
Committee Meeting

of

ASSEMBLY STATE GOVERNMENT COMMITTEE

Assembly Bill No. 5269

(Authorizes State constitutional convention to reform system of property taxation; makes appropriation)

Assembly Concurrent Resolution No. 25

(Proposes temporary constitutional amendment allowing State constitutional convention to reform system of property taxation to propose statutory changes)

Assembly Concurrent Resolution No. 100

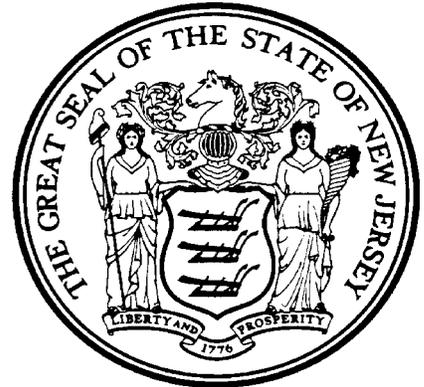
(Proposes constitutional amendment to establish Office of Lieutenant Governor and revise gubernatorial succession)

LOCATION: Committee Room 15
State House Annex
Trenton, New Jersey

DATE: January 13, 2005
12:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Alfred E. Steele, Chair
Assemblyman Mims Hackett Jr., Vice Chair
Assemblyman Jack Connors
Assemblyman Joseph Azzolina
Assemblyman Michael Patrick Carroll



ALSO PRESENT:

Pamela H. Espenshade
Office of Legislative Services
Committee Aide

Kay Henderson
Assembly Majority
Committee Aide

John Kingston
Assembly Republican
Committee Aide

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

TABLE OF CONTENTS

	<u>Page</u>
Assemblyman Joseph J. Roberts Jr. District 5	2
William G. Dressel Jr. Executive Director New Jersey State League of Municipalities	8
Gary Passanante Mayor Somerdale, and Chair Property Tax Reform Committee, and Member Executive Board New Jersey State League of Municipalities, and Member Property Tax Convention Task Force	9
Jo-Anne B. Schubert Mayor South Bound Brook, and Member Property Tax Convention Task Force	12
William E. Schluter Former Senator New Jersey State Legislature, and Co-Chair Citizens for the Public Good	30
Tom O'Neill Representing Citizens for the Public Good	31
George Hawkins Executive Director New Jersey Future	33
Candace Ashmun Co-Chair Citizens for the Public Good	36

TABLE OF CONTENTS (continued)

	<u>Page</u>
Bruce Coe President New Jersey Coalition for the Public Good	38
Assemblyman Kevin J. O'Toole District 40	57
Assemblywoman Linda R. Greenstein District 14	63
Edithe A. Fulton President New Jersey Education Association	72
James Schroeder Director Government Relations New Jersey Education Association	77
Ronald Sworen Mayor Frenchtown Borough, and Vice President and Chairman Constitutional Convention Task Force New Jersey Conference of Mayors	78
Arthur Maurice First Vice President New Jersey Business and Industry Association	84
Jeff Tittel Director New Jersey Chapter Sierra Club	89
August Scotto Vice President Silver Square Senior Coalition, and Member Hamilton Township Senior Coalition	92

TABLE OF CONTENTS (continued)

	<u>Page</u>
Judith Cambria Fiscal Policy Specialist League of Women Voters of New Jersey	95
Eric Richard Representing New Jersey State AFL-CIO	106
Matthew B. Shapiro President New Jersey Tenants Organization	109
Christopher D. Kniesler Director Governmental Relations New Jersey School Boards Association	112
John T. Tomicki Executive Director League of American Families	114
Cy Thannikary Chairman Citizens for Property Tax Reform, and Member Property Tax Convention Task Force	119
Michael Egenton Assistant Vice President Government Relations New Jersey Chamber of Commerce	122
Teresa Dresser President Mercer County Education Association	124
Fred Aug President New Jersey Retired Educators Association	128

TABLE OF CONTENTS (continued)

	<u>Page</u>
APPENDIX:	
Statement submitted by William E. Schluter	1x
Reports submitted by Candace Ashmun	2x
Statement submitted by Edithe A. Fulton	60x
Testimony submitted by Arthur Maurice	63x
Statement submitted by Judith Cambria	67x
News release and position statement submitted by Christopher D. Kniesler	70x
Position paper submitted by Michael Egenton	73x
Testimony submitted by John Holub State Director National Federation of Independent Business-New Jersey	75x
Testimony submitted by Richard Goldberg President Commerce and Industry Association of New Jersey	76x

TABLE OF CONTENTS (continued)

APPENDIX (continued)

Page

Testimony
submitted by
New Jersey Principals and Supervisors Association

77x

rs: 1-136

ASSEMBLYMAN ALFRED E. STEELE (Chair): The State Government meeting will now come to order.

We'll have roll call.

MS. ESPENSHADE (Committee Aide): Assemblyman Carroll.

ASSEMBLYMAN CARROLL: Here.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNORS: Here.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Here.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Here.

Thank you very much.

At this time, we'll begin our meeting for today. We will begin with Bill A-5269 and ACR-25.

MS. ESPENSHADE: We'll use the short summary.

Assembly Bill 5269 authorizes a State constitutional convention to reform system of property taxation, and it makes an appropriation for the convention.

ACR-25 proposes a temporary constitutional amendment that would allow the State constitutional convention that does convene to reform a system of property taxation to propose statutory changes that would then, in turn, be put up for voter approval.

ASSEMBLYMAN STEELE: At this time, we acknowledge Majority Leader Joe Roberts.

ASSEMBLYMAN JOSEPH J. ROBERTS JR.: Chairman, thank you very much.

Chairman Steele and distinguished members of the Assembly Government Committee, property taxes are the one tax that every single New Jerseyan loves to hate. That is why I want to thank you for conducting this hearing today on legislation that holds the promise of finally addressing the most burdensome and inequitable tax paid by our residents.

This legislation is historic, and it's incumbent upon us to ensure that this opportunity of a century, a major constitutional convention in New Jersey, succeeds and is viewed by our citizens as legitimate.

The legislation before you today is based almost exclusively on the recommendations of the Property Tax Convention Task Force, which completed its work late last month. As a Task Force member, I can testify that the convention-designed process was one of the most interesting and enlightening responsibilities I have had in over two decades as a public official.

Our bipartisan panel held regional meetings; conducted 15 meetings open to the public, which were attended by more than 600 people; received testimony from more than 150 individuals and groups; was forwarded correspondence and e-mails from more than 500 citizens; and weighed a wide range of issues, such as how to proceed with seeking voter approval, electing delegates, initiating the convention, funding the convention, and implementing its outcomes.

I applaud Task Force Chairman Carl Van Horn, Vice Chairman Michael Cole, and my fellow Task Force members, and all of the other individuals who worked long and hard to make a constitutional convention on

property tax reform a reality. The product of the Task Force is what is before you today, a blueprint for a revolution on property taxes in New Jersey.

Shortly before the Task Force issued its report, I pledged to introduce legislation on January 10 to implement the report and have it heard in Committee on January 13, only two weeks after the report was released, in order to immediately begin the process of considering these monumental measures.

Mr. Chairman, through your efforts, and through those of Assembly Speaker Albio Sires, this objective is now being realized. On Monday, Assemblywoman Linda Greenstein and I introduced Assembly Bill 5269, a bill number that reflects the average one-year property taxpayer -- property tax bill for our residents, \$5,269 each year, and growing.

A-5269 would place a convention call question on the November 2005 ballot. And once approved by a majority of voters, establish a convention in form recommended by the Task Force. It is a convention process largely modeled after the 1947 Convention, the year New Jersey's Constitution was transformed into one of the strongest state charters in the nation.

Also before you for discussion today is ACR-25, which would place a public question on next November's election ballot to authorize the constitutional convention to consider statutory changes to fix our property tax system. To maintain the momentum for property tax reform, I thought it advisable to promptly craft and advance legislation based solely on the Task Force's consensus recommendations.

I'm proud of this legislation and its significance, especially since the Task Force's recommendations are substantially similar to A-540 from last session, which passed the General Assembly with 50 bipartisan votes.

But by no means do I wish to suggest that the convention blueprint, outlined by the Task Force and contained in this legislation, is a final product. In fact, as I indicated, Mr. Chairman, to you in my letter yesterday, I am hopeful that this Committee will be open to focusing on testimony and deliberations on issues that are not included in the Task Force's report but, perhaps, should be.

In this context, there's one specific issue I wish this Committee to pay close attention to today. Members of the Task Force, that were markably successful in presenting consensus recommendations on almost every single issue relating to a convention, nevertheless disagreed about what limits should be placed on the scope of a convention's work for developing property tax solutions. The primary area of dispute was whether a convention should be authorized to identify ways to address spending.

The legislation before you today, consistent with the Task Force's final report, would direct convention delegates to look solely at how the State raises revenue, and not on the spending side. At the Task Force's final meeting, I noted that the issue of spending could serve to undermine the entire convention, unless severe caution was given with respect to its parameters. My precise comment that day was that spending is an issue that, "without careful consideration of its parameters, serves as a poison pill to the entire convention." And I remain convinced of that viewpoint.

However, some Task Force members expressed concerns that any reforms that may come out of a convention would be momentary unless government spending was made part of the convention's deliberations. And in the weeks following the issuance of the Task Force's final recommendations, there have been even more calls for the Legislature to examine whether government spending should be made part of the convention process.

A number of these concerns have come from editorialists, and even legislators who had previously supported legislation establishing a convention which precluded consideration of spending issues. Some proponents of the spending issue -- notably Senate Minority Leader Leonard Lance -- are completely sincere in their belief that if we truly want to reform our property tax system once and for all, we need to equip the convention with the authority to make its recommendations lasting.

To those individuals with a genuine interest in ensuring that convention reforms are lasting, not fleeting, I say, yes, this Committee should be open to examining ways to allow the convention to make property tax reform permanent without interfering with or distracting from the convention's primary mission of property tax reform. But regrettably, other so-called proponents of the spending issue are nothing more than opponents of a convention, whose motivations have nothing to do with true property tax reform.

These individuals seek to use the spending issue as a wedge issue, as a campaign issue, and as a way to pit urban against suburban New Jerseyans; as a way to divide seniors versus students, as a way that would replace convention debate on property taxes with debate on the State's entire

budget, and as a way to advance a radical social agenda that simply can't be advanced in the Legislature.

These individuals masquerading their true motivations under a call for "spending reform," in actuality would allow the convention to debate issues like stem cell research, gun control laws, and abortion under the guise that changes in those laws would save taxpayers money. It is an outcome that would destroy a convention, and they know it. To these opponents, I say go home. The people of New Jersey already have spoken on this issue. Eighty percent of our citizens, 92 percent of our mayors, almost every single New Jersey newspaper editorial board, and a broad coalition of reformers support a constitutional convention to address property taxes in New Jersey.

To the opponents, I say, we are going forward with a convention, with or without your support, because New Jersey taxpayers are well-beyond the point of using politics to destroy a process that will empower our citizens and reduce property taxes. It would be utterly criminal to allow this once-in-a-lifetime opportunity, this opportunity of a century for a constitutional convention, to be sacrificed in order to advance a radical political agenda.

But frankly, in contrast, the legitimate concerns raised by Senate Minority Leader Lance, Task Force Vice Chairman Michael Cole, and several newspaper editorialists need to be explored. Last month, for instance, the *Star-Ledger* editorialized that, despite the positives of a convention, "Unless the convention devises ways of keeping spending in check, those expectations will never be realized." Likewise, the Trenton *Times* said, "Any gains achieved would be unlikely to last unless spending is brought under some kind of control."

I would like to add my voice to that point of view. We have an obligation to seek out alternatives that would make convention solutions permanent, not passing. And we need to do so without jeopardizing, in any way, shape, or form, our constitutional commitment to a thorough and efficient education system in New Jersey, and without allowing the convention to become distracted and divided by issues that have nothing to do with property taxes.

Mr. Chairman, this Committee should be open to testimony that would make spending part of the convention's scope, without getting bogged down in counter-productive, social spending issues, court mandates, and constitutional guarantees.

Mr. Chairman, please look at the legislative measures before you today and consider the prospect of enabling a constitutional convention to identify ways to rein in government spending without interfering with, or distracting from, the ultimate mission of achieving property tax reform.

And, Mr. Chairman, please allow a full and frank discussion of spending considerations to move forward so that we might finally provide New Jersey residents with comprehensive, lasting property tax reform.

Two of the most significant constitutional measures in half a century are before you and your Committee today: Speaker Sires' Lieutenant Governor proposal, and these constitutional convention measures. It is, frankly, just another day at the office for the Assembly State Government Committee, the hardest working Committee in the Legislature.

Mr. Chairman, I thank you and your members for the work that you are doing in confronting these challenging issues. And I look forward to the ensuing discussion of these critical issues.

Mr. Chairman, as I indicated to you, our rules -- our Assembly rules provide for the Speaker, the Majority Leader, and Minority Leader to serve as ex-officio members of each standing Committee. And with your permission, I would like to exercise my right to sit as a member of this Committee and listen to the testimony today.

ASSEMBLYMAN STEELE: Absolutely.

Thank you very much.

ASSEMBLYMAN ROBERTS: Thank you, Mr. Chair.

ASSEMBLYMAN STEELE: The next speaker will be the League of Municipalities.

Bill, will you come-- And you're going to bring two mayors with you.

WILLIAM G. DRESSEL JR.: Yes.

ASSEMBLYMAN STEELE: Welcome.

MR. DRESSEL: Thank you, Mr. Chairman and members of the Committee.

My name is Bill Dressel. I am Executive Director of the New Jersey State League of Municipalities.

We are here today in absolute support of the constitutional convention legislation. And I am joined with Mayor Passanante from Somerdale, who is Chairman of the League of Municipalities Property Tax

Committee. And he was also a member of the Constitutional Convention Task Force.

I'm also very pleased to have with us the League past president, Jo-Anne Schubert, the Mayor of South Bound Brook, in Somerset County. Mayor Schubert was also a member of the Property Tax Convention Task Force.

And we have prepared statements. Staff has given you copies of them. We will follow the statements, and we will be available for questions following our statements, Mr. Chairman.

At this time, Mayor Passanante.

MAYOR GARY PASSANANTE: Thank you, Chairman Steele and members of the Assembly Government Committee.

I am Gary Passanante, Mayor of the borough of Somerdale, in Camden County. I am a member of the League of Municipalities' Executive Board, and the Chair of the League's Property Tax Reform Committee.

With me is Mayor Jo-Anne Schubert of South Bound Brook, who is the League's immediate past president.

Ladies and gentlemen, this hearing could signal the beginning of the end of our State's chronic over-dependence on regressive property taxes.

Property tax accounts for over 45 percent of our total State and local tax revenue. The national average is just slightly above 30 percent. In 1997, the New Jersey per capita property tax burden amounted to \$1,596, almost doubling the national average of \$825. New Jersey property taxes equaled 5.6 percent, as a percentage of personal income, a full two points above the national average of 3.6 percent. And in our state, those with the

least shoulder a disproportionate share of the burden. Households with incomes in the lowest 20 percent pay 9.2 percent of their earnings in property taxes, while the wealthiest 20 percent pay 3.6 percent of their income through this assessment.

The call for a special convention is focused exclusively on the need to relieve the people of the state from our well-documented over-reliance on property taxes to fund local governments and schools. Time, and time, and time again, New Jersey governors have called into being a long line of special blue ribbon property tax commissions. Over, and over, and over again, they have studied New Jersey's regressive over-reliance on the property tax as a source of funding for essential services and programs. Dutifully, they have filed their conclusions and recommendations. Yet, New Jersey remains nationally notorious for its unequalled and inequitable over-reliance on the property tax.

The League and the Citizens for Property Tax Reform were the first statewide organizations to embrace the idea of a convention to reform New Jersey's property tax system when it was proposed by former State Senator Bill Schluter over five years ago. Senator John Adler and Assembly Majority Leader Joseph Roberts should be commended for their consistent leadership on this issue. All who truly yearn for property tax reform are delighted to see the beginning of the process that will eventually let the people of New Jersey participate in the rehabilitation of this antiquated system that no longer works for the State or its citizens.

In July of last year, the borough of Somerdale was honored by hosting Governor McGreevey's signing of bill A-97, creating a Property Tax

Convention Task Force. Last September, I was equally honored to be asked to serve on that Task Force, which recommended the provisions in the bill you have before you.

The report of the Task Force, which came in on time and under budget, stands as a testimony too rare in the annals of such enterprises -- to the energy, expertise, efficiency, and earnest dedication of my colleagues on the Task Force, especially of our Chairman, Dr. Carl Van Horn, and our Vice Chair, Michael Cole.

On more than one occasion, the Task Force was commended for its open dialogue, constructive sharing of ideas and philosophies, and willingness to work on a bipartisan basis to achieve the common goal of permanent property tax reform.

I believe our recommendations give the Legislature a solid base on which to build true and lasting property tax reform for the people of our state, through a special convention. Now, with the work of the Task Force done, the work of the Legislature begins. The people of New Jersey expect the Senate and General Assembly, as well as Acting Governor Codey, to act on a property tax convention bill. They need nothing more than that. They deserve nothing less.

The League of Municipalities does not object to any of the provisions included in A-5269. But we can only support the bill if language is added to Section 2 to prevent the convention from recommending a statewide equalized property tax to fund education.

The solution to our over-dependence on the property tax is not another property tax, especially one that could increase the burden on a widow

living on a fixed income in a relatively low property tax jurisdiction, while potentially decreasing the levy imposed on a couple with two good and growing incomes, who happen to live in a relatively high property tax town. That one addition will immeasurably improve the bill before you. And it will win our support for A-5269.

We fully support ACR-25, which is needed to allow the convention to propose, for voter approval, statutory changes for property tax reform.

We hope the Legislature will heed our request to move deliberately, but surely, toward the goal of property tax reform, through a citizens' special convention. The property tax is not a North, or a South, or a Central Jersey problem; it is not an urban, or suburban, or rural issue. From Cape May Point to High Point, from the Hudson River to the Delaware Bay, the property tax is a New Jersey problem that can, and will, be solved by the people whom it plagues, if they are given the chance. We urge the Legislature, on a bipartisan basis, to amend A-5269, and advance it and ACR-25 without a delay.

Thank you for your time and consideration.

ASSEMBLYMAN STEELE: Thank you very much.

MR. DRESSEL: Our second speaker is League past president Jo-Anne Schubert, the Mayor of South Bound Brook.

Jo-Anne.

MAYOR JO - ANNE B. SCHUBERT: Thank you.

Thank you, Mr. Chairman and members of the Committee.

I am Jo-Anne Schubert, the Mayor of South Bound Brook. I am the immediate past president of the League of Municipalities' Executive Board.

And I served on its Property Tax Reform Committee. I also recently served on the Property Tax Convention Task Force.

As any resident of New Jersey will tell you, New Jersey needs property tax reform now. In fact, it is long past due. We have needed it for decades. The Legislature has had more than ample time to address the property tax crisis. It has not. So those of us who truly support reform have come to embrace the call for a special property tax reform convention -- a convention composed of delegates elected by the people who pay the taxes, and focused solely on proposing meaningful reforms. Those same property tax burdened citizens would then have to ratify those proposals by allowing all New Jersey voters the ability to have a voice on those reforms.

The opponents of such a convention, and the defenders of the status quo, base their arguments on a misguided faith in the Legislature. With all due respect, the Legislature has carefully avoided any substantive discussion of reform for decades. Why would anyone think they will do it now? The opponents of the convention also seem to have a misplaced fear that the convention might actually recommend, and the people of New Jersey may actually ratify, measures that could hurt the very people that New Jersey -- that need property tax reform the most -- our residents. I think we should give the people of this state more credit than that. We should allow them to do the job that has yet to be done.

Despite decades of inaction, incredibly, there are those who still believe that the Legislature, and the Legislature alone, should have the right to accomplish significant and lasting property tax reform. Quite honestly -- I have said it over and over again -- we would welcome that. But don't let

anybody tell you that that is the surest route to true reform. And don't let anybody tell you that movement towards a property tax convention precludes the possibility of legislative progress.

The introduction and legislative action on a special property tax convention bill will do nothing to prevent the unanticipated, and unprecedented, and highly unlikely prospect that the Legislature just might decide, at long last, to lance this festering sore on the body of New Jersey.

All action on a convention bill will do is set a time limit. Once that time limit is set, the Legislature themselves can end the need for the convention. They can do what I asked them to do last year during the budget hearings. They can address this issue once and for all. They can work together in a bipartisan manner the same way that we did on the Task Force. They can do what is right for the people of New Jersey, those that elected them on faith and are looking to them to do the right thing. They can solve this crisis now, rather than passing it off for someone else to do it later.

The Legislature will have until Election Day of 2005 to convince the people of New Jersey that they do not need a special convention to get true property tax reform. If the Legislature solves the problem, there will be no need for the convention. If they cannot, then there must be one.

Public support for this initiative is evident. Late in 2002, Quinnipiac University asked New Jerseyans to name their most hated tax. A whopping 54 percent cited the property tax. Furthermore, although 61 percent would rather see services cut than a raise in the property tax, 74 percent would rather see an increase in State sales or income taxes than face another property tax hike. The *Star-Ledger* of Newark developed a "tax trauma index" to

measure the relative burden shouldered by property taxpayers through New Jersey. The bottom line: property tax trauma is up in New Jersey. Then, a *Star-Ledger*/Eagleton-Rutgers poll found that eight out of 10 Garden Staters support a special property tax reform convention. Finally, just last month, 91 percent of the mayors who responded to the League's annual policy survey supported the special citizens' convention with the limited purpose of addressing the property tax crisis.

As a mayor, I can tell you the most common complaint that I hear from my residents is property tax. And I spend the majority of my time trying to find ways to save taxes and do more or the same with less. We as mayors are required to live within a CAP on our expenses. However, those at the State are not. It is simply unfair and must be addressed.

Like Mayor Passanante, I had the honor to serve on the Task Force. As I said then, and as I still believe now -- no matter how much you think government should spend, no matter where you think money is needed or money is wasted, no matter what the appropriate level of revenue we need is to meet our responsibilities to the people who elected us -- the simple fact of the matter is that there still has to be a fairer way of raising that money. We can no longer continue to drive our residents out of the state. Eventually, New Jersey will become the land of the wealthy, because they are the only people who will be able to afford to live here. Is this what we want? I think not. We must find a way to make taxation fair in New Jersey, and we must do it now.

That needs to be the primary focus of a special convention dedicated to property tax reform. That is my main goal, and the central aim

of the League of Municipalities and all the other early advocates of this approach. And that is the crying need of the property taxpayers of our state.

As this Committee considers each issue that needs to be addressed, we urge you to ask yourselves this question: Which approach will increase the likelihood that the process will yield a fairer revenue system for the future of the families of New Jersey? And which will increase the risk that we will let this historic opportunity slip away?

The League has always supported a limited convention. The convention bills that we have supported in the past would have taken *Abbott* off the table. They would have taken *Mount Laurel* off the table. And they would have taken a statewide equalized property tax off the table. Those bills looked for revenue-neutral solutions to the property tax crisis. We supported those bills, and we can support A-5269 if it is amended with regards to statewide equalized property taxes to fund our public schools. That is the greatest portion of our property tax bill, and that needs to be funded in a fairer way.

Throughout this process, the bottom line is progress toward giving the people of New Jersey a chance to free themselves from unfair, inequitable, and onerous property taxes.

As Mayor Passanante has put it, the property tax crisis is a burning fire. The Legislature is the fire department. It has repeatedly been notified of the situation, but it hasn't shown up. Finally, we can wait no longer. If the Legislature is not going to put the fire out, it should at least let the people of New Jersey borrow the truck.

Thank you for your time and considerate attention.

ASSEMBLYMAN STEELE: Thank you very much.

MR. DRESSEL: Mr. Chairman, that is our prepared comments.
We thank you.

And I might add that, on behalf of the League -- the Executive Board of Officers -- we want to thank Assembly Majority Leader Roberts for his courage in advancing this legislation in an expeditious fashion.

Thank you.

ASSEMBLYMAN STEELE: Thank you, sir.

Assemblyman Carroll.

ASSEMBLYMAN CARROLL: Thank you, Mr. Chairman.

Mayors, I appreciate your testimony.

I consider myself passingly familiar with the Constitution of the State of New Jersey. And I understand we're talking about process today. But in all the discussions that you, as members of the panel, must have had, there must have been some ideas about which provisions of the Constitution need to be tweaked by this convention.

Any thoughts?

MAYOR SCHUBERT: Okay, I want to understand your question. You want to know if we discussed which parts of the Constitution should be looked at, at the convention.

ASSEMBLYMAN CARROLL: I'm just asking for your opinion on the subject. Right now, we have a convention that has been, at least in theory, primarily designed to amend the Constitution. There must have been some thoughts, perhaps only yours, as to what sections of the Constitution require amendments.

MAYOR SCHUBERT: Well, we're looking for-- Our suggestion is for the constitutional convention to deal with the property tax issue. We looked at -- I believe it was Section 7 that we looked at, and Section 8. And we would like to make sure that the *Abbott* is kept off the table. We talked about -- and I believe it's in the bill--

ASSEMBLYMAN CARROLL: Why?

MAYOR SCHUBERT: --that--

ASSEMBLYMAN CARROLL: May I interrupt there?

MAYOR SCHUBERT: Sure.

ASSEMBLYMAN CARROLL: Why?

MAYOR SCHUBERT: Well, *Abbott* was a Supreme Court decision, I believe.

ASSEMBLYMAN CARROLL: Oh, I'm well aware of that.

MAYOR SCHUBERT: So I don't know that we want that to be played with and end up in another court battle.

ASSEMBLYMAN CARROLL: Well, if we change the Constitution, at least in theory kicking the Court out of the process, do they have the right to declare the Constitution unconstitutional? Obviously, the answer is, yes. They've never lived with it before.

MAYOR SCHUBERT: I would guess not. But I think that the Task Force, as a whole, wanted to ensure that education -- thorough and efficient -- was all maintained. That's an important part of our Constitution, we believe.

ASSEMBLYMAN CARROLL: Isn't that your responsibility, as members of governing bodies and local boards of education?

MAYOR SCHUBERT: No, actually, I believe the Constitution says it's the State's responsibility.

ASSEMBLYMAN CARROLL: Then why are you doing it?

MAYOR SCHUBERT: Because without us doing it, I don't believe our children would be able to be educated, based on the State's portion of financing, which, in many municipalities, is 5 percent or less of the budget.

ASSEMBLYMAN CARROLL: Why is that so?

MAYOR SCHUBERT: You tell me.

ASSEMBLYMAN CARROLL: Is spending on education in the state too low?

MAYOR SCHUBERT: Very possibly.

ASSEMBLYMAN CARROLL: Is spending in your district too low?

MAYOR SCHUBERT: You mean on my board of education level? I don't believe so.

ASSEMBLYMAN CARROLL: Is your State aid for education too low?

MAYOR SCHUBERT: Quite possibly.

ASSEMBLYMAN CARROLL: Are you aware where most of State education aid goes?

MAYOR SCHUBERT: Yes, I am. But it's not--

ASSEMBLYMAN CARROLL: And where is that?

MAYOR SCHUBERT: To about 30-some districts.

ASSEMBLYMAN CARROLL: Is that fair?

MAYOR SCHUBERT: You tell me, you're the legislator.

ASSEMBLYMAN CARROLL: Should not the people of the State of New Jersey, convening in an convention -- which is, after all, the single most important thing the people can do -- the most organic form of government -- be entitled to review all aspects of their fundamental document to determine whether or not the Court got it right?

MAYOR SCHUBERT: Do you think that would be the best thing?

ASSEMBLYMAN CARROLL: Isn't that what we trust the people to do?

MAYOR SCHUBERT: Well, we've been trusting the legislators to do something about it for a long time.

ASSEMBLYMAN CARROLL: Let's go on to that next section, because I'm interested about that -- that legislative matter.

Also, this convention would also have the right to propose statutes. That's the sort of thing that you trust us to do. Is that correct?

MAYOR SCHUBERT: Well, yes.

ASSEMBLYMAN CARROLL: In theory.

MAYOR SCHUBERT: In theory.

ASSEMBLYMAN CARROLL: And when--

MAYOR SCHUBERT: That's why there's an amendment needed.

ASSEMBLYMAN CARROLL: And when a legislature does not comply with the rationale for its existence, the solution usually lies in kicking the people who are running the show out of office, doesn't it?

MAYOR SCHUBERT: Okay. So are you saying that because there hasn't been an overturning election with the Legislature that property taxes are not an issue that should be addressed? Is that what you're saying?

ASSEMBLYMAN CARROLL: No, my question would be this: Any proposal of this convention is going to have to go on the ballot. Is that correct?

MAYOR SCHUBERT: Yes, it will.

ASSEMBLYMAN CARROLL: And so, therefore, presumably, any suggestion that this convention makes, to survive, will have to be popular. Is that correct?

MAYOR SCHUBERT: Yes.

Well, it would have to be voted on by the people and passed by the people.

ASSEMBLYMAN CARROLL: Correct.

The point of the matter is, is that any statute that this convention suggests has to be approved by the people in a referendum. Is that correct?

MAYOR SCHUBERT: Well, no. There's two sections here. There's a bill which recommends that the people be able to vote on the statutory changes, but there's a separate bill for the convention. Should the statutory side go down, and the convention be voted -- be approved -- I believe we would still have the convention.

ASSEMBLYMAN CARROLL: No, I think we're talking about apples and oranges there.

MAYOR SCHUBERT: Am I correct, Assemblyman?

ASSEMBLYMAN CARROLL: I think what I'm saying is, once the convention has met and made propositions to the people--

MAYOR SCHUBERT: Right. Okay. Yes.

ASSEMBLYMAN CARROLL: --those propositions would then go to the people. Is that correct?

MAYOR SCHUBERT: Yes.

ASSEMBLYMAN CARROLL: And they will be voted upon. And if the people vote them down, they will not become law. Is that correct?

MAYOR SCHUBERT: Yes.

ASSEMBLYMAN CARROLL: And therefore, there is at least a presumption that if those statutory sections which are proposed go to the people, they will be popular enough to secure a majority vote. Correct?

MAYOR SCHUBERT: Well, we never know what the voters are going to do, do we?

ASSEMBLYMAN CARROLL: Well, if they don't vote them-- Obviously, if the voters vote them down, then we've, in effect, spun our wheels for a year. Is that correct?

MAYOR SCHUBERT: No, I don't believe so.

ASSEMBLYMAN CARROLL: Well, let me ask you clearly then, on this -- I guess cutting it to the chase.

Assuming we eliminated the middle man in this convention and said, "Okay, Legislature, you've got the job of writing statutes, generally," what statutes should we write?

MAYOR SCHUBERT: What statutes should you write?

ASSEMBLYMAN CARROLL: I mean, right now we have a situation where property taxes are assertively too high. Is that correct?

MAYOR SCHUBERT: Yes.

ASSEMBLYMAN CARROLL: What should we do about it? Leaving aside the convention, what result should we arrive at?

MAYOR SCHUBERT: Maybe you should have a special session to address the issue.

ASSEMBLYMAN CARROLL: Well that's just -- that's process. What should we do? What is the result at which we should arrive?

MAYOR PASSANANTE: Assemblyman, if I could.

ASSEMBLYMAN CARROLL: You may.

MAYOR PASSANANTE: I think that the purpose of the convention is to bring together delegates to investigate what direction we should go. Our Task Force was not tasked with the responsibility to come up with solutions for the problem. Those solutions--

ASSEMBLYMAN CARROLL: You must have some thoughts.

MAYOR PASSANANTE: We all have thoughts.

ASSEMBLYMAN CARROLL: What are your thoughts? What should we do?

MAYOR PASSANANTE: I will tell you that if, at minimum, we are able to address the revenue portion of the equation-- We'll set aside the spending issue for a moment. If we can only address the revenue issue in this first stage, we have accomplished a herculean task, because even before spending became an issue that we are all facing, the way the revenues are generated, through using property tax as a basis, is inequitable and regressive.

We have senior citizens that are on fixed incomes, that have been in their homes for 30 years, and the home values have multiplied 10 times, yet their earnings have not. But they're expected to pay a property tax based on the value of their homes. That's a regressive and inequitable way to raise the revenues.

So our position is that if we, at minimum, can address the revenue portion of the equation, we will have made a great leap in making our taxes more fair and equitable to everyone in the State of New Jersey.

ASSEMBLYMAN CARROLL: A tax shift, in other words, from one source to another.

MAYOR PASSANANTE: Whatever it takes.

ASSEMBLYMAN CARROLL: What prevents us from doing that tomorrow?

MAYOR PASSANANTE: You.

MAYOR SCHUBERT: Absolutely nothing except you, actually.

MAYOR PASSANANTE: You do. The Assembly--

ASSEMBLYMAN CARROLL: Oh, you're right. I do. I won't vote for a tax shift. But that's neither here nor there. You'd think that some people who support it would have the courage in their convictions, would they not?

MAYOR PASSANANTE: The Legislature has had this responsibility, and they have failed to do it. That's why we're here today. And we have all said, since day one, that we would support the Legislature if they would go to the table and resolve it once and for all. I have never seen that happen yet. There's been a lot of discussions.

ASSEMBLYMAN CARROLL: Why not?

MAYOR PASSANANTE: You tell me. You've been elected to do the job.

ASSEMBLYMAN STEELE: Let me say that this is healthy, and it's probably to be continued. So we're going to move on. And you'll still get that same exercise. And I appreciate your testimony.

ASSEMBLYMAN CARROLL: If I may, I have one last question from two members of the Task Force.

ASSEMBLYMAN STEELE: I'm sorry. What was your--

ASSEMBLYMAN CARROLL: The proposed bill--

ASSEMBLYMAN STEELE: No, no, what did you just say to me?

ASSEMBLYMAN CARROLL: If I may ask one more question from the two members of the Task Force.

ASSEMBLYMAN STEELE: Okay. You can ask your final question to them.

ASSEMBLYMAN CARROLL: There's one last one, if I may, on the delegate selection process.

According to the bill, there are 10 selected delegates to this convention; 80 people who will be elected by the people and 10 will be appointed. Can you think of any rational basis for appointing people to do the people's business rather than giving the people the opportunity to elect those people?

MAYOR SCHUBERT: We had a lot of discussions about that. The feeling was that it would enable some -- to ensure some equitable

representation, should there not be an equitable representation from facets that should be sitting at the table discussing this issue.

ASSEMBLYMAN CARROLL: Isn't that, ultimately, the people's decision to make?

MAYOR SCHUBERT: Not necessarily. I mean, the Task Force was appointed. There's a lot of--

ASSEMBLYMAN CARROLL: Isn't that the nature of a constitution, to embody the voice of the people to be--

MAYOR SCHUBERT: Well, we also could have made the decision to have the entire delegate slate be appointed, which was recommendations that we heard, as well. So, I mean, it was in-- Our responsibility was to come up with our recommendations based on days and hours of testimony, and reading papers and position papers from experts all over the country on this issue. This was the decision that we came to.

ASSEMBLYMAN CARROLL: Thank you, Mr. Chairman.

ASSEMBLYMAN STEELE: Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: The League is composed of a lot of very intelligent people, I assume. What do you recommend? There's only a couple of solutions. Change the tax structure-- What do you recommend? More income tax, more sales tax, adding more items to the sales tax? You can only play a game so far. Property tax is so much, what are you going to do? We've exempted a lot of items in the sales tax. So what recommendation do you have?

It's fine to have this convention. And we're only going to play games with it, unless we come up with the revenue. Where are you going to

get the revenue from? And where are you going to cut? You need to be able to cut expenses. And you're going to need -- I think-- I don't know. I read something Assemblyman Roberts said, I think, today in the paper, coming up.

I guess you want to change something in the bill. I missed it. I missed your speech. I was talking to eighth grade students. They changed the meeting to noon. I got all screwed up.

ASSEMBLYMAN ROBERTS: I'm sure they were more enlightening. (laughter)

ASSEMBLYMAN AZZOLINA: Anyway, what do you recommend? I mean, you're intelligent people. Recommend something now. Don't play games with us.

MAYOR PASSANANTE: Assemblyman, let me just make it very clear. This is not a game. And the--

ASSEMBLYMAN AZZOLINA: It is.

MAYOR PASSANANTE: It is not.

ASSEMBLYMAN STEELE: Allow him to speak. Good question. Great response.

MAYOR PASSANANTE: You're posing a question that you want us to answer. When we were tasked as a 15-member task force to construct the parameters by which the convention would take place, we were not provided the detail and background that would have allowed us to come up with recommendations on how to fix the problem. That 80-member -- or 90-member delegate group that will come out of this Task Force recommendation will be the ones that will have the access to the information to be able to make those intelligent decisions. And I would not want to make a recommendation

on my personal basis, for what we've had available to us, that might take away from their ability to do the job that they're going to be elected to do.

So, yes, we all have ideas. I believe you probably have ideas, as well.

ASSEMBLYMAN AZZOLINA: I'd like to hear them, through you, Mr. Speaker (*sic*). I mean, Mr. Chairman. (laughter) Sorry.

ASSEMBLYMAN CARROLL: There's still hope.

ASSEMBLYMAN STEELE: I'm glad I have your vote. (laughter)

ASSEMBLYMAN AZZOLINA: I'd like to hear your recommendations. You must know. Come on. We're playing games here with this.

MAYOR PASSANANTE: We're really not. This is not our place to be making those recommendations.

ASSEMBLYMAN AZZOLINA: Well, give us some ideas what you recommend. You're elected officials.

MAYOR SCHUBERT: Well, Mr. Assemblyman, I think we're here to speak specifically on the property tax convention bill and the statutory amendment. If you'd like to have us back at another time to discuss that, I think that we'd be welcome to do that. But at this point, I think what we're doing is -- here to discuss this bill. So I think that that's important to keep focused on.

ASSEMBLYMAN AZZOLINA: Mr. Chairman, before I vote on this bill, I want to know what some ideas are. We're just voting in the dark here.

ASSEMBLYMAN STEELE: Okay. This is discussion only, so you won't have to vote today. So you can actually invite them to your office. And I'm sure that they will--

ASSEMBLYMAN AZZOLINA: Oh, okay. All right. Thank you.

ASSEMBLYMAN STEELE: Thank you so much.

Vice Chair Hackett.

ASSEMBLYMAN HACKETT: Thank you very much, Mr. Chairman.

I'd like to thank Mr. Dressel and all the mayors for coming today to give their opinion in support -- or additions to this particular measure.

And we must note that the last Constitutional Convention in 1947 -- they had ideas. I'm sure they had adversaries very similar to the way we have here, today. And, also, they had supporters. But we must remember that the 153rd Legislature, at that time-- They acted responsibly, and that's why they went through that process of that Convention. And we must realize here, we are in the 211th Legislature, and we have very, very similar concerns. And without the input of organizations such as yours, and mayors, in as much as 566 mayors throughout this state -- and, of course, the 40 districts -- legislative districts throughout this state -- I think that it speaks volumes.

Just the idea of coming here today, presenting this -- the Task Force going through quite a bit of work to bring these proposals to us-- And we welcome the additions of whatever you have to say, and whatever you have to give us, so that we can make this even a better process as we're going through.

Understanding that, everything we've done up to this point-- That does not mean that this will become law. Once we have your input, and the other side, and all parts of this state coming to let us know-- And this is why we should be encouraged by the action taken by this Legislature. You must realize, this has been long overdue -- 58 years we have not acted to do this. But this Legislature must be commended -- just the idea of going forward with reforms. And that's what we're here to do, and that's what we're going to do, irrespective of the contrary actions that some may try to take at this point.

Thank you very much.

MR. DRESSEL: Thank you.

MAYOR PASSANANTE: Thank you.

MAYOR SCHUBERT: Thank you, Assemblyman.

ASSEMBLYMAN STEELE: Thank you very much for your testimony. Certainly it's invaluable.

The next group will be Citizens for the Public Good, former Senator Bill Schluter.

Welcome very much.

SENATOR WILLIAM E. SCHLUTER: Thank you very much, Mr. Chairman.

On behalf of a coalition of nine organizations -- and you have a document there showing which the organizations are -- we would like to present five different aspects of our testimony from five different people. We'll be very short. And then we'll be available for questions at the end.

But we do appreciate this opportunity. And we think you have a very noble mission in front of you.

The first person I would like to introduce, who can take one of the spots up here at the microphone, is Tom O'Neill, Citizens for the Public Good -- who, a number of you know, used to be chairman of the Partnership for New Jersey.

We won't repeat ourselves. We're going to talk on different aspects. But we're going to talk very briefly.

ASSEMBLYMAN STEELE: Thank you very much.

Welcome, Tom.

T O M O' N E I L L: Thank you.

Thank you, Bill.

I'm only going to talk about one topic, and that is the topic of whether the convention should deal with spending, as well as the revenue side of the equation. Majority Leader Roberts spoke persuasively and accurately, I believe, describing why it should not.

The idea of including spending is rational, it would be systematic, and it would be wrong. It would be wrong because to undertake a detailed rehash of the arguments over divisive spending issues would doom the convention. And I think there are those who put forward the idea that spending should be included because they want to doom the convention. It would also be wrong because it misidentifies the cause of the troubling and problematic imbalance in our tax system that causes difficulties for the State.

The problem is not the level of spending so much as it is the structure by which we raise our money. And I can give you the best example of that very simply. Assemblyman Azzolina will remember this personally, because I think you're the only person on the panel who's been involved in

Trenton longer than I have. But I joined the Cahill administration in 1970, and I distinctly remember Governor Cahill's Tax Policy Commission -- before *Abbott v. Burke*, before *Robinson v. Cahill*, before *Mount Laurel* -- pointing to the difficulties caused for New Jersey by its over-reliance on the property tax. And, indeed, that Commission, 30 years ago or more, recommended that New Jersey urgently needed to undertake a series of reforms to reduce its reliance on the property tax, among all taxes, to no more than 33 percent.

We haven't done that in more than a generation. And the results have gotten worse every year. At the time that recommendation was made, New Jersey had just adopted its first budget of more than \$1 billion. We're now at \$24 billion and climbing. The problem is only worse -- but it's worse because of structure more than it is worse because of the amount that we are spending.

The systemic cost arises from the failure of the 1947 Constitutional Convention to address the tax system in the same way it addressed the organization and function of State and local government. The '47 Constitution created modern New Jersey and made it possible for New Jersey State government to deal with the kinds of urgent problems that arrived after the war. It left two big pieces of unfinished business. One was coming up-- One it left unfinished, was coming up with a fairer way to apportion representation in the Assembly, which was dealt with -- and in the Senate -- which was dealt with in the '67 Constitutional Convention. The last unremaining finished business of the '47 Constitution, that modernized New Jersey, is bringing a tax system into alliance with a stronger and more capable State government that that Constitution created.

Now, that's not to say that, even though the convention should be revenue neutral in its recommendations, that it should not deal with one aspect of spending. And that aspect would be how to sustain the savings in the property tax, once that is achieved. That sustainability is important, but it can be dealt with at a level far above the kind of divisive debate -- about whether we ought to have spending for a traffic circle in Cherry Hill -- that would get us into a no-win situation.

So we recommend, strongly, that you move on this legislation, and commend the report of the Task Force that you have based that legislation on.

Thank you, Chairman Steele.

Thank you, members of the Committee.

And I'll turn it back to Senator Schluter.

SENATOR SCHLUTER: Thank you.

Our next speaker who will address you is George Hawkins, who is the newly appointed Executive Director of New Jersey Future. And he will talk to you with respect to the environmental consequences of our present property tax system. And he will be brief.

GEORGE HAWKINS: Good afternoon.

My name is George Hawkins.

Chairman Steele, members of the Assembly, I am very grateful to be here today as the Executive Director of New Jersey Future, which is the oldest and largest organization in New Jersey that seeks policies that protect and strengthen the economy, the environment, and communities.

It is very rare that we come across a policy objective that can achieve all three of those in one swoop. And it is our strong conviction at New

Jersey Future that property tax reform is one of those issues, and therefore enthusiastically endorse the idea of a convention.

Let me get at the environmental question, actually, through a different route. I'm also the father of two small children, very proudly, as I'm sure many people in this room are parents. I've gone to more than 200 local community meetings in the last seven years in central New Jersey. And I heard a startling feature at these planning board hearings, zoning hearings, town committee meetings -- that most towns do not want families, or at least families with children. That's a startling factor of life today in New Jersey. And there's a very simple reason why.

You've heard that the average property tax in this state is \$5,269. That is the highest in the United States of America. And it's also more than a thousand dollars higher than the next highest state, which is Connecticut. The median cost for education in this state is \$10,652 per child. It doesn't take much math to know the property tax, which is the preponderance of the tax that's used to pay for children, does not cover the cost of a child.

As a result, every town is put into this difficult situation that if more homes are built for families -- the bedrock of a community -- they're going to be in a deficit in expending the money necessary to educate those children.

The consequence of that is either -- twofold. Either you raise your property taxes to even higher levels to pay the cost, or you seek commercial ratables to balance out the cost, which has driven, what's called in this state, obviously, *the ratables chase*. And we've seen it throughout central New Jersey in particular, but certainly the state. As each community seeks more and more

commercial development to try to balance out the cost of education, that brings out more business, which brings more homes, which brings more students, which brings more costs, which brings more commerce. That's the ratables chase. But there's not -- the economy isn't growing equally. So it depopulates our existing developed areas as new communities try to seek commercial development in their own. So this is a game where some communities are winning at the expense of others in the short run, but all communities are losing over the long run.

As some of our older communities are losing their commercial ratables because of the new ones that are seeking it-- And even the new ones aren't making it, because the cost of the students, that then come in to work in these places, is more expensive than the revenue that's received.

So the current property tax system is anti-family in the sense that it drives communities to avoid families with kids. You can get through housing that is for senior citizens, which is wonderful. No one is opposed to that. You can get through housing -- they're small, garden apartments, because you hope there won't be kids. But you say you're going to build homes for kids in this community, and that becomes a very serious problem. And I think that is a terrible issue for this State, that is based on property tax issues that we can reform.

Secondly, all the land that is used up as we spread out into the communities is environmentally sensitive land that we'd like to protect. By reforming property taxes, we can save the environment.

But third, and very significantly, the expense of this ratables chase is extraordinary. We depopulate existing urban areas, where we have to spend

more money on old infrastructure, as we spend more money on new infrastructure in new areas. That's an expense question. So property tax reform, if done well, heretofore will reduce costs in this state and will bring cost under control, because these negative incentives that are costly for new infrastructure, rather than using existing infrastructure that is caused by the ratables chase, can be ended.

So, on behalf of New Jersey Future, I'm delighted to be here. I'm grateful for your time. And I strongly support the property tax convention.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

SENATOR SCHLUTER: Our next speaker is Candy Ashmun, who is known not only for her environmental work across the state, but also as a person who is very concerned and very effective on basic public policy.

Candy.

C A N D A C E A S H M U N: Thank you.

I mostly want to speak about the fact that the--

I am the Co-Chair, with Bill Schluter, of the Citizens for the Public Good. Our organization, which is made up of former governors, former public servants, and just people like me-- And, basically, we decided that this was the biggest issue -- that property tax reform was the biggest issue, in terms of the quality of life of the citizens of New Jersey, in every way.

So I'm not going to repeat all the things George said, or anything else. But, basically, that's why we--

But we had the same question that Assemblyman Azzolina had. And that is, just exactly how would 80 randomly picked people sit down and

find solutions to this problem. So we conducted a two-day citizens' assembly in Trenton, with people drawn from every county -- randomly picked. That session ended in the Assembly Chambers, actually. And I have the reports from those assemblies. Because one of the things that were addressed by those people who worked very, very hard was, what kinds of solutions should be brought to the convention for discussion, or the Legislature? I mean, we did not, at that point, push the convention. Later, we discovered -- as we did a simliar job in four different regions of the state -- and we came up with the fact -- two thing.

One, that 80 citizens, randomly picked, not professional politicians or policy makers could, indeed, sit down and have a civil discussion and come up with answers. In every case, these assembly delegates really did come up with some answers. And I'm going to leave you-- I know you have all received these reports before. But I'm going to leave you, for the record, two sets of reports on this issue so that you'll know how these assemblies came together.

Our most recent effort, as you see, is to create a coalition to support the convention. And I will not repeat what my colleagues have said. But we are behind you all the way.

ASSEMBLYMAN STEELE: Thank you very much.

SENATOR SCHLUTER: Thank you.

Our next speaker -- the fourth of five -- is Bruce Coe, who is President Emeritus of New Jersey Business and Industry. And he's had a distinguished career as head of the capital needs commission before that, and in certain other responsibilities.

Bruce.

B R U C E C O E: Somebody told me I had been appointed by our Governor and confirmed by the Senate in New Jersey more times for more positions than anybody else in the history of New Jersey. (laughter) Whether that means I'm part of the problem, I'm not sure.

But the issue we're talking about is not a new problem. It's been visited by task forces over the years. And I can remember--

Joe Azzolina owns, as you probably know, supermarkets. And I used to live in Monmouth County. And I used to go to Joe's supermarket. And I would gripe about my property tax. Because I bought a house in Fair Haven, New Jersey, in 1956. At which point, there was no income tax, there was no sales tax, there was only property taxes, and a little teeny gas tax.

And I felt sad at the time, because the people that were selling -- the couple that were selling -- the house had been built by her grandfather. And they were forced to sell because they could not pay the property taxes. This as in 1956. They moved to North Carolina, because their property tax in North Carolina was going to be \$50, as opposed to New Jersey, which was \$356. I still have those numbers in my mind. So I guess everything that goes around comes around again.

The issue that I want to speak to is, really, quite brief. It has to do with -- well, isn't this the job of the Legislature? I mean, that's why we elect legislators. I believe in a representative government. We don't need a constitutional convention to address this issue. It can be done by us.

I actually spoke with a couple of legislators from different parties back about five years ago, when we started studying what public issues -- what

critical issues is the Legislature having trouble addressing? And clearly, property taxes is not an easy issue to address. It might be inevitable, to answer Joe's question. Then somebody's going to say, "Well, then we've got to raise the income tax. People that have more money should be able to pay a little bit more, and that way we'll reduce property taxes." Maybe that's a solution. And they said, "We're afraid to."

Remember what happened with Governor Florio -- and he put through those recommendations, and we voted for them. And a lot of people that benefited from the property tax reductions then voted the other way, because they could see the increase in the income tax or the sales tax. You could see that right away, whether you put a sales tax on toilet paper or whatever else you want to try. It's right there in front of you. Now, the income tax is right -- it gets deducted from your paycheck. I mean, there it is. So, "We're afraid, Bruce. That's why we're not doing it. Because we don't want to lose-- We want to stay. We want to get reelected." I mean, whether you're an R or a D, you want to get reelected.

I think the timing is good, and I think you'd also have a chance to give the Legislature a chance. Assuming you pass the rules governing permitting a convention to take place -- and let's say that the voter would then vote in November of this year whether or not to hold a convention -- that gives you, the legislators, the entire rest of this year to resolve the issue in a satisfactory manner -- that I, among others, will go to vote no on the need for a convention, because they did it. They stood tall in the saddle and said, "We can resolve this spending and taxing issue ourselves." And that would be a welcome outcome if that could happen. That's the chance to do it.

I'm not afraid of a convention, by the way, because I'm aware of what happened with these mini-conventions. I was extraordinarily impressed with the people of New Jersey -- how smart they are. I mean, these are people from all walks of life: minorities, pluralities, men, women. It was a wonderful outpouring of people that have a concerning interest in what to do about the property tax.

And the answer is, we've got to do something about the property tax. I mean, you don't need to be an expert. You can gather all sorts of data and say, "Well, how does New Jersey compare with other states, in terms of reliance on property tax." And the answer cries out.

So I would urge you not to be afraid. I'm aware that my own organization, NJPIA, as well as the teachers union, as well as what you might call *powerful special interests*, who all think they can control you, because they think they can-- Whether they can or not is irrelevant -- they think they can -- and they can't control a convention. I mean, all these people might go there and come up with answers that they're worried about. So that's where they're coming from. So I'm not speaking for them. I'm speaking purely as somebody who has been around a long time, much like Senator Schluter and Candy Ashmun. And I would urge you to go ahead and proceed with a convention.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

SENATOR SCHLUTER: Thank you, Bruce.

And members of the Committee, I would like to speak to one particular aspect of our basic position. You have, in front of you, the members -- the nine Coalition members. And we ally ourselves, of course, with the

League of Municipalities, because they support the convention, too. But you have the nine organizations and individuals who represent them.

And we have six standards that we feel very strongly about -- should be part of the convention recommendations. These are before you. And I will speak to item Number 6, which is very important. And I will key on what Assembly Majority Leader Roberts said before. He said any reductions in property taxes should be lasting. We use the word *sustainability* or *sustain*. Sustain is the same as lasting.

And we would agree -- before I get into this -- and I will be brief. We also agree with the League of Municipalities on a statewide, equalized school property tax not being subject to the convention.

So with that, let me speak about the sustainability issue. And this is directed not only to you, but is directed to the comments of Senator Lance. If you read his dissent in the report of the Task Force, he spoke that he was very concerned that any reduction in property taxes be sustained over the years -- it not just create a vacuum which is immediately filled up with increased property taxes again. How do we do this?

And I went to the person who is a member of our group -- who is really an authority in the State -- yesterday, and went over a whole checklist of items: What do you mean by sustainability? And this person is Henry Coleman, of the Bloustein School at Rutgers, who apologizes because he couldn't be here today. But I can give you a couple of examples.

And you have, also, the proposed language, which was worked out a couple of years ago by OLS, the Office of Fiscal Affairs, by Henry Coleman,

and by Senator Adler, as language which addresses sustainability. That's in this (indicating) short version. And let me read it to you.

“The convention shall also recommend means, consistent with its mandate of establishing how revenue ought to be raised in New Jersey, to ensure that reductions in property taxes, or limits on increases thereof, shall be sustained over time.” And note that it says, “consistent with its mandate of establishing how revenue ought to be raised.” This speaks to the revenue side. It does not speak to the spending side.

Okay. What can a convention do? And I don't want to say what the convention will do. There have been questions of, what would you do if-- This is up to the delegates. But this is the range in which they can operate. For example, it has been mentioned before that the Cahill Commission recommended that the law, and possibly the Constitution, be changed so that property taxes make up no more than 33 percent of all State and local revenue. This could be a result of a convention. And it would be a sustainability feature.

The SLURP Commission, of which Bruce Coe was chair and Henry Coleman was the executive director, has talked about different measures. And in that Commission report there are measures which have been adopted, some of which can be looked at again with respect to maintaining the property tax reductions that have been made with respect, specifically, to county government.

The AARP -- and I don't want to steal any of their thunder, because they're going to be coming in here and talking about a circuit breaker.

And this is a sustainable measure. And they talk about, perhaps, a percentage of a person's income which property taxes shall not exceed.

And we have this right now with our farmland assessment. We have a break given to farmers to have them stay on the farm, to give them a lower tax. And then there's a recapturing provision, because if they sell their property there's a roll back of three years that the local municipality can collect higher taxes. You could fold that in. These are possibilities. I'm not saying they should be or should not--

You have the possibility of what people have talked about many times -- is a rainy day reserve. You have peaks and valleys when you have -- in your income tax receipts. When Wall Street is doing well, you get more than you expect. And when Wall Street does poorly, you'll get less than you expect. You can provide constitutionally or statutorily that when it exceeds a certain amount, a certain percentage, that goes into a reserve fund which shall not be touched -- except maybe by a super majority or by some contingency -- which then, in bad years, is used. And some people have said the income tax does not help with respect to ironing out these peaks and valleys.

There are tax relief provisions in other states where the first \$150,000 of a person's home is exempt from property tax. These are things that can be done with sustainability. And that's why I would urge that the Committee, and those who are sponsoring this legislation, consider this particular phase.

The New Jersey Property Tax Assessment Study Commission, under Sid Glazer (phonetic spelling), a number of years ago talked about

shifting the cost -- some of the property cost to user fees. It's a bit complicated.

But all of these are part of what should be done. And with respect to sustainability, you only have it sustainable if you talk about real dollars and on a per capita basis.

So these are very technical, but I think it's worth getting into some detail because it is a new venue for the convention. It is something building on what Assemblyman Roberts said. And I would commend it to your attention.

Thank you very much for your time. And if you have any questions of any of us, we'll be glad to try and answer them.

ASSEMBLYMAN STEELE: Assemblyman Carroll, you wish to--

ASSEMBLYMAN CARROLL: Mr. Chairman, if I may.

My first question is for, I think, Mr. O'Neill.

Correct me if I'm wrong, but you suggested that spending is a very-- The reason we can't concentrate -- or permit the convention to discuss spending issues is that those issues might be divisive. Is that correct?

MR. O'NEILL: I gave two reasons that, I believe, the convention should not be dealing with spending. The first was that it was likely to lead to a dead end of divisive debate over socially divisive issues. And the second was, spending was not the root cause of the imbalance of our reliance on the property tax.

ASSEMBLYMAN CARROLL: Why is spending more divisive than taxes?

MR. O'NEILL: Spending is more divisive than taxes for a couple of reasons. Number one, there is no other relevant forum in which taxes can be discussed than the convention, because the Legislature has failed to discuss taxes. The Legislature discusses spending every year. Every municipal committee or council discusses spending every year. Because they are doing that, that's the best place to do it.

It's more divisive than taxation because the number of taxes that can be levied is relatively limited, relatively narrow range of possible taxation. We do not get into the level of details such as, should the State budget include an allocation for a traffic circle in Cherry Hill? That would be the natural extension of giving, to a constitutional convention, the authority to discuss detailed spending issues. We get, rather, into how much did we raise from the property tax? How much should we raise from the income tax? How much should we raise from the sales tax? And similar sorts of questions that are suitable for the level of discussion the convention would undertake.

ASSEMBLYMAN CARROLL: Let's assume we set those tax rates either constitutionally or statutorily by way of a convention.

MR. O'NEILL: Let me make clear, I do not believe they should be set constitutionally.

ASSEMBLYMAN CARROLL: All right, I tend to agree with you. But let's -- actually, a two-point question: (a) assuming that that statute were passed in year one by the convention adopted by the people, what would prevent this body from changing it in year two back to the way it had always been?

MR. O'NEILL: The first thing that would prevent it would be common sense. The second thing that would prevent it would be political--

ASSEMBLYMAN CARROLL: And you will note that it is in short supply in the Legislature. (laughter)

ASSEMBLYMAN STEELE: Assemblyman Carroll.

MR. O'NEILL: The second thing that would prevent it would be political reality. There would be the same reluctance, I think, to touch the tax issue in the Legislature, post convention, than there is pre convention. And the third thing, I hope, would be the adoption of sustainability requirements, such as Senator Schluter discussed, that would limit the ability of a legislative body or a local municipal body to shift back to greater reliance on the regressive and unbalanced property tax.

ASSEMBLYMAN CARROLL: Let us assume -- just assume that the body adopts some sort of provision.

I think, Senator Schluter, you mentioned 33 percent of gross revenues from the State -- no more than that can be adopted by property taxes.

We rely upon that particular provision, and some municipality votes to the contrary -- the people elect a governing body that decides to spend more. Will they be prevented from doing so?

MR. O'NEILL: I would hope the convention would deal with that issue.

ASSEMBLYMAN CARROLL: And the second thing is, what happens if the Supreme Court, in its infinite wisdom, decides that -- or discovers some other mandate upon which the State must spend tens of billions of dollars a year? What will happen then?

MR. O'NEILL: The proper forum for that -- to decide -- would be the Court and the Legislature. I can't predict that future, Assemblyman. I wish that I could.

ASSEMBLYMAN CARROLL: I have a question now for Mr. Hawkins, I believe.

ASSEMBLYMAN STEELE: A question for Mr. Hawkins, through the Chair.

ASSEMBLYMAN CARROLL: Through the Chair. Mr. Chairman; not Mr. Speaker, yet.

ASSEMBLYMAN STEELE: Coming soon to a theater near you.
(laughter)

ASSEMBLYMAN CARROLL: I don't believe the Speaker is here today, Assemblyman.

You commented, I believe, extensively on the environmental problems that property tax -- the ratables chase causes. Doesn't *Mount Laurel* have precisely the same effect of constructing over-dense housing on environmentally sensitive land, depopulating inner cities, thereby depriving them of citizens that they should need to reinvigorate themselves?

MR. HAWKINS: Many of these-- There's no question that the issue that you're addressing, underneath -- the cause, or the feature, that income disparity has left our cities underpopulated and with low income and our outskirts income differential -- is this property tax issue. So the reason that there is a need for a *Mount Laurel*-like conclusion is because of this property tax problem.

So, once again, by focusing on the fact that solutions kept being put in place, one after the other, piecemeal, seeking without addressing the underlying cause, has been the problem. If we can seek to stop the drive of the property tax system today, to continue driving plight and sprawl, as it's called, we can solve that problem without needing builders' remedies.

ASSEMBLYMAN CARROLL: You think it makes good environmental sense to bribe young families with young children to move out of the inner city into suburban or rural areas which have environmentally sensitive land, rather than remain in the cities?

MR. HAWKINS: I'm not sure I understand the connection between a bribe-- I think that--

ASSEMBLYMAN CARROLL: Isn't the subsidy for a housing unit, in effect, a bribe?

MR. HAWKINS: I'm not aware that today we're speaking about whether affordable housing is a subsidy for bribe. What we would like to see on that issue, which is not the subject today-- As I said, property tax reform would solve, largely, the incentive that is causing the income disparity and the depopulation of our cities, and the commercial loss in those areas to the outskirts. And having a property tax convention addressing that question will help solve this very problem.

ASSEMBLYMAN CARROLL: How? If the *Mount Laurel* obligation remains in effect, won't there still be an obligation on the part of every one of these municipalities to continue building massive condo complexes on sensitive, environmental land?

MR. HAWKINS: There will be less incentive to-- What certainly will be true is that this State needs to address the question of how to break down income disparity between the cities and the suburbs. The current solution, which is requiring affordable housing as a connection, and the builders' remedy lawsuits -- which have bedeviled many communities in the suburbs -- is a problem that is independent and, certainly, significant.

ASSEMBLYMAN CARROLL: Would it make more sense to make the cities more attractive?

MR. HAWKINS: Absolutely. And this property tax reform would largely help in that issue.

ASSEMBLYMAN CARROLL: How?

MR. HAWKINS: Because it would reverse the incentives, which are currently driving commercial interest to the suburbs. It would decrease the cost of extending infrastructure where it does not exist, and allow us to invest it in cities, which would make it more desirable for commerce and housing to go to our cities.

ASSEMBLYMAN CARROLL: I'd like to talk to Mr. Coe for a minute, if I may.

ASSEMBLYMAN STEELE: Through the Chair.

ASSEMBLYMAN CARROLL: Through the Chair.

Mr. Coe, I believe you talked about the lack of courage in this body, and our cognate body across the hall, to deal with income tax, and sales tax, and such.

Now, it's a fact, is it not, that after the Florio tax increases, property taxes continued to rise? Is that not correct?

MR. COE: Absolutely.

ASSEMBLYMAN CARROLL: So what makes you think that under these circumstances -- that if we raise income, property, sales, or other taxes -- that property taxes won't continue to rise there, as well?

MR. COE: Well, that relates to the sustainability of the property tax decreases -- what Senator Schluter spoke to a moment ago. And that has to be provided for. In other words, you can't turn to a town and say, "We're taking over what used to cost 40 percent of your property tax revenue, and we're going to pay for it in this manner," and leave them free to then say, "Well, gee, there's a whole lot of things we always wanted to do. And now's our chance to do them." So that's an issue that has to be addressed. I agree.

ASSEMBLYMAN CARROLL: How do you deal with the political responsibility question? I mean, it's been my experience, over the course of many years, there's nothing a mayor likes more than to build a bridge and take the credit for having built the bridge for which he or she didn't have to pay -- to stand there and show the check from the State, to get the improvement done and say, "We did this without costing the taxpayers of our town a nickel." Isn't there an inherent incentive, on the part of municipalities who don't have to raise the taxes to pay for the services they're providing, to spend a heck of a lot more than they otherwise would do if they had to pay for it out of their own pockets?

MR. COE: I ran for Congress once.

ASSEMBLYMAN CARROLL: I know you did, back in--

MR. COE: I didn't win. But I wouldn't stand by the bridge and take credit for it, whether I deserve it or not. (laughter)

ASSEMBLYMAN CARROLL: --1978, as I recollect.

MR. COE: These are issues that-- The issues you're raising are not new questions or new issues. They've all been raised before, even actually with the SLURP Commission report of 1987. The issue back then was that the State was really mandating the communities do a whole lot of things, but then pay for them -- let the town pay for it.

I don't want to take you through all the stories about that. But one story was, the State was running disastrous mental health institutions that were not getting Federal accreditation. The minute you lose your Federal accreditation, you lose your Federal funding. And when you lose your Federal funding because the State can't run an institution well, what happens? They pass the entire Federal share of the spending over to the property taxpayers. "Let Essex County pay for it. Let Monmouth County pay for it."

Assemblyman, don't be concerned. I'm serious. You'll be impressed with what people will come up with -- the creative ideas that come up in the convention.

ASSEMBLYMAN CARROLL: Congressman, you missed my point. I'm the sponsor of a bill that would allow a wide open convention on all subjects.

And you mentioned the-- This is the next question. You mentioned, in the context of your commentary, I believe, that we shouldn't be afraid of the convention. And I concur wholeheartedly -- a wide open convention that can discuss everything, not just the issues that have been put on the table, but everything: *Mount Laurel*, *Abbott versus Burke*, *Right to Choose versus Byrne*, anything else you want to talk about. For example, we might even

discuss whether or not eliminating one house of the Legislature might not be a good idea. (laughter) We could all be senators.

MR. COE: Right.

ASSEMBLYMAN CARROLL: But I go back to the point-- I think the clear point is that we shouldn't be afraid of the convention. You're right. We shouldn't be afraid of what the people might do, given the chance. But the fact is, we're not giving the people the chance. This convention bill is, by definition, depriving them of the ability to determine, for themselves, whether they think what the courts have wrought is actually a good idea.

ASSEMBLYMAN STEELE: Thank you very much.

ASSEMBLYMAN CARROLL: I have one last question for Senator Schluter on sustainability, if I may.

ASSEMBLYMAN STEELE: Sure. Through the Chair, go right ahead.

ASSEMBLYMAN CARROLL: What happens -- again, with respect to revenue neutrality-- I mean, at least in theory, in year one, revenue neutrality can be obtained. They say, "Okay. Well, we're cutting property taxes by actually increasing other taxes." And by the way, the imagination of the mind of man knows no bounds when it comes to figuring out new taxes. We've seen that over the course of the last three years.

But what happens in year two?

SENATOR SCHLUTER: The term and the concept of revenue neutrality is something that has been used, legislatively, on many issues, in many different ways over the years. It is a concept which is understood, and

is a concept which, according to the language of the legislation-- It says, and I don't know the exact words -- but as accurate as can be accomplished.

And you have to do it, as I said before, in real money on a per capita basis rather than the absolute amount of tax dollars a town raises, or lowers, or increases. It cannot be an exact science, but you go as close as you can to making it revenue neutral.

ASSEMBLYMAN CARROLL: Isn't there, inevitably, an inevitable disconnect, because you have, in effect, on the one hand, the State saying, "We're going to make property taxes a function -- or the level of property -- a function of whatever the State's income, sales, and other taxes are," while at the same time endowing municipalities with the right to impose those property taxation levels in the first instances?

SENATOR SCHLUTER: Well, this is where the sustainability issue, Assemblyman, respectfully -- with the wisdom of a convention, with good research, and all -- would enact, through statute or possibly even constitutional means, ways to control the growth in any revenue source at the local level. It might be by the Consumer Price Index, it might be a certain percent adjusted for population.

ASSEMBLYMAN CARROLL: Doesn't that, inevitably, involve spending decisions?

SENATOR SCHLUTER: In what way?

ASSEMBLYMAN CARROLL: If you're eliminating the amount of money they can raise, locally.

SENATOR SCHLUTER: You have to-- Excuse me. Not to cut you short.

ASSEMBLYMAN CARROLL: Feel free. Everybody else does.

SENATOR SCHLUTER: Again, the sustainability would have to have measures in there. If you reduce property taxes by the circuit breaker -- again, as another organization -- very, very well thought out plan of AARP is going to do-- You have to make that up somehow. So you have to -- and the convention would -- have to say that the State has got to, through other revenue alternative sources -- will have to make up that difference.

ASSEMBLYMAN CARROLL: And doesn't--

SENATOR SCHLUTER: And you have to ensure that that takes place.

ASSEMBLYMAN CARROLL: Doesn't that, inevitably, get back to the political responsibility question? In other words, you're going to be having localities, counties, boards of education, municipalities setting spending rates and then, in effect, being able to pass that bill on to the State.

SENATOR SCHLUTER: The wisdom of the State, in this whole arrangement, in this whole complex, I think, would correspond with the local desires. And you would get a proper level of spending. Other states have property taxes at a much lower rate, and they have income taxes at a higher rate, they have sales taxes at a higher rate.

ASSEMBLYMAN CARROLL: Oh, where would that be?

SENATOR SCHLUTER: And they say--

ASSEMBLYMAN CARROLL: Excuse me. I'm curious about that, Senator. What other states have higher income taxes and sales taxes than we do?

SENATOR SCHLUTER: Well, if you look at this report you will see -- with respect to all levels -- the neighboring states -- New Jersey has the lowest rates in income tax of a lot of our neighboring states, as a matter of fact.

ASSEMBLYMAN CARROLL: I didn't see that report.

SENATOR SCHLUTER: Well, we have extras if you don't have enough.

ASSEMBLYMAN CARROLL: Do we have a copy of that somewhere?

I will pass at this point, Mr. Chair.

ASSEMBLYMAN STEELE: Okay.

SENATOR SCHLUTER: Respectfully--

ASSEMBLYMAN STEELE: Thank you.

He's going to read it. He's going to read the report. (laughter)

Thank you very much.

ASSEMBLYMAN CARROLL: There will be a test later on.

ASSEMBLYMAN STEELE: He will be able to pass, because he read.

Majority Leader Roberts.

ASSEMBLYMAN ROBERTS: Mr. Chairman, thank you.

Senator Schluter, I simply want to thank you and the members of your Coalition for the time that you've invested in this. I have not had the opportunity to hear from all the members of the Coalition on this topic recently. But I want to thank them.

And I want to salute you, because I think that as this advances, as this monumental issue advances -- and I believe that it will -- you, more than

any other New Jerseyan, deserve the credit for being the originator of this idea and using your persistence, and your hard work, and your intellect to help put it on the verge of becoming reality. So I want to thank you for that.

You have made, I think, a valuable contribution today -- and as I said, the members of your Coalition -- more articulately than I, in suggesting what, I think, needs to be the focus of the efforts of this convention.

As I said, those who suggest that we should use it as a mechanism to turn the Annual Appropriations Act upside down and reorder priorities, either in a general sense or in a detailed sense, I think are being disingenuous. They are also dooming the process for failure. And I also think they're missing the point, respectfully. Because what you've suggested, I think in a very fine way, is that this is not about reordering priorities with respect to the Annual Appropriations Act. We do that every year. The Governor will present his budget next year. The Legislature will deal with it. It will make whatever changes it wants to make, and it will be adopted by a majority of both houses later this year.

But this is about a mechanism to make sure that the tough decisions made by this convention are not fleeting, and that we have some well thought out, fair mechanism to rein in future growth. That really is what it's all about.

And, Mr. Chairman, I thank you for allowing that aspect, and spending, in a going-forward manner, to be the primary thrust of the discussion today. Because I think it's allowed organizations like this to advance the process in a very meaningful way.

You've given us a lot to think about, relative to this process.
Thank you very much.

SENATOR SCHLUTER: Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Thank you for your input and insight.

At this time, Assemblyman O'Toole will come and speak to the
issue.

Welcome, Assemblyman.

ASSEMBLYMAN KEVIN J. O'TOOLE: Thank you, Chair.
And thank you for posting these items for discussion.

I have no prepared notes, but I have a couple of comments that
just come to mind. And having served on the Task Force for the last couple of
months, I agree with Majority Leader Roberts. It was perhaps the most
interesting interaction in government function that I've had. It was the most
informative panel that I have ever taken part -- in all the years I've been
involved in government.

Now, people don't want to hear it -- and certainly people in
Trenton don't want to hear it -- but the very reason we're here today is because
the Legislature has failed to do their job. We've heard the testimony here
today. Republicans have been in charge; Democrats have been in charge --
looking back the last couple of decades. I'm sure the intent was to try to curb
or try to control property taxes.

But, Chairman, never have we seen-- I don't think either party
can claim victory that they have really brought property tax -- they've reined
in property tax, or had property tax reform or relief. Because if they had, we

wouldn't be here today. And if the Legislature did their job, there would be no need for a constitutional convention.

Currently, we have, in the Assembly -- I think Assemblyman John McKeon has a bill that calls for a special session dealing with property tax. I think there's a Republican counterpart. I believe in the Senate there are bills, as well, that say we should have a special session. I believe that's the first course of action that we, as legislators, should really look at. Ask the Speaker, Senate President, Governor to have a special session. Call every member down here, lock the doors until we get real, meaningful property tax relief and reform. That's the first course of action. That's the surest way we could, as representing the State of New Jersey, collectively hammer out meaningful property tax relief and reform.

Absent that, I assume the next vehicle for that relief and reform is going with the constitutional convention. I do want to commend the Chair, Carl Van Horn, for allowing, in a very democratic fashion, dialogue from all walks of life. We invited -- or he invited, with the 14 other members -- every individual -- public hearings -- went up and down Bergen County, and Mercer County, and Camden. And we asked everybody their opinions. We didn't tell people that one opinion was better or smarter. We didn't say that someone had a monopoly on truth, or solutions, or right answers. And we certainly didn't tell people to go home that had differences of opinion.

One thing, I think, as legislators we have to do -- we have to listen very carefully to what the people are saying. I think we have to exercise tolerance, tolerance for different ideas. When I hear people tell -- either in the press, or testify today -- that for those people who don't agree, go home, I say

to you that's not democracy. We're in the bastion of democracy right here in New Jersey, in the capital. And for those of us-- I will tell you that I have-- I get a little troubled when people tell us, if we don't agree, "Shut your mouth and go home." That's very troubling.

And I will tell you, from my perspective -- and you know it well, Assemblyman -- or Chairman-- I have a mother who was born in North Korea, communist country. And when they didn't like what was done in their country, in her country, she wasn't allowed to speak out. And when they did, guess what they did? I had two uncles -- and I don't tell this story -- probably, this is the first time I'm saying it publicly -- two uncles born in North Korea, didn't like what the government was doing, spoke out, and they weren't told to go home. They were arrested, interrogated, and shot to death. So my mother, at the age of thirteen, gathered up the remains of her family and searched out to this democracy in South Korea, where they can speak openly about anything.

And when I hear people say go home, don't talk about it; when people testify here today and say, "If you're on board with revenue only, or you're trying to doom the process--" How dare the arrogance of people to suggest their way or the highway. That's not the way I was brought up. We listen to all ideas, listen to all different functions. We have all different perspectives molded by our experience, our parents, our grandparents, our education.

And I think, Chairman, this is the right idea, sitting here today, encouraging a dialogue.

I commend Majority Leader Roberts, as we are evolving with this process -- that we should talk about spending and revenue.

Now, we've heard lots of testimony that it should be revenue only. Let's talk about that very briefly. We have an \$18 billion to \$20 billion property tax problem. If we're talking about revenue only, we're saying we're going to take \$18 billion or \$20 billion and find an alternate source, artificially reduce the \$18 billion or \$20 billion and either increase the income sales -- or the income or the sales -- corporate business or some other new fangled tax. That's what we're talking about. There's no shifting. We have to put-- We have to make-- If it's revenue neutral, it's \$18 billion or \$20 billion -- has to be made up. It's got to come from somewhere.

Now, as we're evolving, we've heard testimony. Governor Florio, Governor Byrne suggested we should talk about spending. We have the *New York Times*, *Star-Ledger*, *Trenton Times*, other editorial boards who suggest that we should at least talk about spending. What's wrong with talking about spending?

Now, I took the assignment, Chair. I read very carefully our charge -- what the Governor at that time suggested -- that we fashion concrete recommendations. I took that charge very seriously. I don't pretend to have all the answers. I don't pretend to know it all. But I listen. And I set out nine or 10 concrete recommendations that we should talk about. We may not agree on any of them, all of them, but they warrant discussion, not to be shut down.

I think you've got two sides of the ledger here, Chair, revenue and spending. Why shouldn't the delegates of the constitutional convention be allowed to look at both? Why shouldn't we look at the entire problem and

come up with one solution? Why don't we allow the delegates, in our democracy, to free themselves and discuss, in a very open and democratic fashion, what they believe the solutions are? Let's not tie their hands and say, "You can only look at revenue." That's not a solution, at all. That's perpetuating the problem. That's adding new taxes. You know it, and we know it.

I'm glad that Majority Leader Roberts has asked that we talk about spending, talk about revenue. Now, guess what? When the delegates are elected, assuming the constitutional convention takes place, they may not agree that we should talk about spending. But let's give them the opportunity. Let's not presume that we know more than the delegates who are elected by the people. And listen. The fact is, the legislators are -- we haven't done it. It hasn't been done. That's why we're here.

Chair, I want to thank you for allowing this dialogue. It's really heartening that democracy does exist in the State of New Jersey. We're allowed to talk about -- have differences of opinion without having character assassinations or people being called names, or people told to go home. I welcome the dialogue.

I thank you very much for your time.

ASSEMBLYMAN STEELE: Thank you very much.

Assemblyman Roberts.

ASSEMBLYMAN ROBERTS: Chairman, thank you.

Assemblyman, let me just make an observation, if I could. I want to associate myself with your opening comments, through the Chair, about the quality of the Task Force process. I found it to be collegial, and professional,

and very, very productive. And I know you made the observation during some of the meetings, as did I, that it represented one of the finest experiences that any of us have had.

Members of the press remarked to me how unusual it was for them to see legislators -- who tend, sometimes, to be guarded in framing their position -- being so willing to be engaged in honest exchange of viewpoints in a public setting. I thought that was really to our credit.

I have found your contribution as a member of the Task Force to be one that you should be very, very proud of. Your attendance, like mine, wasn't perfect, but you put in an enormous amount of hours and I think that made a real contribution.

What has distressed me is what's happened since the Task Force issued its report. And you've begun speaking out about the process and about the report, saying that if it, in fact, does not contain a focus on spending that you believe to be acceptable that it is a fraud, and it is a mockery. And in a recent press account -- when some of the issues were considered by the Task Force, relative to education and so on -- that the members of the Task Force "froze in their tracks." I found that to be inconsistent with the highly professional manner in which you conducted yourself, as a member of the Task Force, and found that it really didn't advance the process.

I'm hopeful that we can, from this point forward, go back to the 15 meetings that we had and make this dialogue a really enlightened one. Because I think you and I both benefitted, as did Senator Adler and Senator Lance, and some of our mayors, and others -- friends who are here -- from

taking an important issue and making sure that we deal with it in a substantial and important manner.

But I thank you for your contribution.

ASSEMBLYMAN STEELE: Thank you very much.

The next speaker will be Assemblywoman Linda Greenstein.

Welcome, Assemblywoman.

A S S E M B L Y W O M A N L I N D A R. G R E E N S T E I N:

Thank you very much, Chairman and Committee. It's good to be here today.

Thank you very much, Chairman.

First of all, I also want to thank Majority Leader Roberts for including me in this very interesting and lengthy process of trying to move the convention ahead. I've been involved in it for the last several years. And it's wonderful to see that this Committee, which has done such a great job on these issues, is moving the process ahead.

Mr. Chairman, I'm here today in support of A-5269, legislation to formalize the recommendations issued last month by the bipartisan Property Tax Convention Task Force, and to establish a constitutional convention on property taxes, should New Jersey voters approve.

I'm proud to co-sponsor this legislation for several reasons. First of all, I want to commend the Property Task Force for doing a great job in bringing together New Jerseyans from all corners of the state and walks of life, to hear their stories and to learn from them. And I believe that the people of New Jersey are looking to us now, more than ever, for action.

I am among the group that would have been willing to engage in a special session on tax reform. But when it appeared that that would not

happen, I very quickly associated myself with this push for the constitutional convention. And I think it's a very worthy move forward, and I'm really glad to see that seem to be getting there.

I don't feel that specific programmatic spending changes should be part of the mission of this convention. I don't want a convention, for example, that can tamper with the thorough and efficient education requirement. I want the reduction in property taxes to be revenue neutral. I'm very concerned about the idea of our having a runaway convention, and I want to be certain that that does not happen.

Now, many other issues may need to be looked at in certain forums, but I don't feel that this convention is the place to do that. And that's the reason why I opposed putting all spending issues on the table.

I also feel very strongly that I don't want a situation where working men and women will lose their jobs, or will fear loss of salary or benefits. And I don't want the convention to be set up to do that sort of thing. But I don't think that needs to happen. I think that we can improve efficiencies in government going forward, rein in future growth, and not undermine our goal of tax reform. Our challenge is to figure out how to fix our tax system, and yet to ensure that reforms are not temporary.

I'm very impressed with what I've learned about the approaches suggested by Senators Schluter, Lance, and others -- certainly the Majority Leader -- on the sustainability issue, and I think we should take a serious look at it.

The basic need of our residents is to have the weight of property taxes lifted off their shoulders. And it cannot be sacrificed at the altar of

election-year politics. I know that this Legislature can work together on this issue.

I don't have to look back any further than June 23, 2003, for proof. On that date, 50 Democrats and Republicans came together to support legislation I was proud to co-sponsor with Assemblyman George Geist, a Republican, to do exactly the same thing that A-5269 is seeking to do. I sincerely believe that we can, again, come together in a similar fashion to pass this legislation, not because it makes us look good, but because it is good, and it will do good for the State of New Jersey.

The Property Tax Task Force proved that Democrats and Republicans can come together and have a sincere dialogue about the property taxes without it devolving into a partisan shouting match. Through the Task Force, people saw policy the way it should be fashioned -- deliberately, inclusively, and without rancor.

Now we have the goal of a convention within our grasp. We cannot allow this moment to slip through our fingers. The people of New Jersey are clamoring for tax relief. They're tired of posturing, and they're tired of speeches. They want to see us be as good as our word.

The ultimate decision as to whether or not to convene a convention does not rest with us here, but with the voters. And we cannot forget that. The Task Force gave the people the chance to have their voices heard in crafting this proposal. Now it is our turn to pay attention and give them the opportunity to vote on the issue.

Mr. Chairman, thank you very much. And I'd be happy to answer any questions.

ASSEMBLYMAN STEELE: Any questions?

ASSEMBLYMAN CARROLL: If I may, Mr. Chairman.

ASSEMBLYMAN STEELE: Sure, Assemblyman Carroll.

ASSEMBLYMAN CARROLL: Thank you.

Through the Chair, Counselor, I know that you also have a passing familiarity with the New Jersey State Constitution.

ASSEMBLYWOMAN GREENSTEIN: Passing.

ASSEMBLYMAN CARROLL: Which sections do you propose this constitutional convention should change?

ASSEMBLYWOMAN GREENSTEIN: I don't have it right in front of me, so I can't give you a specific number of a section. But, in general, I would agree with the earlier comments that what we're looking to do here is to alter how our property taxes are apportioned, essentially.

ASSEMBLYMAN CARROLL: Is that a statutory question or a constitutional question?

ASSEMBLYWOMAN GREENSTEIN: I believe it's both, but I don't have the Constitution in front of me, so I can't give you a specific section.

ASSEMBLYMAN CARROLL: You said before -- a minute ago, I believe -- that you felt that a special session of the Legislature to address property tax reform will not happen. Is that correct?

ASSEMBLYWOMAN GREENSTEIN: It doesn't appear to be that way.

ASSEMBLYMAN CARROLL: Why not?

ASSEMBLYWOMAN GREENSTEIN: Well, it just seems that many years have gone by, and several administrations, and there hasn't been a push from the Legislature. You and I are both part of that, and I guess we can ask each other that question. But it just doesn't seem that the will is ever there to do it.

ASSEMBLYMAN CARROLL: Well, neither one of us would be involved in answering the question.

Is there any reason-- Do you have-- Are you a co-sponsor of the bill to provide for a special session of the Legislature?

ASSEMBLYWOMAN GREENSTEIN: I know I was, and I believe I signed on again to do that.

ASSEMBLYMAN CARROLL: Have you asked that that bill be posted?

ASSEMBLYWOMAN GREENSTEIN: I'm just a co-sponsor on it. I'm not a prime sponsor. So I'm not sure what the prime sponsor is going to--

ASSEMBLYMAN CARROLL: Well, perhaps this would be a good time to ask the Speaker and the Majority Leader for that bill to be posted at the earliest possible time.

Now, you talked a minute ago about restricting the right of this convention to discuss anything other than property taxes. But how can that be done in the absence of discussing spending?

ASSEMBLYWOMAN GREENSTEIN: Well, I think there have been some subtle distinctions made here today. The interesting discussion with Senator Schluter on the sustainability concept makes sense to me. What

I don't want to do is to put all kinds of specific spending programs in front of this group. I just think it would lead to a runaway convention. Even though we do have some protections in place to prevent that, I think it would happen. It would just be too large and too unwieldy.

ASSEMBLYMAN CARROLL: Let's assume the convention did run away. I mean, we have the people acting out there as a check to make sure that nothing the convention proposes that is really outside of the mainstream actually gets onto the ballot.

ASSEMBLYWOMAN GREENSTEIN: I think that the past-- We obviously don't have very many of these conventions in our State. And I think that the past conventions have been very carefully limited. And I think that if we were to allow all spending issues, all growth issues, all revenue issues to be on the table, this thing could go on for eons and, in a sense, would completely take the place of the Legislature. We have many mechanisms in the Legislature, like the budget process and others -- special commissions that are formed -- to deal with many of these issues. And many of the issues that have been brought up may need to be dealt with. I don't know.

ASSEMBLYMAN CARROLL: It could be, just simply -- just put a provision on it that says the convention is wide open, but it only shall have until June 30, 2006, to make its recommendations to the people. That solves the problem.

ASSEMBLYWOMAN GREENSTEIN: I believe if you put all spending issues on the table, it would lead to a convention that would become unwieldy and unworkable. That's the reason I'm against it. I just don't think it can work in the amount of time that's there.

I think that what we want to do is to implement some form of tax reform, and I think that it's just not going to work if we put-- But I do think that we do need to deal with some of the issues that you're referring to, when you're talking about spending reform and changes. We need to look at efficiencies, we need to look at growth, we need to look at these down the road. And at this point, I don't have a method thought out as to how we should. But I believe the convention should put into place some of these kinds of things.

ASSEMBLYMAN CARROLL: Well, if you don't just--

ASSEMBLYWOMAN GREENSTEIN: And I think that some of the ideas that were thrown out earlier by Senator Schluter's task force -- and they were just ideas. He made that very clear. These are ideas that have been -- that have come out of earlier reports, Cahill, the SLURP Report, and others. And these are things that perhaps should be looked at. And I'm sure there are many others that might be put on the table -- just approaches to rein in future growth.

ASSEMBLYMAN CARROLL: Through the Chair, again, assuming that there is to be any property tax relief in year one, and still assuming that we're not going to cut--

ASSEMBLYWOMAN GREENSTEIN: Year--

ASSEMBLYMAN CARROLL: Year one, the year after the convention.

If there's not going to-- If there's going to be property tax in year one, and we're not going to address spending, then the only other possible alternative is raising taxes. Which taxes do you propose the convention could see raising?

ASSEMBLYWOMAN GREENSTEIN: I'm not going to make that proposal.

ASSEMBLYMAN CARROLL: Isn't that part of the problem?

ASSEMBLYWOMAN GREENSTEIN: I don't think that anybody, whether it was those mayors who were here earlier that served on the Task Force, members of the Legislature should presume to get in the way of what the convention is going to do.

First of all, the convention is going to have, at its disposal, experts. They're going to have a process put into place, and they're going to be able to do this in a very intelligent way.

Anybody that gives you an answer off the top of his or her head as to what should be the way that the convention should come out is jumping the gun. And I have always taken the position that I'm not going to say what the convention should come up with. I think we should give it a mandate and let it do its job.

ASSEMBLYMAN CARROLL: Given that we're talking about tax policy, which last I looked was our job, isn't that refusal to offer an alternative precisely part of the problem?

ASSEMBLYWOMAN GREENSTEIN: If I were sitting in a special session, and I were educated on the tax issues, and we had experts at our disposal, and we were at the point of making a decision, I'd make the decision. But right now, that's not the case. And I'm not going to come up with a program right off the top of my head and say, "This is what the convention should come up with." If the convention is the approach we're going -- and it

seems to be -- then I want to let the convention have all the tools at its disposal to do its job. I think our job is just to give it a mandate.

ASSEMBLYMAN CARROLL: Assuming that we were to adopt this convention tomorrow, we have six or seven months, as a body, to come up with some sort of alternatives that would make the convention-- I think Senator Schluter talked about that specifically.

What sort of alternatives should we come up with, as the Legislature, so as to avoid the necessity for that convention?

ASSEMBLYWOMAN GREENSTEIN: Well, you're talking about ways of making the convention not happen. I'm talking about ways of making it happen.

ASSEMBLYMAN CARROLL: I think the convention was-- And Senator Schluter can correct me if I'm wrong. But I believe what he said was it was, in effect, a last resort, because we aren't doing our job. Now, assuming we are going to do our job, what should we do?

ASSEMBLYWOMAN GREENSTEIN: I'm going on the presumption that we're going to have the convention. But should it happen that we end up having a special session, we'll all be educated on the tax issues, and we'll decide what we support at that time. But right now, I don't see that being the case. And I don't think anybody who has spoken sees that as being the case. We believe now that the convention is the way we're going.

ASSEMBLYMAN CARROLL: Surely, you've been sitting in this body for quite some period of time. You must have given some thought to property tax reform.

ASSEMBLYMAN STEELE: Excuse me.

ASSEMBLYMAN CARROLL: If I may, Mr. Chair.

ASSEMBLYMAN STEELE: And I'm going to say that probably goes both ways. I think we both have shared the experience of majority-minority. I think we've transcended that today. And you guys-- I would ask you to continue your dialogue, but can we proceed forward?

ASSEMBLYMAN CARROLL: I have no further questions at this juncture, Mr. Chairman.

ASSEMBLYMAN STEELE: Thank you. You're a kind gentleman. (laughter) Thank you very much.

ASSEMBLYMAN CARROLL: Don't let that get out.

ASSEMBLYWOMAN GREENSTEIN: Thank you very much.

ASSEMBLYMAN STEELE: Thank you.

The next witness -- speakers will be from the NJEA. Edithe and Jim will come at this time.

EDITHE A. FULTON: Good afternoon, Mr. Chairman and members of the Committee. I thank you very much.

Hi, Joe.

Oh, my name is Edithe Fulton. I'm President of the New Jersey Education Association.

And back in October, when I testified before the Property Tax Convention Task Force, I expressed a number of concerns on behalf of NJEA's 188,000 members, and on behalf of the public school community at large. Chief among those concerns was that the State Constitution's thorough and efficient clause be off limits for the convention.

In reviewing the bills authorizing a constitutional convention, both A-5269 and ACR-25, the intent of the sponsors is clear. They want to address New Jersey's historic over-reliance on the property tax to fund our schools and our municipal and county services. And, most importantly, they do not want to achieve that goal by attacking our public schools, municipalities, and counties.

NJEA shares that philosophy. But we remain deeply concerned that these bills would not prevent a constitutional convention from ultimately veering off course and making comprehensive recommendations, including the possible elimination of T and E.

We know many legislators want T and E on the table. We also know that while the bill calls for a revenue-neutral convention, many legislators want spending on the table. And a glance at this morning's headlines underscores that fact.

This proposal may offset assurances -- offer assurances today. But what will the bills look like when and if they reach the Governor's desk? Even if these bills could win approval, as is, we are concerned that a constitutional convention could produce Draconian policies in the name of tax reform.

The problem is that anyone can recognize when property taxes are too high. And anyone can come up with a simple -- simplistic solution to blindly cut property taxes without a plan for maintaining services. History is filled with examples.

In 1978, the California legislature failed to address the issue of high property taxes, and California voters enacted Proposition 13 by a two-to-one margin, triggering a 57 percent cut in property taxes in just one year.

Chaos quickly ensued, as municipal services began fighting for a share of a totally inadequate pool of resources.

California's public schools, among the best in the nation at that time, went into free fall. The state legislature had to appropriate its entire budget surplus to bail out local governments and school districts. In the mid-1970s, the state ranked fifth in per-pupil spending, and by the mid-1990s, it ranked 41st.

Class sizes soared out of control, and student achievement nosedived. School buildings fell into disrepair as districts had no choice but to defer annual maintenance. Now, more than a quarter of a century later, California's public schools are still trying to dig their way out of the hole they were in -- that they were recklessly tossed into by Proposition 13.

In 1980, Massachusetts voters, plagued by the third-highest property taxes in the nation, followed California's lead by passing Proposition 2½. Just like Proposition 13, it triggered immediate and deep cuts in local revenues, and the schools in some districts suffered terribly.

Within a year, some school districts were forced to lay off as many as a third of their teachers, and class sizes in some districts rose into the stratosphere, as many as 45 or more students per class.

After three years of mandated cuts, Massachusetts had lost one out of six teachers, and it took the better part of a decade to repair the damage. In the interim, an entire generation of students was short-changed, robbed of the education that the state constitution mandated for them.

That's what happens when a state simply deals with the spending side of the equation. Again, anyone can decide to cut spending, but the impact

on students who have to say no -- who have no say over their education funding is real and damaging. That is precisely what we must avoid in New Jersey for a number of reasons.

For one thing, our public schools, like California's in the 1970s, are among the very best in the nation. Our students achieve at the highest levels, and I have provided documentation of that fact to each of you. Please give that information serious consideration, because much is at stake if New Jersey goes down the wrong path of property tax reform.

I would also be remiss if I did not openly acknowledge the Legislature's exemplary commitment to fulfilling the funding requirements of the Abbott rulings, even in difficult economic times.

I meet education leaders from all across America in the course of my work, and they all know what you know. No other state makes the commitment that New Jersey is making to provide genuine equal education opportunity.

There can be no backing down from that commitment, because its fulfillment holds so much promise for this State, both educationally and economically. It is also the highest moral commitment a state can make to provide every child with the opportunity to succeed in school. Our universal, high-quality preschool programs for Abbott children are already paying huge dividends, and their impact will be felt for decades to come, both educationally and socially.

Test scores for Abbott fourth-graders are rising at a rate almost twice as fast as for those non-Abbott students. And when our school construction effort is finished, we will finally have the classrooms to implement

class size reductions. Research shows that smaller classes will further enhance student achievement in the early grades and beyond.

But you know, and the public must know, that there is a myth being perpetuated in New Jersey. It's the myth of runaway school spending, and it must not be allowed to gain currency.

Nationwide, the six, average year growths in per-pupil spending was 4.72 percent through 2002-2003. In New Jersey, average spending growth during those same six years was 4.5 percent. Most importantly, almost half of that growth was beyond the control of our school districts. And New Jersey's public school enrollment grew by 150,000 students, more than 12 percent, in those six years.

The fact is, New Jersey's high property taxes are not a function of high spending on public schools. They are, first and foremost, a function of our over-reliance on property taxes to fund our schools. More than \$.58 of every education dollar in New Jersey comes from property taxes. The national average is less than \$.43.

Conversely, across the nation, public schools receive 49 percent of their revenue from state government, while in New Jersey, the State funding share is just 39 percent. The rankings say it all. New Jersey ranks fifth in the nation for the share of its public school revenues provided by property taxes, and 38th in the nation for the share coming from State government.

The problem of high property taxes is real, and it must be solved. It must be solved immediately, because it is harming too many homeowners who cannot afford to carry an unfair share of the cost of local government and their public schools.

That's why a special legislative session should be held now, and tax reforms should be its primary agenda. As you well know, a constitutional convention cannot produce any tax change before the year 2007. New Jersey residents have already waited too long.

This Legislature was elected by voters to make decisions about taxes. It is the Legislature's job to do so. The Legislature is the only appropriate body to create tax reform, and a special legislative session is the appropriate forum.

The voters of New Jersey elected this Legislature to appropriate revenues for programs and services that they need. And it is your responsibility to fund those programs and services adequately from sources of revenue that are as progressive and as fair as possible.

I urge you to fulfill that obligation to your constituents, and to do so immediately.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Jim.

JAMES SCHROEDER: I have no comments. But I'm here to assist President Fulton in answering any questions that you may have.

ASSEMBLYMAN STEELE: Fantastic.

Are there any questions at this time? (no response)

Thank you very much.

MR. SCHROEDER: Thank you.

ASSEMBLYMAN STEELE: New Jersey Conference of Mayors, Mayor Ron Sworen.

Welcome, Mayor.

MAYOR RONALD SWOREN: Thank you, Mr. Chairman.

And good afternoon to all of the Committee members. And thank you for the opportunity to testify.

ASSEMBLYMAN STEELE: Could you put red on your button?
(referring to PA microphone)

MAYOR SWOREN: I'm sorry.

ASSEMBLYMAN STEELE: That's okay.

MAYOR SWOREN: Thank you, again, for allowing me the opportunity to testify today in front of this Committee.

First, I need to thank Assembly Majority Leader Roberts for posting this bill so that it can be in front of your Committee today.

I'm Ron Sworen. I'm the Mayor of the Borough of Frenchtown, Hunterdon County. I'm here today to testify on behalf of the New Jersey Conference of Mayors, which I serve as Vice President. And I Chair our Constitutional Convention Task Force.

By way of a brief background of my own experience dealing with the problem of rising property taxes, I am right now in my 10th year serving as Mayor of the borough of Frenchtown.

I was first elected to our council in 1979, and 17 years on the council before becoming mayor. I served as the borough president seven times. As an elected municipal official for 27 years, I know a little something about rising property taxes and the effect they have on the lives of real people. Our average property tax in Frenchtown has increased from about \$360 in 1970, to well over \$7,000 today.

For that reason, I'm happy to represent the Conference of Mayors in support of a constitutional convention for property tax reform.

The Conference of Mayors has supported a constitutional convention for several years now. In a survey we conducted about a year ago, more than 80 percent of the mayors responding expressed their support for a constitutional convention. We believe strongly that it is a necessary step to achieve the kind of real property tax reform we so desperately need in our state.

Therefore, we strongly support both A-5269 and ACR-25, and we encourage the Legislature to pass both.

Having said that, we believe that A-5269 can and should be improved upon. Please allow me a moment to explain why and how that can happen.

You are all undoubtedly aware that about 20 percent of the average property tax bill in New Jersey goes to municipal governments. Twenty percent of that same bill, again on the average, goes to the counties. And the rest -- 60 percent -- goes to the local school boards for public education. And this number continues to increase.

In my own town of Frenchtown, 65 percent of our tax bill goes to support our local -- and high school.

While these numbers are well documented in their tax bill, when a resident or a local business owner sees their property tax go up, and they want to complain about it, it's rarely if they ever go to a school board member, the school board president, or superintendent, the county freeholder or county executive. They don't go to their local State legislator or the Governor. When

a citizen wants to complain about property taxes in his or her town, it's the mayor who hears about it far more than anyone else.

We have an Assemblyman here who is the Mayor of Orange since 1996. And he knows exactly what I'm talking about. And I'm sure your wife has the same comments mine does when she gets the phone calls.

From my own experience as Mayor, having spoken many times about this matter with a lot of other public officials, I can tell you there is no official in government, at any level, who is held directly accountable for property taxes more than a mayor. We are approached at the supermarket -- to people who complain at Little League games, hockey games, on the street, or they call us. And, of course, they come to our meetings in large numbers when the new tax bills come out. They have questions about the rising property taxes, and they come to us for answers, many not realizing that the problem is, in many ways, before -- way beyond my control.

Is it fair that we hear most of the complaints? No, it's not fair. The breakdown of the average property tax, which I cited earlier, breaks out -- bears that out beyond doubt. Let's not forget the extent to which mayors' hands are tied by decisions made at the State level, decisions pertaining to State aid, and decisions that result in mandated costs.

Yet, the fact remains that more than anyone else, it's the mayor who hears the complaints and concerns of our citizenry when it comes to property taxes. It's because we're the most accessible and because municipal governments send out and collect the tax bills. Whatever the reason, we hear the complaints more than anyone else.

So this brings me to our recommendations. We very simply have three items for this Committee to consider.

The first regards a method for selection of delegates to the convention. We feel strongly that, however it is accomplished, there ought to be a significant representation of mayors on the task force. Realizing that mayoral participation cannot be guaranteed by opening all delegate spots to an open election process, we recommend that a minimum of 10 percent of the total number of delegates include mayors. These mayors can be appointed.

Given the diversity of our state's communities -- and therefore the diversity of their concerns -- the mayors to be appointed ought to represent urban, suburban, and rural communities. They ought to represent communities from North, Central, and South Jersey, as well as from the Jersey Shore -- both of them, including our western shore.

We think the best way to achieve this kind of demographic diversity is to select mayoral candidates from among the counties. A balance in terms of political affiliations, also, should be taken into consideration.

We furthermore request that two of the mayors appointed as delegates include two representatives from the New Jersey Conference of Mayors, and two from the New Jersey League of Municipalities. In both cases, one from each major political party.

By including a requirement that mayors be significantly represented at a constitutional convention in the manner which I have just discussed, you not only ensure that the diverse concerns of individual communities are heard, but that the unified concerns of mayors will be brought to the table, as well.

This may sound to you like a self-serving request. Please understand that is not our case. Given the fact that the mayors know and understand the property tax system problems as well as, if not better than, anyone else -- and perhaps, more importantly, given the fact that we are held accountable to that problem more than anyone else -- we believe that the mayors should be significantly represented among the delegates at a constitutional convention.

Conversely, we also think it is important to limit the participation of State legislators among the delegates to be selected. This may sound like a knock on our legislators, and believe me, it's not. And here's why: It is our opinion that the Legislature's failure to solve the property tax crisis is the reason we're perusing a constitutional convention in the first place.

Let me be clear and repeat, we do not mean to be disparaging to any of our legislators when we say this. We respect our State legislators and recognize you as the people who work hard and serve our state with the utmost integrity. In fact, there are approximately 14 of our fellow mayors serving in the Legislature. I would point out that this constitutes a little over 10 percent of the Legislature -- the representation that we are seeking among the constitutional convention delegates.

So, again, we don't think the problem is legislators as individuals. The problem is the political considerations that eventually influence the actions taken by this Legislature, collectively-- It effectively limits individual members to the point of impotence when it comes to making the kinds of drastic changes we need to realize the real, significant property tax reform we all so desperately need in our state.

In other words, you're paradoxically limited by your own political power. Isn't that really what got us here in the first place? Isn't that why we're moving forward on a constitutional convention? Isn't the purpose of the constitutional convention to, as much as possible, take politics out of the equation in determining the solution to our property tax crisis?

And that brings me to our second point. There is a provision regarding the selection of delegates which we believe will politicize the selection process and should be changed.

In Section 7C of the bill, there is established a voluntary limit of \$25,000 on expenditures made in connection with the candidacy for the office of delegate. We believe, number one, this limit should be mandatory; and at the threshold, should be significantly lowered. Twenty-five thousand dollars is too much.

By establishing a voluntary limit on contributions, you are severely limiting the number of potential candidates for delegates. Is that what we want to do?

It states in the preamble of A-5269 that it is essential that the citizens of New Jersey are fully engaged in the effort to restructure taxes. Establishing a \$25,000 voluntary limit is not the way to fully engage the citizenry in this process. We recommend a mandatory contribution limit of \$1,000 to allow the people to be part of the convention.

And, finally, our third point we feel this Committee should consider-- And it deals with the matter of the scope of the convention. It has been our position for a number of years, in different committees we've had, and different meetings and our conventions, that both spending and revenue

need to be considered. It is not clear that this is the case in this bill. We would ask, therefore, that it be clarified that a convention of delegates consider the spending as well as the revenue side of the property tax problem.

Mr. Chairman and Committee members, let me conclude here by saying that there needs to be some accountability in government when it comes to property taxes. The State has a considerable responsibility for the property tax problem. And, yet, the State has only offered inadequate, piecemeal solutions to help fix it. Well, it is now time to change that. It's now time to be accountable. The Legislature has proven, over many, many years, it can't, or just won't, fix the problem. And we the people are saying, "Give us a try." We can only hope for the chance to be accountable for this problem we have.

A-5269 and ACR-25, with these amendments, will give the people that chance.

I want to thank you all, again, for the opportunity to address you on behalf of the New Jersey Conference of Mayors. And I'd be happy to answer any questions that the Committee might have.

Thank you.

ASSEMBLYMAN STEELE: Are there any questions? (no response)

Thank you very much.

MAYOR SWOREN: Thank you very much.

ASSEMBLYMAN STEELE: Your information is invaluable.

The next speaker will be from the NJBIA. Art will come at this time.

ARTHUR MAURICE: Thank you so much, Assemblyman Steele.

I will be very brief. I will pass out remarks, but I won't read them. I'll try to get through them.

Let me first begin by thanking the Majority Leader for his comments on spending earlier. We were happily shocked when we read the newspapers this morning and saw that spending should be a topic. Because, you know, the fact is that if you look at the property tax spending issue -- and no one has really brought this out -- \$18 billion in property taxes go to pay for local spending. Half of the State budget also goes for local schools, property tax relief, funding that offsets the need for property taxes. So if you added those up, you get \$30 billion a year. That's the property tax spending issue.

Now, if that only increased every year by 5 percent, you'd be looking at \$1.5 billion more money every year, which is the equivalent of a major tax increase or a major new tax each and every year. To put it as bluntly as I can, if you want -- if you have property taxes, all you need are property taxpayers and spenders. And, obviously, with the statistics I gave you, there's no way you can have any kind of tax relief unless you get to that issue of spending. So I urge you to look up that issue.

Speaking before you, on behalf of our 23,000 employers, we have a unique perspective. Why? Because property taxes affect us in so many ways. One, our owners, our businesses -- they own homes in this state, they pay property taxes. Secondly, they have to have employees. They have to attract, they have to retain employees who face high property taxes. And that's a real issue. Pennsylvania has become a real force in attracting our employees who are looking for much lower housing costs and lower property taxes.

And thirdly, Assemblyman, the issue of property taxes paid by employers on their businesses -- and they pay those taxes, whether they own the business, or they pay it through their leases -- they pay property taxes. One in every \$4 is paid by employers for their businesses -- one of every four property tax dollars -- and they get no homestead rebates, no savers.

So we're obviously very concerned about property taxes. But we feel that convening a convention is unnecessary and will not achieve that complex goal. Legislators already have the power to reform the system. You've heard that. We think that a convoluted process that would elect delegates who, frankly, don't have your knowledge would be not in the best interest of this state.

I'll go over four other issues very quickly. Apart from spending, we feel that in the election of constitutional convention delegates, we fear that representatives of special interest groups will dominate, and that the voice of businesses, the voice of commercial industrial owners would not be heard.

Now, we're very concerned about the uniformity clause of the Constitution. That's Article 8, Section 1A. What the uniformity clause says, basically, is, every property owner in this state is going to be treated the same way: one tax rate. There won't be any discrimination, whether your the Paterson bodega owner, if you have a manufacturing facility, whatever.

However, we fear that unless special language is placed in this constitutional amendment that would restrict the delegates from looking at Article 8, Section 1A, we feel that we may, in fact, face higher business property taxes or higher corporate taxes.

Third issue-- And I know this isn't the intent of the sponsors. In Section 20 of the bill, we have the process whereby individuals can go and appeal, before the voters vote, if citizens feel that the proposals exceed the scope of the convention. So, in other words, if any of us, if any citizens feel that the final proposals exceed scope, before the voters get that-- The legislation says, in Section 20, there will be a three-day appeal time for filing appeals. Only three days. The fact is that if I was a vendor selling pencils out of schools, and if I lost a bid, I would have longer than three days to appeal the loss of my bid. Yet, for amending the Constitution, a permanent change, we're only allowing three days. That doesn't seem fair.

Fourth issue: Section 28 of the bill waives all requirements that the convention and the resulting voter referendum comply with Title 19 of the statutes. Title 19 concerns election law -- issues like voter registration, eligibility, voter equipment, emergency ballots, saving of records, printing of sample ballots, voter protocol, vote counting, voter fraud, campaign finance -- what's allowed and what's not -- and election crimes. I don't think you want to waive Title 19, in terms of this process. I think that would be a huge mistake.

Finally, the ACR, the constitutional amendment that accompanies this, is a radical, radical change in how we make law in this State. The 90 constitutional convention delegates would be given the power to propose new laws, amendments in existing laws, and elimination of existing laws. The public would receive all of those recommendations in one package for a simple up or down vote, ignoring the constitutional requirement in Article 9, Paragraph 5, which says legislation requires separate votes on unrelated issues.

This really undermines your authority to make law and simply gives the delegates too much power. None of the three prior Constitutional Conventions ever gave this I and R to the public. We would urge you to oppose this.

What would we do? I'm not going to just complain, Assemblymen.

ASSEMBLYMAN STEELE: All right.

MR. MAURICE: Although you may think I have.

ASSEMBLYMAN STEELE: No, no, no.

MR. MAURICE: Rather than a time-consuming and complex constitutional convention, we recommend convening a special session of the Legislature. The fact is, lots of people criticize the Legislature for not acting. But the truth is, nobody has more knowledge of these complex spending issues than you. It's the truth. No one understands these complex tax issues than you. You were elected. You get a pay. And I think that, really, the buck should stop with you.

So let me say, though, that regardless of how this comes out, BIA wants to be there at the table, working. Spending issues, spending questions -- we feel we have a lot to offer, and we're anxious to help.

Thank you, Assemblyman.

ASSEMBLYMAN STEELE: Thank you very much, Art. Certainly, your words always go noted.

At this time we'll have the--

Any questions? (no response)

There is someone receiving an unnecessary call. We would ask that you would let it be personal and silent.

At this time, we have the Sierra Club.

Jeff Tittel, would you come?

JEFF TITTEL: Jeff Tittel, Director, New Jersey Sierra Club. And I will try to be brief, because I know you've had a long day already. And we've been debating this issue probably since there was the first Legislature that New Jersey ever had, and the first time somebody got a property tax bill.

And I also would like to thank the Chair for calling me after our good colleague Assemblyman Michael Patrick Carroll left. (laughter) Only kidding.

To get back on a more serious topic, I think there is no -- there is a direct relationship, when we look at New Jersey and we look at our relationship in the rest of the country. New Jersey is number one in sprawl. We lead the nation in development. We have more lands that are developed than any state in the country. We are also leading the nation in the loss of open space as a percentage of its land area. No state comes close. And we also have the highest property tax in the nation. And I think that is really the fundamental problem that we have in New Jersey -- is that towns keep trying to grow their way out of -- shall I say -- poverty. Every year town councils -- when they do their zoning, or they look at their master plans, and when those things come up -- keep saying, "We need to get ratables, because we need to provide services for our people. We need to build a new library. We need a new school."

And this ratables chase has really been, I think, the undoing of New Jersey. It's led to abandonment of communities. It's led to loss of open space, the destruction of our water supply in parts of New Jersey. And it's led to a kind of free-for-all, where every town competes against every other town to try to attract a new ratable, or it leads to a kind of development pattern that is haphazard, at best.

And what happens is, we all pay for it. Whether you live in Passaic County, in Ringwood, where I'm from, and you pay very high property taxes -- or friends of mine in Paterson, who bought a \$150,000 house and pay almost \$15,000 a year in property taxes. No matter where you are, it hits you. Whether you are in the city of Newark -- where half of its lands are no longer taxed because of governmental buildings, and churches, and hospitals, and so many public functions -- or a place like West Milford, where two-thirds of the land is open space. All across the State of New Jersey, it impacts us. It is one of the driving forces of the destruction of the state.

I don't tend to believe that we're going to solve all our problems with a property tax convention. We're not. We're not even going to solve the problem of sprawl. But it will take an important step forward in correcting what is an inequitable situation in the state, and one of the main reasons that we do see the destruction of open space, and the undermining of our cities and our urban areas.

Where I grew up as a kid in Hillside, we had a great ratable base. Half the town was industry. At one time, they paid more than half the taxes. We had great schools. Now, the biggest employer in our town used to be Bristol Myers, and American Can, and Lionel Trains. Now it's the North

Jersey Food Bank. We see what has happened to our cities, our inner-ring suburbs. We see what's happening to our farm fields and our open space. The system we have in place is madness, and we have to change it. And I think that having the convention and keeping it to a narrow focus of dealing with the monetary issues that face the towns and the school boards is the best way to go. Because if we try to solve all the problems of New Jersey, we'll solve no problem. And that's really what it comes down to.

We hear people talk about -- "Well, we have to deal with this, this, and this." No, we have to deal with property taxes. That's why we're all here. That's why you've worked so hard to get this bill out. That's why we've had the Task Force and so many other things. And we need this legislation to go forward so that the voters have a say, and so that the public has a say in correcting a problem that's gone on well too long, where everybody has had a chance to take a shot at it and no one has done it.

I hear people talk about, "We've got to deal with spending." No one stops you from trying to put together a constitutional convention about spending issues. Go forward. Be my guest. Do that. We're here today because people have worked for the last five years to get us to this day so that the public can get engaged in the process of dealing with this issue.

We can talk from a legislative standpoint. We have tried aid, and rebates, and all these different things to try to help deal with property taxes. Rebates are not a replacement for reform. If you want to do something, you've got to get it to the people, and you've got to get to the convention.

To go back and think about how government has functioned-- Constitutional conventions are a serious and solemn governmental action. It's

the foundation of our system of government. It is really the backbone of New Jersey. And because, many times, legislative leaders haven't had that backbone, we need to have the backbone of the people come forward to correct their problems.

And I just want to end in the fact that, if people will lead, the leaders will follow. And I think this bill needs to go forward. And we need to get it to the voters and get this done. Because otherwise, we're going to drown in a sea of sprawl, pollution, and red ink.

Thank you.

ASSEMBLYMAN STEELE: Thank you, Jeff, for your endorsement.

Senior Coalition, August Scotto.

AUGUST SCOTTO: How do you do?

I'm August Scotto. I'm the Vice President of Silver Square Senior Club, and I'm also a member of the Hamilton Township Senior Coalition here in Mercer.

The Constitution is the most important document in our country. It was written by our founding fathers, who were geniuses. And, pardon me, but there aren't many geniuses alive today. So we must be overly cautious when changing the Constitution.

First, I see you have a list of questions that we can vote on. But we will vote on all of them as if they were one question. I checked the Constitution. Article 9, amendment Number 5, it states, "If more than one amendment be submitted, they shall be submitted in a manner and form that

the people may vote for or against each separately and distinctly.” So you are violating the Constitution by not letting us vote for each question separately.

You are also proposing changing the statutes to lessen the dependence on property taxes, reducing property taxes, and find alternative means of funding local government. I’ll let you in on what, obviously, must be a secret. If you stop beating us to death with property taxes and switch to beating us to death with State taxes, it won’t solve anything, because you are just treating the effect of the problem, not the cause.

My solution would be, if the State took our income tax payments and return a portion of that money to our local community to lower our property taxes, with the requirement that they should control how much they increase their spending. You also must limit your spending increases. And if you need more money than what is needed to fund this program, you should be required to get the approval of the people. This is the real way of solving the problem.

There is no solution to this problem without control of spending. If you want more detail on this-- I was informed of this solution when I heard a speaker named Bret Schundler.

Also, I see that you want to lower property taxes without including our school taxes. That would mean that we would just get a very small percentage of \$40 out of every \$100 we pay in property taxes. That is not a savings of our property taxes.

I know you refer to Article 8, Section 4 of the New Jersey Constitution, which refers to thorough and efficient, and being careful with the schools’ money, plus not to use their money for any other purpose. Well, this

plan will not use or take away any of their money, but will give them, at least, the same amount of money that they receive from our property taxes. Plus, they will be allowed to increase spending carefully.

Now, first of all, what I'd like say is, the U.S. Department of Education said New Jersey spends more per student than any state in the country. And the salaries are near the top of the country, while the quality of education is not near the top. So it's not money that's needed. So that should be dropped out.

So don't make the same mistakes that were made in the past. Let me explain. In 1965, everyone agreed our property tax was too high. So they solved this problem. They gave us a 3 percent sales tax to lower our property tax. In Hamilton, our total school budget was \$7.2 million, and student enrollment was 14,000. In 1968, they borrowed a \$1 billion school bond issue for education to lower our property tax. Our total school budget was \$9 million, and enrollment 15,600. So, in 1970, they raised the sales tax to 5 percent to lower our property tax. Our total school budget was \$10 million, and enrollment was 15,000. Also, in 1970, they started the New Jersey Lottery to lower our property tax. Then, in 1976, they really changed things. They gave us Atlantic City casinos and the New Jersey State income tax to lower our property tax. Hamilton's school budget was \$24 million, plus. Later, they raised the sales tax 6 percent, also raised the income tax, plus they gave us many other taxed goodies from year to year to lower our property tax. Did all those taxes help to lower our property tax? Today, our total school budget in Hamilton is a little over \$151 million a year, and school enrollment is 13,000. They spend over 2,100 percent more for 2,600 fewer students, while inflation

has gone up only 195 percent in that period. And they're still talking about lowering our property tax. Fooled us, didn't they? Don't make the same mistake.

To quote an old buddy of mine, Jerry Conners, who always said, "The only thing we learn from history is, we don't learn from history." Not only our property tax, but so are our State taxes much higher. Please, don't-- Throw out politics, out that window, and represent the people, not the special interests. So please learn from the mistakes that were made in the past, and don't repeat them again. Because if you do it again, it won't be a mistake, it will be an intentional act of arrogance against the people.

Thank you.

ASSEMBLYMAN STEELE: August, thank you.

Our next speaker will be from the League of Women Voters.

Judy.

JUDITH CAMBRIA: Good afternoon.

ASSEMBLYMAN STEELE: Good afternoon. Welcome.

MS. CAMBRIA: First, I'd like to thank you for the opportunity for the League of Women Voters of New Jersey to discuss with you, the members of the Assembly State Government Committee, A-5269, which hopefully will provide for us getting a property tax convention.

The League is very pleased to announce that we will support this legislation, because it provides a responsible means of addressing New Jersey's onerous and inequitable system of taxation. Our support is greatly strengthened by your introduction of ACR-25, the constitutional amendment that would allow delegates to the convention to amend or repeal existing

statutes and enact new statutes that are within the scope of the convention's mandate. This was not in the Task Force's report. It is something we requested earlier and support. And we thank you for putting that bill forward, and we support it fully.

As a matter of fact, we were so convinced that it was an important and necessary power to give to the delegates that when we put it -- listed it in our eight-page document, that we gave to the Task Force on how they should structure the convention, we listed it but we did not even advance any arguments for it. Now that we look back, it appears to have been a serious omission on our part, which you seem to have taken care of for us.

We believe that the delegates will be able to design a far better plan with this capacity. But even more importantly, we fear that if they were denied this ability, they will end up putting into the New Jersey Constitution any number of things that belong in the law, not in our Constitution. In our opinion, the Constitution already is cluttered up with a variety of things that belong in statute, because they fail to reach the standard of importance necessary for inclusion in that basic document of our law. And, of course, when we make them do only conventional -- constitutional changes, any change becomes infinitely more difficult to reverse or to make different, because if it's in the Constitution it requires a vote by the public for change.

The League's support of this bill, A-5269, includes -- is because legislative leaders have included a number of very essential features, which we asked for, and which we are delighted to see are there.

A focus on revising the tax structure while excluding consideration of spending-- Clearly, that has been a big issue here today. And the League

feels very, very strongly that spending will just -- is not -- should not be there. We wrote earlier-- We said that in our remarks to the Task Force. At that time we wrote, "the convention would flounder and fail if it entered the quagmire of considering spending at the municipal, school, county, and State level."

We agree-- We are happy with the prohibition of delegates -- on the delegates that they are prohibited from agreeing upon, proposing, or submitting, to the vote of the people, any amendments or statutes in the areas of obligation for free public schools -- I can't -- I didn't get much sleep last night -- must be it -- free public schools and affordable housing. We do not think it is the appropriate place to change, other than tax policy and tax structure, other constitutional rights that are in the Constitution.

We support the requirement of fiscal neutrality.

We are very happy that the Task Force chose -- and you chose to also put in that it be a nonpartisan election, in which individuals run alone without party designation and without slogans. We think this should not be a political issue in between parties. This is an issue of such importance, it should be-- The overriding thing is assuring that the people who get there are the ones who will take this as their task. Not any other consideration should be part of it.

And we agree that there should be judicial review to ensure conformance to the charge of the convention so that we don't have a runaway convention, which many people talked about during this -- several people talked about. We can't have it, because we have a group of people who are

going to say, "Wait a minute." The referee will blow the whistle on them. Okay?

And then we are very happy that you have in there that the single vote by the public, at a general election, on the plan presented to the -- by the delegates from the tax convention--

We do, however, believe there is a serious omission that was in the Task Force's report and was in present legislation. And I'm referring to what Bill Schluter brought up earlier. And that is the question of sustainability.

Now, the League-- This is another one of the things that we put in our document to the Task Force, and we didn't go into any detail. Again, it was an omission we shouldn't have made. I guess we thought it was something people would agree with, and they obviously didn't think about it very much at all.

It's very clear that many people and organizations who are calling for spending to be included in the convention can provide a strong rationale for doing so. And that rationale is, of course, that if we don't do something -- if we don't do spending, future property taxes will go up and up until we're back to the same old story. And from a historical standpoint, it's a reasonable argument.

However, we think, in the League, that the answer to that charge is that the delegates should have the responsibility to consider and make recommendation on means to ensure that reductions in property taxes are sustainable. The major concern of every one of us-- There isn't one person in the state, I'm sure, who doesn't agree that we don't want to end up, again, with 44, 45 percent of our revenue being collected by the very, very regressive

property tax. And that issue would be addressed by having sustainability as part of the responsibility of the delegates.

At the same time, it avoids the extraordinarily contentious issue of reducing present spending that has already been approved by mayors, freeholders, boards of education, and, yes, even the legislators. We do not usurp their rights and prerogatives, but we do provide the means of assuring that taxes retain the balance designed into the convention plan.

And the League has one more request for change in the present legislation that nobody else has spoken to. In our recommendations we said, and I quoted earlier, "It is essential that delegates have available to them, in a timely manner, the background materials required for understanding and discussing property tax issues." We failed, at that time, to recognize the importance of, and the time and effort required, to provide such materials. And we said that existing departments should compile the statistics.

Thoughtful consideration leads us to believe that we cannot place that burden on the existing staff, particularly during the period of the convention, which will be the same time when the Office of Legislative Services is responsible for reviewing and analyzing the budget for the legislative branch. They are your staff at this time. They are the ones that-- You need their help.

Frankly, our thoughtful consideration was brought about by a statement of Task Force member Dr. Ernest Reock. He told fellow delegates that more research was necessary, and that more money was needed in the budget to provide for experts and material from outside the New Jersey government. We are not alone. There's a lot of other states out there who are doing things.

No one in New Jersey has more experience over more years than Dr. Reock, with many, many study and commission groups. And if he says so, the League listens to him. And we ask you to listen to him, too, and to add more money to the budget for this essential information. Let's not be penny-wise and pound-foolish in this area.

It is clear that the Task Force greatly reduced the cost of our property tax convention and the whole process from what was requested by the League and others. The biggest savings, clearly, is coming from eliminating the expense of a special election for delegates, and combining that election with the November general election.

The League still believes that it will be far better to have a special election for a number of reasons. But we recognize that cost is an important consideration, especially when the State has been borrowing to fund its budget and faces a \$4 billion shortfall in the 2006 budget. So we agree to disagree. But we agree, and we'll go along with that. And we will support that in November.

Nevertheless, we believe -- we continue to believe that it will give a significant advantage to present officeholders, and anyone who is on the ballot for a public office, as well as for a delegate at the convention. We think they're going to have a great advantage over anyone like myself or any other citizen who would say, "I'd like to run."

Again, thank you for this excellent legislation that you have already crafted. Thank you for the opportunity to discuss this with you. And we expect you will give it serious consideration. I know you will. And we hope that you will include sustainable and more research money in the bill.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much, Judy.

Are there any questions?

ASSEMBLYMAN AZZOLINA: I just want to make a statement.

ASSEMBLYMAN STEELE: Surely, Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Madam, I was here in the late '60s and early '70s. And I remember-- And I'm not being critical. You're a nice lady, and I don't want to be critical.

But I was here, and the League of Women Voters had a huge rally by the War Memorial building -- that gentleman earlier stated -- all the taxes were put in for tax relief and never happened. The League, at that time -- and they pounded heavy -- "We want income tax. We want income tax," because of tax relief. But it never happened. You got the income tax, and it never happened.

MS. CAMBRIA: Well, I think if you might look at it slight--

ASSEMBLYMAN AZZOLINA: I just wanted to make it as a statement, that's all.

MS. CAMBRIA: Thank you. I know very well that we have supported that. I have been doing this just as long as you. I was there.

ASSEMBLYMAN AZZOLINA: You were there. So was I.

MS. CAMBRIA: So I have been doing this for 35 years.

ASSEMBLYMAN AZZOLINA: Okay.

MS. CAMBRIA: So I've been through all of the things that you have been through.

ASSEMBLYMAN AZZOLINA: Right.

MS. CAMBRIA: But think about this. If we didn't have an income tax now, and it didn't bring in \$67 billion, and it's tight almost \$9 billion, just think what our tax situation would be, and the dearth, or total absence, of many services that are essential to our citizens.

So let's just think of it that way. Okay?

ASSEMBLYMAN STEELE: Assemblyman Carroll, did that spark something?

ASSEMBLYMAN CARROLL: Oh, it just-- The absence of an income tax just made me go into rapture. (laughter)

ASSEMBLYMAN STEELE: I'll see you on your way out.

ASSEMBLYMAN CARROLL: I mean, the idea that perhaps -- that we could -- that the government could actually get by with \$6 billion or \$7 billion less strikes me as a marvelous opportunity.

But let's be clear, the League takes the position -- am I not correct -- that the proportion of property tax, income tax, and sales tax is a bad idea. Is that correct?

MS. CAMBRIA: The proportion that we raise in New Jersey, by property taxes, is significantly higher than virtually every other state, and certainly by the state averages. And because it is, by its nature, a regressive tax, and it hits lower income people at a higher proportion, that is what the problem with it -- as a tax. And, therefore, using it for such -- to bring in such a large proportion of our revenue is a major problem and leads to-- And you've listened to how many people, for almost three hours, folks, so you've heard those things.

ASSEMBLYMAN CARROLL: That's what we're paid the big bucks to do.

MS. CAMBRIA: Oh, good.

ASSEMBLYMAN CARROLL: The question I--

MS. CAMBRIA: But the people who are here testifying aren't, necessarily. But we're all happy to hear what other people have to say, too.

ASSEMBLYMAN CARROLL: Now, what's the-- I think they said that the-- What's the bill number here, five and some change? That's the average State property tax assessment, I believe -- \$5,200 or something. And if the people out there, tomorrow, all of a sudden experienced a 50 percent reduction in that income tax bill, you don't think they'd really care if--

MS. CAMBRIA: In the income tax?

ASSEMBLYMAN CARROLL: In the property tax rather. If their property tax bill were cut in half tomorrow, and nonetheless, the proportionate share of the property tax remained the same, you don't think they'd care, do you?

MS. CAMBRIA: Don't you think what?

ASSEMBLYMAN CARROLL: In other words, if the property tax were to be reduced--

MS. CAMBRIA: I heard what you said.

ASSEMBLYMAN CARROLL: --solely by spending cuts--

MS. CAMBRIA: Well, the League of Women Voters -- and I think many people who may think that would be a wonderful idea -- when they found out that the programs that were being cut because we had reduced the income tax by that much -- and many people do benefit from them, and many

services are provided by the State. We do have prisons, we do have roads, we have a whole bunch of things that the State provides. And when they saw the results of that, they might not be quite so happy.

ASSEMBLYMAN CARROLL: So maybe the Quinnipiac poll, which shows that something like 65 percent of the people who would prefer service cuts to tax increases -- might change their mind at that juncture.

MS. CAMBRIA: It depends on what services were cut. And clearly, I'm just -- obviously it's not going to happen -- if we had to cut back on our prisons -- so some of those prisoners get out -- maybe they wouldn't be so happy about that.

ASSEMBLYMAN CARROLL: Actually, we may do that. I'm on the sentencing commission that may do precisely that. We'll have to see.

MS. CAMBRIA: Well, there may be some who don't belong there, so that would be appropriate. That's another issue.

ASSEMBLYMAN CARROLL: I mean, the experience in other states like Oregon and such, where referenda have been put on the ballot-- The question was very starkly presented. You will either increase taxes, or you will cut services. I think every single one of those referenda has resulted in a cut of services. Is that not correct?

MS. CAMBRIA: I, frankly, do not have information on that, so I don't know. But we do not have initiative in referendum. And looking at California, I think it's probably a good idea that we don't.

ASSEMBLYMAN CARROLL: So the League's perspective is-- Let me ask you a straight question. If the choice was presented starkly, "You will cut property taxes, or you will cut--" And at the same -- the choices are either

a cut in property taxes, generally speaking throughout the state, or coupled with a reduction in the -- I know it's tough -- a reduction in the Abbott school spending. Which would the League choose?

MS. CAMBRIA: The League would definitely not choose that we should give property relief to everybody in this state and we should take it off on the backs of the children who deserve, and our Constitution requires, that they be given an education that prepares them to be good citizens and to be effective workers because they have a good education.

ASSEMBLYMAN CARROLL: Actually, the Constitution says no such thing. It says that the State shall provide for a thorough and efficient system.

MS. CAMBRIA: I know exactly what it says, sir. And right now I'd like to say, as someone who has sat for three hours waiting for a chance to hear -- I don't believe that it's appropriate for us to go into a conversation about these things, because they are not what the issues are today. The issues are for us to talk about ACR-25 and A-5269. And I think that while it's nice that you want to know these things, they are not an appropriate part of discussion at this point. We are not delegates, and I'm looking to have a place where there are delegates who will be looking at all these issues.

ASSEMBLYMAN CARROLL: Thank you, Madam Chairman. I appreciate your admonition.

Thank you, Mr. Chairman.

ASSEMBLYMAN STEELE: Absolutely.

MS. CAMBRIA: Well, you gave admonitions to quite a number of people who were sitting here. (laughter)

ASSEMBLYMAN STEELE: Thank you very much.

MS. CAMBRIA: Okay. Any other questions?

ASSEMBLYMAN STEELE: No, you're par excellent.

MS. CAMBRIA: Thank you very much. I appreciate it.

ASSEMBLYMAN STEELE: Absolutely.

The next person will be from the New Jersey AFL-CIO.

Eric, will you come?

ERIC RICHARD: Good afternoon, Chairman and members of the Committee. Thank you for the opportunity to testify.

My name is Eric Richard, and I'm testifying on behalf of the New Jersey State AFL-CIO.

The AFL-CIO thanks Majority Leader Roberts for his commitment to the workers of New Jersey in regard to his pursuit to reduce the financial burden of New Jersey's regressive property tax. For over a decade, our membership has been vocal in its need to reform this system to provide a taxation system that is fair and balanced, and does not disproportionately affect middle and lower income workers. Unfortunately, the reality of our current system of taxation, which overwhelmingly relies on the property tax to fund government services, does force workers who can least afford to pay property taxes, due to their income, the responsibility to finance a higher proportion than those residents with a higher income and a greater ability to pay. This type of regressive taxation has hurt the working class we represent for years, and it is in dire need of progressive reform. Therefore, an honest analysis of New Jersey's regressive property tax is welcomed.

The task of overhauling New Jersey's property tax system is a complex one and there are varying opinions on how to best accomplish this. Although the New Jersey State AFL-CIO believes that property tax reform is an issue that should be dealt with directly by the Legislature, we neither support or oppose a constitutional convention at this time. However, I must express that our position of neutrality was largely based upon the premise that the scope of the convention would be as narrowly defined as possible, be limited to analyzing revenue only. And due to recent developments, we must express concern with the possibility of incorporating expenditure analysis to the scope of the convention.

With this in mind, it is important that the workers we represent and, in particular, the hundreds of public employee unions affiliated with the AFL-CIO, express the concerns we have with the enabling legislation before you today. In particular, we have three specific concerns in regard to the legislation.

First: stronger language limiting the convention deliberations to the "revenue side" only. Currently, there is language reference -- nonrevenue issues. Specifically, the bill states that "providing alternatives which lessen the dependence of local governments on property taxes, or provide alternative means, including possible increases and other taxes." This language should be changed to prevent the ability of a constitutional mandate going into appropriations issues that we are extremely concerned with, such as consolidation, cost sharing, pension issues, and benefit issues. Again, we must state the importance of adding language to define the scope of the convention to revenue only.

Our second concern is the election process provision of the bill. Currently, the language presents a somewhat confusing picture to the voter. In the first instance, a voter would have to vote simultaneously on whether or not a convention should take place, and also vote on delegate selection. This raises problems. For example, if a voter wants to vote against the convention, they are also asked to name a delegate to participate in a process they do not want to occur. Campaigning would be equally confusing, as one might promote the convention or against the convention, yet would also have to deal with the alternative of the election process for delegates. Finally, the ballot question presented and the interpretive statement are confusing, and should be expressed in a more “plain language” approach.

We respectfully recommend that the voting process be done in two stages. First, in November 2005, there would be a vote on whether or not to conduct a convention. We suggest that a second phase of the vote, the election of delegates, take place in April 2006, during school budget elections. This would avoid the additional expense of a second voting process. While separating the convention vote from the delegate vote would result in a slight delay of the current time frame, the benefits of clarity in voting and in campaigning would greatly benefit.

Finally, number three, we recommend that the current language providing for delegate eligibility and election be modified for more equitable access for public employee candidates. Currently, there is no provision for State, county, municipal, or school employees for getting release time from the workplace to attend convention meetings. In order to attend these meetings, a great deal of time would be required of the delegates away from the

workplace, and the legislation should not limit delegate access by virtue of public or private employment. Therefore, we recommend that language be added to allow release time for public employees if they are elected as delegates to the convention. There is precedent for this suggestion, as we presently provide for public employees release time to hold other public elected offices.

In closing, again we thank the Majority Leader for his commitment to working families in attempting to address our current property tax problem. However, we must ensure that any property tax reform initiatives that move forward are developed with the understanding that our Legislature is responsible for the appropriations, budget, and expenditure process, and that the decisions regarding these duties should rest solely with our elected officials and not within the scope of a constitutional convention. Through this process, the citizens of our state have a voice in conveying their concerns to elected officials that are duly elected and face the future approval of their constituents.

Thank you, and we look forward to working with you on these important issues.

ASSEMBLYMAN STEELE: Thank you very much.

Are there any questions? (no response)

Hearing none, thank you.

MR. RICHARD: Thank you, Chairman.

ASSEMBLYMAN STEELE: The next organization will be the New Jersey Tenants Organization.

Matt, welcome.

MATTHEW B. SHAPIRO: My name is Matt Shapiro. I'm the President of the New Jersey Tenants Organization.

We are the oldest and largest statewide tenants organization in the United States. And we advocate for the rights of the one million New Jersey families who rent their homes. Since approximately 18 percent of a tenant's rent goes to pay property taxes, we are understandably concerned with property tax reform.

A-5269 would establish a constitutional convention that's restricted to the purpose of reducing property taxes, and it is restricted to doing so in a revenue-neutral manner. It is further restricted from detracting from the obligation to provide a thorough and efficient system of free public schools, or from the municipal obligation to provide affordable housing. The bill needs one additional restriction so that it will prevent serious harm that will otherwise be done to the one million property taxpayers who rent their homes.

Now, before I say exactly what that is, let me just say that we strongly support the concept of reducing or even eliminating property taxes. It's an extremely regressive form of taxation. And we support reducing them as long as they're not replaced by another regressive tax.

We also support the idea of doing it through a constitutional convention, not that this is something that we like better than direct legislation. But we're pragmatists. This is the only way it's going to happen, so we support it. And we also agree with the former speaker, that it should be limited to the revenue side only. I'm not going to expand on that. That's been expanded on by many speakers.

There is, however, one extremely serious problem with the bill, and that is that it's almost certain--

Good bye, Assemblyman Carroll.

It's almost certain that tenants will not benefit at all from the property tax reduction that would eventually result from this constitutional convention, since there is just no guarantee that tenants are going to receive their proportionate share of that reduction. On the other hand, tenants would almost certainly be subject to the increased fees or increased taxes that would be needed to ensure what we call *revenue neutrality*.

We are certain that the sponsors of this bill did not contemplate a major tax increase for tenants, with effectively no property tax reduction. We know that's not what was in their minds. I actually got to speak to one of them. Assemblywoman Greenstein completely agrees with what I'm saying. She should speak for herself, but she told me she agrees.

But that's what's likely to happen if this bill is released the way it's been written. What it needs is an additional requirement that tenants will actually receive their proportionate share of any property tax reduction that results from the convention, and that they will continue to receive it as long as it continues to exist or, shall I say, as long as it's sustained, to use the term that was used here before.

We can't trust that delegates to a constitutional convention will even seek to resolve this problem, much less do it in an effective manner, unless the legislation absolutely requires it.

Unfortunately, we're sort of in a position of having to oppose something that we think is terrific. So I just ask you to please amend the bill. It would take just a phrase to do it in Section 2, and also I think in Section 5.

If you amend the bill to require that tenants get the proportionate share, then we happily would support this completely.

That's all I have to say. If you have any questions, I'd be glad to answer them.

ASSEMBLYMAN STEELE: Any questions? (no response)

Thank you very much.

MR. SHAPIRO: Thank you.

ASSEMBLYMAN STEELE: New Jersey School Board--
Chris.

CHRISTOPHER D. KNIESLER: Thank you, Mr. Chairman.

I'm Chris Kniesler. I'm the Director of Government Relations for the New Jersey School Boards Association.

And we've been sitting here for a long time, and there are not too many new things that I can add that my predecessors haven't said.

But let me just summarize our statement saying that New Jersey School Boards believes that a special session of the Legislature remains the proper forum to discuss this issue. But if you choose to go down the path of a convention, we would like you to adhere to the recommendations of the Task Force, in particular in leaving T and E alone, keeping the convention revenue neutral, and staying on the revenue side of the equation, not on the expenditure side of the equation.

Schools' funding is such a technical science. I mean, I've been with School Boards for about a year. I don't understand one-quarter of it yet. I really find it very difficult that a convention could do a proper job in determining what are good expenditures, what are bad expenditures.

So stay on the revenue side, keep it revenue neutral, and leave T and E alone, and we'll be pleased.

We will also, though-- We will oppose ACR-25, because we believe that circumvents the legislative process. And our membership is very adamant that our current representative form of government is proper and is the way to handle these issues.

We also believe that this may open the door to law by referendum. I mean, this is I and R without the I. So we believe that's a dangerous policy, a dangerous road to go down. All you have to do is look at California and you can see the problems that that can cause.

So in summation, we would prefer not to have a convention. If you choose that route, go strictly with the recommendations of the Task Force. And we'll work with you from there.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions? (no response)

Thank you, again.

MR. KNIESLER: Thank you.

ASSEMBLYMAN STEELE: The National Federation of Independent Business, John Holub. Is John in the house? (no response)

ASSEMBLYMAN AZZOLINA: He got tired of waiting.

ASSEMBLYMAN STEELE: National Federation of Independent Business.

All right.

League of American Families.

John, can you please come?

Welcome.

JOHN T. TOMICKI: Good afternoon, Mr. Chairman and members of the Committee.

My name is John Tomicki. I'm the Executive Director of the League of American Families. We represent about 100,000 households in the State of New Jersey.

Number one, I'd like to associate my remarks completely with that of Assemblyman O'Toole's, made earlier.

I wish Assemblyman Roberts was still here. He would find that we share three things in common. One, we are males. Two, we like striped shirts. Three, we like red ties. But when he did his opening remark, and he raised this whole specter of red herrings -- and he began to talk about -- well, some people don't want to get on to the expense side, because we're going to discuss such things as stem cells or other issues-- Let me assure him, I have no intention of trying to get involved in the convention to discuss the bear hunt, Second Amendment issues, horseshoe crabs, Cape May Ferry, Hudson Ferry. It is much more serious now.

I'm hoping-- And I'm sorry to see that Assemblyman Michael Patrick Carroll has left us, because maybe he has, in fact, been raptured, but maybe we are the remnant that's left to go through the tribulation of tax reform.

That being said, when you look at polling, as we do, if you put the question that Assemblyman Carroll was trying to do sincerely -- and I'm hoping that all the Assemblymen still remaining here have an open mind. This

is a bill, now, for discussion purposes only. That's why I wish Assemblyman Roberts and Assemblywoman Greenstein were still here.

If you ask the people directly, they just want taxes cut. They want their property taxes down. They don't, sometimes, fully understand what's happening. As a matter of fact, this particular bill that we're discussing was not available to the public until 11:00 a.m. today. So that's why I'm grateful, Mr. Chairman, that you put it on the agenda for discussion purposes only. And I'm hoping both sides of the aisle come to this discussion, at this point in time, with an open mind. But I fear, having been down here -- unlike Mr. Azzolina -- for only a mere 24 years -- and he's been down here a little longer than that -- sometimes a political process gets underway, where a political party decides to do something, and it wants to push it through. So from one party -- and I've bellyached against them, and we got bonds, and from another party we got taxes.

Sometimes, when we, as our organization does -- we hold training seminars for high school and college students. And one of the things I'd like to talk about -- and you're going to have to put up with it, because I've been sitting here for 24 -- and we hold a lecture. And when we do give it in the Assembly Chamber, eventually I come out, and I'm speaking to them. And, of course, somebody -- a student will ask, "Well, why are you walking around with no shoes on?" I say, "So you'll never forget. This is called 'We the People.'"

So, Assemblyman Steele, you're part of the *We the People*, and I am your brother, and you know that.

Assemblyman Conners, you know the same to be true.

So I'm saying, try both sides to get the partisan difference aside. Because what you heard from a lot of the people today is, "We don't think this is really the best formula. We think there are problems." You've taken certain things off the table. Try and list them. T and E is off the table. We want a thorough and efficient system of education. Affordable housing -- we should care for our brother and sister, but that's off the table. Somebody else wants corporate taxes off the table. Another person wants income taxes off the table. Another person wants, in effect, what you had done -- you kept spending off the table.

So what do we have here? Do we have something sincere that's trying to grapple with it, or has the Legislature, on both sides, failed to grapple with the problem? So we agree, in part, that we've got to do something. And I think the Legislature should, in effect, grapple with it.

Why have these issues, involving reforming the government -- as Assemblyman Carroll -- that's why I wish he was still here-- He wanted a two-thirds vote for any tax increase. That was a reasonable thing. Let the public vote that as an amendment to the Constitution.

We tried-- Our organization has tried for years to convince the Assembly -- which is very hard to do, because of its turf issue -- to have not two Assemblymen per district, but to create 80. If, in fact, Assemblyman Roberts -- and that's why I wish he was here, because I'd rather have a debate and a colloquy -- really says, "We want to fully engage the citizenry." Then let us have 80 Assembly districts, instead of, as we see, the matched pairs -- except for Jeff -- Assemblyman Van Drew. Sometimes he posts people up from the

same political party. It would be better if we had representation closer to the people.

Why shouldn't we have school bills paid separately, or warrants coming out of the mortgage companies so that the homeowner knows exactly what they are paying for school taxes? Why don't we have something like school choice coming on the table? Because having now spent several weeks out in Milwaukee, and gone there and talked to the people, and found out that after several years, once they had school choice for the parents -- what has happened? You find people moving back into the city. You find teachers having a higher salary in smaller classrooms. What's happened? It has reinvigorated the city. Having spent time now in schools both in Camden, and visited them as well as up in Jersey City, when I talk to the kids that are in the alternative schools they say, "We feel safe."

I'm not condemning the school system, because many members of our organization are dedicated school teachers. But why, in fact, have we taken T and E, as a system, off the table? If you're going to have a convention that the public really believes is going to deal with property tax reform, then don't keep taking all of these things off the table.

You're saying, in effect, that the legislators can serve. Well, you've heard testimony up here from enough of -- the majority of the people who have concerns are saying, "Legislators have caused the problem." Now we're saying that they can be members of this. They can run for it, as long as parties are not identified. We also now have -- the citizens must be fully engaged. I don't think so. Not when you're going to have 10 super delegates, not when you're going to have the Chief Justice appointing three retired judges who are going

to sit and review the work product. Are the citizens fully advised when, in fact, Assemblyman Roberts, in preparing this document, has said, "Well, just in case I have someone who may have not gotten elected and rejected by public to be a delegate -- well, they can still be appointed as one of these other super delegates. They can be there in case."

So there is too much -- as far as I can see -- politics that are involved. What to do to change-- Take these suggestions. Have the Legislature meet and just deal with the issue on both sides. I don't care if you people -- like in 1787 -- have to lock yourselves in a room for two or three weeks. Don't worry, we'll provide the food. We'll provide the service. We'll provide whatever is necessary to come in and honestly grapple with the issue. It has to be dealt with sooner or later.

Nobody looks forward to trying to -- and even though we see that is in there -- to challenge it. I think the language in ACR-25 -- I would even submit it to any third-year law student and say, "Let's read this (indiscernible) amendment in Article IV, Section I" -- since most people may not know Roman numerals -- and I'm not going to read it -- it's confusing. I don't know what it means. I also agree that you can't do it -- as we've done in many school board elections -- to vote on a certain thing and not have, too, a vote for the delegate. It becomes very, very confusing.

If you really want to open the process, take the oath of office all of you took sincerely, which I know most of you do. But we sometimes get into political processes.

I know this is for discussion only. We've only gotten the bill. We are going to be brief at this point in time, because we will go through it with

a fine-toothed comb and see what we can do to convince many of you, on a one-on-one basis, why it should be either held, or redrafted, or really have your special session.

Thank you so much, Mr. Chairman. And I wish you good day. And I will see you at the next hearing on Lieutenant Governor.

ASSEMBLYMAN STEELE: Thank you, sir.

Is John here from the National Federation of Independent Businesses? (no response)

Citizens for Property Tax Reform.

Welcome, my brother.

Could you just state your name for the record, please?

C Y T H A N N I K A R Y: Thank you, Mr. Chairman.

My name is Cy Thannikary. I'm the Chairman of the Citizens for Property Tax Reform. We are a nonpartisan, (indiscernible) statewide coalition of over 400,000 homeowners in New Jersey. We support a property tax reform convention to bring true property tax reform in New Jersey.

I also had the privilege of serving on the Property Tax Reform Task Force, as one of the Governor's appointees. I must say that that Task Force was very well organized. And I must say that the people who work behind it -- meaning the staff who did an excellent, outstanding job -- I want to thank them for the work they did. Eric Shuffler, and Ed McBride, and Jack Donnelly -- all of them did a super job.

And, Mr. Chairman, we support -- we, the Citizens of Property Tax Reform, support Assembly Bill A-5269 and ACR-25, which calls for a restricted constitutional convention and the necessary statutory changes to

bring about fundamental reform in New Jersey's most hated and oppressive property tax system.

Here is my-- Here is our rationale. In every gubernatorial and legislative election, candidates talk about New Jersey's burdensome property tax and pledge to do something about it, but nothing happens, and systemic change is never pursued. For the past 30 years, our well-meaning legislators tried but failed to bring about true property tax reform in the state, as they were unwilling to compromise. From 1972 to 1996, seven commissions studied this issue and made a total of 391 recommendations. But none of the systemic changes recommended by this commission were ever implemented. We cannot go on like this. People are hurting. They are angry, and they want property tax reform, and they want it now.

You must have heard their anger and frustrations when 160 people testified before the Property Tax Reform Task Force. I myself read about 260 e-mails that people of New Jersey sent both to the Task Force's Web site as well as my own organization's Web site.

With these bills -- the bills 5269 and ACR-25, we have a chance to get something done by people taking charge of this issue and coming up with recommendations to change New Jersey's property tax system. We are convinced the only way we can get meaningful property tax reform in New Jersey is by removing the process out of Trenton and let the people take charge. Let the people decide how they ought to be taxed.

For the U.S. (*sic*) legislators, this may be the best opportunity you have to solve this problem without getting blamed for any tax increases that may result from the convention. By authorizing a restrictive property tax

reform convention, you do not have to take responsibility in increasing some other taxes to offset the reduction in property taxes. You can always say that the people did it.

Mr. Chairman, some of you want to include the spending side to be included within the scope of the convention. I understand the need for cost cutting. But is the constitutional convention the place to do it? I believe not. There is a system in place, now, to approve State, local, and school board budgets. If the system is not working, let us fix the system and not put the monkey on the backs of the people, by adding the spending issue to the scope of the convention.

Further, spending cuts alone would mean cuts in the State's health and social services. No one wants to do that. Therefore, we, the Citizens of Property Tax Reform, strongly oppose the inclusion of the spending issue with the scope of the convention.

On behalf of millions of homeowners, senior citizens, and young families, I ask you to support Assembly Bill A-5269 and ACR-25, and allow the citizens of New Jersey to decide how they should be taxed. By requesting you to authorize a restrictive property tax reform convention, we are simply asking you to give us, the people, the power to reform New Jersey's most hated property tax system. We are simply asking you to allow us to be citizens and not spectators in the renewal of our cities, our schools, and our neighborhoods. Now we have a historic opportunity to do something to fix the system. We should not allow this historic moment to pass before it arrives.

I salute Assemblyman Roberts and Assemblywoman Linda Greenstein for their courage to stand up for the people and do the people's

work, and not the interest of the influenced privileged who operate in the halls of the Assembly and the Senate.

Mr. Chairman, my thanks to you and the members of the government affairs committee for listening to this testimony, and also your patience, sitting through this process, to meet with democracy in action. I really, really value that.

I want to close my testimony by quoting poet Yeats. "I have spread my dreams under your feet. Tread softly, because you tread on my dreams."

Thank you.

ASSEMBLYMAN STEELE: Thank you very much, Cy.

The New Jersey State Chamber of Commerce.

Mike will come at this time.

MICHAEL EGENTON: Thank you, Chairman.

I'll be brief. I know it's been a long day, so I will capsule our thoughts.

I'm Michael Egenton, Assistant Vice President for the New Jersey State Chamber of Commerce.

Thank you, Chairman, for giving me the opportunity to speak before you today.

The property tax crisis in New Jersey is a tremendously difficult issue, one that can only be solved by everyone working together to find innovative and dynamic solutions.

State Chamber's Board of Directors has not had the opportunity to consider the pros and cons of a constitutional convention, nor have they really taken an official position on the issue.

That said, they've had ample opportunity, particularly over the past few years, to consider the overall impact of taxation on the business community.

Chairman, I'm not surprised to hear that there are some groups that might advocate that the employer community pay more so that tens of thousands of homeowners in the state do not have to. We've been down this path before. Such was the recommendations that I reviewed about a month ago from the SLURP report. Interestingly enough, in that report, all the changes on the Corporate Business Tax were contained in that report.

If there's one point to be made to the members of this Committee here today, it's that targeting the business community to shoulder the bulk of property tax relief would be a disastrous mistake. Increasing the tax burden on New Jersey businesses would only further damage the reputation of our state as a desirable place to do business. At a time when we so desperately need to create private sector jobs, we should avoid crafting policies that would further discourage companies from setting up shop or expanding in our state.

We agree with Assembly Majority Leader Roberts. Any discussion of property tax reform must also include a serious discussion about spending, specifically cost-cutting measures such as duplication of services and many other factors that currently challenge our state.

Senator Adler said in a release recently -- said essentially the same thing. He quoted, "We need to look at the tax side, as well as the spending

side, to make sure the tax relief this year is not outdone by local spending jumps the next.” It is time to question expenditures to determine whether they are necessary, fair, and reasonable, rather than simply determining who will pay.

Ideally, the Chamber believes that the State Legislature should address this issue. Obviously, if the constitutional convention route is taken, we would ask that the delegation be reflective of the taxpayer community, and include business representatives. And, surely, our organization would like to be helpful in that process.

So, Chairman, thank you for the opportunity to speak today. I hope that you will consider, seriously, the impact on the business community before adopting any recommendations that may damage the long-term economic growth of the state. The State Chamber needs to be part of this discussion, so we look forward to continued dialogue on the issue as the process continues.

Thank you, Chairman.

ASSEMBLYMAN STEELE: Thank you very much, Mike.

Any questions? (no response)

President of the Mercer County Education Association, Teresa.

Welcome.

TERESA DRESSER: Thank you.

I know you’ll be happy when I’m gone with my cough. I’m sorry I disturbed everybody all morning.

ASSEMBLYMAN STEELE: That’s perfectly fine.

MS. DRESSER: Good afternoon.

I'm Teresa Dresser, President of the Mercer County Education Association, and I'm also a teacher at Monument Elementary school, right in Trenton.

I want to begin by thanking the Task Force that studied the constitutional convention for recognizing that it is a risky proposition, with potential to cause grave harm to our public schools. The Task Force should be commended for explicitly stating that the guarantee of a thorough and efficient education for every child should not be removed -- changed or removed by the delegates to the proposed constitutional convention. Likewise, they acted in the best interest of students when they recommended that proposals from the convention should be revenue neutral.

I'm deeply troubled, however, by reports in major newspapers across the state this morning that key proponents of this convention are openly discussing the possibility of rejecting the Task Force's conclusion that spending should not be included in the mandate for a constitutional convention. This appears to make a sham of the Task Force's hard work and careful deliberation. More ominously, it sets New Jersey on the same road to disaster that California, Massachusetts, and other states have traveled after so-called *property tax reform* was pushed through without adequate assurances that revenue would be available to provide adequate funding for education.

The Task Force protected the Constitution's educational guarantee and removed spending from the discussion, because it recognizes that the thorough and efficient clause is the legal basis for the most successful education reform New Jersey has seen. Our Abbott school districts have seen stunning progress in the several years since its implementation. Just take last year's

fourth grade test scores. In Abbott districts, the number of students scoring proficient or better in language arts grew by 8.2 percent, while in math the increase was 8.7 percent. In both cases, the Abbott increase was more than twice the statewide gain.

We have not yet closed the achievement gap, but we are making great strides toward closing it. Across the nation, educators, legislators, and community leaders are looking for ways to close that gap. New Jersey has figured out how, and we are seeing it happen. As a teacher in an Abbott district, I am very proud of what New Jersey has done to give my students a real opportunity to succeed. We cannot allow any change -- any challenge to the legal basis of the Abbott decision. That is why I remain very troubled about this proposed convention. Despite the best intentions of the Task Force, our students are still at risk.

First, I am concerned about what changes will be made to the bill as it works its way toward the Governor's desk. If the Task Force's recommendations are lightly rejected, our children will be left unprotected. Furthermore, if this legislation is passed in its current form, the danger remains. Once delegates have been empowered to change the Constitution, there are few practical limits on the proposals that they would be able to bring forward.

We must be mindful of the experience of Rhode Island, which faced several -- similar circumstances when considering its own constitutional convention. There, too, the legislature authorized a limited constitutional convention, only to have the delegates wander well beyond the defined scope of the convention. Their haphazard proposals went on the ballot, even as the

convention itself was being challenged in the courts. Before the matter was even resolved, the voters approved the ballot measures, permanently altering their state constitution.

A constitutional convention in New Jersey is simply too risky, especially when a cheaper, faster, and better solution is already within your power. New Jersey's Legislature should convene a special session for the sole purpose of dealing with the issues that you hope a convention might be able to tackle.

New Jersey does not have a constitutional problem, it has a property tax problem. The Legislature has the authority, the expertise, and the mandate to deal with that problem. We don't need the risky gimmick of a constitutional convention. We need your immediate and determined leadership during a special legislative session.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much, Teresa. Excellent.

MS. DRESSER: Thanks.

ASSEMBLYMAN STEELE: The New Jersey Principals and Supervisors Association, Debra Bradley.

UNIDENTIFIED SPEAKER FROM AUDIENCE: I think she's next door.

ASSEMBLYMAN STEELE: She's next door.

UNIDENTIFIED SPEAKER FROM AUDIENCE: You can take somebody else. I'll get her.

ASSEMBLYMAN STEELE: All right. We can do that.

The President of the New Jersey Retired Educators Association, Fred Aug, please.

F R E D A U G: Mr. Chairman and members of the Assembly State Government Committee, my name is Fred Aug, and I am the President of the New Jersey Retired Educators Association, representing more than 21,000 retired public school employees across the state. For 35 years, I taught everything from math, to physical education, to social studies, to reading in three of our finest public schools.

As a senior citizen and retired educator, I know first hand the importance of property tax reform. Too many seniors are forced out of their homes because they can't afford the escalating cost of property taxes on their fixed incomes. The fact is, New Jersey residents deserve property tax reform now. We have been patient, but time is running out.

And it's the Legislature's job to provide property tax reform. They're the only ones who can do so now, not two years from now, which is the minimum amount of time we'll have to wait if the constitutional convention gets its hands on property tax reform.

But, most importantly, a constitutional convention would be a boondoggle. It has already cost taxpayers \$45,000, and the convention hasn't even begun. The total cost of the convention to taxpayers, through final approval, is projected to be \$4 million. Imagine that. Four million dollars and two years to accomplish something that this Legislature can and should solve immediately. And it won't cost taxpayers any more money, because this is the job legislators were elected to do.

What's even more frustrating is that there are no guarantees that this convention will even accomplish anything. After three years, and \$4 million, the recommendations from a constitutional convention might not be approved by the voters. So in 2007, we would be back where we started, three years older and \$4 million poorer. That's not the direction this Legislature should lead us.

New Jersey needs property tax reform done now, and done the right way. In the name of reform, we cannot jeopardize the great achievements we have already made and the progress we are making now in our public schools.

I was proud to teach for 35 years. I was proud of the contribution made to this state by educating its future doctors, lawyers, legislators, and teachers. And I'm still proud of public education in New Jersey, because we take educating the future leaders of this state seriously. We know that our economic, social, and democratic future depends upon a well-educated population. Here in New Jersey, we invest in education. We've seen a powerful return on this investment.

We have the highest graduation rate in the nation, according to the National Board of Education Testing and Public Policy. Our reading and math scores are among the nation's best, according to the National Center of Education Statistics. We are the best in the nation in the percentage of students who take SATs, according to the College Board.

If you think these statistics don't matter to senior citizens, you're wrong. We are parents, grandparents, and great-grandparents. We know that our parents and our grandparents sacrificed to provide us with the best

education and the most resources to help us learn, even when they didn't have access to those same resources when they were growing up.

It's unfortunate that a few misguided people are trying to turn the important issue of property tax reform into a generational conflict. The truth is, we can achieve property tax reform without shortchanging New Jersey's schoolchildren. And the Legislature can make that happen today.

What it comes down to is dollars and cents. And this constitutional convention would be a boondoggle that would cost New Jersey residents plenty of dollars, but wouldn't make a lot of sense.

Thank you very much.

ASSEMBLYMAN STEELE: Fred, thank you for your many years of dedication and your continuous commitment.

MR. AUG: Thank you, Mr. Chairman.

ASSEMBLYMAN STEELE: Yes, sir.

Debra Bradley, who will not be coming forth -- but she handed us some testimony. So she will not be speaking.

Lynne Strickland, the Executive Director for the Garden State Coalition of Schools.

Ms. Strickland. (no response)

The testimony for discussion only has ended. I would like to thank everyone for their commitment.

We're going to proceed with our agenda -- ACR-100.

MS. ESPENSHADE: Assembly Concurrent Resolution 100 proposes a constitutional amendment to establish the Office of Lieutenant Governor and revise gubernatorial succession. The lieutenant governor would

serve a four-year term concurrent with the term of the governor. Each candidate nominated for governor would select a candidate for lieutenant governor. And they would be elected as joint candidates in the following election. The first lieutenant governor would be elected in the general election in 2009. The lieutenant governor would serve as acting governor during brief periods when the governor is absent from the state or unable to serve, and would become governor in the event of a vacancy in the Office of Governor. In the event of simultaneous vacancies in both the Office of Governor and Lieutenant Governor, or in the event of a permanent vacancy in the Office of Governor occurring before the inauguration date of the first lieutenant governor, the Senate president would become governor until the new governor or lieutenant governor are elected and qualify.

If, during the succession, either the president of the Senate or the speaker of the General Assembly became acting governor, their position -- actually became governor, their positions in the Legislature would become vacant and filled as provided under the Constitution.

ASSEMBLYMAN STEELE: Mike, do you wish to exercise--

MR. EGENTON: Chairman, again I'll be brief. I know the day is long and the hour short.

ASSEMBLYMAN STEELE: Welcome back, Mike.

MR. EGENTON: Thank you very much.

Chairman, just really briefly, the State Chamber-- A few months ago, our Board of Directors met, as well as some key members within the Chamber business community and our chairmen of the respective committees at the Chamber. We prioritized several issues, as we move forward, in the next

couple of years -- sort of a strategic planning. And we came up with board initiatives that our actual Board of Directors are going to be involved with as we move forward with the Chamber.

Some of those issues -- I've been before several of you over the years. The obvious -- the budget, taxation, environment, education, health care, so on.

But interestingly, Chairman, the initiative that really was at the top of the list for the State Chamber of Commerce, believe it or not, was government reform and ethics. A lot of our Board members are very interested, very concerned, have a lot of good ideas and everything. We were, as you know, very actively involved with your offices on the pay-to-play reform, and such. So the corporate side of New Jersey is very interested, wants to be involved in it, and wants to be a key player.

With that, I handed out a position paper that our organization did in support of the lieutenant governor position. The only part of it that I'll read -- because I know many of you are familiar with the background and history, and so on and so forth -- is our actual position. And I'll read you that, Chairman.

“The State Chamber supports the creation of the position of lieutenant governor. This change in succession will help keep the separation of powers in tact when a governor leaves their position, which is important for a democracy to operate successfully. This will also give the voters an opportunity to vote on the person who would fill in for the governor if there were a vacancy.”

The Chamber's support for the creation of this position comes with a requirement that the position has significant powers and duties, and is not simply a placeholder. Having the lieutenant governor serve as a cabinet official or executive director of a specific State agency is a good way for the second in command to contribute to the administration they serve in. The State Chamber would prefer the lieutenant governor also serve as the head of commerce and economic growth activities for the State.

Those are our suggestions and recommendations, Chairman. But as I said, as you move forward with this and many other government reform initiatives, you're going to see more from the State Chamber weighing in and, hopefully, playing a lead role in making some critical and helpful suggestions.

ASSEMBLYMAN STEELE: Thanks a lot, Mike.

MR. EGENTON: Thank you, Chairman.

ASSEMBLYMAN STEELE: Next, the New Jersey Citizen Action.

Staci Berger. Staci. (no response)

Okay, New Jersey Policy Perspective, Jon Shure. (no response)

We save the best until now.

John Tomicki.

MR. TOMICKI: Again, for the record, Mr. Chairman--

And it's nice to see Assemblyman Connors, Assemblyman Hackett, and Assemblyman Steele still here.

My name is John Tomicki, Executive Director of the League of American Families.

It would seem to me, at this point in time-- We believe that the political powers have decided to move forward with the creation of a lieutenant

governorship, even though there still seems to be some discussion on the cost aspect of--

Putting that aside, I would like to just mention a very famous bill that we were just discussing and pull some wonderful words from it -- A-5269 -- where it says, "It is essential that the citizens of New Jersey are fully engaged."

In your current proposal, by allowing the gubernatorial nominee of a particular party to pick the lieutenant governorship does not, in this group's opinion -- which we represent 100,000 households -- keep the citizens fully engaged. You're (indiscernible) a political process to go forward. It is good, I think, that they run as conjoined candidates, because should there be some situation where a governor is no longer able to function or anything else happens -- that they should be, at least, from the same political party. That seems to make a lot of sense.

But when you now put on the table -- which we've argued here before, before this Committee -- because I just don't want to have to fight that many constitutional amendments in 2005 -- to say that you're not really opening up the process. Because when you-- If somebody goes in and reads the statement -- whether it be on the yes side or the interpretive statement -- it is not made clear to the public: "You will not be involved in the process to be able to pick the nominees for lieutenant governor."

Now, in the focus group we've done so far, when we just asked the people, they just presumed that it is. And I really, really beg you, from basic civics 101, change it before it moves forward, and allow a political process-- Because if we're trying to open up the process more -- like you're saying you

want to do -- then I would urge you, I would beg you, I would plead with you, to say, "Allow the lieutenant governorship--" It would make for much more interesting primaries. And I think it gets the public more engaged in what is happening. And I do not say that from the side of the fact that I have a public relations consulting firm, which we would get a piece of the action if more candidates would have to run for office. Because that's not what we do. We do polling, and we do direct issues there. So I'm not a lobbyist coming down here saying this is what we want. We're a public policy group.

And I really, really beg you, because we will start our telephone banks to try to get it done, depending on where you go. Yet, I'm sure the votes were necessarily left on the table. And I'm hoping that my crystal ball is not working where I already know what the votes are in this Committee, because I love all of you too much.

ASSEMBLYMAN STEELE: Thank you very much, John.

Again, I just want to--

New Jersey Policy Perspective, Jon Shure. (no response)

I think he was going to vote in-- He was in support of--

And Staci Berger of New Jersey Citizen Action -- indicated they're in favor.

I gather that they both have left in good standing.

A motion is in order.

ASSEMBLYMAN CONNERS: I move it.

ASSEMBLYMAN HACKETT: Second.

ASSEMBLYMAN STEELE: Roll call.

MS. ESPENSHADE: To release Assembly Concurrent Resolution
100, as referred to Committee--

Assemblyman Carroll has voted yes.

Assemblyman Azzolina has voted yes.

Assemblyman Conners.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele

ASSEMBLYMAN STEELE: Yes.

Thank you very much. You have been outstanding.

And State Government will do its best.

(MEETING CONCLUDED)