

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 2851**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: DECEMBER 15, 2016

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2851, with committee amendments.

As amended, this bill increases the maximum salary allowed for the Governor's cabinet officers and members of the Board of Public Utilities (BPU) to \$175,000 for calendar year 2017 and thereafter, while also setting \$141,000 as the minimum required salary. The language in current law is modified to specifically recognize that the Governor may establish the annual salary for the cabinet officers and BPU members in any amount not less than \$141,000 that the Governor determines to be appropriate for each person. The Governor requires the flexibility to set the annual salary at any amount within the limits specified, which need not be the same for all of these officers.

In addition, the bill provides for a three percent increase on January 1, 2017, in the annual salaries for the justices of the Supreme Court, Appellate Division judges, Assignment judges, judges of the Superior Court, and judges of the Tax Court, and another three percent increase on January 1, 2018, calculated on the 2017 annual salary amounts. The bill provides for an automatic annual adjustment on those 2018 salaries for calendar year 2019, and annually thereafter, based on the change in the Consumer Price Index. Under current law, the annual salary for workers' compensation judges, administrative law judges, surrogates, county clerks, registers of deeds and mortgages, and sheriffs are linked to the annual salary for a Superior Court judge so that they receive the specific or minimum percentage, that is set by law, of the Superior Court judges' salaries. The statutes that provide for these linked salaries are clearly mandatory in nature and when the salaries of judges are increased, the linked salaries must also be increased, including retroactively. The statutory language must be complied with, including retroactively, to achieve the Legislature's intent.

The bill increases the annual salaries of county prosecutors to be fixed by the governing body of each county from \$165,000 (last set by statute on January 1, 2009) to \$170,000 beginning on January 1, 2017, and \$175,000 beginning on January 1, 2018 and thereafter.

The bill removes the \$200,000 cap placed on the salary of the Director of the Division of Investment.

The bill codifies the annual allowance provided to each member of the Senate and General Assembly for member staff services, which will be \$140,000 beginning in the 2017 legislative session. The current allowance is \$110,000 and is not provided for by statute.

The bill codifies a provision for the annual salary of the executive director of each full time legislative staff operating under the direction of the Senate President, the Speaker of the General Assembly, and the Minority Leaders of each House of the Legislature. Currently, these salaries are not provided for by statute. Under the bill, the salary for each executive director will be fixed and established by the President of the Senate or by the Speaker of the General Assembly, as appropriate, in any amount that the President or Speaker determines to be appropriate for that director, but not to exceed \$175,000 in calendar year 2017 and thereafter. While this maximum amount for the annual salary is identical to the maximum amount for the annual salary for the Governor's cabinet officers and members of the Board of Public Utilities, the President of the Senate and the Speaker of the General Assembly will have complete discretion to set the salaries for the legislative executive directors at any amount that is at or below this maximum, as they deem appropriate, regardless of the decisions made by the Governor for the salaries of the cabinet officers and members of the Board of Public Utilities. The President and Speaker require the flexibility to set the annual salary for each executive director at any amount, whether at or below the maximum, irrespective of the salaries of the Executive Branch officers.

Finally, this bill adds compensation for books and published works to the list of income a designated State officer may solicit or receive. The designated State officer must first seek review and approval by the State Ethics Commission to ensure that the receipt of such income does not violate the "New Jersey Conflicts of Interest Law" or any applicable code of ethics, and that it does not undermine the full and diligent performance of the designated State officer's duties.

The law defines "designated State officer" as the:

- Governor;
- Adjutant General;
- Secretary of Agriculture;
- Attorney General;
- Commissioner of Banking and Insurance;
- Director of the Division of Business Assistance, Marketing, and International Trade;
- Commissioner of Community Affairs;
- Commissioner of Corrections;
- Commissioner of Education;
- Commissioner of Environmental Protection;
- Commissioner of Health;

Commissioner of Human Services;  
 Commissioner of Children and Families;  
 Commissioner of Labor and Workforce Development;  
 President of the State Board of Public Utilities;  
 Secretary of State;  
 Superintendent of State Police;  
 Commissioner of Transportation;  
 State Treasurer;  
 Head of any other department in the Executive Branch; and  
 Staff of the Office of the Governor (Chief of Staff, Chief of Management and Operations, Chief of Policy and Communications, Chief Counsel to the Governor, Director of Communications, Policy Counselor to the Governor, and any deputy or principal administrative assistant to any of the aforementioned staff members).

COMMITTEE AMENDMENTS:

The committee amendment clarify that two separate annual increases of 3% occur on the previously set annual salary amount of salaries for the justices of the Supreme Court, Appellate Division judges, Assignment judges, judges of the Superior Court, and judges of the Tax Court. Thus the bill, as amended, more clearly provides for the intended three percent increase on January 1, 2017, in the annual salaries for the justices of the Supreme Court, Appellate Division judges, Assignment judges, judges of the Superior Court, and judges of the Tax Court, and another three percent increase on January 1, 2018, calculated on the 2017 annual salary amounts.

FISCAL IMPACT:

The Office of Legislative Services estimates that the total potential impact of this bill, on a calendar year basis (January 1-December 31) is a combined state and county expenditure increase of about \$7.45 million in 2017, about \$10.6 million in 2018, and an indeterminate amount annually thereafter, but at least \$10.6 million.

Converting the bill's impact **on State expenditures only** to a fiscal year basis (July 1-June 30), the OLS estimates that the total potential impact of this bill is a state expenditure increase of about \$3.6 million in fiscal year 2017, about \$8.6 million in fiscal year 2018, and an indeterminate amount in FY 2019 and annually thereafter, but at least \$10 million.

The bill's cost impact on State government consists of mandatory costs increases and discretionary cost increases. Mandatory cost increases comprise judicial salary increases; workers compensation judge and administrative law judge salary increases; increased member staff service allowances for each member of the Senate and General Assembly; and county prosecutors' salary increases, which the state is required by law to fund. Discretionary cost increases comprise increased maximum salaries for legislative executive director

positions, Executive branch cabinet members and members of the Board of Public Utilities (BPU). The OLS estimates these costs, on a fiscal year basis, as follows:

Mandatory cost increases	Fiscal Year 2017 (\$\$ in thousands)	Fiscal Year 2018 (\$\$ in thousands)	Fiscal Year 2019 (\$\$ in thousands)
Judicial branch salaries and benefits	\$1,152	\$3,491	Indeterminate, at least \$4,678
Executive branch judges	\$ 179	\$ 542	Indeterminate, at least \$727
Legislature member staff services	\$1,800	\$3,600	\$3,600
County prosecutors salaries	\$ 53	\$ 158	\$ 210
Total	\$3,184	\$7,791	Indeterminate, at least \$9,215

Discretionary cost increases	Fiscal Year 2017 (\$\$ in thousands)	Fiscal Year 2018 (\$\$ in thousands)	Fiscal Year 2019 (\$\$ in thousands)
Legislative executive directors	\$ 68	\$136	\$136
Executive branch cabinet/BPU members	\$340	\$680	\$680
Total	\$408	\$816	\$816

The tables below set forth the details of the bill's impact, by calendar year (January 1-December 31).

**TABLE 1**  
**MANDATORY INCREASES**

	Current	SALARIES			#	TOTAL SALARY INCREASE		
		2017	2018	2019		2017	2018	2019
<b>JUDGES</b>								
Supreme Court Chief Justice	\$192,795	\$198,579	\$204,536	CPI	1	\$5,784	\$11,741	Unknown
Supreme Court Assoc Justices	\$185,842	\$191,417	\$197,160	CPI	6	\$33,452	\$67,907	Unknown
Superior Court Appellate Judges	\$175,534	\$180,800	\$186,224	CPI	32	\$168,513	\$342,081	Unknown
Superior Court Assignment Judges	\$171,731	\$176,883	\$182,189	CPI	15	\$77,279	\$156,876	Unknown
Superior Court Judges	\$165,000	\$169,950	\$175,049	CPI	396	\$1,960,200	\$3,979,206	Unknown
Tax Court Judges	\$165,000	\$169,950	\$175,049	CPI	12	\$59,400	\$120,582	Unknown
<b>SUBTOTAL</b>					<b>462</b>	<b>\$2,304,627</b>	<b>\$4,678,393</b>	Unknown
<b>WORKERS COMPENSATION JUDGES</b>								
Chief Judge	\$146,850	\$151,256	\$155,793	CPI	1	\$4,406	\$8,943	Unknown
Judges	\$140,250	\$144,458	\$148,791	CPI	39	\$164,093	\$333,108	Unknown
<b>SUBTOTAL</b>					<b>40</b>	<b>\$168,498</b>	<b>\$342,051</b>	Unknown
<b>ADMINISTRATIVE LAW JUDGES</b>								
Chief Judge	\$146,850	\$151,256	\$155,793	CPI	1	\$4,406	\$8,943	Unknown
Judges	\$140,250	\$144,458	\$148,791	CPI	44	\$185,130	\$375,814	Unknown
<b>SUBTOTAL</b>					<b>45</b>	<b>\$189,536</b>	<b>\$384,757</b>	Unknown
<b>COUNTY PROSECUTORS</b>	\$165,000	\$170,000	\$175,000	\$175,000	<b>21</b>	<b>\$105,000</b>	<b>\$210,000</b>	
<b>TOTAL MANDATORY STATE SALARY COST</b>						<b>\$2,767,661</b>	<b>\$5,615,201</b>	

	Current	SALARIES			#	TOTAL INCREASE		
		2017	2018	2019		2017	2018	2019
<b>SENATE AND GENERAL ASSEMBLY</b>								
Member Staff Services Allowance	\$110,000	\$140,000	\$140,000	\$140,000	<b>120</b>	\$3,600,000	\$3,600,000	\$3,600,000

Table 2 illustrates the maximum salary increases of various State and Legislative officials permitted by the bill.

**TABLE 2**  
**SALARY INCREASE GUIDELINES—POTENTIAL INCREASES**

	Current	SALARIES			#	TOTAL SALARY INCREASE		
		2017	2018	2019		2017	2018	2019
Legislative Executive Directors	\$141,000	\$175,000	\$175,000	\$175,000	4	\$136,000	\$136,000	\$136,000
Cabinet	\$141,000	\$175,000	\$175,000	\$175,000	15	\$510,000	\$510,000	\$510,000
Board of Public Utilities	\$141,000	\$175,000	\$175,000	\$175,000	5	\$170,000	\$170,000	\$170,000
<b>SUBTOTAL</b>					<b>24</b>	<b>\$816,000</b>	<b>\$816,000</b>	<b>\$816,000</b>

Table 3 illustrates the minimum salaries that the counties must pay to various county officials.

**TABLE 3  
COUNTY OFFICIAL SALARIES TIED TO JUDICIAL SALARIES**

	Current	SALARIES			#	SALARY INCREASE		
		2017	2018	2019		2017	2018	2019
County Surrogate	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
County Clerk	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
Registers of Deeds & Mortgages	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
Sheriff	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
<b>TOTAL POTENTIAL COUNTY COSTS</b>					<b>84</b>	<b>\$270,270</b>	<b>\$548,648</b>	Unknown