
Committee Meeting

of

ASSEMBLY STATE GOVERNMENT COMMITTEE

ASSEMBLY BILL No. 3676

(Establishes Office of the Inspector General; makes an appropriation)

ASSEMBLY BILL No. 5269

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

ASSEMBLY CONCURRENT RESOLUTION No. 25

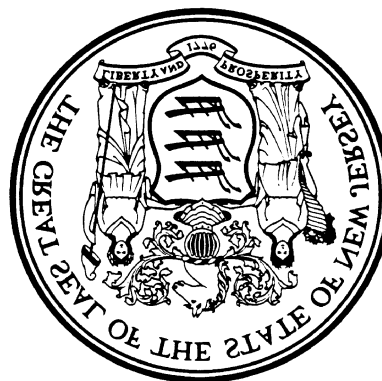
(Proposes temporary constitutional amendment allowing State constitutional convention convened to reform system of property taxation to propose statutory changes)

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

DATE: March 10, 2005
10:00 a.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

Dana Conrad
Assembly Republican

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

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

Roll call.

MS. ESPENSHADE (Committee Aide): Assemblyman Carroll?

ASSEMBLYMAN CARROLL: Here.

MS. ESPENSHADE: Assemblyman Azzolina?

ASSEMBLYMAN AZZOLINA: Yes.

MS. ESPENSHADE: Assemblyman Connors?

ASSEMBLYMAN CONNERS: Here.

MS. ESPENSHADE: Vice Chairman Hackett?

ASSEMBLYMAN HACKETT: Here.

MS. ESPENSHADE: Chairman Steele?

ASSEMBLYMAN STEELE: Here.

We'll begin the meeting with A-5269 and ACR-25.

MS. ESPENSHADE: Assembly Bill No. 5269 implements the recommendations of the New Jersey Property Tax Convention Tax Force. It provides for convening a State constitutional convention for the purpose of reforming the system of property taxation in this state. The bill places the question of whether a convention should be convened before the voters at the general election to be held on November 8 (*sic*), 2005. The approval by the voters at that general election of the holding of a convention will confer upon the convention the authority to recommend relevant changes to the State Constitution and, if authorized through voter approval of a temporary constitutional amendment at the same election, changes to the New Jersey statutes.

The convention's recommendations would be presented to the voters as a single package for their approval at the general election held on November 7. There are amendments before the Committee in their packet. The proposed Committee amendments provide that the constitutional convention will convene on May 19, 2006, instead of on December 10, 2005; and will complete its work by August 29, 2006, instead of July 31, 2006. The holding of the convention will be contingent upon voter approval at the November 2005 general election of this measure and of a temporary constitutional amendment authorizing the convention to propose statutory changes. The convention will recommend means to ensure that reductions in property taxes or limits on increases thereof will be sustained over time. The convention will not consider or recommend any proposal providing for a statewide equalized property tax. The convention will not consider or recommend any proposal detracting from collective bargaining rights or dispute resolution procedures as those rights and procedures exist on the bill's effective date. The convention will not consider or recommend any proposal that does not address the application of reduction in property taxes to tenants of residential rental units.

The delegates to the convention will be elected at a special election held on the day of the annual school election, in April 2006, instead of at the general election held in November 2005 at which the question of convening a convention will be decided by the voters.

The Board of Canvassers will certify the results of the election for delegates within three weeks after the election, instead of the usual four weeks, in order to allow the convention to convene as soon as possible following the election of delegates. The maximum amount of a contribution that may be

made to a candidate for the office of delegate will be \$250, instead of 500 as provided in the bill, and no contributor will be able to contribute more than 6,250 in the aggregate to all candidates for the office of delegate.

Any committee, group, or person making certain expenditures in connection with the election of delegates must report certain contributions and expenditure information to the Election Law Enforcement Commission. Contribution limits and reporting requirements are also imposed upon certain entities making certain independent expenditures in connection with the election of delegates. Corporations are prohibited from making a contribution to a candidate for the office of delegate.

The Election Law Enforcement Commission will provide for the public disclosure, including posting on the Internet, of all contributions of \$50 or greater made to a candidate for the office of delegate. County election officials will prepare ballots for the special election to elect delegates, held on the day of the annual school election in April 2006. Any delegate employed by a public entity will receive time off to attend meetings to the convention without loss of pay or benefits. And the Legislative Services Commission will undertake certain research tasks for the benefit of the convention, in advance of the convening of the convention.

Assembly Concurrent Resolution No. 25 proposes a temporary amendment to the New Jersey Constitution which would allow the property tax reform constitutional convention to be convened, pursuant to a separate ballot question, to propose revisions to the statutes which are within the scope of the convention's mandate. Without this amendment, the convention would only be able to submit proposed constitutional amendment for voter approval, but

not proposed statutory changes that may be needed to help implement these amendments.

This amendment would become part of the New Jersey Constitution upon approval by the voters, and would expire the day after the general election at which the convention's proposal would be submitted for approval by the voters.

There are proposed Committee amendments before the Committee. The amendments provide that, notwithstanding any provision of the Constitution to the contrary, the law convening the constitutional convention may provide for a committee, a retired judges or justices, appointed by the Chief Justice of the New Jersey Supreme Court, to advise the convention and review and approve the scope of its proposal; that the convention's proposals will be submitted to approval for a single public question by a date prescribed in that law; and the changes of the statutes recommended by the convention and approved by the voters will thereafter be subject to amendment or repealed by the Legislature and the Governor, like other laws.

ASSEMBLYMAN STEELE: Thank you very much.

At this time, we recognize Majority Leader Roberts and Assemblywoman Linda Greenstein.

ASSEMBLYMAN JOSEPH J. ROBERTS JR.: Chairman, thank you very much. Chairman, thank you. I'm pleased to be joined by Assemblywoman Greenstein, who is the prime sponsor of the legislation that is before you today. And as always, it is a pleasure for us to be in the presence of the hardest working Committee in the State Legislature. And I would note that it is something of a record to have two important Committee meetings within

one week. And I want to thank you, Mr. Chairman and the members of the Committee, for the time that you put in and your thorough commitment to these issues that matter so very much.

I would simply echo the comments I made at the last meeting when this issue was discussed, and that is to thank everyone who has played a role in the work of the Task Force that has positioned us to advance the constitutional convention for real property tax reform. As I mentioned, the Task Force had approximately 15 meetings, a number of public hearings. A number of the members of the Task Force are here today, and they are outstanding citizens who have done a great service to this State. And I think they will tell you, as I said last time, and I know Assemblyman O'Toole did as well, that irrespective of differences, the dialogue was constructive and professional, and the attitude was collegial, with everyone recognizing how important the task at hand is.

Mr. Chairman, I think that this is the most important issue that I have confronted in my years in the Legislature. We all know how important real property tax reform is. And it's for that reason that I, together with Assemblywoman Greenstein and a number of others, have dedicated so much of our time to this issue.

Mr. Chairman, you had a hearing on January 13, when you had several hours of very worthwhile testimony on this issue. And I know that today the focus of this hearing is to deal primarily with the amendments, with the changes that are before you, because they really represent, if you will, new material that the Committee has not had the opportunity to consider, nor has the public had the opportunity to discuss.

And I would note just parenthetically that if the need for real property tax reform in New Jersey was an issue, this year's budget has only brought that to the forefront to a greater extent. The fiscal challenge that we face, and the awful choices that Governor Codey is confronted with that has caused him to suggest that we should consider eliminating property tax relief this year -- which is a recommendation that we're going to do everything in our power to try and address by virtue of coming up with alternatives -- but that has set the stage and underscored how difficult the problem is.

Mr. Chairman, I'd just like to take a few moments and say a few words about the amendments that are before you. The first area that -- and Assemblywoman Greenstein will speak about this in greater length -- that is the issue of campaign finance reform and contribution limits. Lowering the individual contribution limit from \$500 to 250, mandating that \$6,250 will be the aggregate that can be given to a delegate by any one entity, is designed to make sure that this process is as open as it can be. This steps away from the bill that was before you previously, and it steps away from some of the discussions that we had on the Task Force. This is an acknowledgment that this process needs to be one that empowers everyday New Jerseyan to play a role in confronting this issue, that this will be a special election. This will not be a gubernatorial election, a legislative election, a Federal election, and these limits are appropriate.

Another substantial change is, and the rationale for it, is consistent with what I just mentioned. And that is that while the convention call would be on the November ballot this November, the election of the delegates would not occur concurrent with the election call. It would be held in April 2006, on

a date that would be the same as the school board election date in 2006. That is consistent with what was advocated in the original bill -- Assembly Bill No. 540 -- which was considered and passed in the last session of the Legislature in a bipartisan manner. But it is different than what was originally advocated.

It was my view initially that the convention call and the election of delegates should both occur on the general election ballot, because you would have a November election with broad participation, and that would maximize the degree to which New Jerseyans were engaged in the process. Among the dialogue that we've had with groups on this issue, the point was made that if you have this selection -- the election of these delegates -- this special election, if you will, on the same ballot when we're electing the Legislature, when we're electing freeholders, when we're electing mayors, when we're electing other officials, it will be impossible to have spending and contribution limits that are measurable. Because, think for a moment. If I, for example, were running for reelection to the Legislature this year and also running in my legislative district as a delegate to the constitutional convention, how would one keep track of how money was being spent on my behalf -- contributed on my behalf? How would you have the fire wall that's necessary to make sure that the funding limits and the contribution limits for the Constitutional Convention delegates were real?

So we simply felt that it made more sense to have a separation, to go back to what was the original proposal; namely, for the delegates to be elected in a special election, on a date already reserved for an election, so additional expense and difficulty would be minimized -- but to take it out of the November ballot. I would note that we don't lose any time in the process,

because the work of the convention would occur during 2006, with the expectation that it would be on the November 2006 ballot. We're going back to a model that was consistent with legislation that was previously considered and passed, and we're going back to a model with a Spring and Summer deliberation, which is consistent with prior constitutional conventions in New Jersey.

The third point I would reference is the language that was indicated when you heard the summary of the amendment. And that was language that suggests that collective bargaining rights would not be able to be within the scope of the convention. And I would note that that does not represent a change. That represents the following: The convention proposal, in its current form, is revenue-neutral and deals with the revenue side of the ledger. It was never the intent, nor is it the intent, to focus into the minutia on the spending side of State Government. There was some legitimate concerns raised, which I think were addressed otherwise, but this simply reinforces that collective bargaining rights that exist as a matter of law in New Jersey would not be within the purview of the convention. This represents nothing new, but it represents language that speaks clearly and reinforces what has been the intent of myself and Assemblywoman Greenstein -- to make sure that there is no mechanism, at all, to use the convention for property tax reform as a backdoor way to deprive public employees of their legitimate collective bargaining rights.

The fourth point I would note is that this legislation, now in its amended form, contains legislation which prohibits a statewide equalized property tax to be reviewed as one of the options. This, as well, is consistent with the Assembly bill that we considered and passed in a bipartisan way in the

last session. And this is a matter that was brought to my attention by Democratic and Republican legislators -- most notable Assemblyman Jeff Van Drew, who represents a number of communities that would be impacted if this model was available. And it's a matter that the League of Municipalities feels very strongly about as well, and they're made a very persuasive case.

The fifth point I would make is that the language that is -- the so-called *sustainability language* that says that the convention would have the ability to recommend means to ensure that the reductions in property taxes, or limits on increases thereof, will be sustained over time. And I would note that this, I think, was the most important testimony that this Committee received at the last hearing on January 13, where former Senator Schluter and a number of the talented individuals who have worked with him brought this issue to the forefront. And I think they were attempting to, as I have been, to embrace the point of view that was expressed by Senator Lance, the Minority Leader in the Senate, in the comments that he offered in the Task Force when he said, "For the convention to succeed in achieving the goal of proposing significant and enduring property tax reform, the delegates must be trusted to examine, within prescribed limits, those matters that propel the continued escalation of the property tax burden."

Mr. Chairman, the challenge that we face is to make sure that this precious opportunity for real property tax reform results in something that is real and non-elusive, so that there is a mechanism in place so that the tough decisions made by the delegates at this convention can be sustained over time, if you will, and that would result in real property tax reform.

Mr. Chairman, you will hear in a little bit, after Assemblywoman Greenstein speaks and as you begin to hear from other witnesses, that the coalition of New Jerseyans who are supportive of the constitutional convention as the means to achieve real property tax reform will grow by approximately 1.4 million New Jerseyans today. And I think that speaks to the broad-based support that exists for this, and for the recognition of countless New Jerseyans -- not just local officials, not just legislators, but average New Jerseyans -- who are struggling each and every day to pay their property tax bill. That this constitutional convention for property tax reform represents the best vehicle to achieve real property tax reform.

Mr. Chairman, thank you for considering this legislation today. It is my belief that these amendments -- which are the result of lots and lots of work on the part of myself and Assemblywoman Greenstein, and an extensive dialogue with those who care deeply about this issue -- have made a good bill better, and we're proud that you're considering it today.

Thank you very much.

ASSEMBLYMAN STEELE: Thank you very much.

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:
Chairman Steele, thank you for allowing me to address this Committee today. You and your Committee members deserve commendation for taking on some of the tough issues during the past year. We thank you very much.

I'm proud to join with Assembly Majority Leader Roberts in sponsoring Assembly Bill No. 5269, which would enable New Jersey voters to authorize a constitutional convention on property taxes. This legislation, based

on the recommendation of the bipartisan Property Tax Task Force, will enable the State to make long, overdue changes in its burdensome property tax system. I know that this Legislature can work together in a bipartisan fashion on this issue. I don't have to look back any further than June 23, 2003, for proof. On that day, 50 Democrats and Republicans came together to support legislation calling for essentially the same course of action that A-5269 hopes to accomplish today.

I sincerely believe we can come together again in a similar fashion to pass this legislation, not because it makes us look good, but because it is good and will do good. All of this being said, there is some changes that I feel should be considered for the sake of crafting a better piece of legislation. We should insert language into the bill to better safeguard against the threat of well-financed special interest groups exerting an untoward influence on the convention process.

A series of amendments have been put forth for this Committee to consider that would more tightly restrict the amount of political contributing that could take place with respect to a constitutional convention. These amendments would reduce campaign contribution limits from \$500 to 250; create a first-in-New Jersey aggregate limit on contributions that any single contributor, including PACs, can make to all delegates, \$6,250; lower the threshold for mandatory disclosure of contribution to \$50 or greater; mandate that ELEC post on the Internet all such contributions; and ban direct corporate contributions. These amendments amount to commonsense modifications that would help give the public interest precedence over special interests.

There are two additional amendments I'd like to call to your attention. The Majority Leader already has spoken about these, but they're very important to me as well. They would protect the right of government employees to collectively bargain and maintain dispute resolution procedures, as defined under current law. I'm very glad to see this explicitly spelled out in the bill, because I do believe that it's imperative from our point of view to protect these rights.

Mr. Chairman, New Jersey residents are clamoring for tax relief. We hear this every place we go. They're tired of speeches. They want to see action. They're tired of the spectacle of seeing special interest groups win the day whenever previous efforts were undertaken to advance property tax reform. I believe that these amendments regarding campaign contributing will help us advance a process that will ultimately prove beneficial to property taxpayers.

Mr. Chairman, I thank you for your indulgence. I also want to say that it has been a pleasure to work with Majority Leader Roberts on this bill. And I urge this Committee to make these amendments and release this bill.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Assemblyman Van Drew.

ASSEMBLYMAN JEFF VAN DREW: Thank you, Chairman, and thank you for tackling, and the entire Committee, this very important and significant issue. I've been a mayor and I've been a county freeholder, and I think, at the local level, and any of those who have served at the local levels, certainly have experienced and intimately understand the pain and the problems that have been caused by the high property taxes that just about everyone in the

State of New Jersey has paid and continues to pay. And we obviously need to tackle this problem in a significant and real way.

Property taxes are probably the primary issue of concern for New Jersey residents, regardless of whether they live in large cities, suburban areas, or rural areas, all of which are representative in my district. And like so many of my legislative colleagues on both sides of the aisle, I believe that a constitutional convention is the best and, honestly, perhaps, the only vehicle to achieve true and meaningful reform. New Jerseyans, and we all know this, have the highest per capita property tax burden in the state (*sic*). The average state property tax bill last year was \$5,513. Our property tax system is unfair to the point of being punitive. It punishes our residents, our constituents, for owning their home.

The residents of this state are demanding a change, whether they are in southern, central, or northern New Jersey. They want significant substantive, real change. And the most recent poll on the subject, which was a Quinnapiac poll, shows that. It was released in late January. New Jersey residents favor the property tax convention concept by a majority of 78 percent to 10 percent. And for those of us that have seen polls and numbers for a good number of years, you don't see those types of numbers too often.

I think its incumbent upon us, given this expression of support, to make sure that we get this thing done, and that we get it done the right way. The measure that is before this Committee is a good measure, and they've done a good job. I believe that it can be improved significantly in one very important area. We've crafted an amendment that would preclude a convention from considering a statewide equalized property tax. This is an important safeguard, and it's crucial particularly in southern New Jersey and the shore area, which

would be unfairly impacted if such a tax were to be imposed. It would be an injustice to our State's already beleaguered property taxpayers if our current inequitable system were to be replaced by another inequitable system.

This prohibition against creation of an equalized property tax is not without precedent. It has been done before, and was done last year. We owe it to our residents, Mr. Chairman, to make sure that a property tax convention becomes a reality. We owe it to our residents to ensure that a property tax convention not only becomes a reality, but that it is done the right way. We should not replace our current bad system with a new bad system.

Thank you for allowing me to testify today in expressing a primary concern of the shore municipalities. And most importantly, Mr. Chairman, thank you for the good work that you're doing -- Majority Leader Roberts, Assemblywoman Greenstein, and all those that have been involved in this process. We may truly be on the road to real significant reform, which our people so desperately desire.

Thank you, Mr. Chairman.

ASSEMBLYMAN STEELE: Thank you very much.

At this time, any Committee--

ASSEMBLYMAN CARROLL: If I may, Mr. Chairman?

ASSEMBLYMAN STEELE: Surely.

Assemblyman Carroll.

ASSEMBLYMAN CARROLL: Someone has to turn off their microphone. (referring to PA microphone) Well, I can be heard. I'm not fussy about that.

Assemblywoman Greenstein, you talked a minute ago about well-financed special interest groups. Do you have anybody particular in mind?

ASSEMBLYWOMAN GREENSTEIN: Not anybody in particular, no, I don't.

ASSEMBLYMAN CARROLL: Give me an example perhaps?

ASSEMBLYWOMAN GREENSTEIN: But I think what we were trying to say there-- I don't have anybody particular in mind. But what we're trying to say is that this should be about the public interest and not about special interests, those who are often contrasted. And to me, special interests would include groups that are only about their own interests, whoever those groups would be. I think what we need to do is to look at what's best for the overall public, and I believe that's what this bill does.

ASSEMBLYMAN CARROLL: So apparently, one of those special interests groups, by definition, would be corporations, because they have had their contribution -- right to contribute banned in this bill. Is that correct?

ASSEMBLYWOMAN GREENSTEIN: I'm not going to name a specific interest, but anyone who thinks about it could probably think of one that they consider to be a special interest. I'd rather not name any particular ones. I think that any group that is strictly out for its own interests and not looking at the rights of the public, whoever that group would be, is a special interest.

ASSEMBLYMAN CARROLL: Would, for example, perhaps a labor union qualify as one of those?

ASSEMBLYWOMAN GREENSTEIN: As I said, if it is so in your mind, it isn't in my mind.

ASSEMBLYMAN CARROLL: And so -- is there a reason why businesses have been proscribed from contributing, but labor unions have not?

ASSEMBLYWOMAN GREENSTEIN: I can't answer that particular question right now. We'll have to take a look at that.

ASSEMBLYMAN CARROLL: I may be incorrect. You are the sponsor of this bill, is that not correct?

ASSEMBLYWOMAN GREENSTEIN: Yes, that is correct.

ASSEMBLYMAN CARROLL: And you did propose this amendment?

ASSEMBLYWOMAN GREENSTEIN: Yes.

ASSEMBLYMAN CARROLL: Is there a reason why you proposed the amendment which bans business contributions, but not union contributions?

ASSEMBLYWOMAN GREENSTEIN: I--

ASSEMBLYMAN ROBERTS: Mr. Chairman, if I might--

ASSEMBLYMAN STEELE: Sure. Sure.

ASSEMBLYMAN ROBERTS: --as the prime sponsor.

Assemblyman, I would make a couple points. The first is that this bill, when it is released from this Committee, and I expect that that will occur today, will then go to the Appropriations Committee. So I hope that today's questions and testimony can be illuminating if there's the need for any refinement. We'll have the opportunity to do that at the Appropriations Committee. However, we looked at best practices. The Federal Government, as you know, prohibits corporate contributions. There are a number of--

ASSEMBLYMAN CARROLL: And labor contributions.

ASSEMBLYMAN ROBERTS: --states that ban corporate contributions specifically, but not labor contributions. By virtue of lowering the individual contribution limit to \$250 and by virtue for the first time in our State's history creating a aggregate limit on giving, I think we're making a substantial reform in terms of access to the process. So I'm frankly very comfortable that the appropriate balance has been struck.

ASSEMBLYMAN CARROLL: With respect to political committees, are they banned from contributing?

ASSEMBLYMAN ROBERTS: Political--

ASSEMBLYMAN CARROLL: Well, let's say for example, Joe Roberts mentioned a minute ago that he might run for delegate. Now, obviously, you have to keep your campaign contribution separate. And also, I think under the bill, your proscribed from giving to yourself. There are, I believe, 46 other Democratic members of this body. Could every single one of them contribute \$250 from their campaign account to you?

ASSEMBLYMAN ROBERTS: There is no barrier to other political committees making contributions. The fact that they represent the lowest limits in State history, I think, is significant.

ASSEMBLYMAN CARROLL: Now, with respect to the general principal behind this, it would be a fair statement then that this convention will be prohibited from considering the spending side of the equation? Is that fair?

ASSEMBLYMAN ROBERTS: This convention will be structured in a way consistent with the bill that was considered by the Legislature in our last session, which says the following: That it is designed to deal with New

Jersey's over reliance on property taxes. That the process will be revenue neutral, and that the process will examine the revenue side of the ledger only.

ASSEMBLYMAN CARROLL: So then it would be a fair statement that for every nickel's worth of property tax relief that is given, this convention must propose a new five cent tax on something else?

ASSEMBLYMAN ROBERTS: What is true is that this is designed to deal with the equity argument. I would argue that whether the State Budget is 15 billion or 20 billion or 25 billion or 30 billion, and whether the amount of that money that's returned to localities with respect to school aid and municipal aid and direct property tax relief, which I guess is about 18 billion currently -- the issue is that New Jersey relies on property taxes to an extent 50 percent higher than the national average. This is more about the equity of the manner in which we fund education and public service, and create overreliance on property taxes, than it is the specific dollars that we spend in an individual year.

As I've said before, and certainly the Chairman can entertain whatever questions he would like, but we've had an ample discussion of this. The convention is designed to deal with fairness of our overreliance on property taxes. The Legislature each and every year deals with the annual Appropriations Act. Some years, the Legislature authorizes an increase in spending, some years it authorizes a decrease in spending. That is within the purview of the Legislature.

ASSEMBLYMAN CARROLL: So then it would be a fair statement to say then that the reason property taxes are too high is because our income and sales taxes are too low.

ASSEMBLYMAN ROBERTS: The reason that property taxes are too high is because we use property taxes at the local level to fund, particularly in the case of public education, to fund it to an extent greater than we should. That is linked, obviously, to the *Abbott* decision and other issues that have been raised in New Jersey.

ASSEMBLYMAN CARROLL: Assemblyman Van Drew, you mentioned a minute ago, I think you said, that we have amongst the highest property taxes in the -- you said the state, but I assumed you meant the country -- is that correct?

ASSEMBLYMAN VAN DREW: That's correct.

ASSEMBLYMAN CARROLL: Do we not also have among the highest sales and incomes taxes in the country? In fact, I think the highest marginal tax rate in the entire country, save Montana, on higher income earners?

ASSEMBLYMAN VAN DREW: Assemblyman, I will tell you what I do know. And what I do know is that people throughout the State of New Jersey believe that property taxes are too high. They believe that it is an unfair system. It is a punitive system. It is a regressive system. It is a hurtful system to people who have the American dream of owning their own home. I know that we need to deal with this in a real way, and I know that for years we've had this debate and discussion. I've seen it, as I said before, as a mayor, as a freeholder, and quite frankly, where there's been relative inaction on it. So I don't think the issue for me, for me speaking from my personal viewpoint at hand here, is a discussion of all the other types of taxes that exist. Because there are certainly many taxes and fees in the State of New Jersey and the United States of America. But to deal with the issue that people bring to me day in and

day out in my legislative district, and that is, quite frankly, that they can't afford to own their homes because they're paying too much for property taxes, regardless of what their income is. It's an unfair system. It's wrong. We need to change it.

ASSEMBLYMAN CARROLL: Has anybody ever called your legislative office and told you that they felt their income taxes were too low?

ASSEMBLYMAN STEELE: Let me just say, if we can focus solely on the amendments. Obviously, if this goes forward, we're going to have a convention, but it's not going to be a convention here today.

So if we could do that, I would appreciate the commentary.

ASSEMBLYMAN VAN DREW: Through the Chairman, I have had more questions and concerns about property taxes than any other single issue, and that is at every level of government in which I've served.

ASSEMBLYMAN CARROLL: Is it possible to ask, through the Chair, what you've told your constituents you would like to do about property taxes?

ASSEMBLYMAN VAN DREW: I have told my constituents that I have--

ASSEMBLYMAN STEELE: Go right ahead.

ASSEMBLYMAN VAN DREW: Thank you, Chairman.

Through the Chairman, I have told them that we need to, in a real way, deal with this issue and have the courage to do so. And that I, like many others here, have not had the exact formula or the exact answer, and that I believe with careful study and thorough evaluation and working our way through an intelligent, meaningful, deliberate process we would be able to do

that. And we need to face these issues honestly and openly, and I believe people support that. And I believe that's what this convention represents.

ASSEMBLYMAN CARROLL: Isn't that what we're paid to do?

ASSEMBLYMAN VAN DREW: Sir, you have been in the Legislature longer than I have, and I have read speeches and heard discussions almost in perpetuity concerning this issue, and during every election cycle particularly, and quite frankly, as someone who is serving in their fourth year, I have not seen the substantive action that I believe needs to be taken. I think it's about time that we do something that truly is substantive, that truly is going to deal with the issue in a much more aggressive fashion. I think that's what people are asking for. And I think people of your party and my party are asking for that, Assemblyman.

ASSEMBLYMAN CARROLL: Sure would require leadership.

Let me ask you a question now about the collective bargaining. You put in a provision in this bill -- I'm not fussy which one of the people--

ASSEMBLYMAN STEELE: Excuse me? Is your mike working?
(referring to PA microphone)

ASSEMBLYMAN CARROLL: No, it's not, actually, as a matter of fact -- and I figured that's intentional.

ASSEMBLYMAN STEELE: No. (laughter) Well, I would give you a notice.

ASSEMBLYMAN CARROLL: The aides are--

ASSEMBLYMAN STEELE: No, I always notify intent. But why don't you use the other mike, because we want to make sure that--

ASSEMBLYMAN CARROLL: Yes. My words of wisdom should be preserved for posterity, I suppose.

Respecting the collective bargaining issue, if the convention is specifically restricted and can't decide anything respecting spending, why is that provision necessary?

ASSEMBLYMAN ROBERTS: It's necessary for the -- perhaps I didn't state it articulately. I know you were listening to every word that I said.

ASSEMBLYMAN CARROLL: Carefully.

ASSEMBLYMAN ROBERTS: But perhaps I was inarticulate. What I said is, that is reinforcing language. It is not necessary. It deals with a legitimate concern, that a number of people have brought to my attention, that that might be an issue that would be threatened in some manner, shape, or form. That was not the intent with the bill that passed the Legislature previously. That is not the intent in this bill.

Assemblyman, you correctly stated that that issue would be beyond the purview of the convention, because the convention would not be looking at the spending side of the equation. This simply states it authoritatively.

ASSEMBLYMAN CARROLL: So, for example, if the Commission were to propose or to discuss limiting pension rights -- say, go to 401Ks, as opposed to the existing, defined benefit plans -- that would be beyond its scope?

ASSEMBLYMAN ROBERTS: It would, indeed, be beyond its scope.

ASSEMBLYMAN CARROLL: And if it discussed, for example, as the Governor mentioned the runaway entitlements and the health-care spending, that would also be beyond its scope?

ASSEMBLYMAN ROBERTS: It's scope is clearly defined in the bill, and I know you've read it and you know that it's beyond its scope.

ASSEMBLYMAN CARROLL: All right.

Did you do any amendments on the appointed delegates? I believe you did, did you not, with the terms of the pay that they're going to get, in terms of if they're a public employee, they keep getting paid their benefits and leave of absences, like that?

ASSEMBLYMAN ROBERTS: The only change that you may be referring to was simply to say that if someone runs as a delegate, and is successful, and is a public employee, that they would -- let me read the language precisely.

ASSEMBLYMAN CARROLL: You'd find it on Page 9, I believe, Section 18.

ASSEMBLYMAN ROBERTS: As you referenced, "any elected or appointed delegate who is employed by any State or local public entity shall receive time off without loss of pay or benefits to attend meetings of the convention." I would note, the reason for that is that in order for this convention to be successful, as conventions have been previously in our State in 1966 and 1947, it needs to be as broadly representative as possible. My friends from the NJEA are here, and they're opposed to this. But in order for this convention to be effective, we need teachers there. In order for this convention to be effective, we need municipal officials there. We need State employees there. We need tax reform advocates there. We need doctors. We need lawyers. We need homemakers there. We need everyone there. And if someone is a public employee and their status as a public employee would be

a barrier to them participating, we want to simply give them the opportunity to participate.

ASSEMBLYMAN CARROLL: Well, the doctors, the lawyers, and the homemakers aren't going to have any, necessarily -- their boss isn't necessarily going to provide them with time off or maintain their benefits, are they?

ASSEMBLYMAN ROBERTS: Well, in some of those cases, they'll make a judgment, and those will be individual circumstances. We have, I believe, a certain responsibility with respect to, if you will, empowering public employees and appointed officials if, in fact, they're going to have the opportunity to participate in this process.

ASSEMBLYMAN CARROLL: Isn't this unfair -- let's say, for example, a teacher were to run, and for whatever reason, the local board of education were inclined to believe that that person really belonged in the classroom. Isn't it unfair to the board of education to say that you must continue paying someone who is not doing the job for which they were hired?

ASSEMBLYMAN ROBERTS: I would note that in a state of 8 million, we have 80 elected delegates. I think this is hardly a hardship for any jurisdiction. But I would note that this is a once-in-a-lifetime opportunity to achieve something that is substantial in our State. And I think that if we can make sure that the convention delegates -- the 80 elected and the 10 appointed -- are truly representative of our State and remove any barriers that might make it impossible for them to run, that that's a very worthwhile thing for us to do.

ASSEMBLYMAN CARROLL: I have nothing further at this juncture, Mr. Chairman.

ASSEMBLYMAN STEELE: Thank you.

Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Assemblyman Roberts, you are to be commended for the work that you and other legislators have done, but I do have some questions. And that's not critical of your work. Why are we allowing legislators to serve on this Commission, and when we won't even take up the matter in the Legislature?

ASSEMBLYMAN ROBERTS: Assemblyman, you raised a point that -- and I'm sure, I don't -- I can't see in the back, but I sense the members of the Task Force are smiling as you raise that. Because that was an issue that we discussed in the Task Force, and it's an issue that I view to be open to continued discussion. It was the feeling -- it is my current feeling that we should have barriers to no one participating. There was a school of thought in the Task Force process that, as you articulated, that the Legislature has had its crack at this and hasn't succeeded, therefore why should they be able to participate. It was simply the feeling that we should not deprive any class of citizens of New Jersey from the opportunity to participate. There are some who may testify later who will suggest that there are -- of the 120 of us here in Trenton, there are some very, very bright people, and to deprive them of the opportunity to run as delegates in a special election and make a commitment to work through the Spring and the Summer to address this issue is to deprive the convention of access to their input.

ASSEMBLYMAN AZZOLINA: Through you, Mr. Chairman.

ASSEMBLYMAN STEELE: Surely.

ASSEMBLYMAN AZZOLINA: Well, I've been down here a number of years, in and out, and questions always come up about other taxes and nobody has the guts to -- either party, I don't blame one party or the other -- to do what they have to do to resolve this property tax problem. At this time, there's a big movement on. Instead of having this special convention, why not take the Legislature, since we're elected in the 80 and 40 districts -- have a special session of the Legislature, whether we do it this term or whoever comes in the next term, mandate it that the Legislature has to do it. Because in the end, no matter what the convention comes up with, the Legislature, I believe, has to pass on new taxes. And if you're going to lower property taxes, it's going to have to come from somewhere. We can't cut spending. They're not allowed to do that. The only way I see it, and I'm not proposing it, but what I see is two other areas to come from -- broaden the sales tax, increase the sales tax; or broaden the income tax, or increase that. That's the only way it's going to come from. And eventually, the Legislature is going to have to pass on whatever this convention comes up with, and the convention may be a matter of just wasting a lot of time the next couple of years. And I don't know why we don't have a special session. I'm willing to stay here this Summer if you want, or the Fall is campaign time, I guess we can't, or let the next Legislature do it. And I think that's the proper way to do it, because I think we understand State Government a lot more than some other people do.

And as you said, Van Drew, you've been a mayor, a freeholder, and you have a lot more experience than a lot of others legislators do, where do you see the money coming from? I asked you a lot of questions, but--

ASSEMBLYMAN ROBERTS: Sure.

Assemblyman, you raised an important point, and through the Chairman, let me try and respond. The conclusion I reached is the following: What is it that would occur at a special session that the Legislature has been unable to achieve at a regular session? You've been here for a long time. I have been here for a long time, and I think you fairly suggest that the gridlock has not been Republican gridlock, nor Democratic gridlock.

ASSEMBLYMAN AZZOLINA: Both sides.

ASSEMBLYMAN ROBERTS: It's been institutional gridlock. And I find somewhat disingenuous those who advocate for a special session, who have been unwilling to do anything that would make New Jersey less reliant on property taxes. We had an initiative recently to make our income tax more progressive and use the money for property tax relief. And that was supported by some and opposed by others. I am absolutely convinced that the special session does not represent the magic process that would allow the Legislature to resolve issues that it has been unable and unwilling to confront at a regular session.

Assemblyman, it was really instructive for me to go back and reread what occurred in 1972, when there was the last special session of the Legislature to deal with property tax reform. It was called by Governor Cahill with his full weight as Governor behind it. And I think by all accounts, it was a complete and total disaster. It created chaos and disarray. It resulted in nothing meaningful. If any citizen of this state needs a demonstration of how little hope should be held out for a special session to result in real property tax reform, they

need to go back and read what occurred in the Legislature in 1972, and read the press accounts of that period.

Assemblyman, I know that you offer the idea in good faith, and I take it in that manner, but I'm absolutely convinced that it doesn't have the promise of real property tax reform. This may not be the best vehicle to achieve real property tax reform, but in my judgement, it's the only vehicle.

ASSEMBLYMAN AZZOLINA: One last question?

ASSEMBLYMAN STEELE: Surely.

ASSEMBLYMAN AZZOLINA: I don't like to pick on special groups, by why can't the group, the commission, look at the Abbott districts. We keep reading in the newspaper that a lot of money is being wasted in the Abbott districts, it's costing a lot more than it is in the suburbs to educate, and yet the children aren't being any better educated. Why can't they look at that part and see if there is money being wasted? There's a lot of news articles that say money is being wasted. I'm not against a good education for the urban areas, but if the money is being wasted, they ought to look at that, too. Why ban that?

ASSEMBLYMAN ROBERTS: If money is not being spent properly in the Abbott districts, if money is not being spent properly in school construction projects, that absolutely deserves our aggressive review, and we should do it as a Legislature.

Assemblyman, I completely disassociate myself from those people who would suggest that we will solve the property tax problem in New Jersey on the backs of poor children, who as an accident of their birth, live in districts that we call *Abbott districts* or urban New Jersey. In my mind, that's absolutely the

wrong approach, and it's an immoral approach. We will attempt to deal with some of the Abbott inequities by ending our chronic reliance on property taxes. The reason, if you will, that we are in the fix that we are is that places like the City of Camden, where I live, have a tax base that is shrinking rather than growing, when the demand for educational services and costs is growing. And it's only when we're willing to confront that honestly that we'll end some of the tensions that have resulted in the *Abbott* decision in the first place.

It's important that we recognize that it's our overreliance on property tax that in many ways has created the crisis in public education in the Abbott districts that we have today.

ASSEMBLYMAN AZZOLINA: Can I ask one more question? I'm sorry.

ASSEMBLYMAN STEELE: Go right ahead.

ASSEMBLYMAN AZZOLINA: I have noticed that my own town, an average just for a \$200,000 home, the taxes are going to go up \$150, and that's because of the pension increases and help the welfare. And that's a big burden that's going to be suffered by a lot of towns. How do we resolve that question? Is the Commission going to help on that one?

ASSEMBLYMAN STEELE: That sounds like another convention. (laughter) I mean, I can get some flexibility but -- once you get home and start like that-- We all can tell -- have some story we could tell about what's happening.

ASSEMBLYMAN CARROLL: Mr. Chairman, can I ask one technical question which hasn't--

ASSEMBLYMAN STEELE: You have a technical question? Sure.

ASSEMBLYMAN CARROLL: It's my understanding that the Federal District Court ruled that our residency requirements for our elections are unconstitutional. These residency requirements in this particular bill mirror those. Are these residency requirements not also unconstitutional?

ASSEMBLYMAN ROBERTS: Assemblyman, thank you for raising that. As I said earlier, we have an opportunity to get a lot of valuable input, and that is a valuable point today, in advance of our visit with the Appropriations Committee, in this bill. That's an issue that I will raise today with the Office of Legislative Services to make sure that that point is clear. Thank you for bringing it up.

ASSEMBLYMAN CARROLL: It's good that one of my points was constructive.

ASSEMBLYMAN ROBERTS: It is. I'm very impressed and very please.

Thank you.

ASSEMBLYMAN STEELE: I think that's another reason why we need legislators on this convention. (laughter)

ASSEMBLYMAN CARROLL: I'll take that as a \$250 campaign contribution promise.

ASSEMBLYMAN STEELE: Hey. You know I want you there, my brother.

All right. Let me--

Thank you, gentlemen.

ASSEMBLYMAN ROBERTS: Chairman, thank you.

Thank you, members.

ASSEMBLYMAN STEELE: Let me call -- go to the public. We're going to call Reverend Reginald Jackson, who will comment at this time, to testify. Oh, I'm sorry. Reginald, you can come. The Vice Chair is going to speak while you're coming.

Reginald, come right up. Reginald, please come. We will have the Vice Chair Hackett -- Mims Hackett -- will speak, and then you will follow him.

ASSEMBLYMAN HACKETT: Thank you, Mr. Chairman.

I truly would like to thank the sponsors of this bill -- Assemblyman Joe Roberts, Majority Leader, and also Ms. Linda Greenstein, for the hard work that they put into this particular bill.

As we all know that the Property Tax Convention Task Force, formulated by many people of great intelligence and understanding -- I'd just like to thank them, and just think of the amount of time that they put into this particular piece of legislation, working over four months, having more than 15 meetings throughout the state. Many of you in this room may have been able to attend those particular sessions. If you were not, I think that you missed the idea of government at its best.

Understanding that the duties of this convention was to eliminate the inequities in our current system of property taxation, and also to authorize and recommend ways of establishing how revenue ought to be raised in New Jersey, and to ensure that the reduction in property taxes can be sustained over a period of time. As indicated, in 1947, the Constitution Convention of 1966, there were certain things that could have been done that were not done. And I'd like to commend this current Legislature for tackling this particular grave issue. And this is an issue that will not go away, understanding that there are certain

things that have transpired over a period of the last quarter of a century involving funding for our schools. How did Abbott schools get to be where they are is because of funding mechanisms, inequities. The Supreme Court has ruled upon appeal, more than 14 additional times, and each time they came to the understanding that *Abbott* schools have not been treated fairly. The funding has not been fairly-- That's why this particular situation does exist.

Here we are, this Legislature. We're going to act on these issues. We're not going to abdicate our responsibilities. I can't see why it is that we can not serve on certain committees to do what has to be done, because these are issues and things that the public has empowered us to do.

And Mr. Chairman, this Legislature will act, and we're not going to abdicate our responsibility, no matter who would say we should or who will say we should not. And I'd just like to thank you for those few moments just to express myself.

ASSEMBLYMAN STEELE: Thank you. Thank you, Mr. Vice Chair.

ASSEMBLYMAN HACKETT: Thank you.

ASSEMBLYMAN STEELE: Reginald Jackson, welcome.

REVEREND REGINALD T. JACKSON: Mr. Chairman, and members of the Committee, good morning.

I come today, on behalf of the Black Ministers Council of New Jersey, to express our support for and urge approval of bills A-5269 and ACR-25, which would authorize and provide for a state constitutional convention to reform the system of property taxation in the State of New Jersey. The Black Ministers Council came to this decision after much discussion. We reviewed the

proposed legislation and amendments and was assured that the constitutional convention would not have the authority to modify or even consider seeking to change the New Jersey constitutional guarantee to every child of a thorough and efficient education. The provisions in this legislation are supported by a legal opinion from the Office of Legislative Services, which states the provisions in the proposed legislation are permissible. To further ensure that the thorough and efficient education guarantee is protected, the proposed legislation calls for the establishment of a committee of three retired judges who are charged to review the convention's work to be sure that its recommendations do not exceed the convention's limited responsibility.

With these provisions and safeguards in place, as well as amendments which will protect and ensure that there is not undue influence from special interests and big money, those who live in the urban areas and poor school districts can only benefit from a constitutional convention charged with reforming the long overdue and oppressive current system of property taxation in this state. Our current system is fair to no one and pits citizens against each other. It also creates misperceptions, especially about citizens who live in the state's urban areas. There are some who live in the suburbs who feel that they pay too much to subsidize those who live in the urban areas. I read where one legislator inferred that those who live in urban areas pay on average \$1,000 in property taxes. How many of us wish that was true? For the fact is, there are those who live in urban areas who pay disproportionately high taxes, as was recently revealed in a *Star-Ledger* series concerning property tax allocation.

In fact, in Orange, New Jersey, where I live in the Newark metropolitan area, it was cited as one of the top three highest per resident

assessed municipalities in the state. Their taxes are high because urban areas have been allowed to become centers of concentrated poverty, where fewer homeowners pay exorbitant property taxes. Like citizens in other areas of the state, those in urban areas cannot afford to continue to pay out-of-control property taxes.

While we cannot afford to pay more property taxes, that is exactly what we face. With the State's projected \$4 billion deficit and the Governor's proposed budget, local municipalities will have no choice but to raise property taxes. This will cause many urban residents to lose their homes or move out of the cities, which will have the effect of fewer homeowners paying even higher property taxes. I cannot be more emphatic. We cannot pay any more property taxes. There is very little middle class that remains in urban areas, because they have moved out in search of better schools and lower property taxes. What little middle class that remains will follow others who have gone to lower-taxed areas with better schools.

Opponents of the constitutional convention say it will seek to undo the State's Supreme Court *Abbott* decisions and remove the thorough and efficient guarantee from the Constitution. That urban areas and residents will be losers and their plight ignored by the convention. The Black Ministers Council believes that this is misleading and manipulative. Urban areas and residents have more to lose by not having a constitutional convention. Just like reform of urban public schools has been promised but not delivered for 20 years, so, too, has property tax reform been promised, campaign after campaign, year after year, by governor after governor and Legislature after Legislature. But here we are today talking about property tax reform.

The argument by opponents is that property tax reform is the responsibility of the Legislature, the elected representatives of the people. But we are here because the Legislature has not acted to reform New Jersey's system of property taxation. Fearful of the consequences of making difficult decisions, some legislators lack the courage and the will to act. Special interest groups and their influence and leverage on certain representatives have made efforts at reform a continuous parade of failed promises.

The Legislature has the opportunity, beginning with this Committee's action today, to allow the people to decide.

With thorough and efficient protected, citizens of the state's urban and poor school districts have voice by supporting a constitutional convention to reform the State's system of property taxation. Urban residents are not naive about how difficult and strenuous this constitutional convention will be. But nothing for good is achieved without pressure. We believe that at its end, fair property tax reform will be achieved.

The Black Ministers Council urges the State Government Committee to do the right thing and support this legislation.

Thank you, Mr. Chairman.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions? (no response)

Reverend, thank you very much for your leadership, and thank you for taking the time to come today and testify.

AARP, Marilyn, come at this time.

MARILYN ASKIN: Good morning, Chairman Steele, and members of the Committee. I am accompanied today by James Dieterle, who is the State

Director of AARP. My name is Marilyn Askin, and I am the New Jersey State President of AARP, an organization in New Jersey with 1.35 million members, 50 years old and better.

We're here today to support and to testify in favor of S-5269 (*sic*), to convene a constitutional convention to enact property tax reform. Interestingly, when the legislation was introduced it was called A-5269. Where did we get this number? We got it because that was the average property tax in the State of New Jersey. However, I just learned that if you introduced it today, it would be 6,000 -- \$6,000. And that's how much property tax has gone up in the few months that it was introduced. And persons, our constituencies, and persons on fixed incomes can not afford this kind of regressive property tax.

At AARP, we believe that there is a tremendous need for property tax relief and reform. Relief, however, has come in the form of rebates, but they're not enough, and are already being cut or eliminated. Convening a constitutional convention to reform property taxes represents the perhaps last best hope for institutional form (*sic*) of the system. A constitutional convention will be a second option for property tax reform. The Legislature can and should act, but a constitutional convention of delegates elected through a process free of the parochial partisan and political concerns that plague the New Jersey Legislature will have a greater chance of adopting reforms that are effective and long-lasting.

Last year, AARP championed the so-called *millionaire's tax*, in order to fund increased property tax rebates via the New Jersey Homestead and New Jersey Saver program. This resulted in checks of up to \$1,200 for many seniors and disabled, and enhanced Saver Rebates, which had been cut the year before.

However, Governor Codey has proposed eliminating the Saver Rebate and cutting the maximum Homestead Rebate by \$400 in the next fiscal year budget.

AARP has long been working to achieve property tax reform in this state. With property taxes spiraling out of control, up 7.2 percent in 2003, and 52 percent over the past 10 years, many older New Jerseyans are being forced to sell the homes they've worked all their lives to maintain. But this is not just an issue for seniors. Property taxes must be reformed if New Jersey is ever to seriously address affordable housing issues. The dearth of affordable housing is the direct result of ridiculously high property taxes. We will make our more than 1.35 million voices heard loud and clear. A constitutional convention represents another important option for finding a solution to our long-standing problems with property taxes. The fiscal situation at the State has resulted in inaction on property tax reform. We need property tax reform now more than ever.

AARP New Jersey lobbied for, and we're very pleased to see this manifested in the amendments -- and we've secured significant changes to the legislation that would create strict rules to limit the undue influence of special interest groups in the election process of delegates to the constitutional convention. Legislative leaders, including Assembly Majority Leader Joe Roberts, have supported our request for fair election rules. And the bill sponsor, Assemblywoman Linda Greenstein, also has agreed to amendments which would create low contribution limits for candidates and regulate how political organizations can raise their money. This will go a long way toward ensuring a fair and fruitful process.

We urge all legislators to do everything in their power to support these good government reforms. As the constitutional convention bill moves through the legislation, these positive changes move us one very big step closer to achieving long-term property tax reforms for the people of New Jersey. We are satisfied that the enacting legislation, while still subject to debate and further amendment, would limit the convention to reforms that would result in long-term sustainable reforms without negatively impacting public education. It must be iron-clad, in any kind of legislation, that the wonderful progress we are making not be torn asunder.

AARP supports public education. There are special protections in the bill, and AARP will monitor its progress through the legislative process and beyond. We're in this for the long haul.

I thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions from the Committee? (no response)

Thank you. Thank you for your presence.

MS. ASKIN: Thank you.

ASSEMBLYMAN STEELE: As we move on, let me just say for first-timers, phones should be put on silent. We're all important, but we're dealing with (indiscernible). So if you can work with us, we'll work with you.

The next for testimony is Senator Schluter, will come, and he will bring a panel at this time.

Senator. Welcome, Senator. Will you please introduce your panel. I thank you for coming again.

WILLIAM E. SCHLUTER: Thank you, Mr. Chairman. You have our roster, and we're going to talk in that order. We will not talk on old matters, which we covered on the 13th of January. We are going to talk about the amendments and new developments. And we'll start off with Roland Machold, and their identification is here on the sheet that you have.

Mr. Machold.

ROLAND T. MACHOLD: First of all, thank you for the opportunity to speak before you, Chairman Steele and members of the Committee. I want to say a special hello to Commodore Azzolina, who I well remember from my previous tenure with the State Government. Hello, Joe.

At any rate, I want to say at the outset that I do, along with many New Jerseyans, support Bill A-5269 submitted by Assemblyman Roberts and Assemblywoman Greenstein. I think it's been said, but it can be summarized very easily, that such a proposed constitutional convention will give a full airing of the issues and the interests of the interested parties and the citizens of the state. It will address a problem which has remained open and unsolved for decades by the traditional political process. It will provide recommendations which are not pressured by immediate considerations of reelection and tenure, and it will provide for a democratic process in the election of delegates and the approval of any recommendations.

I have to acknowledge that there have been many efforts to reduce property taxes over the years, including spending caps, budget oversights, and approval tax rebates. But in the end, these efforts have not been successful, in large part, because they have not addressed the overall problem, but they have used a piecemeal approach. I think that it's very important that any possible

solutions that come forward are comprehensive, as distinct from individual; that all options should be discussed openly and that we meet a consensus that addresses all issues at the same time.

With respect to the dialogue that's already taken place, I would prefer that as few amendments as possible be added, so that all options are open for discussion. That is, of course, in a perfect world. But I heartily agree that any constitutional and statutory solution should be sustainable. I'm not sure how that would take place. That would be a matter of very considerable analysis and discussion before we could come up with the appropriate way, because it's very evident that previous attempts have not provided sustained relief.

I can understand that public employees wish to preserve their existing negotiating processes, and I strongly support the many outstanding public employees that I have known over my 25 years of service with the State. We must attract and maintain the highest level of technical skills to service the public. And I'm, personally, deeply offended when I hear that public employees should be singled out for sacrifices. I myself was never covered by a labor contract, but in the last 10 years of my service for the State, I received one raise over that period of time, in part because I was not covered. And in effect, I took a 30 percent cut in my purchasing power. If that sort of thing were extended to employees at a lower level in the State -- people who are supporting mortgages, people who are supporting families, and providing education -- it would be, to my mind, criminal to do that.

Should the convention also consider the expenditures in the budget? I don't think that expenditures are the unsolvable problem that property taxes

are. Every year the Legislature and the Executive provide a balanced budget on time, which is not the case in neighboring states. It's hard. It's difficult. Difficult decisions have to be made. But they have been made on a consistent basis. So I don't consider the expenditures to be the problem and that, in itself, is a good reason not to address them at that time.

Finally, would the convention preempt the Legislature from addressing the property tax issues? Most certainly not. The Legislature can meet at any time to address these issues, and indeed, should have, but has never done so. So I think that if we were to go ahead with this, even that would not preempt the Legislature. In fact, it might inspire the Legislature to move ahead. I would hope so, because ultimately, this is something that they could have, and perhaps should have, done.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

MR. MACHOLD: Tom.

T H O M A S O ' N E I L L: Mr. Chairman, it's good to be back with you again.

ASSEMBLYMAN STEELE: Thank you.

MR. O'NEILL: I'm going to address myself to two issues this morning. One is the sustainability question.

ASSEMBLYMAN STEELE: Just state your name for the record, please?

MR. O'NEILL: I'm sorry. I'm Tom O'Neill. I'm a member of the Citizens For the Public Good.

The second is the concern I have about the growing number of limitations being placed on the convention's work -- a topic that Roland did just address. On sustainability, the amendment language requiring the convention to recommend means to ensure the sustainability of its recommendations seems to me to answer a major problem with the previous version of the bill, and I applaud its inclusion and its recommendation to this Committee that it be adopted.

The experience that we've had in New Jersey with previous efforts to rebalance the tax system, to lower our reliance on the property tax, and to increase our reliance on broader based, more progressive forms of taxation, have all been eroded because we did not have the means to sustain the reduction of property tax that was promised.

Should the convention, for example, recommend that New Jersey reduce its reliance on the property tax to 33 percent of its total tax take, which is the national average, as opposed to the 44 or 45 percent it is now-- Unless it also considers ways to sustain that over time, we would see, by natural force of political circumstance, the State jacking up, year after year, its reliance on the property tax, because the money officials would believe was there.

More important, perhaps, by stressing the need to recommend sustainability measures, the bill would get its way out of a dilemma. And that is the concerns of many in the state -- that the convention should address the spending side of the ledger, as well as the revenue side. This was stated most concisely, I think, and forcefully by Senator Lance in his remarks in the Appendix to the Task Force work, in which he wrote, "For the convention to achieve the goal of proposing significant and enduring property tax reform, the

delegates must be entrusted to examine within prescribed limits those matters that propel the continued escalation of the property tax.” And by requiring the convention to devise sustainability measures, while not looking at individual items on the expenditure side, I believe you would satisfy the concerns of Senator Lance and others who believe that spending -- the forces that drive up the property tax need to be considered.

The sustainability provision allows the convention to consider methods to hold down the property tax over time, without giving it the charter to get into a line-by-line budget examination that would, in the end, be fruitless, inappropriate, and a poison pill for this legislation.

Now, to the second point. I have a concern about the increasing number of areas being fenced out of the convention’s consideration in the successive drafts of the legislation that’s come before us. And I was delighted to hear Majority Leader Roberts respond to Assemblyman Azzolina that, on the question of legislators serving, that it’s open to discussion. I hope this will be open to your consideration, as well. I understand and sympathize with the organizations that seek to protect their interests in the convention process. But I want to convey my concern at the growing number of legitimate interests that want to be fenced off from the convention’s deliberations. A thorough and efficient, collective bargaining, pensions -- they’re all important issues. But should they be singled out for individual attention in this legislation? Should the statewide property tax for school purposes be fenced off from all other tax considerations that the convention needs to deal with? I fear that as this bill gathers momentum -- and I’m delighted to see its momentum -- and moves to the Senate, you will be confronted by more and more organizations with

legitimate concerns that say we believe that this particular area ought to be fenced off from consideration.

You have already provided in this bill for general restraints on the convention that I believe are sufficient to protect the interests of all those special considerations that have been put in the bill so far. I refer, of course, to the focus of the convention on the tax system only -- that it should deliver revenue-neutral recommendations, so that it would not be recommending any change in the amount of revenue to be raised, leaving it to the Legislature, and local governments, and the Governor to decide what the level of expenditure should be, and the need to achieve sustainability of its savings. Seems to me to provide proper protection for those interests who fear what the convention may do to them and, at the same time, preserves the credibility of the convention being able to address all those issues that need to come under its legitimate focus of attention.

One final word about sustainability. There are, in our group, and I know there are in this room, those who recognize the difficult balancing act that you have placed on the convention when you ask it to consider sustainability. New Jersey does not want to repeat the unfortunate experience of California's Proposition 13, which wrote into its constitution restrictions so strict that a once fine educational system in California has been hobbled by the inability to respond to increasing costs in education. At the same time, we need to have assurance that we won't be back here decrying increases in the local property tax six, or seven, or eight years from now. And I would submit for your consideration, as a way to alert the convention to its duties, that the broadest possible goals about sustainability are the only ones appropriate for inclusion

in the Constitution itself, such as -- and I give this only as an example -- New Jersey shall maintain the property tax at a level not to exceed 33 percent of total taxes in the State of New Jersey. Simply to stay at the national average. Whereas specific, narrower changes should be appropriate only for statutory amendments, so that we retain the flexibility, retain the legislative prerogative, retain the prerogative of elected officials to make changes as conditions may change.

I appreciate your work on this Committee. I appreciate the leadership of Assemblyman Roberts. I'm delighted to see the momentum building here. We're now in an area where we're not questioning whether this bill should go forward, but how it should go forward. And I think this is the best course for the State as we move ahead.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

S U S A N J. L E D E R M A N, Ph.D.: Good morning, and thank you.

I am Susan Lederman. I am a professor at Kean University, and I had the privilege of serving on prior tax commissions -- the SLURP Commission and Governor Whitman's Property Tax Commission. And I'm here to endorse A-5269 and ACR-25, but say very little about the original bill and speak mostly to the amendments that are proposed, specifically the amendment that deals with the limits on the amount of money that can be contributed, both in the aggregate and as individual contributions; that should provide also a transparent process for anyone who wishes to run for the constitutional convention as a member of that convention; and for the time table that you have proposed in separating both the call for the convention and the election of delegates. I think

that this is a forward step. I think that, through this process, we would have a diverse assembly of constitutional conventioners. I think New Jerseyans who wish to serve would find no barriers to trying to run and seek that seat.

So I commend you in crafting, at this point, the opportunity for New Jerseyans to really make a difference; to say enough already, let's amend this Constitution so that we have addressed the serious problem of property taxes.

I thank you.

ASSEMBLYMAN STEELE: Thank you very much.

SENATOR SCHLUTER: Thank you, Mr. Chairman, and members of the State Government Committee.

Before I have a few remarks, I'd like to correct the record on two items which were mentioned in previous testimony, if I can be presumptuous. First of all, the amendment on the statewide equalized property tax had one word in it that was omitted and that's in the bill, and it's a statewide equalized school property tax. So that restricts it, and that is the correct terminology that is in the bill. It has the word *school*.

The second is that comments were made about corporations making contributions, but this does not preclude corporations, through their legitimate PACs, of making contributions. That is a guaranteed right -- that the courts have said that they could still make contributions. As they do now at the Federal level, public service has a PAC which gives to Federal campaigns, and it's through that PAC and through that process.

Now, on matters since the last time that we were here--

ASSEMBLYMAN STEELE: Just a moment. I want someone to answer that, then I wanted him to cut it off.

Thank you very much.

SENATOR SCHLUTER: Since we were here last time, our affiliate, the New Jersey Coalition for the Public Good, has come out with its report -- it came out two weeks ago -- Let the Public Speak, number three. It covers a series of four regional tax assemblies which were held last Fall, and I would like to present the Committee with copies of this report, and a report for your secretary. This shows some of the work we've been doing to try and involve the public, and it speaks very highly of the fact that the public is involved and can make important decisions on this.

About a month ago, the New Jersey Education Association announced its proposal for property tax reform. And in its recommendation there was a proposal that individuals, on a circuit-breaker basis, have a limit to the amount -- percent of their income as a property tax. This was not a bad idea. It has merit. But it is our view that kind of recommendation should go before a convention. That is a proper venue where full analysis, deliberation, and final recommendations can take their course. Now, there was another argument by NJEA that a tax convention would jeopardize thorough and efficient. And the fact is that, as Assemblyman Roberts has in the bill and as the Task Force recommended, that has been taken out. It is very clear that the convention can not include thorough and efficient.

The NJEA went on further to say, "Well, what if they do and what if it's in the vote that the public makes?" And the courts might decide at a later time, "Well, the people that voted for something with respect to T and E." The

fact of the matter is, there is another safeguard in the legislation which specifies that a panel of three retired Superior Court judges shall rule. They will be meeting with the convention and they shall rule, before a vote is taken on the convention, whether the recommendations exceed the scope -- before they can vote and before that can go on the ballot.

So it's my view and the view of many that this is very good protection against any kind of runaway convention. Now, with respect to the fact of teacher benefits would be at risk at a convention, we have seen, as answered by Assemblyman Roberts, that this is a spending matter and is out of the purview of the convention. So that concern is covered.

NJEA says a convention will take too long to come to a conclusion, and they suggest that it can be done a lot faster with a special session of the Legislature. But even in their proposal, there would be constitutional amendments required. And a constitutional amendment is a long process. So it is likely, even if they had -- even if there was a special session, there were constitutional amendments, that you would not be able to reduce the length of time for a result to be forthcoming.

The special session of the Legislature has a disadvantage in respect to the convention. If a special session of the Legislature examined the property tax reform issues, there are probably some constitutional changes that they would want to make, like Tom O'Neill suggested. And there might be others -- dedication of tax, and so on.

Well, as soon as you get several constitutional amendments, they have to be voted on by the public in separate votes. The convention has the advantage and the benefit -- and it's in the legislation -- that their

recommendations are going to be rolled into a single vote -- a single, up or down, referendum vote, which is very, very good. Because then the public does not have the opportunity to cherry pick which ones they want and which ones they don't want. And you can't get that from a special session of the Legislature.

Finally, the NJEA, in their testimony to the Task Force, said, "If you do hold a convention, there are four conditions that we would like to see in the legislation." The Task Force agreed with them. They put those conditions in its report. And those four conditions are in the legislation of Assemblyman Roberts and Assemblywoman Greenstein. So these are in response to the NJEA concerns.

Now, research since the January meeting has indicated that, at one previous time, the Legislature had a very bad experience with a special session. This was alluded to before by Assemblyman Roberts in answer to Assemblyman Azzolina's concern. And I have here, for your record, a copy of the *New York Times* of July 18, 1972. Assemblyman Azzolina should remember that. But he was a Senator at that time.

This talks about the Cahill property tax reform program. They had something like 54 bills. They wanted to reduce property tax to 33 percent. And they had a special session in the summer. And the Assembly met on July 17, 1972. And they had one crucial vote, which was the toughest vote on a tax bill. And it got 23 out of 80 votes. And with that, the tax reform was killed, as in the words of Governor Cahill at the time -- "Obviously, tax reform in New Jersey is dead." And that was a result of that particular special session.

I'll pass this around to you for your records.

Now, with respect to the amendments, the voting for delegates at a separate election makes a lot of sense in many respects. I think it gives the public a better opportunity to evaluate the qualifications of delegates, rather than in a general election where the Governor is up, and you have a very, very full ballot, and it is very confusing. I happen to believe, because of the intensity of this issue, that there would be a good turnout. It would not be a very small turnout. And I think it would be reflective of the will of the people.

I do caution you and sponsors of the legislation to consider the new timetable which has been set forth. The new timetable calls for an election on the date of the school elections in 2006, which I think is April 18. And the convention would meet for its first working session May 19. The problem there is that this cuts the time for -- the end date is extended from July 31 to August 29. But it cuts the time of the convention's work to 103 days. The original legislation, introduced in the year 2000, had the convention meeting for 129 days. And the Task Force recommendation had 123 days. I think this is important for consideration to be given. Try and extend the time period for the convention to meet. It's very important to give them enough time to deliberate and to give the attention that they should give to this.

This new legislation strengthens the tie barring between the legislation and the constitutional amendment. And this tie barring would allow a convention to take up statute. It's essential, in the testimony you've heard, that the convention take up not only constitutional issues, but even more important, statutory issues. You don't want to, in my opinion and the opinion of many experts -- you don't want to constitutionalize the tax code. If we had a convention only dealing with constitutional issues and they tried to address

tax reform, it would be a natural inclination for them to talk about what the marginal rate of taxation is for the 150,000 -- and put it in the constitution. You can't do that. So it's very important that you have statute. And this amendment tie bars that in and makes it a very binding provision that you have to have statutory changes.

The addition of sustainability has been mentioned by, and very well articulated by, Tom O'Neill. And it's very important for the matter of controlling costs.

There is another addition as amendments, and that is the fact that OLS will embark on about nine or 10 tasks after approved -- if it's approved in November of 2005 -- will embark on these tasks and research to give to the delegates when they get to the convention, so the time will not be poorly spent.

Let me conclude by giving you a little story about last Saturday at the convention -- or the conference in Jamesburg of the School Boards Association of New Jersey. A woman who was a member of the school board of Matawan got up and was in my-- And she and everybody there were complaining about property taxes. And they said, "We do this every year. We complain about property taxes." And her final statement was, "After what I hear today, I'm going home, and I'm going to get my legislators, and I'm going to collar my legislators, and tell them that we've got to have property tax reform. We've got to do it." Well, my friends, I think she'll be back there with that same plaint of cry if we don't have a property tax convention, because that is the -- seems to be the only way that we're going to do it.

I commend you. I commend Assemblyman Roberts for the tremendous job he and your staff have done since the last hearing. And we stand ready to answer any of your questions.

Thank you.

ASSEMBLYMAN STEELE: Thank you.

Let me just thank this panel. Thank you for your leadership.

Are there any questions?

ASSEMBLYMAN CARROLL: There are, Mr. Chairman.

ASSEMBLYMAN STEELE: Sure, Assemblyman Carroll.

ASSEMBLYMAN CARROLL: First of all, I have not yet been favored with a copy of that *New York Times* article on the 1972 special session.

Would it be fair to say, though, from what I gathered--

ASSEMBLYMAN STEELE: We're making copies.

ASSEMBLYMAN CARROLL: Well, would it be fair, from your understanding, that the first and only vote taken was a vote to say no to an income tax?

SENATOR SCHLUTER: The vote was on the income tax. It was not a vote to say no, it was a vote to say, "Yes, we want tax reform." And there was not the--

ASSEMBLYMAN CARROLL: So, in other words, the Legislature -- the Assembly refused to endorse an income tax.

SENATOR SCHLUTER: They did not vote to endorse the income tax, which is a key component of the recommendations of the Cahill--

ASSEMBLYMAN CARROLL: In which case that special legislative session was a resounding success and not a failure. In fact, there's been a

problem ever since that we've had an income tax. And you've been around long enough to know that the more we raise income taxes, the more property taxes go up. And we're seeing it again this year.

But coming back to something you said about cherry picking on voting. Your piece is called, *Let the People Speak*. Why shouldn't we let the people vote?

SENATOR SCHLUTER: Because the convention legislation has determined -- and the Task Force determined, in its wisdom -- it is better to let them vote, when they do vote, on a single, comprehensive proposal. And otherwise, you would get a proposal which is presented in piecemeal. And people would say, "Well, I will vote for the things I want, and I'll vote against the things I don't want." In other words, "I'll vote for the good things, and I'll vote against the tough medicine." And then you would not get comprehensive reform.

ASSEMBLYMAN CARROLL: Sounds like democracy to me, Senator. But I may be wrong on that one.

Let's go back to your review by the judges of this undertaking. Let's assume -- just assume that the property tax convention proposes 30 different proposals -- separate items. And it's worked long and hard to get to that particular compromise, because I assume that's what's going to happen. No one is going to dictate the show, I assume. It's going to be a very difficult, long process. It's going to be a long process of bargaining.

You've got 30 proposals. Now, the judges review them over and they say five of them violate the property tax convention provisions set forth in the code. What happens then?

SENATOR SCHLUTER: Well, in the first place, if you examine the legislation the way it is drafted, this three-judge panel would be appointed early in the process. They would be working along with the convention. And my presumption is that they would incrementally say, "This is out of bounds," or, "This looks like it's going to be good." Then, when you try to put them all together into a single vote by the convention for a question to go on the ballot, most of that work would have been done. And they would judge it in that way.

ASSEMBLYMAN CARROLL: Interesting.

Again, an aside comment, they're allowing the judges to do something we're denying the people the right to do.

I want to talk a minute about the -- with Dr. Lederman, about the potential for third parties to influence this election. Is there any ban in this legislation so, as you know, on -- say, for example, the move-on.org type plates, where they could come in and say, for example -- run all sorts of independent ads?

DR. LEDERMAN: I believe that disclosure of expenditures by all independent groups would be made, and that disclosure is at a fairly low limit, if I understand the legislation.

ASSEMBLYMAN CARROLL: As I recollect, it was disclosures of donations.

DR. LEDERMAN: And so disclosure provides transparency.

ASSEMBLYMAN CARROLL: Was it-- It was disclosures of donations, as I recollect. Is that correct?

DR. LEDERMAN: That is correct, as well as independent expenditures, in my understanding. But then, frankly, I have not as carefully

studied the amendments. And I have not been privy to the amendments. That was just distributed, so I don't know.

ASSEMBLYMAN CARROLL: Well, let's just assume, for example, that somebody with a lot of money -- let's say a guy with a beard, going bald, about 6'2 or so -- decides that he really--

DR. LEDERMAN: Why not a woman without a beard?

ASSEMBLYMAN CARROLL: I was about to say, if you have a beard on that suggestion--

DR. LEDERMAN: Yes.

ASSEMBLYMAN CARROLL: Let's assume that some multimillionaire decides that he or she really wants to influence the process, but doesn't want to be stuck with these particular restrictions and so goes out, forms an organization, and starts spending a cart load of money putting out signs that said, "Support convention," or "Support convention delegates who support this particular goal." Anything to prevent that from happening?

DR. LEDERMAN: Assemblyman Carroll, I can't really answer that question. I would really need to turn to someone who's crafted some of that material.

SENATOR SCHLUTER: I think that everything has been done that can be done, Assemblyman Carroll, to minimize the adverse influence of money to influence the outcome of the convention. As Assemblyman Roberts said, there is a provision of aggregates. And the reason that \$6,250 was chosen -- that would be the same as on the Federal level, where you have aggregates where the maximum, up until this last year was -- you could give the maximum

to 25 different Federal candidates. And if you multiply \$250 times 25, you come up with \$6,250.

There are provisions in there where candidates who agree to a spending limit -- a maximum of \$25,000 -- they get the good housecleaning -- Good Housekeeping seal of approval. Those who go over have to have it on their literature and their disclaimers that they've gone over.

So as much as can be done is being done within the confines of the law. And I would suggest that if there are other ways-- And some of these amendments I didn't see, and others didn't see, until just today. I would suggest that more study be given to help ensure that special interests don't have a chance to hijack.

ASSEMBLYMAN CARROLL: How do you define special interests?

SENATOR SCHLUTER: Well, special interests are in the eye of the beholder, as I'm sure that you understand.

ASSEMBLYMAN CARROLL: Well, I'm talking to a particular beholder. I'm curious as to what this beholder thinks.

SENATOR SCHLUTER: It is where any undue influence, other than objective, regular procedures takes control, and where money is able to change the outcome.

ASSEMBLYMAN CARROLL: I have a question -- to go back -- for Mr. O'Neill, if I may.

Let's assume -- just assume -- on the sustainability part. That fascinates me.

As you know, the convention is specifically barred from having anything to say about spending. Let's assume we adopted a provision tomorrow

that says we'll tax shift. Whatever the tax shift is going to be, we're going to come up with some way of ensuring that the same spending level is incurred today. But only 33 percent of that spending level will come from property taxes. What happens next year when spending goes up another 8 percent?

MR. O'NEILL: That, Assemblyman, is--

ASSEMBLYMAN STEELE: You want to speak into the mike.

MR. O'NEILL: Excuse me.

That, Assemblyman, would be up to those who are making the budget decisions.

And I think one of the important sustainability issues that the convention might want to look at is the question of putting the decision to spend in the same hands as the decision to tax, so that you--

ASSEMBLYMAN CARROLL: We have finally reached common ground. (laughter) Where would that be, by the way?

MR. O'NEILL: I don't know. But I do think it's something the convention should think about.

ASSEMBLYMAN CARROLL: Because that was my next question. What happens if some miscreant city -- and I don't mean to be saying large city, it might be a small city, a very wealthy city -- decides, for whatever reason, to triple its spending in one particular year, because it doesn't particularly care about its level? Then what happens?

MR. O'NEILL: That, as you said earlier, Assemblyman, would depend on the workings of democracy. The voters in that town would have something to say about it, I assume.

ASSEMBLYMAN CARROLL: But the point of the matter is, are the people in the town who are voting for this increased spending going to be the ones who face the consequences in the form of increased taxation? Or, alternatively, is that going to be something that is passed off to the general taxpayers of the state?

MR. O'NEILL: Under the current system, such expenditures are being passed off to the general taxpayers of the state. And I believe that that system is one that the convention should discuss.

ASSEMBLYMAN CARROLL: But let's get a concrete example here.

Right now, again, you have a situation where we have individual municipalities and districts spending a certain amount of money, X dollars -- whatever that might be. Next year, they decide that they're going to increase their spending to X plus 8 percent, because that's what they think their people want, union contracts require it, call it what you will -- whatever the circumstances are. But in order to do that, they would have to increase their property taxes to be 36 percent of their local revenues, or what have you. Do they have an automatic claim on the state?

MR. O'NEILL: I don't know. That's the easy answer.

ASSEMBLYMAN CARROLL: And one other point. Is there any way that you can think of -- any way to provide for sustainability unless you control expenditures?

MR. O'NEILL: No, but the convention is not the group to control the expenditures. The convention's job is to recommend, to the voters, a system under which elected officials at the State and local level would be the ones to

control expenditures on an annual basis, when they consider the budgets, as they do every year.

ASSEMBLYMAN CARROLL: So if there were a generalized level, let's say for example, of 33 percent tax levies across the board -- that's the most you can get from property taxes, I guess, in accordance-- Is this all educational you're talking about now, or just all property taxes generally?

MR. O'NEILL: As I was speaking, I was talking about the totality of expenditures.

ASSEMBLYMAN CARROLL: So, in other words, if a particular municipality, let's say, for example, had a very profligate local government, spent a lot of money -- say, paid its mayor \$200,000 a year, or something along those lines-- How would they be restrained from continuing to do that when they have, in effect, an ironclad guarantee that the State will pick up their costs?

MR. O'NEILL: I don't believe anyone has spoken about an ironclad guarantee that the State would pick up their costs.

ASSEMBLYMAN CARROLL: If we limit the overall taxation on property taxes, and the Legislature, for whatever reason -- prudence, for example -- refuses to raise income taxes, then what happens?

MR. O'NEILL: I don't know. It's the convention's job to figure that out.

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

ASSEMBLYMAN STEELE: Thank you.

Assemblyman Azzolina, who was, at one time, a Senator, now back with us.

ASSEMBLYMAN AZZOLINA: It's not a question, just a matter of history.

I was in the Senate then. Wasn't the Assembly controlled by the Democrats, and Tom Kean was made Speaker? Was that the year? By the Hudson County group? I think so.

SENATOR SCHLUTER: Senator Assemblyman Azzolina, the control was by the Republicans, because there were some people from Hudson County who decided to side with Republicans, as you can remember.

ASSEMBLYMAN AZZOLINA: That's right, and they swung the votes to Tom Kean. Right, I remember that.

Okay. But since then, I've got promoted back to the Assembly.
(laughter)

ASSEMBLYMAN STEELE: Welcome back.

SENATOR SCHLUTER: If I could comment on Assemblyman Carroll's comments.

The matter of sustainability-- If there are provisions -- and you have to be very, very careful if you put this into the Constitution -- if there are provisions that once property taxes are reduced, and filled up by other alternative sources, they cannot go up more than 1 percent a year, or the cost of living-- Then you put a cap -- you put a limit on how much can be increased. You say, "Well, if the convention comes up with the fact that the State has to make up that difference through other taxes," that's a revenue source that takes care of that.

ASSEMBLYMAN CARROLL: If I may, Mr. Chairman.

Don't you violate Mr. O'NEILL's provision, then, about the people making -- decisions being different from the people making spending decisions? In other words, if a particular municipality decides, for whatever reason, it wants to spend more money -- which would, as a result, increase overall property taxes by a certain level -- then you have-- If you have some sort of automatic trigger provision, then, that State taxes have to increase as a result, so as to keep the total expenditure level below 33 percent for property taxes, hasn't that one municipality, in effect, set State policy?

SENATOR SCHLUTER: No, I think in the totality, in the comprehensive picture, the convention might give municipalities or counties other revenue sources that they can impose themselves, which would make up for any shortfall. I don't know. This would depend on what the convention might do.

ASSEMBLYMAN STEELE: Well, for the good of this hearing, to be continued.

Thank you very much for--

Our next testimony will come from the New Jersey League of Municipalities.

Following that, we have the NJEA.

Welcome, Bill.

WILLIAM G. DRESSEL JR.: Thank you, Mr. Chairman, members of the Committee.

I am Bill Dressel, Executive Director of the State League of Municipalities.

And before I introduce my guests to testify, I would like to express the League of Municipalities' appreciation to Assembly Majority Leader Roberts, Assemblywoman Greenstein, Assemblyman Van Drew for their leadership in this area.

And I commend you, Mr. Chairman, and your Committee for your tenacity and for your commitment for true and meaningful property tax reform.

The League is here today. I am joined with Jo-Anne Schubert, Mayor of South Bound Brook, immediate past president of the League, a member of the Task Force; and Gary Passanante. They presented testimony before this Committee on January 13.

We are going to focus today on the amendments that are before you and our thoughts on them. At this time, Mayor Schubert.

ASSEMBLYMAN STEELE: Welcome, Mayor.

MAYOR JO - ANNE B. SCHUBERT: Thank you, Bill.

And thank you, again, Chairman Steele and members of the Assembly State Government Committee.

I am Jo-Anne Schubert, Mayor of South Bound Brook, and the immediate past president of the New Jersey State League of Municipalities. I also had the honor to serve on the Governor's Property Tax Convention Task Force.

The League of Municipalities strongly supports A-5269, as it will be amended, to, number one, preclude any convention consideration of a statewide equalized property tax to fund education, and allow the convention to make recommendations that would ensure the sustainability of property tax reforms. And we reiterate our support for ACR-25.

The solution to our overdependence on the property tax is not another property tax, especially a statewide equalized tax that would 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. While some may argue that a statewide equalization would spread the property tax burden more fairly among taxing districts, it would not necessarily be fairer to individual taxpayers. And that is the standard by which any reform needs to be measured.

We thank Assemblyman Van Drew for his work on that amendment and for his energetic advocacy on our behalf.

And we agree with certain aspects of Senator Lance's dissent from the Task Force's original recommendation on the question of preserving the benefits of reform for many years to come. In his dissent, Senator Lance wrote, "For the convention to succeed in achieving the goal of proposing significant and enduring property tax reform, the delegates must be entrusted to examine, within prescribed limits, those matters that propel the continued escalation of the property tax burden." The sustainability of the benefits of revenue reform could depend on such considerations. We would further agree with the Senator that such considerations should not include divisive social issues.

For example, the preservation of the benefits of reform might require a serious consideration of past State decisions which have underfunded statutory municipal and school district property tax relief programs, in addition to statutory incentive programs to encourage regionalization; and shared services by counties, municipalities, and school districts. We, therefore, appreciate

amendments that will allow the delegates to consider how best to sustain the benefits of reform.

In conclusion, I would like to personally thank Assembly Majority Leader Joe Roberts for all that he's done to advance this legislation. I was proud to serve with him on the Task Force, and I'm happy to have this chance to support his bill.

Again, Chairman Steele and members of the Committee, thank you for giving me the opportunity to testify. And thank you for your timely consideration of this very important issue.

MR. DRESSEL: Mr. Chairman, my next individual to speak is Gary Passanante. He's the Mayor of Somerdale. He's also Chairman of the League's Property Tax Study Committee.

Mayor Passanante.

MAYOR GARY PASSANANTE: Thank you, Bill.

Thank you, Chairman Steele and members of the Committee. I am Gary Passanante, the Mayor of Somerdale, in Camden County; member of the League's Executive Board, Chairman of the Property Tax Reform Committee; and a member of the Property Tax Convention Task Force.

I want to reaffirm the League's appreciation for the attention, the time, and the effort that this Committee has given to the issue of property tax reform. And I want to again extend our gratitude to Assembly Majority Leader Roberts for his commitment to this crucial initiative.

As Governor Codey presented the State's Fiscal Year '06 budget to you last week, the State of New Jersey faces a \$4 billion deficit. The Governor responded with what can only be called an *austerity* budget. It includes flat

funding in general municipal tax property tax relief, but cuts in discretionary aid line items. While we salute the Governor on his effort to address the deficit crisis, we sadly note that the proposed cure will only exacerbate New Jersey's chronic property tax crisis.

According to State sources, in Fiscal Year 2001, the State provided municipalities with about \$1.604 billion in general property tax relief funding. In the State's current Fiscal Year 2005, the figure is around \$1.682 billion, which includes 2.5 million in Taxpayer Hero Grants that were appropriated but never distributed. Though we appreciate the State's struggle to provide a little less than a 5 percent increase in tough budgetary times, at about half the rate of the inflation that's hardly enough to help us to stem the property tax crisis.

Now, the word out of Trenton is for local officials to anticipate significant reductions in discretionary property tax relief funding; this, despite the fact that the costs of doing the public's business at the local level here in New Jersey increased by 3.5 percent last year. The byproduct will be an increase in New Jersey's already unprecedented overreliance on regressive property taxes to fund essential public programs and services.

That's our fiscal illness. A-5269 and ACR-25 could be the cure. As our primary care physicians, the Governor and you, the State Legislature, don't seem to have one. So we've asked you for a referral to a new group of specialists. Those we have in mind would be the delegates to a citizens' convention for property tax reform.

With property tax pressures almost certain to intensify this year, the people of New Jersey must be given a hope for future relief. They expect the Senate and General Assembly, as well as Governor Codey, to act on a property

tax convention bill in time to get the question on this November's ballot. They need nothing more than that, they deserve nothing less.

Thank you for your time and your attention, not only to us, but also to our State's crying need for property tax reform.

ASSEMBLYMAN STEELE: Thank you.

Are there any questions?

ASSEMBLYMAN AZZOLINA: Yes, one question.

ASSEMBLYMAN STEELE: Surely, Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: When I first came to the Legislature in the '60s, we had no income tax and no sales tax. And then there was a 2 percent sales tax on items. Governor Hughes was in office then, I think. And then I remember the League of Women Voters -- huge rally by the Memorial Building -- the War Memorial Building -- huge rally. "We want income tax. We want income tax to solve our property tax." Well, it didn't happen then, but it happened after I left the Legislature in the mid-'70s. And then you got the income tax.

Now we have income tax, and sales tax at 6 percent. And that was all supposed to be for property tax relief. And the property tax relief never came because now the property tax is even higher. So this new convention-- Now, they're going to have to propose something -- although I guess they're not supposed to propose any new taxes. But whatever is going to happen from it is going to need new taxes. And even if you get new taxes, it's going to maybe lower property tax temporarily. Then it's going to be eaten up by something else, just like the millionaire's tax was to give property tax relief. And there isn't

going to be property tax relief this year, because it will be eaten up to balance the budget.

So no matter what taxes we come up with-- I've been here a long time. I've seen the history. We still don't have property tax relief. And I really don't know how you're going to get tax relief in the future.

Now, I asked this of the League before: Don't you think you're going to have to have income tax changes, increases -- broaden the sales tax, increase the sales tax -- to give this balancing out, to have property tax relief? What is your answer to that?

MAYOR PASSANANTE: Assemblyman, I believe that the bill that is before you certainly speaks to the issues that you brought up. Senator Lance's concerns about the sustainability issues of long-term property tax relief--

You're absolutely right. We're in a situation right now where we-- The income tax was supposed to solve that problem and, obviously, it has not. But I believe that the wording in the bill, as presented to you today, has this sustainability clause. I don't have the answers as to what that is. But the fact of the matter is, we realize that that needs to be done. And that's why we're supporting the bill with a sustainability clause in there that, whatever comes out of the convention process, needs to ensure that the repairs and the reforms that are made are sustainable over time, so that we're not in the same situation as we are now, where income tax was supposed to be our savior, and it is not.

So I believe the task of this convention process is to make sure that they come up with a solution that will be sustainable.

ASSEMBLYMAN AZZOLINA: Well, I may not be in the Legislature too many more years, but I will bet that after I leave, eventually, that you're still not going to have the problem solved with the property tax.

ASSEMBLYMAN STEELE: Thank you, ladies and--

MAYOR SCHUBERT: Can I--

ASSEMBLYMAN STEELE: Sure, Mayor, go right ahead.

MAYOR SCHUBERT: Thank you, Mr. Chairman. I would just like to comment on that.

I think, Assemblyman, that is one of the reasons we feel it's so important to also allow the convention to make some statutory changes. I agree that the income tax and the sales tax was supposed to provide property tax relief. It never happened because of the ability of -- with all due respect -- the legislators in Trenton to take what is really, rightfully supposed to be the residents of New Jersey's to give them some property tax relief; and use it in other ways, as you stated, to balance the budget, for example.

The Millionaire's Tax is a perfect example of very recent memory. That was to be used for property tax relief. Now we're hearing everything's going to be cut. And what happened to the taxes that were raised as a result of that? Again, that is why we feel so strongly about allowing the statutory ability in a convention so that they can make statutory changes that would then become law. And, hopefully, it would keep whatever is earmarked for property tax in the right direction, going into the correct pockets.

ASSEMBLYMAN AZZOLINA: The problem is that we have so many programs in New Jersey that are going to keep -- it's going to -- the cost

of it is going to keep going up, regardless. And money is going to have to come from somewhere.

I think when I first came here-- I think the State budget was \$3 billion, or something like that -- \$3 billion or \$4 billion, if I recall correctly, back in the '60s.

ASSEMBLYMAN STEELE: Thank you, ladies and gentlemen. Certainly we salute you for your commitment and your input. There's no further questions.

The NJEA will come at this time, and they will speak for themselves. We save the best until now, not last.

EDITHE A. FULTON: Red light on? (referring to PA microphone)

ASSEMBLYMAN STEELE: Red light.

MS. FULTON: Thank you, Assemblyman and Mr. Chairman, and the rest of the Committee.

Assemblyman Azzolina, I do have a document here that tells you that-- Let's see, what year would you like? In 1960, the State actual expenditures were 397,227 -- oh, \$397 million. So it was very low.

ASSEMBLYMAN AZZOLINA: What was it in '66?

MS. FULTON: It started to climb later on. And it happened with both Republican and Democratic administrations, unfortunately.

Well, I'm not going to read the testimony that you have, because it really reiterates everything we've said twice already, once before the Task Force and once here at our previous testimony.

But I just would like to muse a bit, since I think, actually, Senator Schluter gave my testimony for me and, kind of, told you what NJEA outlined.

And, frankly, we have consistent and sincere concerns about a constitutional convention.

It was, kind of, couched the other night by saying that we -- you did everything we wanted you to do in the Task Force, and yet we're still opposed to this convention. And we did give suggestions, and those suggestions were heeded. But it did not change our basic philosophy of opposition to a constitutional convention for a number of reasons. And we cited the California debacle and the Massachusetts debacle, and what happened to their school systems.

We talked about the fact that school spending, in our estimation, is not the thief of taxes, because, in a six-year study, the national increase was 4.72 percent -- increase in school spending -- while New Jersey, in that same time period, was only 4.56 percent. So we do maintain that we give good service to our students and to the public for the public schools. And, frankly, I don't apologize for what I make there. Perhaps, if I was in the private sector, I'd be a little richer. But I chose to be a teacher.

T and E has been mentioned. And we were very positive about keeping T and E in the constitution language. But I think the misnomer is -- and I've been telling it to our folks as I go around, talking about our tax plan, which I believe you all got copies of recently -- at least we sent it out the end of last week -- that thorough and efficient didn't only provide the foundation for the Abbott decision, which took 25 years to accomplish-- But I was teaching when T and E was the big factor that came in, talking about what public schools needed. And in my school, we didn't have a phys-ed teacher, art teacher, music teacher, counselors. We didn't have a gymnasium, we didn't have a library.

And T and E gave us those things in a rural school. And I know it did as much for suburban -- and, ultimately, the Abbott decision for our urban districts.

We had asked a question, and several people have followed up by saying, "Exactly what language needs to be changed in the Constitution?" And nobody really could give us a clear answer on changing language. We do understand that statutory changes would need to be made by a constitutional convention, and that's why there are two bills considering the opportunity to put -- to enact the possibility of a constitutional convention.

I was at a meeting just the last two days up in Connecticut. We drove up in a snowstorm and, luckily, didn't have to return in that kind of situation. The roads had cleared. But part of the meeting was a presentation by an economist from Washington, D.C., who had done profiles of all the New England states, because it was a meeting of the NEA Northeast states. And it was very surprising to me when he revealed a document that he had. That in the last 30 years, the percentage of income -- of taxes paid on personal income -- now, that would include both income taxes, sales taxes, property taxes -- is a level line for the last 30 years -- percentage of personal income paid in taxes. It's varied as to where those taxes are paid. But that was a really startling statistic for me. And we intend to get a hold of that information so that we can use it in our deliberations on many fronts.

I think that the four things that the Task Force had honored, in what appeared to be some of our testimony, we appreciate that. And I think the amendments put out today are thoughtful and creative and, obviously, answer a number of issues for a number of different constituencies. But it still doesn't

take away the fact that, basically, we are opposed to a constitutional convention.

The testimony that you received, I think, just reiterates most of our concerns. We know that the three-judge panel is looked upon as the safeguarding measure that would not allow the convention to overstep its bounds. But we're not quite sure when those proposals would be looked at. Would it be at the end of a convention, when a document has been formed? And then, if certain provisions were not acceptable to that three-judge panel, then you'd have to reconvene. I mean, that is not particularly clear as to how those proposals would be looked at and whether or not they have overstepped the charge that the convention would receive.

We know that senior citizens need relief. But 2007, in our estimation, is too little, too late. Something should be done much sooner than that.

We know that a special session of the Legislature is possible. We believe that the Democratic front-runner candidate, Senator John Corzine, has said publicly that he would convene such a body, should he be elected, in the due course of time, when he took office, which is very promising.

We also know that young couples need help. They can maybe buy the house, but then the property tax is a concern.

But, you know, I think our state is either first or second in personal income. It is an expensive state to live in. Services cost money. We don't know that the public is going to let -- tell you which services they can do without. We doubt it would be many of them, because we do provide a lot for

the citizens in New Jersey, not only from the Federal -- from the State government, but from the local municipalities and our school districts.

I believe it should be a bipartisan effort. And I heard people state, around the tables, not only in this forum but in other places, that that simply hasn't happened and probably, they say, would not happen. But I think that's the obligation of accepting the post of being a State Legislature -- that the public has elected everyone to do that kind of work.

And I know when I'm in my classroom -- which has been a while now -- but I'm leaving office the end of August-- Somebody said, "What are you going to do?" I said, "Stay in my pajamas for a month," because this is a very demanding job, as it would be to return to the classroom.

We have, over the years, supported both Democrats and Republicans from the NJEA, and we continue to do that. We just hope that you will take some of our concerns seriously and, perhaps, look twice at supporting a constitutional convention.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

J A M E S S C H R O E D E R: I have nothing to add. If you have any questions, we'll try to accommodate them.

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

MR. SCHROEDER: Jim Schroeder, NJEA.

MS. FULTON: I just urge you to take a look at the plan. It could be a beginning.

ASSEMBLYMAN STEELE: Thank you. You're most gracious and kind.

ASSEMBLYMAN AZZOLINA: How old is that?

MS. FULTON: Pardon me?

ASSEMBLYMAN AZZOLINA: You said you had 1960.

ASSEMBLYMAN STEELE: Thank you.

MS. FULTON: Bread was \$0.29 a loaf.

ASSEMBLYMAN STEELE: I'll take two. (laughter)

The League of Women Voters, at this time.

Ms. Wilson will come.

Following Ms. Wilson, we'll have the NJBIA.

Welcome.

BELINDA WILSON: Thank you.

My name is Belinda Wilson. I'm here today representing the League of Women Voters.

The League of Women Voters of New Jersey is pleased to appear before the Assembly State Government Committee in support of A-5269 and ACR-25. When these bills were discussed on January 13, 2005, we testified that the League's support was based on a focus on revising the tax structure, while excluding consideration of spending; a prohibition on delegates amending the Constitution in the areas of the State's obligation for free public schools and affordable housing; a requirement of fiscal neutrality; a nonpartisan election of delegates; judicial review to assure conformance with the charge to the convention; a single vote by the public, at a general election, on the plan presented by the delegates to the property tax convention; and ability for

delegates to amend, repeal, or enact statutes that are within the scope of the convention's mandate -- basically ACR-25.

At the January Committee discussions, we recommended that delegates should be charged with considering policies and devising means that provide for sustainability of property tax reductions. We are pleased to see that has been added to A-5269.

We testified earlier that the League believed it would be better to have a special election for delegates, but recognized that cost is an important consideration. We support the proposed change, which schedules the election of delegates at the time of the school elections. This change will greatly simplify the November 2005 ballot and decrease the influence of partisan politics in the selection of delegates. It removes our objection of asking citizens who desire to run as a delegate to spend money, time, and effort when there is no assurance the public will approve the ballot question to begin with.

The changes in disclosure requirements, limit on campaign contributions, and voluntary spending limit will make the opportunity to run for delegate accessible to a wider variety and greater number of citizens.

These changes have strengthened the legislation, and we'd like to thank you for the work that has gone into making good legislation better. The League of Women Voters of New Jersey asks you to release A-5269 and ACR-25 from the Committee.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions? (no response)

Thank you for your commitment and dedication.

Art, would you be so gracious to come at this time?

ARTHUR MAURICE: Thank you so much.

Assemblymen, good morning.

My name is Arthur Maurice, and I'm with the New Jersey Business and Industry Association.

I guess we're one of those special interest groups that was talked about earlier, although we do represent 24,000 employers of every shape and size from all over the state, and who have over 1.5 million employees.

I'm not going to go through the testimony I gave last time.

And I was so happy to hear this -- that the Assembly sponsors will consider further discussion and possible amendments in the Assembly Appropriations Committee, because we feel it's important.

We did look at the amendments, and we are concerned that, in fact, the amendments have made the bill worse in a couple of ways. Again, as I said earlier, there is no consideration of spending. Now, it's a little bit ironic, because just a week and a half ago, when the Governor gave his budget address on State government, he called for honesty. And he said, essentially, we can't continue raising taxes. We've got to look honestly at spending decisions. Well, any family, any household, any business in this state understands that there are two sides of the ledger.

And even in the sustainability language in this amendment, we still do not have spending. In fact, it makes it worse. If you look at the sustainability language, it says that the convention shall recommend sustainability measures "consistent with its mandate of establishing how revenue should be raised."

Now, what does this mean? It means that any of the short-term tax shifting that we had in the original bill, because of the sustainability language, will now become annual new taxes, because, again, you can't look at spending. In fact, it makes it worse.

But we did learn about the convention. In this amendment, we learned what -- I guess what A-5269 stood for. There was an office pool on that. We weren't certain. I didn't win. But now we know, anyway.

But if you look at Section 26 of the bill, I want to look at some of the possible tax increases that we'd be looking at. The paragraph before the last-- I think it's instructive because, again, we will have tax increases. This is a tax convention. One of the items called for is an analysis of the personal "T-tax" on intangibles.

Now, I want you to understand what intangibles mean. Intangibles, in tax law, refer to -- and I'm quoting a National Conference of State Legislatures study -- "money, stocks, bonds, credit, checks, share drafts, other drafts, notes, patents, trademarks, copyrights, brand names, franchise agreements, and licenses." Intangibles means the product can't be touched, felt.

Back in the '60s, we had a business tax. And, Joe, you've been talking -- I mean, Assemblyman, you've been talking about the '60s. Remember, we had a net worth tax in this state, on businesses, that we repealed. That was a stop on intangibles. And the reason we repealed it was because it was so counterproductive for the economy. But this talks about a personal "T-tax" -- a property tax on intangibles. So now we'd be looking at the net worth of an individual, the stocks of a business for a tax.

I think a proposal like this, I don't think anybody would ever support in this Legislature. But understand, that could come out of a convention as part of a broad-based plan of amendments and, suddenly, be adopted because one vote on all of the proposals-- I can't think of anything that would be more destructive.

How about the municipal surcharge on income taxes, a local income tax? New York City has that, Pennsylvania has that in some municipalities. Is that a good idea to have every municipality with its own income tax? I don't know, but if it's part of an overall plan, we may end up seeing it.

Now, the second point I want to make in these amendments is, we were concerned that the convention would become a special interest convention. Well, by these amendments, our fears have come true. It's a special interest convention that, basically, is biased and tries to exclude private sector individuals, employees.

Why is that? Well, a couple of reasons. One, there's an April election that will be held now. April elections, typically, have the smallest voter turnout. And the times and locations of those elections are very restricted. Some don't have evening voting, some have fewer polling places.

Secondly, in Section 18, the amendments talk to the fact that public employees shall receive time off without loss of pay or benefits to attend meetings of the convention. Now, why is this so important? We've restricted -- we've constricted the convention time. A seven month convention -- our convention is down to, now, three months. This is going to be three months of full-time effort. At seven months, it was going to be a full-time job. Which

employer -- which private sector employer in this state is going to be able to give an employee off five days a week for three months for a convention? Very few. So, the 600,000 public employees in this state, the 15 percent of the workforce, really have an advantage. We can see this as turning into a public employee convention.

Finally, I want to just quickly touch on some of the items I mentioned -- more technical, which are still issues. In Section 20 of the bill, there is a three-day challenge period by which a citizen can legally challenge the convention's proposal before it goes to the voters -- three days. As I mentioned before, we give losing vendors who sell pencils to governments a longer period to challenge their losing bid.

Section 28 of the bill waives our requirements that the constitutional convention and resulting voter regulation comply with Title 19, which is our election law. I don't think you want to do that.

And, finally, talking about ELEC, why is it that businesses can't contribute any money. Why are they excluded? In our ELEC laws, business can contribute to campaigns now. They have restrictions. But there would be no contributions allowed under this amendment. Are you trying to exclude private employees -- private employers from participating? I'm afraid it looks that way. I don't think that's the intention.

I look forward to taking another shot at the apple before Assembly Appropriations.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much, Art.

To be continued.

New Jersey Conference of Mayors.

Chris.

C H R I S T O P H E R J. C A R E W: Thank you, Mr. Chairman and Committee members.

My name is Chris Carew. I'm the Legislative Affairs Manager for the New Jersey Conference of Mayors.

We testified previously at the first hearing back in January. Mayor Ron Sworen, of Frenchtown, provided testimony. I am not going to repeat anything articulated during that testimony. What I'd like to do is respond to some of the concerns that we've been hearing from the opposition on this legislation.

First of all, with regards to the issue that spending is not part of this proposal. We testified that we'd like to see spending part of the constitutional convention. But the fact that it's not on the table right now is okay with us. We support it anyway, because really, the primary problem is revenue.

I think when you get into a discussion of the income tax -- and I'm, in a way, sorry Assemblyman Carroll is not here. The problem -- the main difference with the property tax and the income tax is that the property tax is regressive. It does not reflect an individual's ability to pay. And that's particularly true with our senior citizens and our people on fixed incomes.

So there's a lot that the Legislature could do, now, to address local spending problems. A lot of what we spend -- a lot of the ways we spend money, we have no control over. We don't have control over insurance costs. We don't have control over public contracts that result in binding arbitration, a process in which no consideration is given to ability to pay. It's something

we'd like to see changed. We don't have control over State mandates. We don't have control over State aid cuts in the State budget. So these are things we'd love to see the Legislature address, in terms of local spending. But let's focus on the issue at hand.

I was-- I gratefully accepted an invitation by the Business and Industry Association, and NJEA to listen -- to a meeting to discuss this issue. And, clearly, the concern of the business community, as expressed during that meeting and, I guess, this Committee, is that they're going to see the result of this convention -- is going to be a shift from the residential portion of the -- sphere of the property taxpayers to the business sphere. That's never been the intention, nor is it the desire of our mayors to see that happen. We wouldn't want to see that happen. And, in fact, we would support an amendment addressing the uniformity clause, which seemed to me to be the crux of their concern, to protect that, to keep that off the table so that that, in fact, does not happen -- and any other language to make sure that the property tax burden paid by residents will not get shifted to the business community. We agree that that's not fair. We don't think that's the intention. But any amendment necessary to make that clear, we would support.

Now, we have heard, this Committee has heard some anecdotal remarks about things that have happened in other states, and I'd like to address them. The President of the NJEA correctly describes the situation in California as a debacle. The problem is, what happened in California has nothing to do with what we're doing here. In California, what happened in 1978 -- passed an INR proposal, Proposition 13, that put a cap on property taxes of 1 percent on what the purchase price was. And that cap remains forever. So, in other words,

if you bought a house in 1977, in California, you will never pay property taxes above 1 percent of what you paid for that house. That did, in fact, cause a reduction in funding at the local level, and it caused problems in the schools. But that's not what we're talking about here.

The proposal by Assembly Majority Leader Roberts is, clearly, revenue neutral. We are going into this knowing we're going to have to make up whatever reductions we make in the property tax situation.

Similarly, in Massachusetts they also passed an INR proposal. And what that did was, it said that the property tax levy ceiling, the amount raised, could never exceed 2.5 percent of the cash value of all taxable property in the municipality; and that it could not increase from year to year by more than 2.5 percent, with certain exemptions for growth and for -- and through override exclusions passed by the voters. That initiative also included some other provisions, some of us -- which would be favorable to us, including a limit on state agency assessments on municipalities, prohibiting unfunded mandates, and repealing the binding arbitration statutes. They also raised the motor fuel taxes, and they allowed cities and towns to categorize real estate into four classes, which I just testified, today, we don't want to see happen. So it's a different situation.

Lastly, we hear about the constitutional convention that occurred in Rhode Island in 1986. Now, I attempted to get documentation on what the legislation creating that convention said. I'm in the process of getting that. But in the past couple of days, I've had some conversations from people in Rhode Island, including the executive director of their municipal league, and a senate staff person who was involved in that.

The difference in that situation and ours is that they did not have, set out -- they did not set out the parameters that we're trying to do here, in terms of the scope of their convention. And then, afterwards, the person said -- and I'm going to confirm this with you -- it's our understanding that it was determined that they weren't allowed to limit the scope of their convention by their own state constitution. Our general counsel says it's not the case here. And Majority Leader Roberts said to me that he'd look into that, as well. I don't believe that to be the case.

So, while we respect the concerns expressed by our opponents on this legislation, I don't think they're wellfounded. We would support amendments to help allay those concerns, certainly. And let's vote on this legislation, on its own merits, and not compare it to situations that occurred in other states that are really significantly different to what we're trying to do here.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions? (no response)

Thanks again.

MR. CAREW: Thank you.

ASSEMBLYMAN STEELE: Okay. The Executive Director of New Jersey Future, George Hawkins.

G E O R G E H A W K I N S: Good afternoon, Mr. Chairman.

My name is George Hawkins. I'm the Executive Director of New Jersey Future, a bipartisan--

ASSEMBLYMAN STEELE: Red light, please. (referring to PA microphone)

MR. HAWKINS: --a bipartisan organization in the state very concerned about the viability and future of the landscape.

I'm joined by Tim Evans, our Research Director.

I have the interesting opportunity to suggest to you, fundamentally, that this bill is a spending bill at its core, and that by its approval and passage we may be able to respond to the spending problems we have in this state, as well as revenue.

I come to that conclusion by reviewing the consequence of what's known to most of us as the ratables chase. The last time I spoke before you, I talked of my experience in municipalities. Most towns do not want young families with children because of the cost of education, relative to the property taxes raised.

That fundamental disparity, which everyone agrees is a problem in this state, leads to an unseemly competition of every municipality, for rational reasons, seeking to entice new commercial ratables into their towns to make up for the financial losses that they see in other expenditures for education.

Now, the consequence of this ratable chase, as we've discovered as we've analyzed the numbers, is this is not all new businesses coming to New Jersey. This often a shifting of businesses from one municipality to the other. So you, essentially, have a receiving zone of new business, and a leaving zone where businesses have left. And in both sides, expenditures increase. And that's a direct result of the current property tax system.

For the areas that are inciting new business to come forward -- and this is the Central Jersey corridor along Route 1 -- we've analyzed property tax increases. And despite the remarkable increase in commercial ratables in the

municipalities along Route 1, those are some of the highest property tax increases, as well. Because we know as soon as the new businesses come in you need new roads, you need new infrastructure, you need new sewers, you need new water lines, you need all of these infrastructure expenditures. You need new police, you need new fire. And those are direct expenditures that hit at every level of government: local, county, and at the State. And this is in the new towns that are trying to entice commercial ratables.

But, of course, we have the towns that are left behind. They still have infrastructure, and schools, and roads, and old buildings, and old places of business that are now dilapidated and falling to pieces; where the State, and the towns, and the counties must try to come in and refurbish those areas and bring them up to par. That, once again, is an expenditure of resources.

And that is driven, fundamentally, by the undercurrent that each town, because of our preponderant concern with property taxes, is seeking to take and gain new commercial ratables. The ratables chase.

The fundamental consequence is both environmental-- We all know that every new development that is put out in the hinterlands is covering over precious farm fields and ecological resources of this state which, by the way, are also an economic boon. More than a billion dollars comes into New Jersey because of its ecological resources. And when we cover them over by development, we are directly having consequence to an economic engine. There's an environmental consequence of great concern. And there's a financial consequence of great concern. This is the issue of the duplication of expenditures.

So New Jersey Future strongly supports this bill, strongly supports the convention as we have stated in the past -- bipartisan on our board. We urge this Committee to release it. We are impressed by its leadership and suggest that what this-- Property tax reform is not a panacea. The next day, if there is reform, it will not fundamentally change. This has built up for decades of having this commercial ratables chase cause this imbalance and duplication of cost. But this is an attempt to shift the root cause, the underlying structural incentives; to drive our economic growth, and of the funds that we are going to expend, in places where there's already infrastructure, rather than duplicating those expenses and spending them again, all over again, in new open spaces -- which have obvious environmental consequence.

So we support the effort. We are grateful to be here and thank you kindly.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions? (no response)

Job well done.

The Sierra Club.

Jeff Tittel.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Not here, Mr. Chair.

ASSEMBLYMAN STEELE: Not here.

The National Federation of Independent Business.

John.

J O H N H O L U B: Good afternoon, Chairman and members of the Committee.

My name is John Holub. I'm the State Director for the National Federation of Independent Business.

NFIB is the largest small-business advocacy group in the nation. We have over 11,000 members here in New Jersey. Our members are your local bagel store, your florist, but we also have small manufacturers and farmers. You name the type of industry, and they're a member of our association. As we like to say, we represent Main Street, New Jersey, not Wall Street.

And on behalf of NFIB's 11,000 members, I'd like to respectfully inform you of our strong opposition to the legislation that you're considering today.

For far too many years than we can count, the small business community and, for that matter, all New Jersey taxpayers have heard elected official after elected official promise to address the property tax crisis that exists here in New Jersey. And for more years than anyone can count, the property tax crisis has never been properly addressed. An open and honest discussion on this issue is needed to address the problem of skyrocketing property taxes. And that simply cannot be achieved by the legislation that you're considering.

And, Mr. Chairman, I have to be honest with you. Over the last couple of months, I've had a lot of meetings with my members and I've briefed them on this issue. And the response has been the same at every one of these meetings. Every time I get to the part of the legislation that has to be -- any proposals have to be revenue neutral, they laugh. They absolutely laugh. And the reason they laugh is because they're business owners. And they know in order to keep their business going, and grow, and expand their business, when it comes time to balancing the books, they can't just look at how much money

they make. They have to look at how much money they spent. It's just a simple matter of examining both sides of the ledger. And they believe that State government should do the same.

And now it's time for the New Jersey elected officials to do what they've promised taxpayers over the last decades, and that's to find a fair and equitable solution to the property tax crisis. Now is the time for you, as elected officials, to do what you were elected to do. An open, and honest, and thorough discussion of the property tax issue is needed.

And that's why we strongly oppose this legislation.

Thank you, sir.

ASSEMBLYMAN STEELE: Thank you very much, John.

Any questions? (no response)

Thank you.

The Center for Policy Research of New Jersey.

Gregg Edwards.

G R E G G E D W A R D S: Good afternoon, and thank you, Mr. Chairman.

My name is Gregg Edwards.

ASSEMBLYMAN STEELE: Red light, please. (referring to PA microphone)

MR. EDWARDS: Pardon me?

ASSEMBLYMAN STEELE: Red light.

MR. EDWARDS: My name is Gregg Edwards. I'm the President of the Center for Policy Research, which is an independent not-for-profit that focuses on public policy issues facing the state.

Thank you for this opportunity. You've all been very patient throughout this hearing.

The Center had the privilege of being invited by the Task Force that created this proposal to testify at one of its public hearings, which we did. We also, previous to that, reviewed documents that the Citizens for the Public Good used for their citizens convention that they held a year ago in the Fall.

When Majority Leader Roberts began his presentation, he credited this Committee as being the hardest working Committee in the Assembly. I have no doubt about that. To me, your shining light really is when you worked on the lieutenant governor proposal, the amendment that, hopefully, will appear on the ballot this November.

I raise that because I think the Committee's goal in that process was to create a product that was widely supported. One that, in fact, has won a lot of bipartisan support. And I believe when that question gets on the ballot it will pass, in large part because of this Committee's hard work to develop a proposal that has broad interest.

My concern here, frankly, Mr. Chairman, is that we're working in the exact opposite direction of this constitutional amendment proposal. What we're doing is narrowing our interests to the point where it will not be supported in any sort of bipartisan fashion, that there will be more organizations opposed to it than in support of it. The organizations to whom the Committee amendments appeal, frankly, are those who have already said they're opposed to it. Nothing is being done to make this proposal something that will increase its support at the November ballot. And if you want to solve the problem of property taxes, I think you need to do that.

Now, I want to affiliate my remarks with much of what you heard from Art Maurice today, from New Jersey Business and Industry. Art raised some very good points. I will try not to repeat any of them.

But I do think it ought to be noted that if these amendments are adopted, it is very difficult to say that this bill is, in any way, the product of the Task Force that met in the Fall. The departures from that report will now be significant. I think the most significant one is moving the delegate election from November to April. The Task Force had a lengthy discussion over that, came down on the side of November elections -- I think rightfully so. To change that, I think-- I would be surprised if the Task Force would even support that any more.

The other big issue that may not seem so much of a change, but I'm frankly astounded at, is to say that no consideration can be given of a statewide property tax. Now, I'm not here to say that's a good idea or a bad idea. But to say the convention can't consider it at all is to suggest that somebody has an idea in their breast pocket that they're going to pull out at some point in time and say, "Well, here's the proposal that we're going to enact." I would hope that we want this convention to have a fair, open, and honest dialogue about not just tax policy, but spending policy also.

And as Tom O'Neill observed, if you now give special carve out in the statewide property tax, you're going to hear more requests. And you've already heard one at this witness table, which was, "Well, let's not consider the uniformity clause in the Constitution." Now we're not really going to have an honest debate. It's just going to be, "Well, what special interest group can now

get their issue taken care of before the convention even meets?” It’s a very bad process, I think.

Let me turn, briefly, to the issue of the election of delegates. I think suggesting an April election is a major setback. There is only one reason, and one reason only for having elections occur at any time other than November. And that, frankly, is to limit voter participation. History shows that. You can’t prove to-- You can’t show anyone a school board election that, in any way, approached the turnout that we have at the November election.

I speak with some personal experience. I was twice a successful candidate for the board of election in my hometown. I don’t kid myself about how those elections proceeded. I was elected with 1,500 votes out of 40,000 people who could have voted.

They are cliquish affairs dominated, frankly, by special interests. And if you’re really concerned about getting special interests out of the election process, then the best thing you could do is move that election back to November, when real people vote in real numbers. I think that’s very, very important.

Now, I suggest that some of the property tax commission -- because if your concern is, “Well, we don’t like the idea of having the convention ballot question on the same time the delegates are elected,” then bifurcate them. Hold them in two successive November elections. I know that makes time drag on a little more. Frankly, I think this issue is important enough that that issue shouldn’t really drive the process.

I did suggest to the Task Force that one way of addressing that is, if the question passes this November and the people say, “We want to convene

a convention,” then set up a process, whereby, through a process, I would say, similar to the way we now select the tie-breaking member for the Congressional Redistricting Commission -- to select a convention chair. The convention chair would get selected shortly after the November election. And between then and the next November election, that individual could use all that time to begin to prepare for the actual convention itself. And I’d argue you really wouldn’t lose any time, none whatsoever.

I think Art’s point about the collapsing of this whole process into three months is a real problem. And I don’t know how you can expect people to meet full-time like that and not compensate them at all. I think you’re severely limiting the people who are going to be able to serve under those terms.

I’m not going to repeat the stuff on spending. We have voiced our opinion in the past that you can’t have a discussion about fiscal policy without talking about spending and tax policy at the same time. I have to, frankly, say that you can insert language into this legislation as many times as you want about saying the convention needs to guarantee sustainability. That language won’t be worth the paper it’s written on. The reason why is, the convention itself will not have the tools to ensure sustainability.

All the convention will be able to do, I believe, is to place in the Constitution automatic triggers that will say, “Every time spending demands it, a tax increase has to occur in order to keep the reliance in the property tax down.” That will not solve a single problem. In a couple of years, you will have the same taxpayers back here voicing their opposition to the level of taxation. You have to consider both sides of the ledger.

I also want to say that, frankly, if you look at this list of amendments, you really feed the cynicism, I think, of some people who have been skeptical about this process in the first place. We move-- The proposals to move elections to April, when special interests have their greatest success at controlling what happens in the ballot-- You severely limit contribution to candidates so that these same special interests, who are able to organize through force of their own membership, have an extreme advantage, while Joe Citizen, who just may want to put himself on the ballot, has a much more difficult time raising money and, of course, isn't going to have the support of these organizations to win.

We've carved out collective bargaining, which I don't understand in the first place, because we basically said, "Spending can't be discussed anyway." So why do we need to have any more protection for public employees? But we're going to do that anyway. And then we say public employees are going to get compensated for the time they spend at the convention.

Frankly, if you really wanted to make this a cheaper, more efficient process, let's just write a bill that says that the executive committees of the NJEA, the CWA, the AFSCME, the PBA, and all the other public employee unions will get together on a date certain and come up with their own property tax relief plan and present it to the people of New Jersey. I think that's, kind of, what this whole process is leading to.

I want to end where I started, Mr. Chairman. I think that there's a tremendous opportunity to get this process under way. I'd encourage this Committee to strongly think about the need to produce a document, like the

lieutenant governor proposal, that engenders more support, doesn't chase away the limited support that it has today.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much, George.

Any questions? (no response)

The next speaker will be from the New Jersey State Chamber of Commerce.

Mike. (no response)

The League of American Families.

John Tomicki. If you would, John.

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

ASSEMBLYMAN STEELE: Pardon me?

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

ASSEMBLYMAN STEELE: I'm well aware.

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

ASSEMBLYMAN STEELE: Oh, okay. (laughter)

We're in agreement now.

John, welcome.

JOHN T. TOMICKI: Good afternoon, Mr. Chairman.

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

I would like to note for the record, first, the admonishment I received this morning. And I hope the NJEA doesn't mind me reading at least two verses from the Bible, where we were admonished this morning. "When

there are many words, transgressions is unavoidable.” Therefore I will be extremely brief.

But I also note for the record that Assemblyman Conners, Assemblyman Hackett, and Assemblyman Mike Carroll, unfortunately, are no longer present. I don’t take any personal disrespect for that, but relative to what Mr. Edwards just testified to, we’re hoping you will actually have not made up your mind and hold the process right now because of the objections that have been raised.

Number two, I’m sorry the AARP member is no longer here, because I am a member of the AARP. And I’m sure tomorrow’s headlines in the print media will be, “1.3 million people now support.” Well, let me tell you that there are a lot of members of our organization who also are members of the AARP, and we do not support the constitutional convention.

Mr. Chairman, this process now has moved in such a way that we shouldn’t call this a constitutional convention on property tax reform, we should call it a constitutional convention on the things that we cannot consider -- because the list is growing, and growing, and growing, and growing. So I do wish to associate, in the brevity of time, our remarks with those of Assemblyman Carroll; Mr. Edwards, except for the comments relative to lieutenant governorship, because we still think that can be reformed; and also with that of Art Maurice.

Mention was made about polling -- how much polling supports it. Well, in the polling that we’ve done, right now, Mr. Chairman, I can tell you that, so far, the results are 100 percent in favor of the following: that we favor

a special session, now, rather than spending \$4 million for a property tax convention that will enable -- will probably result in raising taxes.

And when you pose the question that way, Mr. Chairman, you do not get the results. Because the people, as they see it-- As a matter of fact, I was sitting here today, in a jocular mood and saying, "Well, maybe what our organization should do is hold a training seminar, calling it Con-Con 101," to try to get people to understand what's really in these documents. Because what Mr. Maurice talked about, in his brilliant analysis of the word *intangible* -- which we also would delve into in depth but will not take the Committee's time -- it is a significant problem to deal with.

Now, it is said in your opening words in your legislation that political power is inherent in the people. If that isn't true, I ask you now, give us a special session. If it is true that all political power is inherent in the people, I say, "Give us initiative and referendum."

When Assemblyman Roberts -- and I wish he was still in the room, because I would like to confront him directly -- am I talking to Assemblyman Roberts, am I talking to potentially Speaker Roberts, am I talking to Assembly Majority Leader Roberts, or am I talking to delegate Roberts? Because when he went through the litany list of the people that would be available to run for the position, it all came down to the list. And no disrespect to public employees because, right now, in a tragic way, we've got thousands of public employees who are doing their job as they see it, who now are, across this country, being ridiculed because we're supposed to be the great state of corruption because of all the indictments and resignations from office. And that's not what a public employee is.

But when you so draft your legislation so that you're making the people, who I think is the biggest special interest group -- having to be almost exempted out of the process--

We agree with Mr. Edwards on the changing of the vote time. First of all, you've got different voting schedules, different machines. People would get confused. You have to, if it goes forward -- and we hope to do everything in our power to convince a no vote, even though I don't think you're going to get the super majority through your constitutional amendment, you have the legislation -- but we would still urge a definite no vote.

I would urge all people who are listening by way of Internet to take today's *Star-Ledger* and read the opposite of the editorial page. I wish the NJEA was still present here. They should read what my brother, Reverend Reginald Jackson, said about what's happening within the educational system and what is going on with school choice. And read Paul Mulshine's column relative to what's happening with pensions.

They are erudite, they are correct on point, and it's to have -- as you've heard now, in the last three or four speakers -- to have a free, and open, and fair discussion. Or have the votes already been decided, Mr. Chairman, since the other members are not here. We'll see what happens on the vote.

Now, Assemblyman Roberts said, "This is not the best, but it's the only thing." Well, I don't accept that, because public service is supposed to be a theater of virtue. And why do I want to check something that's second best? Because you say that's the only thing that can be done? This is not the time to compromise. This is the time to strike, because this state wants tax relief now.

I was very concerned when Assemblywoman Greenstein talked about special interests. And I would want to ask her now, "Who do you mean by special interest? Please define." It's not in the eyes of the beholder. Identify. We understand the television ads that are going on, on behalf of the NJEA. Are they, in fact, a special interest group? Are they one of the largest labor organizations in the state? Why do you exempt private individuals and private corporations from making donations? Are you violating the right of free speech?

To be a little more (indiscernible) technical, to allow the justices of the Supreme Court, who apparently have difficulty even reading the Constitution -- when they allowed certain bonds to go forward and be sold when they were flatly unconstitutional, when they couldn't read clearly your statutes on substitution of candidates for office and they make up their own rules -- I don't know whether I really want the judges of the Supreme Court functioning in that way or reviewing the work product of the citizenry. Let them stay in their job, on the separation of powers.

I agree that the amendments that you're proposing right now makes it worse, but it's made my job easier because we believe, at the end of the day, people want a fair, open, and transparent process. And I'm hoping that Governor Codey -- because I'd hate to call him Acting Governor, because, as we've said before, we might differ with him on policies, but at least he is a man with no guile, he tells you straight where it is. He supports, I believe, in concept, the special session.

And as we said before, it may be illegal for us to do this. We don't know. And I'm not going to ask our legal counsel. But if you people would

come back in a special session, we will provide the necessary wherewithal, the food, whatever else is necessary. Do what they did in 1787. Lock yourselves together. And it can be done if you really want to get a serious (indiscernible) discussion. Because that's what you're elected to do, not to create the problems, but to solve the problems.

We just pray that wisdom and truth will prevail rather than political necessity, because this is too much of an important time. People are moving out of the state. The middle class is moving, businesses are moving out of the state. And you people could put a stop to it if you want to get serious.

I know, Mr. Chairman, you're serious.

I know, Assemblyman Azzolina, you're serious.

I don't see the other three Assemblymen here. And even though Mr. Carroll is a great man -- I helped him get elected when I was living up in North Jersey at the time. And I enjoyed his erudite questions. I wish he was still here.

But that all being said, we need tax relief now, not in two years.

Thank you so much, Mr. Chairman.

ASSEMBLYMAN STEELE: Thank you very much.

New Jersey State Chamber of Commerce.

Mike, you can come at this time.

MICHAEL E G E N T O N: Thank you, Chairman.

I'll be brief. I apologize. I was going over to the Assembly Appropriations Committee. We had another bill in there.

I was before this Committee with our ideas, thoughts, and concerns on the property tax convention. And, since then, our executive committee of the board has met. And they pretty much reiterated what I had mentioned to you

at the last hearing: that we also agree that any discussion of property tax reform must include a serious discussion about spending and cost-cutting measures, maybe such as consolidations of levels of government and the elimination of duplication of services, and other factors that currently challenge our state.

Reviewing the amendments and reaching out to some of our board members, we also have concerns in opposition to changing the date of the election. The election should stay in November, because if you ask the common Joe Q. Public, the common citizen about election time, the first thing that comes to their mind is November. We know the dismal turnout for elections in April. It's a difficult challenge. We don't agree with changing the elections to April. And we encourage that you take a step back and look at that again.

And my only other thought that I will leave you with, Chairman and members of the Committee, is, there is the fear -- I'll use the word *fear* -- within the business community about when we do ventures like this. As I said at the last hearing, and it's worth repeating, I pulled out the SLURP report that came out back in the early '80s, and it was interesting to see that the recommendations of that body, who really were challenged by the same thing that you folks here in the Legislature are challenged with -- looking at property taxes. And it was interesting to see that the recommendations in there, on the business community side, was change the whole corporate business tax structure. And, low and behold, two-and-a-half years ago, that was done.

And we often feel that we're the easy fix. We're looked at as the big pocket guys for the solutions to all the problems that ail our state. And there's a concern there. So I really hope that we don't go down that path.

I would also urge the Committee to give serious consideration-- We have a lot of good people within the Chamber business community that can serve on the convention, as well. And we look forward to being a part of that process.

So, in sum, it has to talk about spending. We agree, there's two sides of the equation. Even in my own home-- You know, "What are we bringing in, what are we spending on?" I mean, it's as simple as that. That has to be part of the mix.

And, secondly, we're opposed to changing the election date from November to April.

Thank you, Chairman.

ASSEMBLYMAN STEELE: Thank you very much, Mike.

The Executive Director of the Garden State Coalition of Schools.

Lynne Strickland.

L Y N N E S T R I C K L A N D: Good afternoon, I think.

ASSEMBLYMAN STEELE: Good afternoon.

MS. STRICKLAND: Thank you for the opportunity.

ASSEMBLYMAN STEELE: Press red for me. (referring to PA microphone)

MS. STRICKLAND: It's on now.

Good afternoon. Thank you for the opportunity.

To tell you the truth, I wasn't really going to say anything this afternoon. We're already on record with our testimony from the Task Force, as opposing a constitutional convention and in support of a special session.

But I wanted to clarify something that was brought up earlier with the presentation of the amendments, which was-- I believe Assemblyman Roberts said -- talked about, as did Assemblyman Van Drew -- the exclusion of statewide equalized school taxes from being on the table, essentially. As I read the amendment-- He didn't mention that it was school tax rates, but it is specifically school tax rates that would be excluded from being discussed at any convention.

I think it's worth a comment on that to make sure that the people understand it. Number one, it is only school tax rates that would be excluded and also, then, to point out the divisiveness that may come along with that exclusion.

School tax rates have been somewhat skewed by a funding formula that hasn't worked since it started nearly 10 years ago, as we know, and hasn't been run, essentially, for the last four years. We take -- we watch the school tax rates, and we do, annually, a report on the statewide equalized tax rates of all three: school, county, and municipals. And we just finished up on the 2004 tax rates. For your information, more than 360 municipalities -- we use DCA figures -- more than 360 are above the statewide equalized tax rate. It's quite a divergence like that. So you will have a whole bunch that could be frozen in to what already feels like an inequitable situation, in terms of your school tax rates. You will have few that will really benefit by having that off the table.

I'm hopeful, and would request that before something like that get merely forwarded along with an amendment, that an analysis and evaluation is done as to the impact on what could occur, and how districts could respond and

feel about that. I suspect you will have less support if it was made public and the impact was discussed.

Thank you.

ASSEMBLYMAN STEELE: Thank you very much.

Any questions? (no response)

Thanks again.

MS. STRICKLAND: You're welcome. Thank you.

ASSEMBLYMAN STEELE: Bill A-5269-- We'll entertain a motion.

ASSEMBLYMAN HACKETT: Motion.

ASSEMBLYMAN CONNERS: Second.

ASSEMBLYMAN STEELE: Roll call.

ASSEMBLYMAN CONNERS: Are we doing amendments, or are we doing the--

ASSEMBLYMAN STEELE: With amendments.

Are you okay, my brother?

ASSEMBLYMAN AZZOLINA: Go ahead.

ASSEMBLYMAN STEELE: Okay, roll call.

MS. ESPENSHADE: To vote on amending A-5269 as put before the Committee, Assemblyman Carroll has voted no.

Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: No.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Yes.

Motion to move the bill as amended.

ASSEMBLYMAN HACKETT: So moved.

ASSEMBLYMAN CONNERS: Second.

ASSEMBLYMAN STEELE: Roll call.

MS. ESPENSHADE: Assemblyman Carroll has voted no.
Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Abstain.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Yes.

The bill is reported out.

ACR-25 -- amendments.

Motion?

ASSEMBLYMAN HACKETT: Motion.

ASSEMBLYMAN CONNERS: Second.

ASSEMBLYMAN STEELE: Motion and a second on the
amendment.

MS. ESPENSHADE: To amend Assembly Concurrent Resolution
25, Assemblyman Carroll has voted no.

Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Abstain.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Yes.

A motion to move on the bill as amended.

ASSEMBLYMAN HACKETT: Motion.

ASSEMBLYMAN CONNERS: Second.

ASSEMBLYMAN STEELE: Roll call.

MS. ESPENSHADE: To release Assembly Concurrent Resolution
25 as amended, Assemblyman Carroll has voted no.

Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Abstain.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Yes.

It's reported out.

The next bill will be A-3676.

MS. ESPENSHADE: Assembly Bill 3676 creates the office of inspector general. It is based on Executive Order Number 7, issued by Acting Governor Codey on November 29, 2004, which established such an office.

The purpose of the office is to centralize, in one office, the responsibility for reviewing, auditing, evaluating, and overseeing the expenditure of State funds by, and the procurement process of, State departments and agencies, independent authorities, county and municipal governments, and boards of education.

The Committee has before it specific amendments that clarify the authority for determining the personnel policies necessary for the office of inspector general and clarify that prevailing national and professional standards will govern in the inspector general's conduct of audits, investigations, and performance reviews, rather than currently recognized.

Clarify that the procedure is to govern as to what -- the procedure, which will govern the compulsion of testimony or document production when a person fails to respond to the inspector general's subpoena of such testimony or documents; provide explicitly that when informed, in response to a referral of a matter to a prosecutorial authority, if the matter is undergoing criminal investigation, the inspector general is to preserve the confidentiality of the existence of that investigation; to provide that the inspector general's disclosure of information received in response to matters referred shall be limited to the extent that such disclosure is consistent with preserving the confidentiality of ongoing investigations.

The amendments to this bill will make the bill the same as Senate Bill Number 2195, the Senate Committee substitute, as amended in the first reprint.

ASSEMBLYMAN STEELE: There were two persons to speak on this issue that are not present. The League of American Families and the New Jersey State Chamber of Commerce. Obviously, they have resolved.

Is there a motion on the amendment?

ASSEMBLYMAN CONNERS: Move the amendments.

ASSEMBLYMAN HACKETT: Second.

ASSEMBLYMAN STEELE: There's a motion and a second on the amendment.

MS. ESPENSHADE: On the motion to amend Assembly Bill 3676, Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Yes.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Yes.

On the bill.

ASSEMBLYMAN CONNERS: Move it.

ASSEMBLYMAN HACKETT: Second.

ASSEMBLYMAN STEELE: Roll call.

MS. ESPENSHADE: To release Assembly Bill 3676 as amended,
Assemblyman Carroll has voted yes.

Assemblyman Azzolina.

ASSEMBLYMAN AZZOLINA: Yes.

MS. ESPENSHADE: Assemblyman Connors.

ASSEMBLYMAN CONNERS: Yes.

MS. ESPENSHADE: Vice Chairman Hackett.

ASSEMBLYMAN HACKETT: Yes.

MS. ESPENSHADE: Chairman Steele.

ASSEMBLYMAN STEELE: Yes.

The bill is reported out.

(MEETING CONCLUDED)