

## Apr-03-07 Governor Signs Landmark Property Tax Reform

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### **GOVERNOR SIGNS LANDMARK PROPERTY TAX REFORM**

#### ***Makes Broad, Sweeping Start to Rein in New Jersey's Highest in the Nation Property Taxes***

**TRENTON** - Governor Jon S. Corzine today signed landmark property tax legislation that will lower property taxes in the short-term while instituting long-term reforms to help break the decades-long cycle of steep annual property tax increases.

"I am proud to sign into law a remarkable combination of relief and reform that seemed impossible just a few years or even a few months ago," said Governor Corzine. "Through letters and e-mails, and at town hall meetings and sporting events across our state, I have heard from overburdened homeowners about their sizable and always-increasing property tax bills. Today, we are taking significant steps to ease that burden."

"This year, hardworking homeowners will experience the largest level of relief in state history. The four percent tax levy cap will be instrumental in helping to sustain this relief over time," said Senate President Richard J. Codey, a prime sponsor of S-20. "Rest assured, the totality of our efforts will produce long-term reform and in the interim taxpayers will get much-needed relief now."

"This is the double-dose of property tax reform and relief taxpayers have asked for and so desperately need," said Assembly Speaker Joseph J. Roberts, Jr. (D-Camden). "This initiative provides historic levels of property tax savings, cutting property taxes for the overwhelming majority of New Jerseyans and creating a four-percent cap to sustain them."

Bill A-1/S-20 will provide homeowners with immediate and substantial property tax relief. Homeowners with incomes up to \$100,000 will receive a 20 percent reduction in their property taxes through either a credit or a rebate. Those with incomes between \$100,000 and \$150,000 will receive a 15 percent reduction,

and those with incomes between \$150,000 and \$250,000 will receive at 10 percent reduction.

The program will provide benefits to 1.9 million homeowners - about 95 percent of all homeowners in the state - and to 800,000 tenants.

The overall average benefit for all eligible homeowners will be nearly \$1,100.

The average for senior homeowners, who are guaranteed to receive a rebate at least equal to last year's amount, is nearly \$1,250. The average benefit for non-senior homeowners is nearly \$1,000 and will be more than triple the amount of last year's benefit. Funding for tenant rebates will be doubled, with low-income tenants receiving a dramatic increase.

The legislation also imposes a 4 percent property tax levy cap on school districts and all county and local governments. The cap provisions of the bill permit only a small number of adjustments. To address "extraordinary" increases in costs, the bill creates a limited waiver process for school districts that will require application to and approval by the Commissioner of Education. The school district waiver process will be initiated for the 2008-2009 school year budgets.

The Local Finance Board in the Department of Community Affairs will consider county and local government waiver requests. Governor Corzine has directed both agencies to put the interests of taxpayers first in reviewing any waiver requests.

Under the new law, school districts and county and local governments are permitted to seek voter approval to exceed the tax levy cap. Any proposal to exceed the cap must be passed by a supermajority of 60 percent of the voters, except for the upcoming school elections where a simple majority of 50 percent will be required to approve a cap override.

Bill A-4/S-19 implements several reform proposals that were originally contained in the "CORE reform" package of legislation put forth by Assembly Speaker Roberts last year. This bill includes the "Uniform Shared Services and Consolidation Act," which is designed to encourage savings among local units of government through the use of shared services, joint meetings, and municipal

consolidation. Financial incentives will be made available to municipalities that participate in shared services opportunities under the “Share Available Resources Efficiently” (SHARE) program.

The legislation also sets new rules to bring increased openness and transparency to the budgeting process for schools and municipalities. All municipal budgets and municipal employee salary changes are required to be posted online. Budgets posted online must be accompanied by a user friendly plain language guide. Additionally, all compensation, benefits, separation benefits, and contract terms for school superintendents, assistant superintendents, and school business administrators must be clearly disclosed to the Commissioner of Education and will be made available for public review.

Finally, the legislation greatly expands the authority and responsibility of county superintendents of schools, who will now be known as executive county superintendents. The executive superintendents will have the authority to disapprove portions of a school district’s budget if a district has not implemented all potential administrative efficiencies or if a budget includes excessive non-instructional expenses. The executive superintendents also will be responsible for developing a plan to eliminate all so-called “non-operating” school districts, which are school districts without schools. Additionally, they will develop a proposal for submission to the voters to create or enlarge regional school districts so that school districts smaller than K-12 would be eliminated.

The signing of these bills comes on the heels of other significant reforms recently signed into law by Governor Corzine to control additional drivers of property tax increases.

On March 15, the Governor signed the following bills:

- **A-2/S-15** – legislation to create an independent Office of the Comptroller to root out waste, inefficiency and mismanagement in state and local government. The comptroller will have the authority to perform financial audits and performance reviews of all government entities.
- **A-5/S-4** – a bill to increase the fiscal oversight and accountability of school districts

- **A-15/S-12** – a measure creating a commission to study and recommend municipal consolidations and other actions designed to improve efficiency and eliminate duplication
- **S-14/A-20** -- a bill to mandate pension forfeiture and prison sentences for public officials or employees convicted of corruption

The Governor also has secured commitments from legislative leaders that they will pass a bill to ban dual office holding before he signs the FY08 budget.

"When we began the Property Tax Special Session last summer, we knew that success would be measured on two things – how much direct relief we could immediately get to homeowners and how effectively we could control spending," said Senate Majority Leader Bernard F. Kenny, Jr., (D-Hudson). "Today, we are providing New Jersey residents with a staggering amount of property tax relief – not only in terms of dollars but also in terms of families reached."

"Property taxes are issue number one, two, and three for the residents of this state," said Assemblyman John F. McKeon (D-Essex). "After years of out-of-control property tax increases and fluctuating relief, this combination of tax cuts and caps is just what the doctor ordered to help homeowners, renters, and senior citizens."

"This historic infusion of property tax savings will benefit millions of homeowners and renters," said John J. Burzichelli (D-Gloucester). "These credits, rebates, and caps will put the brakes on runaway property taxes and give residents the real relief they deserve."

Assembly Bill No. 1 was sponsored by Speaker Joseph J. Roberts, Jr. (D-Camden, Gloucester) and Assemblypersons John F. McKeon (D-Essex) and John J. Burzichelli (D-Salem, Cumberland, Gloucester). It was sponsored in the Senate by Senate President Richard J. Codey (D-Essex) and Senator Bernard F. Kenny, Jr. (D-Hudson).

Assembly Bill No. 4 was sponsored by Speaker Joseph J. Roberts, Jr. (D-Camden, Gloucester) and Assemblypersons John S. Wisniewski (D-Middlesex), Jerry Green (D-Middlesex, Somerset, Union), Robert M. Gordon (D-Bergen), Louis D. Greenwald (D-Camden), Pamela R. Lampitt (D-Camden), Bonnie

Watson Coleman (D-Mercer), Douglas H. Fisher (D-Salem/ Cumberland/ Gloucester), and Nilsa Cruz-Perez (D-Camden/Gloucester). It was sponsored in the Senate by Senator Bob Smith (D-Middlesex, Somerset).

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## **Delivering Results -- Property Tax Relief and Reform**

*The Special Session on Property Taxes that Governor Corzine opened last summer has produced the most comprehensive set of measures ever enacted in New Jersey to provide immediate relief from high property taxes and to create structural reforms that will help break the decades-long cycle of steep annual property tax increases in New Jersey.*

### **Immediate Relief**

- The new property tax credit/rebate program will mean a **20% reduction** in property taxes for the great majority of property taxpayers – an average benefit of more than **\$1,100** for the nearly **1.4 million** New Jersey homeowners with incomes of **\$100,000 or less**.
- Another 500,000 homeowners – those with incomes between \$100,000 and \$250,000 – will see benefits that are significantly higher than they have ever been before.
- Overall, benefits for non-senior homeowners will on average be **more than three times the amount** of last year's benefit.
- Seniors will continue to receive a high level of relief, guaranteed to be at least as much as last year's and averaging nearly **\$1,250 for senior homeowners**.
- Funding for relief for nearly **800,000 tenant households will double**.

### **Long-Term Reform**

#### **Promoting Consolidation and Shared Services**

- The new Local Unit Alignment, Reorganization, and Consolidation Commission will allow thorough research, review, and development of proposals for shared service arrangements and consolidations that will reduce duplication and inefficiency.
- So-called “non-operating school districts,” which actually are school districts without schools, will be eliminated.
- The executive county superintendents will develop proposals to create or enlarge regional school districts so that school districts smaller than K-12 could be eliminated. These proposals will then be subject to voter approval.
- Civil service and other legal barriers that often make regional or consolidated approaches more difficult to design and implement will be eliminated.

### **Improving Ethics, Fiscal Oversight and Accountability**

- The new State Comptroller will have unprecedented authority to root out waste, fraud, and abuse and to improve performance and internal controls at all levels of government through fiscal audits, performance reviews, and procurement monitoring.
- Pension abuses like padding and tacking will be eliminated through pending reforms that will remove service credit for professional service work by independent contractors and place a cap on the amount of salary that will count toward a defined benefit pension.
- Mandatory pension forfeiture and a prison sentence will apply to public employees or officials convicted of corruption.
- To enable voters to have a better understanding of how their property tax dollars are being spent, all school districts and local governments will be required to prepare “user-friendly” budgets that will be publicly available and posted on the Internet
- Compensation for school superintendents and other top-level school administrators will be subject to greater oversight and control, including a requirement that all employment contracts for these officials be pre-approved by executive county superintendents.

### **Controlling Spending**

- The 4% cap on the local property tax levy will create a dynamic where school districts and local governments will have to prioritize spending decisions and aggressively search for structural changes to control long-term costs, especially compensation costs.
- School districts and local governments will now have the legal authority to achieve through negotiation greater employee contributions toward healthcare costs.
- School districts will be required to implement a variety of efficiency standards as a condition of State school aid.
- Executive county superintendents in each county will have the authority to disapprove portions of a school district's budget if a district has not implemented all potential administrative efficiencies or if a budget includes excessive non-instructional expenses.
- Municipalities will be graded against performance measures designed to promote cost savings in the delivery of services, and new Municipal Efficiency Promotion Aid will be available only to towns that meet those standards.

### **Reducing Reliance on Property Taxes**

- The proposed FY08 State budget calls for a significant increase in School Aid, including funding that is targeted to at-risk children regardless of where they live. This principle of linking funding to the needs of children, rather than the accident of geography, will be at the core of a new school funding formula currently under development.
- The budget also calls for an increase in State Aid to municipalities so they can reduce their reliance on property taxes to fund needed local services.