resources, various employee benefits mandated by statute which have not been reevaluated for long periods of time, and the desirability of avoiding layoffs of public employees whenever possible, the Assembly Select Committee on Civil Service and Employee Benefits concludes that the Legislature should consider reducing the number of present statutory mandates in order to provide more flexibility in the negotiation process between public employers and public employees to the benefit of both sides.



## I. WORKFORCE MANAGEMENT

### Layoffs

Further downsizing of the State workforce may become necessary due to budgetary constraints. State law currently provides that layoffs may only be implemented as a last resort, after other steps have been taken to minimize the need for layoffs. However, the current economic climate in New Jersey makes it incumbent upon the State government to reevaluate its workforce to determine whether current staffing practices are in line with the public's needs, and whether the workforce is being managed in the proper manner.

Agencies must give notice to those individuals targeted for the layoff process, but those not necessarily targeted for layoff are often also given notices. For example, the 1991 layoff actions involved sending approximately 33,000 notices, while only 1,219 employees were affected by the bumping process and only 365 permanent employees were actually laid off. Although the number of notices may have to be greater than the actual number of intended layoffs and "bumps" in order to avoid inadvertently failing to provide the proper notice to all those who will be affected, the number sent in 1991 appears to be unduly excessive. Unnecessary disruptions and morale problems can be avoided by better targeting of layoff notices.

### RECOMMENDATIONS:

- The committee supports the current policy that layoffs be implemented as a last resort. Downsizing through attrition, leaving vacant positions unfilled (hiring freezes), elimination of excess unfunded positions, job sharing, and encouraging unpaid leaves of absences are among the options that should be considered prior to implementing layoffs.
- To the extent that layoffs may be necessary, the Legislature should investigate ways of identifying and attempting to target unnecessary political patronage appointees in the unclassified service. The Legislature should also investigate ways to limit any such unnecessary and inappropriate appointments.
- In order to minimize any possible impact on services provided directly to the public, management positions should be subject to particular attention in any layoff action. Targeting unclassified management positions will also minimize disruptions caused by the bumping process, which does not apply to unclassified positions.

- When necessary, layoffs should be done in a thoughtful and humane manner. Those in the higher management positions within their respective agencies must be responsible for designating those positions for layoffs that will have the least effect on the operations of State government. In accordance with the Civil Service Act (N.J.S.A. 11A:1-2c), merit is an essential quality that must be used to determine who should or should not be laid off.
- The Commissioner of Personnel should explore possibilities for further administrative revisions to the layoff procedures as may be achievable under his current authority, or for rule changes which he may recommend to the Merit System Board.
- Steps should be taken to limit the number of notices sent to those who will not be laid off.

### Furloughs

According to information provided by the Department of Personnel, as of April 13, 1992 a total of 3,602 State employees have taken 31,343 furlough days under the voluntary furlough program for an estimated savings of over \$4.1 million. The department states that it is on track to meet its goal of saving \$6 million by the end of the fiscal year. In addition to this tangible financial benefit to the taxpayers, the department notes that the program is beneficial to State employees who need time away from work for family care needs, furthering their education, or simply as additional vacation time. The department reports that most complaints received in connection with the program are from employees whose agencies have had to deny furlough requests for organizational or fiscal reasons.

In addition to the evidence that the program represents a benefit to the taxpayer, the committee finds that the voluntary furlough program is supported by the labor community and that there is interest among local public employers in having the option of offering the program to their employees.

### RECOMMENDATION:

- Steps should be taken to promote the expansion of the voluntary furlough program to local governments; in particular, the Legislature should consider mandating continued health coverage and service credit accrual for local employees participating in a voluntary furlough.

## Discipline

Testimony before the committee indicated that that at times employers feel circumscribed by statutes that delineate minimum benefits and determine workplace procedures. The New Jersey State League of Municipalities explained that State law (N.J.S.A. 11A:2-20) provides that, except in certain circumstances, an employer cannot impose a suspension or a fine for more than six months. Since employee appeals of disciplinary actions can take one or even two years to be resolved, an employer who loses an employee's appeal of a termination may not only have to reinstate the employee but also have to give back pay for all the time lapsed minus the six months permitted as a suspension. The League stated that the six-month limitation can tie the hands of the administrative law judge or court hearing the appeal in determining an appropriate remedy.

### RECOMMENDATION:

- The Legislature should solicit further input on this issue from public employers and representatives of public employees, to determine the extent of the problem indicated and to explore the possible implications of any change in the current policy. Consideration should be given to either lengthening or eliminating the limitation, if warranted.

## II. INTEREST ARBITRATION

For many years, the State has sought to control property taxes by statutorily limiting annual increases in municipal budgets. The provisions of the "cap law" (N.J.S.A. 40A:4-45.1 et seq.), however, have not always been integrated in a meaningful way with other laws which bear a direct relationship to municipal spending practices. This is particularly true in the case of interest arbitration for police and firefighters, since the laws governing the arbitration process (N.J.S.A. 34:13A-16) do not provide for sufficient recognition of the spending limitations imposed upon municipalities by the "cap law."

The committee notes that the Legislature considered changes in the interest arbitration law during the recent lame-duck session, but that the legislative session expired before the issue could be resolved. At least three legislative proposals concerning interest arbitration are currently before the General Assembly.

### RECOMMENDATION:

- The committee recommends that the Legislature resume consideration of changes to the arbitration law by beginning committee deliberations on these bills in the near future.

### III. HEALTH CARE

#### State Health Benefits Program (SHBP)

The State Health Benefits Program was established in 1961 by statute, N.J.S.A. 52:14-17.25 et seq. The program has evolved over the past thirty years to currently provide program participation to all full-time State employees and their dependents at the State's expense. Complete payment of dependent coverage by the State was added in 1972.

Under N.J.S.A. 52:14-17.34, local employers, political subdivisions and school districts may enter the State Health Benefits Program. Local employers pay for employee coverage, however, whether dependents coverage is paid for by the employee and the employer or employer alone is an item for negotiation.

State employees and local public employees covered by the State Health Benefits Plan have the option of enrolling in one of three plans: the traditional plan, the preferred provider organization, or health maintenance organizations.

#### Contributions

State employees do not make contributions for their coverage under the State Health Benefits Program; the State bears the entire cost for its employees and their dependents. Many local governments and school districts, as a result of negotiations, also pay the entire cost of coverage for their employees and dependents. Contributions by State employees for health insurance coverage has been proposed in various forms in recent years. In its "Operational Review of Fringe Benefits," the GMRC recommended contributions of 10% for employee coverage and 30% for dependent coverage (to apply to both State and local employees), and recommended the use of pre-tax income to fund contributions. In 1991, Governor Florio called for an employee contribution of 25% of the cost of coverage.

#### Deductible

Under the major medical portion of the traditional plan, employees pay a deductible of \$100 per person, \$200 per family, and the State pays 80% of the first \$2,000 of eligible charges after the deductible and 100% of eligible charges beyond \$2,000 (N.J.S.A. 52:14-17.29). The amount of the deductible has remained unchanged since 1966. The program began with a deductible of \$100 for the employee and for each covered person. The employee co-insurance payment was originally 20% on all eligible charges; the \$2,000 ceiling was established in 1970.

The GMRC recommended increasing the deductible to \$200 per person, and changing the family deductible to two times the individual deductible (\$400). The commission estimated the savings from raising the individual deductible to \$200 to be \$14.18 million. In testimony before the committee, representatives of the GMRC supported the concept of indexing the deductible with the medical component of the Consumer Price Index, in order to prevent the erosion of the deductible value due to inflation.

### Dual coverage

It was noted that the increasing number of dual income families has increased the possibility of dual health insurance coverage. Coordination of benefits among insurance plans prevents duplicate payment or reimbursement of medical expenses. If both spouses are public employees and they enroll in the same plan, there is duplicate coverage. If that plan is the traditional plan, there can be a secondary coverage payment that offsets some or all of the deductible and co-insurance of the primary plan's major medical portion.

If spouses enroll in different plans, the traditional and a health maintenance organization, for example, there is dual coverage, some is duplicative, other is unique to a particular plan.

Because the SHBP is a self-insured program, dual and duplicative coverage does not have as large of an impact on the State as an employer as it does on local public employers. Local employers pay a premium to participate in the SHBP and in the case of dual and duplicative coverage, feel they are paying twice for the same coverage, although there is a certain lowering of rates for more participants because the SHBP rates for local employers are calculated upon that group's experience rating.

The State does not have a record of dual income families in which both spouses are enrolled individually in the State Health Benefits Program.

### Eligibility

Currently, full-time employees, which include appointive and elective officers and certain local public employees who work 20 hours per week, are eligible for the program. Specifically excluded are those employed on a short-term, seasonal, intermittent, or emergency basis; persons compensated on a fee basis; and those whose only compensation is expense reimbursement.

Because the provisions of the SHBP are established by statute, local employers have little control over those provisions or the cost thereof. As noted earlier, the New Jersey School Boards Association suggested that the Legislature consider making the program more flexible, so that different kinds of coverage could be offered to different employees such as part-time workers.

#### Local government participation

Currently, local public employers who voluntarily terminate local coverage in the SHBP are barred from reentry for a period of five years and may reenter only once (N.J.A.C. 17:9-1.5).

Representatives of the New Jersey School Boards Association and the New Jersey State League of Municipalities spoke in favor of removing the five-year bar, in order to provide greater latitude for local public employers to achieve a health program that best suits their needs. Other options include shortening the waiting period or a temporary general waiver of the bar.

#### RECOMMENDATIONS ON THE STATE HEALTH BENEFITS PROGRAM:

- The Legislature should follow the lead of the private sector and consider changes to the SHBP to minimize or eliminate dual coverage. In cases where both spouses are public employees eligible for the program, dual coverage can simply be prohibited. In other cases, where only one spouse is a public employee, the Legislature should either seek to prohibit dual coverage between the SHBP and the other spouse's plan, or explore incentives or disincentives designed to discourage participation by dependents where coverage is available elsewhere (e.g., through the spouse's employer). Members of the committee suggested a monetary incentive, such as a payment equal to some percentage of the full cost to the employer of providing the foregone coverage.
- The Legislature should consider permitting the issue of an employee contribution for employee and/or dependent coverage to be decided by mutual agreement through the collective bargaining process.
- In order to prevent the erosion of the deductible value due to inflation, the Legislature should consider indexing the deductible with the medical component of the Consumer Price Index.
- The Legislature should investigate the feasibility and fiscal impact of establishing a two-tiered system, under which part-time employees would be eligible for limited health care coverage.

- The Legislature should examine the effects of the current five-year bar to the return of a local employer to the SHBP, and determine the feasibility and desirability of either eliminating the bar, shortening the bar period, or providing for a one-time "amnesty" or suspension of the bar.
- Members of the Legislature and of the Administration should devote serious consideration to the health care system options and recommendations offered by the GMRC in its "Operational Review of Fringe Benefits," particularly those concerning utilization, since discouraging unnecessary utilization would be beneficial not only in fiscal terms, but also in terms of good health care for the insureds.

### **Prescription Drug Program**

A separate State employee drug prescription plan was established in 1975, which provided prescription drugs with no co-payment. In 1980 a co-payment of \$2.50 was instituted. It was raised to \$3.50 in 1982. In 1988, a separate co-payment of \$1.00 for generic drugs was established. The amount of co-payments is negotiated and then set by the annual appropriations act.

In the current (Fiscal Year 1992) State budget, \$52.5 million was appropriated for the prescription drug program. Governor Florio has recommended an appropriation of \$60 million in the Fiscal Year 1993 budget.

According to the Office of Legislative Services, the cost of the Prescription Drug Plan to the State would be reduced by approximately \$1 million for every dollar increase in the co-payment. In his proposed State budget for Fiscal Year 1992, Governor Florio called for an increase in the co-payment to \$5 for brand name drugs and \$3 for generics, for an estimated savings of \$2 million. The GMRC proposed co-payments of \$10 for brand names and \$5 for generic and mail-order drugs, or as an alternative, raising the brand name co-payment to \$5 for an estimated savings of \$1.45 million. It should be noted that the committee heard testimony that the difference between the brand name and generic co-payment levels must be at least three to four dollars, in order to provide a sufficient incentive for the use of generic drugs.

The relative value of the co-payment has diminished over time because the dollar amount has remained unchanged for ten years with no accounting for the rate of inflation. This erosion could be prevented either by periodically adjusting the dollar amounts according to the Consumer Price Index, or by establishing the co-payment amount as a percentage of the full retail cost of the prescription. As an example, if the co-payment for brand name drugs were 20%, the co-payment would average about \$6 since the average price of brand-name drugs purchased under the plan is about \$30.

It should be noted that program participants may be unaware of the amount of the discount offered by the program, since there is no requirement that the prescription labels of drugs purchased under the plan disclose the full retail price of the drug.

**RECOMMENDATION:**

- The co-payment should be increased to a level which at least partially reflects the diminution in the value of the current co-payment levels resulting from inflation, and in order to limit such diminution in the future, an automatic periodic adjustment indexed to inflation should also be considered.

**IV. PAID NON-WORKING DAYS**

**Sick leave**

Under State law (N.J.S.A. 11A:6-5), both State and local Civil Service employees receive one day of sick leave per month during the remainder of the first calendar year of service and thereafter 15 days annually, which days may be accumulated year after year without limit. The annual sick leave allowance has been 15 days for more than 50 years. Since 1973 the statutes have provided to State employees, upon retirement, supplemental compensation for accumulated sick leave computed at one-half of the employee's daily rate of pay during the last year of employment for each day of accumulated sick leave but not to exceed \$15,000 (N.J.S.A. 11A:6-16 and 11A:6-19).

**Vacation leave**

The Civil Service statutes provide for different schedules of vacation leave for full-time State employees (N.J.S.A. 11A:6-2) and full-time local Civil Service employees (N.J.S.A. 11A:6-3). Vacation leave accumulated in one year can only be carried over into the next year.

<u>Years of service</u>	Vacation days:
	<u>State</u>
one year or less	1/month
more than 1, up to 5	12
more than 5, up to 12	15
more than 12, up to 20	20
more than 20	25
	<u>Local</u>
one year or less	1/month
more than 1, up to 10	12
more than 10, up to 20	15
more than 20	20



## Holidays

State law (N.J.S.A. 36:1-1) designates 13 public holidays and provides that State offices shall be closed on those days; by tradition, the Governor provides a 14th holiday on the day after Thanksgiving, by executive order. The holidays are:

New Year's Day	Labor Day
Martin Luther King's Birthday	Columbus Day
Lincoln's Birthday	Election Day
Washington's Birthday	Veterans' Day
Good Friday	Thanksgiving
Memorial Day	(Day after Thanksgiving)
Independence Day	Christmas

The federal government combines Lincoln's and Washington's birthdays (officially recognizing only Washington's birthday), and does not include Good Friday or Election Day as holidays (for a total of 10 federal holidays).

State law (N.J.S.A. 11A:6-6) provides for three days per calendar year for administrative leave, which is available for personal reasons including observance of religious occasions. Thus, revisions in the number of paid holidays would not appear to infringe on the observance of legitimate religious or other occasions by public employees.

According to the Office of Legislative Services, each paid holiday costs the state approximately \$1.58 million in overtime costs to those departments which are most affected: the Department of Human Services and the Department of Corrections. An intangible "cost" of each holiday is the interruption of services provided directly to the public.

### RECOMMENDATION ON PAID NON-WORKING DAYS:

- The Legislature should consider revising the applicable statutes so that any changes in the number of paid non-working days would be a matter for mutual agreement between public employers and employees through the collective bargaining process.

## V. ADDENDUM

### Legislators' pension contribution

Several of the witnesses invited to testify before the committee have expertise in public pension matters, and although the Governor's pension revaluation proposal was not an issue within the scope of the committee's review, committee members availed themselves of the opportunity to discuss this important proposal with those witnesses.

In the course of outside discussions on this and other related pension issues, committee members became aware of the difference in the determination of the pension contribution rate for legislators as opposed to other members of the Public Employees' Retirement System (PERS).

The retirement system for legislators is part of PERS, but contains special provisions for contributions and benefits. Legislators contribute 5% of their legislative salary, whereas other members of PERS contribute at a rate determined by the age at which they entered the system, ranging from 4.96% for an employee who entered the system at 16 years of age to 8.73% for one who entered at age 59.

**RECOMMENDATION:**

- The Legislature should reevaluate the contribution rate for legislators, and consider whether it should conform to that which applies to other PERS members.



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May 21, 1992

Assemblyman David C. Russo, Chairman  
Assembly Select Committee on Civil Service  
and Employee Benefits  
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Dear Chairman Russo:

The Democratic members of the Assembly Select Committee on Civil Service and Employee Benefits support the efforts of this committee to examine the interrelationships of public employees/public employers, Civil Service Reform, and employee benefits. After conducting six meetings, the committee produced a report, based on testimony presented to the committee, that identifies issues and areas for review with regard to Civil Service reform.

Our review of statutes, regulations, and negotiated agreements as well as the relationships which exist between management and labor in the public sector shows that this is a complex area. Although this committee has learned a great deal, we, as an ad-hoc committee, are not qualified to determine or even estimate the balance of present statutory mandates versus collective bargaining, or furthermore, the rights and benefits of state workers without regard for history, parity, or due process.

We support the intent of this report, but have serious concerns about some of the recommendations and the hastiness with which the report is being released by the Select Committee. With regard to disciplinary actions, health care benefits (SHBP), and paid non-working days, we recommend that a legislative commission with labor, local public employers, State administrators, public and legislative members be formed to evaluate these issues. The commission should be given ample time, expertise, and discussion to make specific recommendations for legislative action that is found to be warranted. Given the short time we have had to absorb information and the fact that no one on this committee has extensive expertise in public employment issues, we do not feel that the committee should make specific recommendations that will affect thousands of educators and public employees; but should only identify issues and areas that should be thoroughly researched by a commission developed for this purpose, with the time and expertise to do so.

We respectfully must decline from supporting this report unless it is changed to reflect our recommendation for the formation of a commission.

Respectfully submitted,



Assemblywoman Stephanie R. Bush



Assemblyman Louis A. Romano



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COMMITTEES  
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VICE CHAIRMAN, SUBCOMMITTEE  
ON THE ECONOMY  
GOVERNMENT OPERATIONS  
SUBCOMMITTEE

May 20, 1992

Assemblyman David C. Russo  
Chairman, Assembly Select Committee  
on Civil Service and Employee Benefits  
State House  
Trenton, New Jersey 08625

Dear Chairman Russo:

It has been a pleasure serving with you as a member of the Assembly Select Committee on Civil Service and Employee Benefits. I hope that the Committee's work will serve as the basis of an intelligent and informed legislative discussion of these important issues.

As an employee of Blue Cross and Blue Shield of New Jersey, Inc., a non-profit health service corporation which contracts to provide hospital and prescription coverage for the State Health Benefits Plan, I believe an appearance of a conflict of interest might arise were I to vote on that portion of the Committee's Report concerning health benefits.

Consequently, I abstain from voting on Part III of the Committee Report relating to health benefits for state or local public employees.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Richard H. Bagger", written over a light-colored background.

Richard H. Bagger

RHB/nrv  
cc: Office of Legislative Services

