

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 1229 STATE OF NEW JERSEY 218th LEGISLATURE

DATED: APRIL 16, 2018

SUMMARY

Synopsis: Increases annual salary of Governor's cabinet officers, judges, county prosecutors, and certain other public employees.

Type of Impact: State and County expenditure increase.

Agencies Affected: Judiciary, all State departments and counties.

Office of Legislative Services Estimate Calendar Year

Fiscal Impact	<u>Calendar Year 2018</u>	<u>Calendar Year 2019</u>	<u>Calendar Year 2020</u>
State Cost (Mandatory)	\$5,282,640	\$ 9,885,280	\$14,487,920
State Cost (Potential)	\$ 136,000	\$ 136,000	\$136,000
County Cost (Maximum)	\$ 338,000	\$ 676,000	\$1,014,000
Total Costs	\$5,756,640	\$10,697,280	\$15,637,920

Office of Legislative Services Estimate Fiscal Year

Fiscal Impact	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2020</u>
State Cost (Mandatory)	\$0	\$ 10,225,280	\$12,186,600
State Cost (Potential)	\$ 0	\$ 204,000	\$ 136,000
Total State Costs	\$0	\$10,429,280	\$12,322,600

- The Office of Legislative Services (OLS) estimates that the total impact of this bill, on a **calendar year** basis (January 1-December 31) is a combined State and county expenditure increase of about \$5.8 million in 2018, about \$10.7 million in 2019, and about \$15.6 million in 2020. From 2021 through 2025, the impact could increase annually to an indeterminate amount above \$15.6 million as a result of the provision tying judicial and prosecutor salaries to changes in the Consumer Price Index not to exceed 2 percent per year. No salary increases are mandated beyond calendar year 2025.
- Assuming that the Consumer Price Index increases by 2 percent per year, the total impact of this bill on a **calendar year** basis (January 1-December 31) is a combined State and county expenditure increase of about \$18.0 million in 2021, about \$20.4 million in 2022, about \$22.8 million in 2023, about \$25.3 million in 2024 and about \$27.8 million in 2025.
- The OLS notes that the bill provides salary increases beginning on January 1, 2018 with a July 1, 2018 effective date. Therefore, fiscal year FY 2019 costs include the costs incurred during the last 6 months of FY 2018 (January 1, 2018 – June 30, 2018) plus the full year cost of FY 2019 (July 1, 2018 – June 30, 2019).
- Converting the bill's impact **on State expenditures only** to a **fiscal year** basis (July 1-June 30), the OLS estimates that the total impact of this bill is a State expenditure increase of about \$10.4 million in fiscal year 2019 and about \$12.3 million in FY 2020. The impact will increase to an indeterminate amount in FY 2021 as a result of the provision tying judicial and prosecutor salaries to changes in the Consumer Price Index not to exceed 2 percent per year.
- Assuming that the Consumer Price Index increases by 2 percent per year, the total impact of this bill on a **fiscal year** basis (July 1-June 30) is a State expenditure increase of about \$15.7 million in FY 2021, about \$17.9 million in FY 2022, about \$20.2 million in FY 2023, about \$22.5 million in FY 2024, about \$24.8 million in FY 2025 and \$26 million in FY 2026.
- The OLS estimates that the mandatory costs for increased judicial salaries, workers' compensation judge salaries, administrative law judge salaries, cabinet member salaries and county prosecutor salaries would total about \$5.28 million in **calendar year** 2018, and increase by an additional \$4.6 million in calendar year 2019 to a total cost impact of about \$9.89 million. Calendar year costs would increase by another \$4.6 million in 2020, for a total three-year cumulative increase of about \$14.49 million. Salary cost increases in 2021 through 2025 are dependent upon the Consumer Price Index (CPI) up to a maximum increase of 2 percent per year. The maximum cost of increasing the salaries of Legislative executive directors totals \$136,000 annually.
- Assuming that the Consumer Price Index increases by 2 percent per year, the total impact of this bill on a **calendar year** basis is a State expenditure increase of about \$16.7 million in 2021, about \$18.9 million in 2022, about \$21.2 million in 2023, about \$23.5 million in 2024 and about \$25.9 million in 2025.
- The maximum annual cost to the counties for increasing certain county positions would total \$338,000 in calendar year 2018 increasing to \$676,000 in calendar year 2019 and \$1.014 million in 2020. Salary cost increases in 2021 through 2025 are dependent upon the Consumer Price Index (CPI) up to a maximum increase of 2 percent per year.

- Assuming that the Consumer Price Index increases by 2 percent per year, the total impact of this bill is a county expenditure increase of about \$1.174 million in calendar year 2021, about \$1.337 million in 2022, about \$1.503 million in 2023, about \$1.672 million in 2024 and about \$1.845 million in 2025.
- Salary increases mandated and permitted by this bill will increase State and county contributions to State-administered retirement systems by indeterminate amounts.

BILL DESCRIPTION

The bill establishes the annual salary for the Governor's cabinet officers and members of the Board of Public Utilities (BPU) at \$175,000 in calendar year 2018 and thereafter.

In addition, the bill provides for an \$8,000 increase in calendar year 2018, and for an \$8,000 increase on January 1 of each of the next subsequent two years, 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 on the 2020 salaries for calendar year 2021, and on January 1 of each year for four years thereafter, based on the change in the Consumer Price Index. Such an annual adjustment could in no event be greater than 2 percent. 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 to achieve the Legislature's intent.

The bill increases the annual salary for county prosecutors in the same amounts and in the same manner as the salaries of judges and justices are increased by the bill. The annual salary is currently \$165,000.

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 2018 and thereafter. While this maximum amount for the annual salary is identical to the 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. 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.

The bill takes effect July 1, 2018.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the total impact of this bill, on a **calendar year** basis (January 1-December 31) is a combined State and county expenditure increase of about \$5.8 million in 2018, about \$10.7 million in 2019, and about \$15.6 million in 2020. From 2021 through 2025, the impact could increase annually to an indeterminate amount above \$15.6 million as a result of the provision tying judicial and prosecutor salaries to changes in the Consumer Price Index not to exceed 2 percent per year. No salary increases are mandated beyond calendar year 2025.

Assuming that the Consumer Price Index increases by a minimum of 2 percent per year, the total impact of this bill on a **calendar year** basis (January 1-December 31) is a combined State and county expenditure increase of about \$18.0 million in 2021, about \$20.4 million in 2022, about \$22.8 million in 2023, about \$25.3 million in 2024 and about \$27.8 million in 2025.

The OLS notes that the bill provides salary increases beginning on January 1, 2018 with a July 1, 2018 effective date. Therefore, fiscal year FY 2019 costs include the costs incurred during the last 6 months of FY 2018 (January 1, 2018 – June 30, 2018) plus the full year cost of FY 2019 (July 1, 2018 – June 30, 2019).

Converting the bill's impact **on State expenditures only** to a **fiscal year** basis (July 1-June 30), the OLS estimates that the total impact of this bill is a State expenditure increase of about \$10.4 million in fiscal year 2019, and about \$12.3 million in FY 2020. The impact will increase to an indeterminate amount in FY 2021, but to at least \$14.5 million and could increase annually thereafter. The increase in FY 2021 is caused by the annualization of the third annual salary increase, plus the first half-year of any cost of living adjustment. From FY 2021 through FY 2026, any increases would be due solely to cost of living adjustments up to a maximum of 2 percent per year.

Assuming that the Consumer Price Index increases by a minimum of 2 percent per year, the total impact of this bill on a **fiscal year** basis is a State expenditure increase of about \$15.7 million in FY 2021, about \$17.9 million in FY 2022, about \$20.2 million in FY 2023, about \$22.5 million in FY 2024, about \$24.8 million in FY 2025 and \$26 million in FY 2026.

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 increases; executive branch cabinet members; members of the BPU; 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. The OLS estimates these costs, on a fiscal year basis, as follows:

FISCAL YEAR STATE EXPENDITURES			
MANDATORY COST INCREASES	FISCAL YEAR 2018	FISCAL YEAR 2019	FISCAL YEAR 2020
Judicial Branch salaries	\$0	\$7,712,000	\$9,640,000
Executive Branch judges	\$0	\$1,157,280	\$1,446,600
Executive Branch cabinet and BPU	\$0	\$1,020,000	\$680,000
County Prosecutors salaries	\$0	\$336,000	\$420,000
TOTAL	\$0	\$10,225,280	\$12,186,600
Discretionary cost increases			
Legislative	\$0	\$204,000	\$136,000
TOTAL Mandatory and Discretionary	\$0	\$10,429,280	\$12,322,600

Salary increases mandated and permitted by this bill will increase State and county contribution to State-administered retirement systems by indeterminate amounts.

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.

**TABLE 1
MANDATORY INCREASES SPECIFIED BY BILL**

	SALARIES					TOTAL SALARY INCREASE		
	Current	2018	2019	2020	#	2018	2019	2020
JUDICIAL BRANCH								
JUDGES								
Supreme Court Chief Justice	\$192,795	\$200,795	\$208,795	\$216,795	1	\$8,000	\$16,000	\$24,000
Supreme Court Assoc Justices	\$185,842	\$193,842	\$201,842	\$209,842	6	\$48,000	\$96,000	\$144,000
Superior Court Appellate Judges	\$175,534	\$183,534	\$191,534	\$199,534	32	\$256,000	\$512,000	\$768,000
Superior Court Assignment Judges	\$171,731	\$179,731	\$187,731	\$195,731	15	\$120,000	\$240,000	\$360,000
Superior Court Judges	\$165,000	\$173,000	\$181,000	\$189,000	416	\$3,328,000	\$6,656,000	\$9,984,000
Tax Court Judges	\$165,000	\$173,000	\$181,000	\$189,000	12	\$96,000	\$192,000	\$288,000
SUBTOTAL					482	\$3,856,000	\$7,712,000	\$11,568,000
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
SUBTOTAL					20	\$680,000	\$680,000	\$680,000
LOCAL INCREASES FUNDED BY STATE								
COUNTY PROSECUTORS	\$165,000	\$173,000	\$181,000	\$189,000	21	\$168,000	\$336,000	\$504,000
TOTAL MANDATORY STATE SALARY COST					21	\$4,704,000	\$8,728,000	\$12,752,000

Table 2 illustrates the salaries of various State officials which are statutorily tied to judicial salaries and would also increase as a result of the bill. The table assumes that all judges other than the chief judges are at the maximum level of pay under current law.

**TABLE 2
MANDATORY INCREASES
STATE OFFICIAL SALARIES TIED TO JUDICIAL SALARIES**

EXECUTIVE BRANCH	SALARIES					TOTAL SALARY INCREASE		
	Current	2018	2019	2020	#	2018	2019	2020
WORKERS COMPENSATION JUDGES								
Chief Judge	\$146,850	\$153,970	\$161,090	\$168,210	1	\$7,120	\$14,240	\$21,360
Judges	\$140,250	\$147,050	\$153,850	\$160,650	39	\$265,200	\$530,400	\$795,600
SUBTOTAL					40	\$272,320	\$544,640	\$816,960
ADMINISTRATIVE LAW JUDGES								
Chief Judge	\$146,850	\$153,970	\$161,090	\$168,210	1	\$7,120	\$14,240	\$21,360
Judges	\$140,250	\$147,050	\$153,850	\$160,650	44	\$299,200	\$598,400	\$897,600
SUBTOTAL					45	\$306,320	\$612,640	\$918,960
TOTAL MANDATORY INCREASE FOR POSITIONS TIED TO JUDICIAL SALARIES						\$578,640	\$1,157,280	\$1,735,920

Table 3 summarizes both the salary increases specifically mandated by the bill and those State official salaries which are increased as a result of statutory ties to judicial salaries

**TABLE 3
TOTAL MANDATORY SALARY INCREASES**

	2018	2019	2020
Total Mandatory State Salary Increases per S1229(2R)	\$4,704,000	\$8,728,000	\$12,752,000
Total Mandatory State Salary Increases per statutory ties to judicial salaries	\$578,640	\$1,157,280	\$1,735,920
TOTAL MANDATORY STATE SALARY COSTS	\$5,282,640	\$9,885,280	\$14,487,920

Salary increases from calendar year 2021 through 2025 are unknown as a result of the provision tying judicial and county prosecutor salaries to changes in the Consumer Price Index up to a maximum of 2 percent. No salary increases are mandated beyond calendar year 2025.

Table 4 illustrates the maximum salary increases of various State and Legislative officials permitted by the bill.

TABLE 4
SALARY INCREASE GUIDELINES—POTENTIAL INCREASES

	SALARIES					TOTAL SALARY INCREASE		
	Current	2018	2019	2020	#	2018	2019	2020
Legislative Executive Directors	\$141,000	\$175,000	\$175,000	\$175,000	4	\$136,000	\$136,000	\$136,000

Table 5 illustrates the minimum salaries that the counties must pay to various county officials upon the bill’s enactment. The minimum salaries of various county officials are tied to the level of judicial salaries. As a result, if these officials are not already compensated at the levels listed below, these salaries would be increased.

TABLE 5
COUNTY OFFICIAL SALARIES TIED TO JUDICIAL SALARIES

	SALARIES					SALARY INCREASE		
	Current	2018	2019	2020	#	2018	2019	2020
County Surrogate	\$107,250	\$112,450	\$117,650	\$122,850	21	\$109,200	\$218,400	\$327,600
County Clerk	\$107,250	\$112,450	\$117,650	\$122,850	21	\$109,200	\$218,400	\$327,600
Registers of Deeds & Mortgages	\$107,250	\$112,450	\$117,650	\$122,850	2	\$10,400	\$20,800	\$31,200
Sheriff	\$107,250	\$112,450	\$117,650	\$122,850	21	\$109,200	\$218,400	\$327,600
TOTAL POTENTIAL COUNTY COSTS					84	\$338,000	\$676,000	\$1,014,000

All estimates assume that all positions affected by the bill are filled at all times. Because some positions will be vacant some of the time, actual costs will be lower than the OLS estimates, by indeterminate amounts.

The OLS also notes that there is a potential for indeterminate increase in salary expenses throughout State and county government resulting from an increase in the salaries of deputy commissioners, administrators and employees along with those of the commissioners and other officers.

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