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## Settlement Reached in NJ Severance Controversy

The New Jersey Department of Education has reached a settlement nullifying a \$556,290 severance payout to the former superintendent of the Keansburg School District, Barbara Trzszkowski. The settlement, reached with Trzszkowski and the Keansburg Board of Education, concludes legal action initiated by the Office of the Attorney General in May 2008. The intended payment to Ms. Trzszkowski came in addition to payouts for accrued vacation and sick time totaling over \$184,000, and the collection of annual pension payments of \$103,889.

Under the terms of the settlement, the former superintendent has agreed to forego the entire severance payment in exchange for a nuisance payment of \$50,000 by the Board of Education to offset a portion of the legal fees that were incurred in this action. Per the agreement, Ms. Trzszkowski's legal counsel has verified that the related legal fees have indeed exceeded this amount.

Following reports of the intended payout, the State brought the suit against Ms. Trzszkowski and the Keansburg Board of Education in May 2008 seeking a declaration that the intended "severance payment" should be judged as excessive, unreasonable and in violation of public policy, and thus declared null and void.

The intended "severance payment" came in addition to \$170,137 Ms. Trzszkowski received for unused sick days, \$14,448 for unused vacation days, and \$103,889 being received annually as a pension collection. The State's suit did not attempt to recover payment stemming from accrued sick days or vacation pay, citing no legal recourse to attempt recovery of those payments.

As with similar cases that have drawn the scorn of taxpayers and the public, this payout also serves as a reminder of the importance of the pension reform package signed into law this week and the savings it will bring to local entities. Senate Bill 4 would cap the total payout allowed for accrued sick leave at \$15,000, and limits vacation leave carry-over to only one year.

## Pension Bills Signed Into Law

Governor Christie signed three measures designed to save taxpayers billions of dollars by limiting pensions and health benefits for government workers.

The bills require all government workers to contribute at least 1.5 percent of their salaries toward health care costs, cap the amount of unused sick and vacation time workers can cash out at retirement and bar part-timers from enrolling in the state pension system.

One bill rolls back a 9 percent pension benefits increase the Legislature approved nearly a decade ago so that new employees won't be entitled to enhanced pensions. Another provision stops each worker from having more than one pension-eligible job at a time.

The Legislature tried to enact similar measures before but failed. Efforts in 2006 and 2008 were largely halted by then-Gov. Jon Corzine, a Democrat, who said he wanted benefits issues to be negotiated, not legislated.

Assembly Speaker Sheila Oliver said she understood the unions' point of view but insisted the actions

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### *This Issue's Headlines:*

- Settlement Reached in NJ Severance Controversy
- Pension Bills Signed Into Law
- County and Municipal Salaries Fixed Under Senate Measures
- Kean & Bucco Urge Parties to Negotiate
- Legislation Would Streamline School Administration Costs

taken Monday were to help ensure the long-term financial health of the pension system.

"We cannot continue the track we are on," she said.

Christie said the legislation signed Monday has far-reaching savings. He said two of the bills are projected to save \$8 billion over 15 years. The third bill, which requires a health care contribution from all workers, is projected to save local governments and school boards \$315 million in the coming year alone.

Meanwhile, Assemblymen Angel Fuentes and Gilbert L. "Whip" Wilson praised the swift passage and enactment of legislation to reform New Jersey's pension and benefits system.

"These reforms strike the right balance between protecting the interests of New Jersey taxpayers and the retirement benefits of public workers," said Fuentes (D-Camden). "The extra effort the Assembly took to fully examine the legislation and the issues surrounding them was time well spent."

"These reforms will bring immediate relief to New Jersey taxpayers in the upcoming budget," said Wilson (D-Camden). "And they will help put New Jersey's pension system back on the path to sustainable fiscal health. It's a win-win."

The bills:

- Make numerous changes to public worker health benefits, mainly by requiring all public employees to pay at least 1.5 percent of their salary toward health benefits after the expiration of a current contract (A-2460), sponsored by Assembly Speaker Sheila Y. Oliver (D-Essex/Passaic) and Assembly Republican Leader Alex DeCroce (R-Morris). It was approved 66-3-6;
- Make numerous changes to other public employee benefits, mainly by limiting sick leave payouts for all new local and school employees (A-2459), sponsored by DeCroce and Oliver. It was approved 73-2-1; and
- Make numerous changes to public worker pensions, including amendments to ensure the pension system remains financially stable for taxpayers and public workers (A-2461), sponsored by Oliver and DeCroce. It was approved 62-5-9.

"Now that we've laid the groundwork for pension reform, we must focus our attention on closing loopholes that have allowed people who were never intended to be part of the pension game and abuse the system," said Wilson.

"We also must find a way to fund our pension obligations, or we will find ourselves in the same position in a very short period of time; the reforms we worked so hard to implement rendered all but meaningless," said Fuentes.

## **County and Municipal Salaries Fixed Under Senate Measures**

Citing the massive State budget deficit, and the Legislature's passage of new pension laws, along with proposed cuts in county and municipal funding, Senator Ronald L. Rice has introduced legislation which would work to save taxpayer dollars by fixing the salary amounts of municipal and county employees.

"In light of newspaper coverage of the fact that cities are using executive orders to award high salaries and raises to political appointees, some of whom live out-of-state, it is evident that more disclosure and oversight are necessary to ensure that an established procedure is followed when awarding employee salaries," said Senator Rice, D-Newark. "A significant amount of city funding goes toward paying employee salaries, and to issue them through executive order, without oversight is a wasteful, irresponsible use of taxpayer dollars."

Senator Rice's bill would require all salaries, wages and other compensation of administrative department employees to be fixed by the local county freeholder boards and city councils, similar to how city councils vote on civil service raises. Any proposal to increase employee compensation or to set aside compensation for a new employee would be submitted to the board of freeholders or council for approval.

Senator Rice noted that by cutting the amount of funding wasted on exorbitant employee salaries, cities would be better prepared to help make up the deficits brought on by proposed budget cuts.

## **Kean & Bucco Urge Parties to Negotiate**

Senate Republican Leader Tom Kean and Senate Republican Budget Officer Tony Bucco issued the following statements encouraging school boards and employees' unions to enter into talks to dodge mass layoffs:

"In several New Jersey communities, teachers and parents are coming together to find a balanced approach to protect the quality of classroom education for our children," Kean stated. "With shared sacrifice, we can find the innovative solutions to keep teachers in the classroom with the tools they need to provide a quality education."

Kean cited reports that every employee of the West Essex Regional School District agreed to a wage freeze for the next school year to prevent layoffs or cuts to instructional programs. Similar proposals have been adopted in South Orange-Maplewood, Hoboken, and Montclair.

"Teachers and small business employees face the same burden of the highest property taxes in order for their families to live here. We must make New Jersey more affordable for all middle-class families. These conversations are proof that New Jerseyans can meet the challenge of balancing our budget without higher taxes. My colleagues and I urge teachers, school employees and residents to reopen negotiations to find common ground." said Senator Tony Bucco.

## **Legislation Would Streamline School Administration Costs**

Assemblyman Upendra Chivukula announced he's introduced a two-bill package to streamline school administration costs and save property taxpayers' money by centralizing public school administration and governance at the county level.

"New Jersey taxpayers can no longer afford to pay hefty salaries for hundreds of superintendents and assistant superintendents," said Chivukula (D-Somerset/Middlesex). "We need a new and sensible approach to save taxpayers' money, and these bills could go a long way toward streamlining expenses and cutting costs without hurting education."

One bill (A-2622) would ask voters in November 2011 whether to establish a county administrative school district to centralize public school governance and operations at the county level.

The other bill (A-2623) would provide a governance structure for counties in which voters approve establishing a county administrative school district.

"New Jersey's system of 600 school districts each governed by their superintendents is a relic that we can no longer afford," Chivukula said. "Still, these bills don't force a change upon anyone. They simply give voters a choice to try something different to save money."

Chivukula noted the Office of the State Auditor in 2006 estimated it costs taxpayers about \$553 million statewide for the salary and benefits for superintendents, assistant superintendents, school business administrators and information technology coordinators.

"We have potential to save a lot of money for taxpayers by streamlining this system," Chivukula said.

Under the legislation, if voters approved a county administrative school district, a county school board would be established and a chief school administrator would be appointed by the governor, and they would be responsible for supervising county district operations.

A board of school estimate would develop a county administrative school district budget and would determine the amount of school taxes necessary for the operation of the district. The law would allow local boards of education to remain in place, but these boards would only be advisory.

The county board appointed by either the county executive or freeholder director, with advice and consent from the freeholder board. Local school district administrative and supervisory personnel positions would be abolished.

The law also would provide that students remain in the school in which they were enrolled before the establishment of the county administrative school district.

"Nothing in this bill would hurt public education," Chivukula said. "As a matter of fact, it may help by freeing up more money for the classroom. The only thing this bill would do is bring some reason to a complicated and outdated system."

*Duane Morris Government Affairs LLC will continue to monitor these and other important issues. Contact us if you have an issue you would like additional information on, or to be removed from the Capitol Commentary distribution list:*

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