



LEAGUE OF WOMEN VOTERS®  
OF NEW JERSEY EDUCATION FUND

**CONSTITUTIONAL AMENDMENT TO DEDICATE ASSESSMENTS ON WAGES BY THE STATE TO THE PAYMENT OF EMPLOYEE BENEFITS**

*Shall the amendment to Article VIII, Section II of the State Constitution, agreed to by the Legislature, which: prohibits collection by the State of assessments based solely on employee wages and salaries for any purpose other than providing employee benefits; dedicates all employer and employee contributions collected for any employee benefit fund, and all returns on investments of those contributions, to the purpose of that fund; and prohibits any transferring, borrowing, appropriating or using of those contributions or returns for any other purpose, be approved?*



**Interpretive Statement by the  
League of Women Voters of New Jersey**

This proposed constitutional amendment prohibits the collection by the State of assessments based on employee wages and salaries for any purpose except paying employee benefits (or making other employee-authorized or federally required payments, in the case of the State’s own employees), dedicates all contributions made to the unemployment compensation fund, the State disability benefits fund, or any other employee benefit fund, and all returns on investments of those contributions, to the purpose of that fund, and prohibits the use of those contributions or returns for any other purpose. The requirements of this proposed amendment do not apply to the gross income tax, which is exclusively dedicated by the Constitution to the purpose of reducing or offsetting local property taxes.

In New Jersey both the employer and employee contribute to an unemployment fund, a temporary disability fund (which includes family leave) and a workforce development program. Also in New Jersey most employers must have workers compensation: a “no fault” insurance program that provides compensation to employees who suffer job related injuries. Government agencies, such as the State, are required to provide workers compensation benefits, but they are not required to purchase an insurance policy. Government employers may maintain a separate appropriation, which in New Jersey is the Second Injury Fund. All of these various funds or any successor funds are the subject of this ballot question.

If this ballot question is approved, a new paragraph will be added to Article VIII of the State Constitution that will dedicate these wage-based employee benefit funds, and all returns on the investment of them, to the purpose of the fund. The Legislature and executive branch would not be allowed to borrow the funds nor use them for any other purpose. The cost of administering the funds will be paid from the funds. Legislation and regulation set the assessments for these worker benefit programs and the benefits provided. This question, if passed, only dedicates those funds to the purpose of each fund.

Not included in this amendment is the collection of the New Jersey income tax which is already dedicated by the Constitution to offsetting local property taxes. This amendment also does not apply to any tax collected by the United States or by the State of New Jersey on behalf of the United States, nor to any penalties or fines levied by the State in enforcement of State law.

The impetus behind this ballot question is past diversions of moneys from these worker benefit funds. From 1992–2007, the Legislature, with the approval of the Governor, has passed laws 22 times to divert a total of \$5.4 billion from these funds. The majority was transferred to the Health Care Subsidy fund (\$4.7 billion) and the remainder to the State’s general fund.

If the amendment passes then the dedication can only be changed by another citizen vote.

### **Reasons to vote YES**

- ▶ Passage will require that worker benefit funds be used for the purpose for which they are collected.
- ▶ Some of these worker benefit funds are currently in poor financial shape, in part because of the diversion of money collected for them. Passage would help avoid this problem in the future.

### **Reasons to vote NO**

- ▶ Passage will limit the ability of the Legislature to make decisions based on the State’s financial needs at any given time.
- ▶ This ballot measure does not address whether the amounts currently collected for these programs are sufficient to support the programs into the future, or whether the programs themselves should be reformed