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Christie Wins Court Battle Over Funding New Jersey Pension Gap.

Governor Chris Christie won a decisive victory over New Jersey unions when the state's highest court ruled he isn't required to fill a \$1.57 billion pension budget gap, defusing an issue that hung over his potential presidential campaign.

While the ruling averts an immediate cash crunch, the pension hole continues to restrain spending on schools, tax relief and municipal aid. Christie has vowed not to raise taxes even as he acknowledges there's no alternate plan for closing a deficit that may top \$2.7 billion through June.

The New Jersey Supreme Court ruled it's up to the state legislature to resolve the pension funding issue. Legislators have the power to appropriate funds as necessary for the financial health of the state, the court said Tuesday in a 5-2 decision.

"That the state must get its financial house in order is plain," the court said. "The need is compelling in respect of the state's ability to honor its compensation commitment to retired employees. But the court cannot resolve that need in place of the political branches."

Christie hailed the ruling as an important victory for taxpayers "who simply cannot afford these unsustainably high costs."

"The court's position is clear, as is mine, it is time to move forward and work together to find a tangible, long-term solution to make our pension system and public employee health benefits costs affordable," Christie said in a statement posted on Twitter.

Union Response

Hetty Rosenstein, state director for the Communications Workers of America representing about 40,000 of 74,000 state workers, said her union will lobby politicians to include funding in the budget they send Christie later this month, and said it plans to press for full funding with demonstrations, if necessary.

"It's a terrible decision for the pension plan," Rosenstein said in a phone interview. "People in the pension plan have legal rights. If we don't pay them, there will be a total collapse of the New Jersey economy. One in seven people in this state rely on that plan."

Christie, a Republican, said last year that an unanticipated drop in revenue forced him to trim pension payments to balance the budget, as required by law. The move came after he and the Democratic-led legislature approved a bill in 2011 that increased the state's annual payments into the pension fund in exchange for higher employee contributions.

Christie made the first two payments, deferred \$887 million last year when revenue sagged, and withheld payment on the remainder for the year ending June 30.

Unions Sue

Unions for teachers, firefighters and other public employees sued seeking full payment into a pension system underfunded by \$83 billion. State court Judge Mary Jacobson sided with the governor in June 2014.

She said that confronted with “staggering” shortfalls in the state’s budget that year, Christie acted reasonably in making only a partial payment.

Jacobson, however, ruled in February that Christie and state legislators had had enough time to find a solution and ordered him to work with lawmakers to fill the gap.

The Supreme Court majority disagreed with Jacobson’s interpretation of the 2011 agreement and ruled the deal didn’t create a legally enforceable contract. The state’s constitution prohibits such long-term financial arrangements without voter approval, the court said.

Judges Dissent

Chief Supreme Court Justice Stuart Rabner and Justice Barry Albin dissented saying the decision strikes down the promises made to thousands of public workers and will have “far-reaching, negative consequences.”

“Public workers continue to pay into a system on its way to insolvency,” Albin wrote.

The issue is dire for New Jersey as the retirement burden grows, casting a shadow on the state budget and driving down its credit rating, which has already been cut a record nine times.

David Rosen, the legislative budget officer, told lawmakers last month that it may not be “fiscally possible” to come up with the amount needed to make a full payment. Assistant Attorney General Jean Reilly told the Supreme Court at a hearing last month that the governor is willing to pay an additional \$200 million before the fiscal year ends.

Christie’s bid for state pension reform helped propel him into the national spotlight and could continue to haunt him as he weighs a run for the White House in 2016. The issue may leave an opening for Republican rivals who also have gubernatorial experience such as Scott Walker of Wisconsin, Jeb Bush in Florida and John Kasich in Ohio.

Opponents’ Response

Those men have the ability to say “we ran our state a lot better than you have,” Patrick Murray, director of polling at Monmouth University in West Long Branch, New Jersey, said in a phone interview on Monday.

Christie’s total 2016 spending plan of \$33.8 billion has yet to be scheduled for a vote in the legislature as it approaches the June 30 deadline. A separate union lawsuit is also pending on a \$3.1 billion commitment that Christie cut to \$1.3 billion.

The case is *Burgos v. New Jersey*, L-1267-14, Superior Court of New Jersey, Mercer County (Trenton).

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