

September 1, 2021

Via email and regular mail
jsweeneylaw@comcast.netHon. John A. Sweeney, A.J.S.C. (Ret.)
State of New Jersey
Council on Local Mandates
P.O. Box 627
Trenton, NJ 08625-0627**RE: In re Complaint Filed by the Franklin Township Board of Education**
Regarding P.L. 2020, Chapter 44**In re Complaint Filed by the Gloucester City Board of Education**
Regarding P.L. 2020, Chapter 44**In re Complaint Filed by the Lower Township Elementary Board of Education**
Regarding P.L. 2020, Chapter 44**COLM-0001-21 (Consolidated Action)****Letter-brief of Senate President Stephen M. Sweeney and Assembly Speaker Craig J. Coughlin in support of their motion for leave to appear as *amicus curiae* pursuant to Council Rule 7 and N.J.S.A. 52:13H-12(c).**

Dear Judge Sweeney:

This office represents Senate President Stephen M. Sweeney and Assembly Speaker Craig J. Coughlin (hereafter collectively “the Presiding Officers”) in connection with the above-captioned matter. Please accept this informal letter-brief, in lieu of a more formal submission, in support of the Presiding Officers’ motion for leave to appear as *amicus curiae* pursuant to Council Rule 7 and N.J.S.A. 52:13H-12(c). For the reasons set forth below, the Presiding Officers’ motion should be granted.

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A. By its August 17, 2021 decision, the Council apparently elected to terminate the Presiding Officers’ status as intervenor-parties in part because the Council concluded that it was not competent to decide the constitutional issues of “immunity” and waiver” that the Presiding Officers put forth as defenses to the Claimants’ discovery demands. These constitutional issues arose precisely because of the Presiding Officers’ status as party intervenors – in that the Claimants have the right to seek discovery against any party, including a party-intervenor. However, the Claimants have no right to seek discovery against an *amicus*. Hence, the Presiding Officers’ proposed status as *amici* cures the constitutional infirmity identified by the Council – in that the Council would no longer need to address any potential discovery issue against the Presiding Officers as *amici* 12

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I. Pleading Summary (pursuant to Council Rule 7(b)(i) and for publication on the Council website)**A. Statement of the Presiding Officers' involvement or expertise in this matter (pursuant to Council Rule 7(B)(i))**

Senate President Stephen M. Sweeney and Assembly Speaker Craig J. Coughlin (hereafter collectively “the Presiding Officers”) request leave to appear as *amici* in this consolidated action. This matter comes before the Council by way of Complaints filed by the Franklin Township Board of Education, the Lower Township Elementary Board of Education, and the Gloucester City Board of Education (hereafter collectively “the Claimants”). Claimants initially challenged L. 2020, c. 44 (hereafter “Chapter 44”). The purpose of Chapter 44 is to help school districts control their spiraling employee health care costs through a careful re-design of public employee health insurance plans.

On July 7, 2021, the Governor signed into law L. 2021 c. 163 (hereafter “Chapter 163”) -- an act that amended Chapter 44 and that added significant new language addressing the collective bargaining provision of Chapter 44. On July 30, 2021, Claimants amended their Complaints and thereby also challenged Chapter 163 as an impermissible unfunded mandate.

The involvement and expertise of the Presiding Officers in this constitutional challenge to the two Acts are summarized as follows.

The Presiding Officers were Primary Sponsors of both Acts. Indeed, the Senate President and the Assembly Speaker were the sole Primary Sponsors of Chapter 163.

Moreover, the Presiding Officers have been involved for many years in public employee health benefit issues and in the lengthy legislative process that culminated in the enactment of Chapter 44. See Sokol Cert., Exhibits “A” through “C”, The Presiding Officers had members of the Legislature and staff meet with a variety of experts on health insurance plan design and other

economic experts to investigate potential solutions to the continuing problem of the escalating costs of health insurance. See id.

More particularly, the Presiding Officers are in a unique position to convey to the Council the legislative history underlying Chapter. For example, the Presiding Officers will rely on published legislative reports and legislative history that establish that the goal of Chapter 44 – far from shifting additional costs to school districts – was to help school districts in controlling health care costs through a careful re-design of public employee health insurance plans. See Sokol Cert., Exhibit “A” (Drennan Cert., ¶¶2-8); Exhibit “B” (Cimino Cert., ¶¶3-5); Exhibit “C” (Assembly Appropriations Committee, Statement to S. 2273). According to a leading actuary retained by the Legislature, Chapter 44 – based on the most recent data -- is projected to provide total claim savings of \$865 million for a full year. Sokol Cert., Exhibit “D”. As these and other documents establish, the Legislature’s enactment of Chapter 44 encompassed careful evaluation of cost-savings measures and years of input from key stakeholders and actuarial experts.

Furthermore, the Presiding Officers’ longstanding experience in health benefits legislation will assist the Council in understanding the unique nature of public employee insurance programs and the complex issues underlying the legislative design of these programs. At the most basic level, the cost of an insurance premium is directly and indirectly affected by a myriad of variables – some of which are controllable and some of which are not. the cost of the premium is influenced by many other intrinsic and extrinsic factors. These factors include – but are by no means limited to -- the scope of coverage, layers of coverage, policy limits, policy exclusions, changes in risk over time, the size of the group, the characteristics of the group, changes in the group over time and changes in loss rates over time. These and other factors affect the cost of the insurance premium not only in obvious

and direct ways but also in ways that involve the complex interaction of the various factors. Thus, when the Legislature makes a change in the terms and conditions governing a public employee insurance program, that change affects – in different ways and to different degrees -- the experience of over 500 school districts across the State. The Presiding Officers are in a position to offer a unique perspective on these issues.

B. Statement of the Presiding Officers’ position that L. 2020 c. 44 and L. 2021 c. 163 are not impermissible unfunded mandates under the New Jersey Constitution and the Local Mandate Act (pursuant to Council Rule 7(B)(ii))

Pursuant to Council Rule 7(B)(ii), the Presiding Officers state their position that Chapter 44 and Chapter 163 are **not** impermissible unfunded mandates under the New Jersey Constitution and the Local Mandate Act (“LMA”). The purpose of the two Acts is to help school districts control employee health care costs through a careful re-design of public employee health insurance plans. The two Acts – far from being impermissible unfunded mandates – are intended to give school districts the means to control health benefit costs in a manner that is fair and equitable to all stakeholders.

Chapter 44 is a complex piece of legislation that applies to 584 public school districts across the State. According to a leading actuary retained by the Legislature, Chapter 44 – based on the most recent data -- is projected to save school districts and their employees over \$800 million per year. Furthermore – and of critical importance to the issues raised in this proceeding -- the Legislature anticipated that at least some of these hundreds of school districts might encounter short-term transitional costs, rather than transitional savings. See Sokol Cert. Exhibit “D”. In recognition of this potential circumstance, the Legislature directed school districts that might encounter short-term transitional costs to enter into collective bargaining negotiations with their employee organizations

in order to address these costs. This is a requirement of the statute.

More particularly, Chapter 44 provides that “when the net cost to the employer is lower than the cost to the employer would be compared to the New Jersey Educators Health Plan, the employer and the majority representative shall engage in collective negotiations over the financial impact of the difference.” Chapter 44, § 8 (emphasis added). By its terms, Chapter 44 requires the school district to enter into collective bargaining negotiations with its employee organizations so that the school district would avoid such costs. Therefore, Chapter 44 is not an impermissible unfunded mandate.

Notwithstanding the foregoing, Claimants at the inception of this proceeding argued that the foregoing statutory language was “ambiguous” -- in that the language purportedly did not make clear whether the mandated collective bargaining negotiations could lead to an agreement whereby the resulting insurance plan design was at variance with the standard plan design authorized by Chapter 44. To the extent that such statutory ambiguity ever existed (which is denied), on July 7, 2021 the Governor signed into law L. 2021 c. 163 (hereafter “Chapter 163”) -- an act that amended Chapter 44 and that added significant new language addressing the collective bargaining provision of Chapter 44 (hereafter referred to as Section 8). Chapter 163 makes crystal-clear that: (1) the agreement reached in collective bargaining negotiations authorized by Section 8 of Chapter 44 “may include modifications to plan level offerings or contributions for the New Jersey Educators Health Plan or the equivalent plan, or to both plan level offerings and contributions”; and (2) “plan level offerings or contributions for the New Jersey Educators Health Plan or the equivalent plan, or both plan level offerings and contributions, may be modified pursuant to collective negotiations required by this section.” *Ibid.* (emphasis added). The amendatory language of Chapter 163 makes explicit what was

already implicit in the original version of Chapter 44. In light of this amendatory language, Chapter 44 (as amended by Chapter 163) cannot possibly be deemed an impermissible unfunded mandate.

Although Claimants (by their Amended Complaints) presently argue that Chapter 163 does not cure the putative statutory infirmity (a position which is in direct contradiction to Claimants' previous position put forth to the Council in these proceedings prior to the enactment of Chapter 163), Claimants' new-found argument does not withstand scrutiny. More particularly, Claimants state that Chapter 44, as amended by Chapter 163, is an impermissible unfunded mandate because "there is no mechanism for School Boards to recoup the prior financial impacts of Chapter 44, or current and continuing financial impacts while lengthy negotiations occur." However, with respect to Claimants' contention of a statutory infirmity arising from "prior financial impacts of Chapter 44" (i.e., prior to the enactment of Chapter 163) -- in other words, retroactive relief -- the Council has no authority to order retroactive relief. Rather, the Council's sole power is the prospective invalidation of a statute if it determines that the statute is an impermissible unfunded mandate. That jurisdictional limitation on the Council's authority firmly disposes of this branch of Claimant's argument -- even without regard to the many other substantive legal infirmities afflicting this argument. With respect to Claimants' contention that "current and continuing financial impacts while lengthy negotiations occur," that contention fails by operation of elemental principles of statutory construction. Under the plain terms of Chapter 163, school districts are required "to substantially mitigate the financial impact of the difference" -- with no limitation or restriction whatsoever with regard to the scope of mitigation. Mitigation should apply to future financial impacts as well as past financial impacts. Hence, Claimants' purported construction of Chapter 163 -- as somehow precluding the parties to a collective bargaining negotiation from addressing "current and continuing financial impacts" as well

as future financial impacts – is properly rejected as a matter of law as wholly unsupported by the plain meaning of the Chapter 163.¹

In the alternative, Chapter 44 is not an impermissible “unfunded mandate” because public employee insurance statutes are *sui generis* and are subject to unique factors that are intrinsic to the nature of insurance. The cost of an insurance premium is directly and indirectly affected by a myriad of variables – some of which are controllable and some of which are not. The cost of the premium is influenced by many other intrinsic and extrinsic factors. These factors include – but are by no means limited to -- the scope of coverage, layers of coverage, policy limits, policy exclusions, changes in risk over time, the size of the group, the characteristics of the group, changes in the group over time and changes in loss rates over time. Furthermore, the cost of the premium is also affected by the allocation of cost and risk between insurer and insured, which are implemented by way of self-insured retentions, deductibles, co-payments and coinsurance. These and other factors affect the cost of the insurance premium not only in obvious and direct ways but also in ways that involve the complex interaction of the various factors. Thus, when the Legislature makes a change in the terms and conditions governing a public employee insurance program, that change affects – in different ways and to different degrees -- the experience of over 500 school districts across the State. Because the foregoing is the result of the nature of insurance itself, Chapter 44 and Chapter 163 should not be deemed to be impermissible unfunded mandates for this reason alone.

Finally (and in the alternative), Chapter 44 is not an impermissible unfunded mandate,

¹ Indeed, this same substantive legal argument also refutes Claimants’ contention of an impermissible unfunded mandate as applied to “*prior* financial impacts of Chapter 44.” Furthermore, as noted in the text above, Claimants’ contention of an impermissible unfunded mandate as applied to “*prior* financial impacts of Chapter 44” also fails because the relief sought is not within the scope of the subject matter jurisdiction of the Council.

because the Constitution and the LMA specifically exempt laws, that “repeal, revise or ease an existing requirement or mandate or [that] reapportion the costs of activities between boards of education, counties, and municipalities” from the definition of an unfunded mandate. Chapter 44 falls squarely within the “revision” exemption to the definition of unfunded mandate. School districts have been sharing the cost of health insurance with their employees for at least half a century, in accordance with changing legislation and collective negotiations agreements between employers and employees. Chapter 44 and Chapter 163 are just the latest in a long line of statutory amendments to the SEHBP that were designed to meet the health insurance needs of covered employees and the fiscal and administrative requirements of the State’s school districts. And beyond the legislative enactments, the SEHBP is also the product of countless administrative actions and determinations – as well as district-by-district modifications by way of collective bargaining negotiations between employers and employees. Thus, Chapter 44 and Chapter 163 are nothing more than an update to an insurance system that has existed since 1961 -- and constitutes just one change to the terms and conditions of insurance coverage wherein change is regular, constant and ongoing. In light of this legislative and administrative history of the SEHBP, if the Council were to hold that Chapter 44 and Chapter 163 were not within the “revision” exemption, then it would be difficult to conceive of any statute that would ever be within the scope of the “revision” exemption. Hence – and for this reason alone -- Chapter 44 and Chapter 163 are not properly deemed to be an “unfunded mandate” within the meaning of the New Jersey Constitution and the LMA.

II. The Presiding Officers’ proposed status as *amici* satisfies all of the requirements of N.J.S.A. 52:13H-12(c), because: (1) this application for *amici* status is timely; (2) the participation by the Presiding Officers, as *amici*, in this proceeding will assist in the resolution of the matter; and (3) the participation by the Presiding Officers, as *amici*, in this proceeding will not result in any prejudice to any interested party.

N.J.S.A. 52:13H-12(c) provides:

Any group or individual may file a written request with the council to appear in the capacity of an amicus curiae in regard to a complaint. The request shall state the identity of the group or individual, the issue it wishes to address, the nature of the public interest therein and the nature of the requestor's interest, involvement or expertise with respect thereto. The council shall grant the request if it is determined by a majority vote of the council's members that the request is timely, that participation by the group or individual will assist in the resolution of the matter and that no interested party will be prejudiced thereby. In granting permission, the council shall specifically define the extent of the requestor's participation in the matter.

Here, as set forth below, the Presiding Officers proposed status as *amici* satisfies all of the requirements of N.J.S.A. 52:13H-12(c), because: (1) this application for *amici* status is timely; (2) the participation by the Presiding Officers, as *amici*, in this proceeding will assist the Council in the resolution of this matter; and (3) the participation by the Presiding Officers, as *amici*, in this proceeding will not result in any prejudice to any interested party.

A. The Presiding Officers' *amicus* motion is timely.

Claimant Franklin Township Board of Education filed its Complaint on February 18, 2021. Claimants Gloucester City Board of Education and Lower Township Elementary Board of Education each filed their respective Complaints on March 26, 2021. By Case Management Order dated April 5, the three Complaints were consolidated.

Pursuant to the express terms of the Council's Publication Notice for this proceeding, the Presiding Officers intervened as-of-right as party-intervenors on March 29. Thus, the Presiding Officers have participated in this proceeding from its inception.

The Presiding Officers fully participated in all motion practice in this proceeding. For example, on April 23 the Presiding Officers, as Respondents, filed and served a brief in opposition to Claimants' application for preliminary injunctive relief. On May 21, the Council ruled in favor of

Respondents (including the Presiding Officers) and denied Claimants' application for preliminary injunctive relief.

On August 17, the Council terminated the Presiding Officers' status as intervenor-parties. By the present motion filed approximately two weeks later, the Presiding Officers seek *amici* status.

As the foregoing summary of the procedural history of this matter makes clear, the Presiding Officers have continuously participated in this proceeding from its inception and, by this motion, seek to continue their participation as *amici* rather than as party-intervenors. On this record, the Presiding Officers' *amicus* motion is unquestionably timely.

B. The participation by the Presiding Officers, as *amici*, in this proceeding will assist the Council in the resolution of this matter

As more fully set forth in Point IA, supra, the participation by the Presiding Officers, as *amici*, in this proceeding will assist the Council in the resolution of this matter. The interest and expertise of the Presiding Officers in this constitutional challenge to the two Acts is set forth at length in Point I, supra, which is incorporated herein by reference. Stated briefly, the Presiding Officers were Primary Sponsors of Chapter 44 and Chapter 163. Furthermore, the Presiding Officers have been involved for many years in public employee health benefit issues and in the lengthy legislative process that culminated in the enactment of the two Acts. For these reasons, the Presiding Officers' longstanding experience in health benefits legislation will assist the Council in understanding the unique nature of public employee insurance programs and the complex issues underlying the legislative design of these programs.

C. The participation by the Presiding Officers, as *amici*, in this proceeding will not result in any prejudice to any interested party.

As more fully set forth in Point IIA, supra, the Presiding Officers have continuously

participated in this proceeding from its inception as party-intervenors. On August 17, the Council terminated the Presiding Officers' status as intervenor-parties. By the present motion, the Presiding Officers seek *amici* status. Thus, the Presiding Officers merely seek to continue their participation as *amici* rather than as party-intervenors. In light of this procedural history, no party to this proceeding will suffer any prejudice if the Council permits the Presiding Officers to continue to participate in this proceeding as *amici*.

III. Although the Council in this proceeding, by decision dated August 17, 2021, terminated the Presiding Officers' status as Intervenor-Parties, nothing in that decision should preclude the Presiding Officers' present request for *amici* status in this proceeding

The Council, by its decision dated August 17, 2021, terminated the Presiding Officers' status as Intervenor-Parties. However, as discussed below, nothing in that decision should preclude the Presiding Officers' present request for *amici* status in this proceeding. Indeed, a key portion of the Council's decision (to be discussed in Point IIIA below) is consistent with, and supports, the conclusion that the most appropriate status for the Presiding Officers in this proceeding is as *amici* rather than as party-intervenors.

A. By its August 17, 2021 decision, the Council apparently elected to terminate the Presiding Officers' status as intervenor-parties in part because the Council concluded that it was not competent to decide the constitutional issues of "immunity" and waiver" that the Presiding Officers put forth as defenses to the Claimants' discovery demands. These constitutional issues arose precisely because of the Presiding Officers' status as party intervenors – in that the Claimants have the right to seek discovery against any party, including a party-intervenor. However, the Claimants have no right to seek discovery against an *amicus*. Hence, the Presiding Officers' proposed status as *amici* cures the constitutional infirmity identified by the Council – in that the Council would no longer need to address any potential discovery issue against the Presiding Officers as *amici*.

By its August 17, 2021 decision, the Council elected to terminate the Presiding Officers' status as intervenor-parties in part because the Council concluded that it was not competent to decide the issues of "immunity" and waiver" that the Presiding Officers put forth as defenses to the

Claimants' discovery demands. In particular, the Council stated that it was "unnecessary and imprudent to decide the constitutional issues of 'immunity' and 'waiver' [because] "these issues are better left to the courts..." Council Op., at 2.

Importantly, these constitutional issues arose *precisely because* of the Presiding Officers' status as party-intervenors. Under the Council Rules of Procedure, the Claimants have the right to seek discovery against any party, including a party-intervenor.² See Council Rule 12.

However, the Claimants have no right to seek discovery against an *amici*. See id. Hence, the Presiding Officers' proposed status as *amici* cures the constitutional infirmity identified by the Council – in that the Council would no longer need to address any potential discovery issue against the Presiding Officers as *amici*.

Thus, a key portion of the Council's August 17 decision – far from precluding the Presiding Officers' continuing participation in this proceeding as *amici* – instead serves to buttress the conclusion that the more appropriate status for the Presiding Officers in this proceeding is as *amici* rather than as party-intervenors.

B. By its August 17, 2021 decision, the Council found an unavoidable and incurable conflict of interest in the conduct of the *entire Council* (in connection with the Presiding Officers' prior participation as intervenor-parties) solely by reason of the fact that two of the nine members of the Council are appointed by the Presiding Officers. The Council's finding was error. At most, the Council's finding of an actual or potential conflict-of-interest would attach only to two of the Council's nine members – which would leave seven of nine Council members free to act and decide this matter.

² The fact that a party to a Council proceeding may seek discovery from an adverse party should not prevent the adverse party from asserting any or all of its legally cognizable privileges under New Jersey law. Here, the Presiding Officers (when they were intervenor-parties in this proceeding) asserted their Speech or Debate immunity secured by the New Jersey Constitution -- as well as their deliberative process privilege long recognized by New Jersey courts. The Presiding Officers' assertion of these privileges is no different than any other party in a Council proceeding asserting (say) attorney-client privilege as a defense to a discovery request.

By its August 17 decision, the Council found that – because two of its nine members are appointed by the Presiding Officers -- this fact raises an “actual or potential conflict of interest.” Council Op., at 2. Respectfully, this finding was error – at least insofar as the finding implies that that the *entire Council* would be affected by an actual or potential conflict of interest as distinct from merely two³ of the nine members of the Council potentially being affected by an actual or potential conflict of interest.

N.J.S.A. 52:13H-12 provides that the Council may act by a “majority vote of its membership.” A majority vote of the Council entails a vote of five members. Hence, the potential disqualification of two of nine Council members in no way precludes the Council from acting and deciding this matter.

In light of the above, it is not strictly necessary that we address the further question of whether the disqualification of *even two* of the nine members of the Council is warranted -- by reason of these two members being appointees of the Presiding Officers and by reason of the Presiding Officers’ participation in this proceeding or for any other reason.⁴ However, we briefly note the following. Nothing in the New Jersey Conflicts of Interest Law, N.J.S.A. 52:13D-12 et seq., imposes a *per se* bar on a member of government agency from rendering a decision that adversely affects the official

³ As noted in the Council’s August 17 decision, the Senate President’s appointee to the Council – Jack Tarditi – “recused himself for reasons other than those stated in this decision.” Council Op., at 2. Hence, the Council’s decision – based on actual or potential conflict of interest of the Presiding Officers’ appointees to the Council – actually applies only to *one of nine* members of the Council, *i.e.*, the Assembly Speaker’s appointee, Robert Gandolfi.

⁴ As previously noted, the Senate President’s appointee to the Council – Jack Tarditi – did not recuse himself from this matter by reason of an actual or potential conflict of interest but rather for “for reasons other than those stated in this decision.” Council Op., at 2.

interests (as distinct from the personal interests) of a government official who appointed the member. Indeed, it is fair to say that such a sweeping *per se* bar (if it were to exist) would paralyze the operations of government – since government tribunals frequently are required to make decisions that adversely affect the official interests of government officials who appear before the tribunal, including government officials who played a role in the appointment of members of the tribunal.

Moreover, if disqualification of two of the nine members of the Council were, in fact, warranted by virtue of the Presiding Officers' participation in this proceeding, it would seemingly follow that four additional members of the Council *also* would be disqualified – in light of the fact that: (1) the Governor -- the head of the Executive Branch of the State of New Jersey -- appoints four members of the Council; (2) the Attorney General is an appointee of the Governor; and (3) the Attorney General represents the Executive Branch of the State of New Jersey. Thus, applying the strict conflict-of-interest analysis (that apparently underlies the Council's August 17 decision), the Council could *never* act -- as long as the Attorney General represents the Executive Branch. Obviously, that result is untenable.⁵

⁵ Furthermore, even assuming *arguendo* that the Council's finding (that one or two of its nine members were potentially disqualified when the Presiding Officers participated in this proceeding as intervenor-parties) were correct, then – even under those circumstances – the Council's finding with respect to the Presiding Officers' participation as intervenor-parties should not apply to the Presiding Officers' participation in this proceeding in the lessor capacity as *amici*. This is so because the reduced scope of the Presiding Officers' participation as *amici* further minimizes even the appearance of a conflict of interest as applied to the participation in this proceeding of two of the nine members appointed by the Presiding Officers.

In any event, we hasten to reiterate (as discussed in the text above) that even if the appearance of a conflict of interest would attach to the two members participating in this proceeding by virtue of *any participation* by the Presiding Officers (whether as parties or as *amici*), then, of course, the two members may disqualify themselves and the Council remains capable of acting and deciding this matter by relying on seven of its nine members.

In short, to the extent that the Council found an unavoidable and incurable conflict of interest in the conduct of the *entire Council* (in connection with the Presiding Officers' prior participation as intervenor-parties) solely by reason of the fact that two of the nine members of the Council are appointed by the Presiding Officers, the Council's finding was error. At most, the Council's finding of an actual or potential conflict-of-interest would attach only to two of the Council's nine members – which would leave seven of nine Council members free to act and decide this matter. As such, the Council's finding does not preclude the Council's granting of this motion and the conferral of *amici* status on the Presiding Officers.

CONCLUSION

For the reasons set forth above, the Presiding Officers' motion for leave to appear as *amicus curiae* should be granted.

Respectfully,

Cullen and Dykman LLP
Attorneys for Respondents Senate President
Stephen M. Sweeney and Assembly Speaker
Craig J. Coughlin

By: /s/ Leon J. Sokol
Leon J. Sokol

On the letter-brief:
Steven Siegel, Esq.

cc: Shawn D. Slaughter
Executive Administrator (via email)
Shawn.Slaughter@treas.nj.gov

William C. Morlock, Esq.
Parker McKay
Attorneys for Claimant (via email)
wmorlok@parkermccay.com

Jaclyn Frey, DAG
Office of the Attorney General (via email)
Jaclyn.Frey@law.njoag.gov

Sheila Murugan, Esq.
Zazzali, Fagella, Nowak, Kleinbaum & Friedman
Attorneys for *amicus* NJEA (via email)
smurugan@zazzali-law.com