



January 29, 2010

Lieutenant Governor Kim Guadagno
Office of the Secretary of State
PO Box 001
Trenton, NJ 08625

RE: NJ Mandate and Red Tape Administrative and Regulatory Review

Dear Lieutenant Governor Guadagno,

The Morris County Chamber of Commerce and the Morris County League of Municipalities congratulate you and Governor Christie on your election. We are very pleased that you have initiated a Red Tape and Regulatory Mandate Review; our collective memberships have long believed that such action was crucial. To assist you in this important analysis, we have surveyed our combined membership to suggest areas for your consideration.

This report was initiated prior to your taking office, so some of these suggestions mirror those contained in your transition reports. In addition, we have not repeated the excellent recommendations already made by the Economic Development Transition Team regarding changes in the states tax structure. We hope the suggestions contained herein will enhance your understanding of specific issues and, perhaps, give you a new perspective on others.

We look forward to partnering with the Christie administration and the legislative leadership to promote policies that will make New Jersey a more efficient effective place in which to do business.

What follows summarizes ideas from our collective membership. The list is by no means complete, but should give you an idea of areas where government has created inefficiencies, restraints on economic growth, or mandates that do not meet a reasonable cost benefit analysis. Some members have also provided some ideas that could promote greater economic growth. These suggestions have been summarized in three categories: I. Economy; II. Healthcare & III. Government. At your request we would be happy to have members provide more detail through written or oral testimony.

25 Lindsley Drive, Suite 105 • Morristown, NJ 07960
973.539.3882 • 973.539.3960 FAX • www.morrischamber.org

I. Economy / Business

a. Prevailing Wage

Prevailing wage legislation effectively creates a unionization of all New Jersey laborers. This is because the legislation forces contractors who do not have unionized employees to pay their employees the amount a union employee would make for the same job any time they accept a state contract. This has tremendous negative effect on New Jersey employers, most distinctly small businesses, who see their costs go up any time they take a state contract in order to match the prevailing wage of the unions, even though their employees are not unionized. In effect, the union is now representing every laborer, whether that person is a member or not. Further, this makes New Jersey a more expensive place to do business and thus makes us less competitive with neighboring states.

b. Paid Family Leave

The New Jersey Paid Family Leave Act requires employers (of even companies with only two employees, and includes all government workers) to allow employees to take time off for births, adoptions and serious illness without regard to their limits of vacation time or sick time. Employees may take up to 6 weeks of time off at two-thirds of their salary, while the employer can only require them to use two weeks of their personal time and sick time. While there is no direct tax on the employers (the burden is on employees in the form of a .0012% tax), this program puts the employers in the position of covering the six weeks of time without terminating or replacing the employee. The law does not specifically prevent an owner from terminating the employee, but there are legal issues that may prevent them from doing so. This mandate can create an insurmountable burden to small employers, and makes New Jersey less competitive by adding a burdensome and costly law that businesses in neighboring states do not have to comply with.

c. Manufacturing

High tech manufacturing will always have an important place in the State's economy. However, high tech manufacturing does not create the types of jobs that we need in, and around, the inner cities. Instead, we need jobs that will allow people with limited formal education to earn reasonable wages and benefits, obtain additional education and training, and assimilate to life in the United States. These types of jobs typically involve machine set-up and operation, quality control and inspection, packaging and labeling, and material transport. People who have limited formal education can earn wages and benefits while receiving technical training and skills that are transferrable to other occupations. This will keep

people off public assistance, helping to re-redevelop our inner cities and provide the taxbase necessary to support a robust infrastructure.

d. Annual Corporate Filing

Corporations and LLCs must file an annual report, online, on the anniversary of the entity's registration with NJ. If the annual report fee is not paid for 2 or 3 years, the entity's charter is pulled. Each year, the state mails a reminder that the fee must be paid to the entity's registered agent. If the agent has moved or is no longer in business, the reminder will be returned to the state, and the entity's charter will be pulled. If the entity wants to sell real property, dissolve properly, or register in another state, the entity has to get its charter reinstated.

A better solution is to reinstate a procedure the state had in place a number of years ago-corporations paid their annual report fees with their corporate business tax filings. This should be expanded to cover both corporations and LLCs (which would pay the annual report with their income tax return). Business owners who wanted to sell real estate would not be frustrated by having to reinstate their firms before they can sell.

e. New Jersey Suburban Redevelopment

A "Redevelopment Acquisition Trust Fund" would incentivize community investments in downtown redevelopment by targeting local property tax relief and job creation, utilizing the highly successful Open Space Trust Fund program as a model. This program is intended to address dormant values in undeveloped real estate holdings in NJ's best and brightest communities. When downtowns seek to refresh or enliven their town environments few mechanisms exist for them to move positively forward with development or incentive programs that actually spur activity to maximize commercial and taxable value.

Minimal short-term tax assessment would generate sufficient long term revenue that the program will be fully paid back to local property owners in a four year window. The program not only pays for itself but could return a 6.5 fold revenue stream every year forward to provide long term relief from the state's crushing local property tax burden, a permanent 14% property tax reduction in most cases. An average \$250,000 assessed home in a NJ community would see a \$820-850/year reduction in property taxes through this program with full payback four years from inception.

II. Healthcare

a. Hospitals – Charity Care/Medicaid

Suburban community hospitals receive reimbursement from the Charity Care subsidy fund of only 5% - 10% of the cost of services provided, while urban hospitals receive closer to 90-95% reimbursement of cost of services. This has a direct negative impact on employment and capital expenditures in our communities.

III. Government

a. Finance

i. Effectiveness of Grants and Aid to Municipalities, Counties and Individuals

What are the administrative costs of these grants?; who are they serving?; what are the transactional costs? Is the grant efficient or necessary? Is it going to middle or upper class towns that could more efficiently use the funds in the form of property tax credits?

ii. Police/First Responder Training / Planning & Zoning Board Mandatory Training

This training creates a tremendous mandatory burden on municipal officials with no state compensation: Is there a proper cost benefit analysis to make sure the training required justifies the administrative manpower costs. An appropriate efficiency audit should be conducted.

iii. Computerization

Computerization and standardization of software between municipalities, county and state governments and not for profits will create great efficiencies, allowing all entities to do more with less.

iv. Unused vacation and sick pay

Private sector employees do not get enriched by being able to cash in on years of unused sick and vacation time when they retire. Public sector jobs now mirror or exceed private sector salaries; in these lean budget times such benefits must be capped at a fair and reasonable amount for all public employees.

v. Simplified Tax Abatement Program

The cost to develop new commercial/industrial/corporate projects in New Jersey is a primary reason for our job exodus. Create a simplified property tax abatement program for new ratables (excluding residential). Municipalities should be able, as an option, to phase in property taxes over a five-year period. This will encourage businesses to stay here, or locate here as the case may be.

vi. Incentivize Shared Services

Target current state funding to what works. Give well-managed, compliant municipalities greater flexibility to achieve innovations, particularly when they move ahead with shared services or consolidation. Consideration should be given to an amnesty period on Cap restrictions while communities grow into new arrangements without fear of failure due to cap restrictions. Strengthen enforcement controls to make non-compliant distressed governments move to sharing and consolidation wherever possible to ensure efficiency in spending taxpayer dollars. Identify a public institution, or non-profit agency to become a repository of best-shared service and consolidation practices. Communication and education could be improved offering a "tool box" for towns to get insight into expectations, barriers, civil service issues, different forms of government, and consolidation contracts from successful towns can serve as models. Remove disincentives in cap regulations which prevent municipalities from 'budget cutting' in any year, for fear of having new, lower spending limits imposed.

vii. Library Funding

Mandatory library contributions bear no correspondence to actual need or requirements, and are tied to arbitrary values, sometime dramatically over funding libraries. This unnecessarily strains municipal budgets in tough times.

b. Environment

i. Stormwater Regulations

Storm water management regulations mandate an arbitrary frequency of street sweeping and catch basin clean-out based on arbitrary population statistics, rather than actual need, resulting in inefficiencies and marginal utility at a great cost.

These regulations can result in significant mandated costs like doors on salt sheds, and purchase of street sweepers for five or six figure sums - with little, or no, funding from the state.

ii. Recycling Coordinator

New certifications and licenses require training and manpower costs that are not compensated and often have little or no benefit proportionate with the cost.

iii. Septic System Regulations – Health Departments

The proposed septic system regulations that require that each system be licensed and pumped every three years provides an undue and unnecessary burden on municipal health departments and landowners.

iv. Privatize NJDEP Application Reviews

Currently, it takes four to six months to review simple permit applications at NJDEP. Complex applications can take much longer. This is another downside for a business considering moving to New Jersey, or wishing to expand here.

v. Review NJDEP Rules on Public Water Allocations

The NJDEP employs a formula to determine local water allocations for jurisdictions that utilize public water wells for this water supply. In Morris County, the NJDEP has dictated through arbitrary and unrealistic criteria, an allocation level to the MCMUA that is substantially below actual capacity. The impact of the reduced allocation is to cap systems below true potential for water delivery. The end result is to needlessly restrict business development.

c. Development & Planning

i. COAH

Aside from the unrealistic formulas that have been well publicized and widely recognized, there is a great cost for legal and engineering consultants as well as municipal and county staff manpower - with no state subsidy.

ii. The Highlands Act

The Highlands Act has halted economic growth in a section of the state that has traditionally generated a substantial portion of our tax base. Farmers and large landowners are not being fully compensated for their loss in land value; many municipalities are stuck in political “water recharge zones”, while others continue to export water through “bottling” and no storage facilities. These arbitrary inequities must be reversed.

iii. Hidden Tiers of Government

Move towards the elimination of all fire and water districts and authorities servicing a single municipal jurisdiction. These entities are a true anachronism.

d. Labor

i. Binding Arbitration

Binding arbitration must be eliminated for police and fire due to the cost placed on taxpayers. Awards in excess of the 2.5 % cap placed on municipalities are not justified. Salaries and pension benefits are already well above private sector comparables; these arbitration rules exacerbate the inequity.

ii. Tenure Elimination

Eliminate tenure at all levels of government. Tenured appointments include clerk, assessor, construction official, financial officer, etc. Limited time contracts do not work as exemplified by the current school superintendents system. Employees should be at will.

e. Higher Education

i. Creating Efficiencies

The state should consider recommendations submitted on December 9, 2009 by the NJ Association of State Colleges and Universities that, if implemented, could make higher education in New Jersey more affordable and effective.

Thank you for your kind consideration of these important issues. We look forward to continuing productive dialogue with your administration concerning these and other issues of importance to our state.

Very Truly Yours,



Paul Boudreau, President
Morris County Chamber of Commerce



Hon. William J. Chegwidden, President
Morris County League of Municipalities



Alan J. Zakin, Esq., Chairman
Morris County Chamber of Commerce
Government Affairs Committee