

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## ASSEMBLY, No. 4430

### STATE OF NEW JERSEY 217th LEGISLATURE

DATED: DECEMBER 22, 2016

#### SUMMARY

**Synopsis:** Provides for increase in salary of certain public employees; permits receipt of compensation for published works by certain Executive Branch public officers.

**Type of Impact:** State and County expenditure increase.

**Agencies Affected:** Judiciary, all State departments and counties.

#### Office of Legislative Services Estimate Calendar Year

<b>Fiscal Impact</b>	<b><u>Calendar Year 2017</u></b>	<b><u>Calendar Year 2018</u></b>	<b><u>Calendar Year 2019</u></b>
<b>State Cost (Mandatory)</b>	\$6,367,663	\$ 9,215,201	Indeterminate, at least \$9,215,201
<b>State Cost (Potential)</b>	\$ 816,000	\$ 816,000	\$,816,000
<b>County Cost (Maximum)</b>	\$ 270,270	\$ 548,648	Indeterminate, at least \$548,648
<b>Total Costs</b>	\$7,453,933	\$10,579,849	Indeterminate, at least \$10,579,849

#### Office of Legislative Services Estimate Fiscal Year

<b>Fiscal Impact</b>	<b><u>Fiscal Year 2017</u></b>	<b><u>Fiscal Year 2018</u></b>	<b><u>Fiscal Year 2019</u></b>
<b>State Cost (Mandatory)</b>	\$3,183,830	\$7,791,431	Indeterminate, at least \$9,215,201
<b>State Cost (Potential)</b>	\$ 408,000	\$ 816,000	\$816,000
<b>Total State Costs</b>	\$3,591,830	\$8,607,431	Indeterminate, at least \$10,031,201

- 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 OLS estimates that the mandatory costs for increased Judicial salaries, Workers' Compensation Judge salaries, Administrative Law Judge salaries and County Prosecutor salaries would total about \$2.77 million in calendar year 2017, and increase by an additional \$2.85 million in calendar year 2018 to a total cost impact of about \$5.62 million. Because salary increases for calendar years after 2018 are dependent upon the Consumer Price Index (CPI), costs in excess of \$5.62 million in calendar year 2019 and thereafter are not estimated. The OLS estimates that each 1% increase in the CPI would increase calendar year 2018 salary costs by about \$942,000 in calendar year 2019.
- The annual cost of increasing Senate and General Assembly member staff service allowances totals \$3.6 million.
- The maximum cost of increasing the salaries of Legislative executive directors and certain State executive branch positions totals \$816,000 annually.
- The maximum annual cost to the counties for increasing certain county positions would total \$270,270 in calendar year 2017 increasing to \$548,648 in calendar year 2018. Because the salary increases for calendar years after 2018 are dependent upon the Consumer Price Index, costs in excess of \$548,648 in calendar year 2019 and thereafter are not estimated.
- Salary increases mandated and permitted by this bill will increase state and county contribution to State-administered retirement systems by indeterminate amounts.

## **BILL DESCRIPTION**

Assembly Bill No. 4430 (1R) of 2016 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.

In addition, the bill provides for an annual three percent increase in 2017 and in 2018 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. The bill provides for an automatic annual adjustment of those salaries for calendar year 2019 and 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 bill also increases the salary of county prosecutors from \$165,000 to \$170,000 on January 1, 2017 and to \$175,000 on January 1, 2018. The State is required by law to reimburse counties for these cost increases.

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.

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.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

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 costs; workers compensation judge and administrative law judge salary and benefit 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:

#### FISCAL YEAR STATE EXPENDITURES

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
<b>TOTAL</b>	<b>\$3,184</b>	<b>\$7,791</b>	<b>Indeterminate, at least \$9,215</b>
<b>Discretionary cost increases</b>			
Legislative	\$68	\$136	\$136
Executive Branch	\$340	\$680	\$680
<b>TOTAL</b>	<b>\$408</b>	<b>\$816</b>	<b>\$816</b>

Salary increases mandated and permitted by this bill will increase state and county contribution to State-administered retirement systems by indeterminate amounts. The OLS further notes that the State would incur an indeterminate cost if the governor chooses to increase the salary of the Director of the Division of Investment above \$200,000.

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

Table 1 illustrates those salary increases mandated by the bill and funded by the State. The table also includes increases provided to the Senate and General Assembly for office expenses.

**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>\$2,304,628</b>	<b>\$4,678,393</b>	Unknown	
	Current	SALARIES			#	TOTAL SALARY INCREASE			
		2017	2018	2019		2017	2018	2019	
<b>WORKERS COMPENSATION</b>									
<b>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>\$168,499</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	21	\$105,000	\$210,000	\$210,000	
<b>TOTAL MANDATORY STATE SALARY COST</b>							<b>\$2,767,663</b>	<b>\$5,615,201</b>	

	Current	SALARIES			#	TOTAL NON-SALARY 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	120	\$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 AND FRINGE BENEFITS INCREASE		
		2017	2018	2019		2017	2018	2019
<b>Legislative Executive Directors</b>	\$141,000	\$175,000	\$175,000	\$175,000	4	\$136,000	\$136,000	\$136,000
<b>Cabinet Board of Public Utilities</b>	\$141,000	\$175,000	\$175,000	\$175,000	15	\$510,000	\$510,000	\$510,000
<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
<b>County Surrogate</b>	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
<b>County Clerk</b>	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
<b>Registers of Deeds &amp; Mortgages</b>	\$107,250	\$110,468	\$113,782	CPI	21	\$67,568	\$137,162	Unknown
<b>Sheriff</b>	\$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

*Section: Judiciary*

*Analyst: Anne Raughley  
Principal Fiscal Analyst*

*Approved: Frank W. Haines III  
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).