
Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON CONSTITUTIONAL REFORM AND CITIZENS PROPERTY TAX CONSTITUTIONAL CONVENTION

*"Testimony regarding the Uniformity Clause of the
New Jersey State Constitution and exceptions to uniformity"*

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: September 7, 2006
1:00 p.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Bernard F. Kenny Jr., Co-Chair
Assemblyman John J. Burzichelli, Co-Chair
Senator Fred H. Madden Jr.
Senator Leonard Lance
Assemblyman Louis M. Manzo
Assemblyman Richard A. Merkt



ALSO PRESENT:

Philip N. Liloia
*Office of Legislative Services
Committee Aide*

Timothy P. Lydon
Linda Schwimmer
Senate Majority
Kay Walcott-Henderson
Gina LaPlaca
*Assembly Majority
Committee Aides*

John Hutchison
Senate Republican
Mary C. Beaumont
Joseph Glover
*Assembly Republican
Committee Aides*

***Meeting Recorded and Transcribed by
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ASSEMBLYMAN JOHN J. BURZICHELLI, (Co-Chair):

Good afternoon.

We welcome everyone to this Committee hearing, as we continue our discussion of our New Jersey State Constitution, in relation to property taxes, and how they are structured and how they are levied across the state.

My name is John Burzichelli, serving the General Assembly.

Today's meeting will be chaired by my colleague and Co-Chairman, Senator Bernard Kenny.

I'm very pleased to pass the gavel to the Senator, and he will bring the meeting to order.

Senator.

SENATOR BERNARD F. KENNY JR., (Co-Chair): Thank you, Mr. Chairman.

The gavel, as a matter of formality.

The Chairman and I have been rotating these meetings. This is our third. And he will be presiding over the next meeting, which I believe is next Thursday, which will be a continuation of the subject matter.

Just to recap the first two meetings, and to put into context the role of the Constitution with respect to property taxes: The Constitution requires that all property be taxed uniformly, according to its true value, and that that true value be established by local property tax assessors. So that's the underpinning of the Constitution -- that all property be taxed according to its true value by local property tax assessors.

Then the Constitution has four specific constitutional exemptions in the Constitution: religious, charitable, nonprofit, cemeteries,

maybe one other. They are protected in the Constitution. And if we changed any of that, we would affirmatively have to amend the Constitution.

Third, the second exception are exemptions that the State Legislature can give to property taxes -- not partial exemptions, which are not permitted, but full exemptions. And those number between, say, 200 and 300. And OLS, the Office of Legislative Services, is gathering information as to how many such exemptions there are in the State of New Jersey.

Then you have less than 10 constitutional amendments that give different treatment to different people for the purpose of property tax relief, such as senior citizens, military veterans, tax abatements. Those are all constitutional amendments.

So that comprises the framework. So all the testimony today should be around the Uniformity Clause, exemptions, constitutional amendments, and the constitutional exemptions. That's our framework. And I would ask that you keep your testimony within those areas.

We have a long list of people. A lot of this testimony is going to revolve around the classification issue, around the exemption issue, and around the constitutional amendment issues. So I would ask that you not be repetitive and that we try to be concise in our remarks. If a panel comes up of three or four people, I don't want three or four people repeating the same statement. One person can speak for the panel, knowing that the other two or three people that are with him or her represent similar interests, for example. So I don't need four statements saying the same thing. Because we are working on this, and we want to gather information.

And the purpose of this whole exercise is twofold: Number one, to educate ourselves and the public as to the role of the Constitution of the State with respect to property taxes in the state, which is significant; and secondly, to determine what steps, if any, we as a Legislature, we as a body, should recommend to the Legislature for consideration.

So, with that opening, I will call the Regional Plan Association forward. (no response)

Regional Plan Association? Are they present? (no response)

I don't see them here.

So then we'll start with New Jersey Business and Industry.

Now, as a matter of preface, this topic will basically address the classification issue.

The Uniformity Clause, as I said, requires all property to be valued according to true value. Classification would permit us to amend the Constitution to allow properties to be valued differently. For example, we could choose to value commercial property and industrial property at a higher rate, thus allowing more property taxes to be garnered from that sector to afford property tax relief to homeowners -- homeowners being an objective of this Committee.

Mr. Maurice.

ARTHUR MAURICE: Thank you so much, Senator.

Before I start my remarks, let me just preface them by saying that I will be very, very brief. You have an outstanding group speaking on this issue.

I do want to introduce, in the audience, Carmen Venticinque, who is with the New Jersey Tooling and Manufacturing Association. They

represent the machine shops in the state -- very concerned -- 160 members strong -- Carmen. Also, we have Michael McGuinness from NAIOP, as well. And I guess he will be speaking in a bit.

As you said, Senator, there are a couple of ways that if you remove the Uniformity Clause, or the fairness clause, business taxes could be impacted. One, you could have disparate tax rates -- a higher tax rate on business. The other way is by the classification system, which would say that the assessed value that will be taxed -- a higher percentage of business value will be taxed than residential value. Now, either way gets the same impact. Businesses would pay higher taxes.

As we dug into this issue, we found that the local disparities in municipalities, between and among municipalities -- the impacts on businesses would vary widely. So, for example, if you had a tax exemption system for homesteads of 40 percent -- which was mentioned at a meeting -- statewide, businesses would pay about 40 percent more in property taxes. However, within municipalities, that can vary widely depending upon the amount of commercial and industrial property a town has. So my only point here is that this issue is so complex, it's like the policy of unintended consequences. Go down this road of removing the Uniformity Clause, and you will not know the impacts you will have on a similar business across varying towns.

Secondly, this is the third hearing that we've had on this issue. And this will be the most extensive. With all due respect, I'd ask that this Committee come to a conclusion quickly that the Uniformity Clause amendments are off the table. The reason I say that is because after you hear the testimony today, I think you'll agree that businesses that have

been paying 7 percent tax increases a year, businesses that pay the highest property taxes in the nation of businesses within any state, certainly shouldn't be hit with increases of more than 7 percent to a point where there's no maximum on them. How can you build an economy?

It's ironic. The same day the Governor is announcing his economic strategy plan for the State, you're considering a proposal which would have more impact on businesses, bottom line, than almost any issue I can think of.

So, I want to thank, again, Assemblyman Manzo, Assemblyman Merkt, for your statements at the last meeting announcing your support for preserving the Uniformity Clause. And I hope that your colleagues will soon follow.

Thank you.

SENATOR KENNY: Thank you, Mr. Maurice.

New Jersey Chamber of Commerce.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Senator, Tom Bracken, from the--

SENATOR KENNY: Delayed. Okay. I didn't notice that note.

Chamber of Commerce-- All these people?

Chamber of Commerce Southern New Jersey.

KATHLEEN A. DAVIS: Good afternoon, Chairman Burzichelli, Chairman Kenny, and members of the Committee.

I'm Kathleen Davis, Executive Vice President and Chief Operating Officer for the Chamber of Commerce Southern New Jersey.

And we're really pleased to have been invited here today to

testify before the Joint Committee on how changes to the Uniformity Clause -- and, in particular, to valuing commercial and industrial properties at a higher rate and, therefore, increasing taxes -- will impact business.

I'm joined today by a member of the Chamber's Board of Directors, Tom Heitzman, Executive Vice President for Whitesell Construction Company, located in Delran, New Jersey.

Mr. Heitzman is an expert in industrial and commercial real estate, and knows, firsthand, the challenges of making a project work: that is, building it, filling it with tenants, and then keeping those tenants. He sees the impact that New Jersey State and local government taxes, fees, and charges have on the marketability of commercial and industrial properties, especially in light of the competition from our neighboring states, whose overall costs are many times lower.

We at the Chamber remain firm in our call to government to reduce taxes by cutting spending and not by shifting the tax burden onto another segment of the community -- in this case, business.

With that, I'd like to turn the microphone over to Tom.

THOMAS HEITZMAN: Good afternoon.

Mr. Chairman, and members of the Committee, thank you for the opportunity to address you this afternoon with some of my views on any proposed modifications of the Uniformity Clause of the State Constitution, such that commercial properties would be assessed under different standards and/or taxed at different rates than residential properties.

By way of background, the Whitesell organization is a developer and owner of commercial real estate in southern New Jersey. We

own approximately 90 commercial properties consisting of 9 million square feet of industrial and warehouse space and 1 million square feet of Class A suburban office buildings. Combined, these buildings constitute one of the largest commercial -- if not the largest -- property tax ratable bases in Burlington County and southern New Jersey.

It is my considered opinion that increasing the share of property tax burden paid by commercial property owners will have three negative effects. One, it will negatively impact the state's reputation and competitiveness, and make New Jersey less favorable for existing businesses and even less attractive to new businesses. Two, it will cause values of existing commercial properties to fall. And three, it will seriously impede new commercial development and, in doing so, result in a loss of jobs and a significant loss of property tax revenue in the long-term.

Homeowners are not alone in experiencing spiraling property tax bills. Businesses have always been equal partners in this ever-increasing tax burden. However, under the current system, commercial properties already bear a disproportionately large portion of the property tax burden, when one considers that commercial properties utilize little in the way of governmental services. Commercial properties do not burden school systems. Police, fire protection, and emergency medical service are generally less impacted by commercial properties. Commercial properties generally do not utilize municipal trash collection, and, like everyone else, commercial real properties pay as they go for municipal water and sewer service.

In addition to the charges for property taxes themselves, commercial developers and owners are required to pay other substantial

charges imposed by State and local government. Although they are not specifically referred to as taxes, they're viewed as taxes by the development community and have the same economic effect as taxes.

For example, all costs associated with municipal permitting and inspection of new development are paid for by the developers through application and permit fees, which typically far exceed the actual costs incurred by the municipality. Developers are also required to pay the costs of municipal professionals involved in the land development process.

In addition, developers are regularly required to construct public roadway, water, and sewer improvements at their own expense, at costs that often exceed the project's actual impact on these existing public facilities. Added to that, commercial developers also are required to pay COAH fees, as contribution toward municipal affordable housing obligations.

These governmental charges are hardly insignificant, and a few relatively recent examples from our business help put the scale of these costs into perspective. Last year, my company completed a 520,000-square foot industrial building. And for this project, building permit fees alone were nearly \$345,000, and the COAH fee was nearly \$165,000. Last year, we also completed construction of a 163,000-square foot industrial building. And for that project, building permit fees were nearly \$112,000, and the COAH fee was nearly \$115,000.

The point of all this is that commercial property owners and tenants do not enjoy any freebies under the current system, and their negligible use of governmental services results in commercial properties already bearing a disproportionately large percentage of the overall tax

burden. Increasing property taxes on commercial real estate will increase the overall cost of operating a business here and will make New Jersey a less-favorable environment for business.

Analysis of this issue requires a basic understanding that, in commercial real estate, it is customary for the occupant of the property -- typically the building owner or tenant -- to pay real estate taxes. The way most commercial leases function, any increase in the property tax burden will automatically fall on the tenant, thereby increasing the annual budget cost of operating that property.

If more of the tax burden is shifted to commercial property, large national and regional businesses seeking facilities in the Mid-Atlantic region or the Boston-to-Washington corridor will view New Jersey even less favorably. And our state already suffers from an over-taxed and over-regulated reputation. It is also possible that some smaller local business tenants would default on lease obligations because of an inability to shoulder the additional tax burden.

In our business, we regularly hear prospective customers complain about the real property tax rates here in New Jersey relative to other places. My company competes against commercial landlords in eastern Pennsylvania, which has lower property tax rates generally, as well as specially designated zones where commercial properties are taxed at substantially reduced rates -- some not at all.

A few years ago, we lost an opportunity to provide a 1 million-square foot facility to a large, national company. The facility is across the river in Northeast Philadelphia, which abated all real property taxes for the 20-year term of the lease. The facility was built by a Pennsylvania

contractor, and I understand that 400 or so Pennsylvanians are gainfully employed there now.

Any increase in the tax on commercial properties will likely cause market values of commercial properties to fall, as tenants attempt to negotiate lower rental rates to compensate for the tax increase. Certainly, there will be strong resistance to any future rent increases in this scenario. A surge in real property tax appeals for commercial properties will likely ensue, which would only erode any tax revenues that might be shifted to commercial property.

Moreover -- and perhaps most importantly -- increasing the tax burden on commercial property will have a chilling effect on new development and will stunt the growth of the ratable base that uses the least amount of municipal services. Jobs in all areas pertaining to commercial development, such as architectural and engineering services, construction trades, building supplies would certainly be lost.

In our portfolio of industrial properties, annual real property taxes generally range from \$.70 per square foot to \$.90 per square foot. And I understand that in the northern part of the state, those rates are even higher. In a market where basically stagnant rental rates have ranged from \$3.50 to \$4.75 for the last several years, property taxes have ballooned and are now a significant added cost to business that should not be increased further.

When you consider that it is not uncommon for a modern industrial or warehouse facility to exceed 500,000 square feet, the bottom-line impact of New Jersey's existing property tax burden simply makes it a lot cheaper to do business elsewhere. To increase this burden for

commercial properties would be counterproductive to efforts to attract and retain businesses and jobs here in New Jersey.

Mr. Chairman and Committee members, thank you for your time this afternoon. I appreciate the Committee's understanding and consideration on this important issue.

Thank you.

SENATOR KENNY: Thank you, sir.

That was an excellent statement. And it properly incorporates much of what is to follow. But if everybody reads a statement at that length, a lot of people are going to not be able to speak at the end, because we won't have the time.

So, with all due respect, I ask people to please condense your statements and not to be as lengthy as the gentleman was, though his statement was very well researched and an outstanding representation of his clients' interests.

Thank you, sir.

MR. HEITZMAN: Thank you.

SENATOR KENNY: National Federation of Independent Business.

L A U R I E E H L B E C K: Good afternoon.

SENATOR KENNY: Before we take the next testimony, I just want to make one clarification.

This Committee is charged with examining the constitutional requirements, with respect to property taxes. And because we're hearing all of this testimony, it does not mean that we are endorsing any position.

It's been implied, from time to time, that this is a meeting. This is not a meeting, this is a hearing. We're not voting here today. So we're here to listen. And one shouldn't assume that because we're discussing these issues, we're taking the position one way or the other. And I think I speak for the Committee on that. And until we come to a conclusion at the end of the time period, when we're charged by leadership to make recommendations--

So would you please give us your testimony?

MS. EHLBECK: Thank you.

Hi. I'm Laurie Ehlbeck. I'm the State Director of the National Federation of Independent Business.

And on behalf of New Jersey small business owners, I'd like to express our concerns about the possible proposal to eliminate the State Constitution's uniformity or fairness clause.

We share the view of others in the business community that the first order of business to reduce New Jersey's high property taxes is to cut the cost of government, not by opening the door to yet higher taxes on the business community.

While I'm sure we all agree that New Jersey is in desperate need of meaningful tax reform, it won't be real reform if we simply increase property taxes for commercial real estate in an effort to decrease property taxes for homeowners. The Uniformity Clause was created to prevent this unequal treatment of business.

An increase in business property tax, as a result of this proposal, would imperil the State's economy, and could be the single most damaging tax policy change that could occur in New Jersey. Increased property taxes

are actually hidden taxes on consumers, because businesses will raise the prices of products in order to cover the higher tax. Higher prices on products and services will make New Jersey industry less competitive in both national and global markets. Elimination of the Uniformity Clause would surely put New Jersey at a competitive disadvantage with Pennsylvania, which not only still has the uniformity clause, but they're actively debating proposals to reduce business rates.

Small businesses make up more than 99.7 percent of all employers, and employ half of all private-sector workers in this country. Small business is presently leading our rapid economic growth. Over the past decade, small firms have created more than 60 percent of new jobs in our economy.

Despite their contributions to the economy, small businesses face a disproportionate regulatory burden. In addition, recent changes in tax laws have had a negative impact on their bottom line. Costs easily absorbed by larger businesses are often exaggerated for small business owners.

I was recently talking to one of our members, who incurred a \$700 penalty that occurred after her inadvertent -- inadvertently missing a quarterly tax in 2005. She was charged \$100 a month. And for larger business owners, that might not seem like a whole lot of money. But she was very upset about this \$700 fee. And she is actually thinking of -- this might be the straw that broke the camel's back. She might consider discontinuing her business.

These are real concerns by real people. I talk to these people every day. And while talking about this issue and other business issues with

my members recently, many of them have remarked that there is a breaking point where many businesses will decide to call it a day and close their doors, or move to a more business-friendly state.

This isn't idle talk. While reviewing past membership of NFIB businesses, there are many instances of businesses that have failed. And most of them cite the high cost of doing business in this state as one of the main reasons for not surviving. Our Main Street businesses are disappearing, and with them the option for New Jersey consumers to choose personalized service and neighborhood convenience. With the retreat of our neighborhood businesses, we also lose jobs in our neighborhoods.

In this uncertain environment, New Jersey should be embracing businesses in order to remain competitive, not further alienating them. We understand the difficult policy and political environment facing you and your colleagues as you take on this challenge. And we wish you success. And to this end, NFIB would be very happy to be part of a thoughtful discussion about how to achieve this goal.

I thank you for your time and attention.

And with me today I have Earl Hall, who is a small business owner in New Jersey and NFIB's Leadership Council Chair.

Thank you.

EARL HALL: Thank you all for having me here.

Is that on? (referring to PA microphone)

I come here today to ask you to please consider dropping the interest in changing the Uniformity Clause in our Constitution. As a small businessman, I operate in a very competitive environment. I have a printing business in Bordentown. And I've been there for 28 years. I have

always enjoyed doing business in New Jersey. But, recently, it's gotten even more competitive because of the advent of the computer. And everybody, now, is a printing expert on their own computer.

We have survived, we can survive, at the rate we're going. But the attitude of most of the legislators that I've talked to about this is, "Well, just pass the cost on to your customers." First of all, the customers feel kind of saturated, now, with costs. And a lot of them will choose -- and, in some cases, have already chosen to leave -- to try to do the work themselves. As I've said, we've been in business there for 28 years but are seriously considering other locations, and mainly because of this.

I also operate as President of the Chamber of Commerce in Bordentown. And two of our Chamber of Commerce members have already moved out-of-state because of the overregulation here. One had a photography studio -- was very, very successful up to a point, until things got out of hand. Another one was a bookshop. And I personally had a tenant that had to get out of business simply because of overregulation. And that was in the child-care business.

We can-- You know, this can be debated forever. But I think there is more fertile ground. I realize you have a challenge here to try to raise money for the State. And I don't think that this is a fair way to do it, through penalizing the business community, because they're already paying more for telephone service, more for banking services, more for licenses -- as the predecessor speaker here said -- that the fees, and the impact fees, and all the things that the developers pay are considerably higher.

And I would also like to point out that under, I guess, N.J.S.A. 54:4-34 -- that you already have a chokehold on the landlords in the state,

in that if they do not fill out a very, very invasive profit and loss statement for the local tax assessor -- and this is the kind of information that is normally very restricted and private between the businessperson and the IRS. Then they give up, mandatorily, their right to appeal their taxes. There is an appeal process here, but they give that up unless they are willing to strip themselves bare in the eyes of people who really don't have a right to know their internal workings.

SENATOR KENNY: I'm sorry, sir. Will you please summarize or conclude?

MR. HALL: Yes. I'm through saying what I have to say. And I just ask you to please look in other directions to raise the revenue for the State.

Thank you.

SENATOR KENNY: Thank you, sir.

And let me clarify something. We're not-- This isn't about raising revenues for the State. This is about examining the Uniformity Clause. And not that anyone here is taking the position for or against that, but if there were a classification, it would shift the property tax burden from one group of property owners to another, presumably giving homeowners a property tax benefit. And that's what the classification is all about. But it's not about raising money for the State. It's about shifting tax burdens within municipalities.

Thank you.

New Jersey Retail Merchants.

And I again request, on behalf of the Chair, that -- try to briefen your remarks. It's not necessary to read entire statements, because

they've been submitted to us, and they have been entered into OLS's archives. And, for the record, we have them. We have the entire statements. So I'm asking you to summarize so that everybody could have an equal opportunity to make their case. If those who are in the beginning take up all the time, then those at the end, who have equal things to say, are going to be shortchanged because we are going to run out of time.

Thank you.

Please introduce yourself.

JOHN HOLUB: Great.

Thank you, sir.

My name is John Holub. I'm the President of New Jersey Retail Merchants Association. And I have provided written comments, so I will try to be very brief.

In receiving confirmation, you know, confirmation I was testifying today, you asked that we assess the impact that a change in the Uniformity Clause would have on businesses. And it's really quite simple. Any diversion from the current uniformity that we have will result in -- that would result in an increase of the tax burden on businesses, will severely impact the economic vitality or the -- and that's what's left of the vitality -- of our state today.

I just want to point out to you, there was a really interesting -- hopefully everyone saw it -- an editorial in this past Sunday's *Star-Ledger*. And it did address most of the issues which you were just discussing, as far as the spending side of the equation, which we, as a business community, I think, feel is the most important issue to be discussed. So I won't bore you with the details, as far as what they felt -- the paper felt about that --

specifically that they really think that any sustained property tax relief is contingent on shrinking government.

But what they did also note is that the business tax increase in 2002 took an extra \$1 billion from companies. And, most importantly, they noted that economists are convinced that growing the economy is the way to provide more jobs and, consequently, more tax revenue. So increasing the business taxes would be very counterproductive.

As you all know, in recent years New Jersey has been repeatedly listed as one of the most unfriendly places for businesses to run and operate in the entire nation. And this is, in large part, due to the unpredictability of its tax policies. Sadly, I believe this discussion that we're having today really only adds to that unpredictability.

And I know, Chairman, that you mentioned that this is -- the Committee will only be offering recommendations. But we think it's very important that the Committee send a clear message to the business community, and to the entire state, that an increase in businesses taxes is not an option worth considering.

As you know, every business maintains a financial outlook based on revenue in relation to labor, production, and other costs -- especially taxes. And in order to stay in business, a company must have its costs remain relatively stable. I think that goes without saying. And it's especially important for retailers, who we represent, who on average have a net-profit margin on a product of only 1 to 2 percent. If costs were to increase in the form of higher taxes, businesses would sacrifice a proportional amount of revenue with no corresponding increase in sales or productivity.

To sustain their businesses, retailers would face a difficult set of choices. And we've heard them all before, but I think they bear repeating. And to sustain their businesses, they would have to either increase the cost of their products, which obviously stifles competition and ultimately hurts the consumer; increase the cost of their products -- I'm sorry, decrease the production costs and sacrifice quality of service; cut back on employers -- employees, resulting in a significant number of lost jobs. And the most difficult choice of all would be to close the store or never even open one to begin with. And it's my fear that New Jersey runs the most serious risk of this latter experience if a change in the Uniformity Clause were ever to be implemented.

SENATOR KENNY: Sir, it's not necessary to read your statement. We have all the statements. And everybody is reading their statements into the record. And I can tell you, having sat on committees, it's much more impressive for us when someone submits a statement and succinctly summarizes it, and makes their point. It's not necessary to read a statement that's already in the record.

Please continue.

MR. HOLUB: Thank you, Mr. Chairman.

I was just trying to highlight some of the more important parts of my testimony.

And I'll end with this then, and it's just the one last specific point I want to make: While it's easy for businesses to say taxes are too high and that it's going to inhibit growth and new investment, it is, obviously, much more difficult to prove. One can only speculate so much about something that didn't happen. But I can attest to you, from

conversations I've had with some of the largest employers in this state-- And that is, they've either delayed or stopped any of their plans to either expand or open new businesses, already, due to the already onerous burden of taxes in the state.

So I thank you for the opportunity to testify. And I, again, just ask the Committee to please strongly send -- send a strong message that the Uniformity Clause should not be changed.

Thank you.

SENATOR KENNY: Okay.

Michael McGuinness, from NAIOP.

Now, I know Mr. McGuinness is going to be able to be succinct.

MICHAEL M c G U I N N E S S: Yes, Mr. Chairman.

I've marked up my comments.

Let me be very succinct.

I'm with Allen Magrini, who is our President-Elect, from Hartz Mountain. He is going to say a few words, as well.

Very briefly, NAIOP is the trade association representing commercial real estate developers, owners, and investors. We represent about 500 members in New Jersey, 500 million square feet on holdings, pay about \$4 billion a year in property taxes to the State of New Jersey -- the industry, collectively.

A recent -- information from the Bloustein School, at Rutgers University, says that about 20 percent of what we -- of the property taxes come from our industry. Yet, on a whole, we represent only about 5

percent of the assessed properties. So, from the beginning, we think that's a little disproportionate.

Our members, and the industry in general-- We live in New Jersey, too. So we're property owners. We're the same group of people that you, the Legislature, and the Governor are trying to relieve the burden on. So we want to make that point today, as well.

So we think it's misguided to shift the burden from one sector to another, because we fear that it's going to result in less jobs and lower-paying jobs, as a result.

Very briefly, I just want to mention three represented firms in the state, south, central, and north. In the south, we have the Pureland Group, which maintains a large industrial park down in Logan Township, in Gloucester County. It's about 3,000 acres, 150 tenants, over a hundred buildings. In Logan Township, they pay fully two-thirds of the property taxes. So I guess the point is: How much more can they absorb, if you're to increase the levy there? Their tenants represent all facets of the community: food, medical, engineering, that type of thing.

Secondly, in the center part of the state -- South Brunswick, Monroe Township, you have Matrix Development Group, at 8A -- Exit 8A. Exit 8A is a huge industrial market, nationally recognized as one of the country's most dynamic distribution hubs. It has the potential for over 50 million square feet. It's very vital -- it's continuation is very vital to the Port of New Jersey and New York. And anything to jeopardize the port distribution facilities would play a -- reek havoc, really, on the New Jersey economy.

Lastly -- more in the north, but throughout state -- you have the Mack-Cali Realty Corporation, which owns about 23 million square feet of Class A office space throughout the state. They have a lot of holdings in Hudson County. And while Hudson County has been an economic development engine for the state's economy, we have to be very careful and vigilant that whatever we do does not give an edge to our competition.

Yesterday, you have might have seen in the *Wall Street Journal*, there was an article that talked about commercial real estate already being on the rebound after 9/11, as companies see Manhattan as a place to be, not to fear. So our belief is that any property tax shift to commercial properties would only make Manhattan more attractive. Hence, it would increase the risk of less jobs and industry in New Jersey.

Also in the *Star-Ledger*, I guess today, the Federal Reserve Bank, Philadelphia, stated that the economic growth in New Jersey has declined to its slowest rate in five years. Again, that's just another indicator that things are not as well as they could be. So we shouldn't really tamper with the current setup for property tax.

Again, we don't really think that if you're going to just shift the burden from one sector -- the residential sector -- to the commercial sector, that really addresses the reasons why property taxes are so high in the first place. So, again, we think it would be counterproductive to do such a thing.

Any jobs-- As jobs leave the state, we believe that planning and development would be dictated -- because of this shift in property, the property tax burden -- by property taxation, as opposed to good, smart planning, such is called for by the Smart Growth principles. So it's just another side effect that we fear might happen if, suddenly, some towns are

given the authority to raise property taxes higher for the commercial sector. It may force the -- or it may work contrary to some of the Smart Growth principles that the administration is espousing.

And, again, we'd just like to commend the Legislature, and all of you here today on the Committee, for attempting to tackle this difficult issue. And, again, we support you in examining the other side of the ledger, which is the expense side of what's causing these property taxes to be so high.

At this point, Allen Magrini, who is our President-Elect, just wants to say a few words to supplement the commercial (indiscernible).

A L L E N J. M A G R I N I, E S Q.: Again, good afternoon. And thank you.

I'm here as, again, President-Elect of NAIOP, and also as the Vice President of Hartz Mountain Industries.

For a quick background, I am formerly the director of economic development for the city of Paterson. I've been with Hartz for some 20 years. So I've been involved in business development, business attraction for over 30 years.

Hartz is the largest real estate developer and owner in the State of New Jersey, owning some 250 properties, 38 million square feet, of which we only occupy, ourselves, about 45,000 square feet. So we come here today, really, to speak about our tenants -- which range about 750 tenants -- their employees. And that's who we're really here to talk about.

As Mr. Tom Heitzman said -- and he made a tremendous statement -- in commercial leases, taxes are paid by the tenants. So it's

directly passed through to the businesses, and very little by the developer. That's just the way the industry works.

To change -- and I'm only going to talk about a few things that haven't been covered. And one of the major ones is that, in looking at real estate taxes, I think you have to look at them as part of the total tax package and total tax burden on New Jersey businesses and taxpayers.

When you consider a disproportionate shift in property tax burden to businesses, you have to look at the overall package in all the taxes. The Tax Federation report, from Washington, D.C., dated February 2006, "rated New Jersey as having the second worst tax climate for business in the country." We're rated 49 out of 50. New York was 50th. That was done prior to the last budget. My understanding is, there's been an addendum to that report, where New Jersey is now 50 out of 50, in terms of business tax climate.

To, now, even consider a disproportionate shift of property taxes to business just puts New Jersey completely out of the competitive market for continued growth in industry.

One of the things New Jersey does enjoy is a very significant location advantage. We're in the center of the Northeast Corridor, our proximity to New York City and other major markets-- We have a deepwater port, we have a tremendous population, a labor force, and infrastructure. And all I can tell you is that we are very -- we are all working very hard to overcome that advantage. An increase and shift of the tax burden only further compounds the problems.

We have to take advantage of our advantage of where we are located, where we are, and we cannot continue to tax the way we are. I

think we have to look at the spending side of the ledger. That's the main element we have to take a look at.

Other states immediately adjacent to us-- Pennsylvania has their KOZ zones. Where they talk about Keystone Opportunity Zones, it says, "virtually free of all state and local taxes." That's what they offer to attract businesses. Since 1990, they've created 23,000 new jobs, and retained some 20,000 additional jobs, and generated \$5 billion of additional investment. A significant number of those businesses are former New Jersey businesses, or businesses that were considering New Jersey.

The Bloustein--

SENATOR KENNY: Could you please sum up, sir?

MR. MAGRINI: Again, I think we have to be very careful. A disproportionate shift of property taxes to businesses could be a disaster for the State of New Jersey. Businesses already have less services, they pay more in taxes, and they pay more for services. And any additional shift can only hurt the New Jersey economy.

SENATOR KENNY: Thank you.

Just as a point of information, the KOZs that you referred to in Pennsylvania would require, if they were to take place in New Jersey, a constitutional amendment.

MR. MAGRINI: But that's who we're competing against.

SENATOR KENNY: But they would require a constitutional amendment; because they do not have a uniformity clause as we do.

Secondly, the origins of the Uniformity Clause, as was testified to by Professor Williams here, was because the railroads and the canals were undertaxed and depriving property owners of property tax relief. And that's

why the Uniformity Clause came in -- was to protect homeowners against the railroads and the canals, which were the biggest business interest at the time.

So this is a complex issue. And the two times the Legislature has gotten into trouble with the courts in New Jersey is when we've tried to lower taxes for businesses. And we've been taken to court, and we've been set back because of the Uniformity Clause. So it's-- There's a historic background to the history of the Uniformity Clause, whose origins have come about because they've been trying to protect regular property owners from business interest.

And one of the things we always hear in this room is "other states." Nearly 15 other states have some form of classification in this country -- nearly 15. OLS is doing the research. And a number of states have classification clauses. And we're doing the research as to that -- what is happening. And Senator Lance has specifically asked for this national research. And we're going to take that information and distribute it to the Committee and the public, as to the impact of classification on other states.

At the same time, we are devising scenarios in New Jersey -- a variety of scenarios, and we would have various classification suggestions, for lack of a better word, and how that would impact on the distribution of the property tax burden. And we're charged to do this, because we can't talk about the Constitution and property taxes without talking about the Uniformity Clause. So we have to research this issue. And the history is very complex.

But that completes--

Thank you, gentlemen.

That completes the testimony from the business community, which was largely about the Uniformity Clause and opposing any concept of classification.

The Regional Plan Association -- they'll come forward now. And they are also discussing a classification issue. In their case, what they are proposing is that vacant land be taxed -- or valued, I should say -- at a higher rate than occupied land. So a vacant piece of property -- the assessor would have the right to value at a higher value than land that is occupied by a building. That becomes a classification issue, as well, because it treats properties differently, as opposed to the same -- vacant land versus occupied land.

So would you please introduce yourselves?

THOMAS DALLESSIO: Good afternoon.

Thank you, Mr. Chairman.

I'm Tom Dallessio, Vice President and New Jersey Director of Regional Plan Association.

I have with me Alexis Perrotta, our Senior Policy Analyst, who is the author of a report that will talk about this issue.

First off, we do have written remarks, and I will summarize those remarks for you. But we do have the full remarks, as well as the full report, for the Committee's information.

We would like to thank Chairmen Kenny and Burzichelli, as well as the Committee, for this opportunity to speak before you today. We would also like to thank Governor -- and commend -- Governor Corzine, Assembly Speaker Roberts, Senate President Codey, and Republican leaders

Lance and DeCroce for the opportunity to provide this information and to talk about property tax reform.

As we work with mayors throughout New Jersey, time and again we hear how the current property tax system in New Jersey discourages Smart Growth. We are here to say that the property tax reform must consider land use, and constitutional reform should explicitly improve our quality of life.

Over the last two years, RPA has been working with the Lincoln Land Institute on a series of reports to address property tax reform and to improve the public understanding of the connection between property taxes and land use. As you may know, RPA is the nation's oldest independent planning organization, dedicated to improving the economic competitiveness and quality of life in our tri-state region. For over 80 years, we've been addressing issues such as infrastructure, the design of our communities, and protecting natural and cultural resources.

In brief, our report recognizes the heavy reliance on locally collected property taxes, and that it creates competition among municipalities for development that brings in tax revenues, while shunning development that would raise school and other costs. This often leads to perverse land use decisions, including limitations on residential land use, and it restricts the supply of housing.

The property tax effect is exacerbated by the highly fragmented government structure we have in New Jersey. And such extensive fragmentation and reliance on local revenues only impedes rational land-use planning and development. It also keeps the cost of providing public services high. Ultimately, the higher cost and wide discrepancies among

municipalities hurts not just lower- and fixed-income households, but the whole state.

Our most recent report, “Comprehensive Property Tax Reform,” makes several recommendations to address this problem. I will not go into those recommendations, except to say that unless we eliminate the local property tax system altogether -- which is a highly dubious prospect -- we will still need reform that specifically is designed to improve land-use efficiency.

Most relevant to today’s discussion, though, are the findings and the recommendations regarding differential taxation. While these recommendations would possibly require a change in the Uniformity Clause of the Constitution, a change would not differentiate between residential and commercial areas, as the Chairman has indicated.

I would like to, at this point, ask Alexis Perrotta, our Senior Policy Analyst and the author of the report, to provide some specific details.

ALEXIS PERROTTA: Thank you.

I’m going to talk about two specific reforms -- one briefly and one more at length -- that are in our report as recommendations.

The first is to vary property tax rates for new construction by State plan designation. And this would basically align tax incentives with land-use goals. And the tax structure would be changed at the margin. Most property owners would be unaffected. But there would be, basically, lower tax rates for new construction in urban areas, and in places where the State plan wants to encourage growth; at higher rates for new construction in ex-urban and greenfield areas. So this is our first recommendation, which you -- I hope that you will grow to understand, through the report.

SENATOR KENNY: Excuse me one second.

Could you just -- either one of you -- define, for me -- because our purpose is not to examine policy issues here today. But define for me how your issue is framed in terms of the Constitution, in terms of the Uniformity Clause, or exceptions to it.

MS. PERROTTA: Split-rate taxation is the second reform that I'm talking about. And that would require a constitutional amendment. In fact, there was one on the table in New Jersey in 1999. Assemblyman Michael Arnone proposed it. It didn't pass, clearly. It was also on the table in 1972, with the Cahill Commission. And then it was referred to as *site value taxations*. I'll define it quickly, and then talk about the constitutional kinds of implications.

SENATOR KENNY: We would just like your testimony confined to constitutional issues that you are proposing -- constitutional changes that you're proposing.

MS. PERROTTA: Well, the-- In order to implement split-rate taxation, which is a higher tax on land and a lower tax on property, you would need a constitutional amendment. That's related to, but not exactly, the Uniformity Clause.

When we looked at the issue -- looked at how it could be phased in, and what the best ways were to do that-- If you did a constitutional amendment, it wouldn't be a wholesale change, so that suddenly New Jersey's property taxes were very high for land and low for property everywhere all at once. It would be kind of an enabling legislation. The amendment would allow towns to choose the option of implementing split-rate taxation in their towns. And then we looked at what else that

might -- where that would lead for those towns; what other responsibilities the State should take on, if it were to do that; and, also, which places would benefit most. I can go into those recommendations, but it sounds as though that may not be -- this may not be the appropriate place for that. They are in the written testimony, however.

SENATOR KENNY: No, if it's in the testimony, that's fine.

But your basic recommendation is that vacant land be taxed higher -- or be valued higher -- than land with buildings on it, improvements on it.

MS. PERROTTA: Not exactly. What it is, is that land and improvements would be taxed at separate rates. And the tax rate for land would be higher than the tax rate for improvements. And the kind of underlying premise is that the value of land is viewed mostly by the value of public infrastructure investments. And so the value of land is most suitable for public recapture through taxes. Whereas, improvements to property -- such as the addition of a deck, or rehab of a building -- is really more of the property -- individual property owner's investment. And so it should be blightly taxed, or at least that property owner should be able to keep as much of that value as possible.

Now, what happens in theory, and what has happened in many towns, again in your neighboring state of Pennsylvania, is that many places that have a very high tax on land and a low tax on property have seen the property owners build out to the fullest extent of their land. They take advantage of the fact that when they add value to their property, their taxes won't necessarily go up. There are equity issues that are involved, there are potential issues involving farmland assessment -- which I'd be happy to go

into if you'd like. But that's the underlying idea. It's not exactly specifically for vacant land. However, if there are two pieces of land next to each other, one has nothing on it, and one has a building, the one with the building will be taxed a bit more because of the value of the property, but not nearly as much more as it is now. If the person building on the vacant land were to make an improvement, he would receive much more of that investment back than he would under current conditions.

MR. DALLESSIO: And, right now, the Constitution does not allow for that differentiation of taxation. The Constitution also does not allow for Smart Growth principles of encouraging towns, that are trying to use the State plan to encourage Smart Growth, to actually benefit from the taxation system. And so you would-- We would recommend that differentiation taxation program be enabled in cities, and in centers, and places where you want to encourage growth, not in places such as greenfields or in ex-urban areas, where you want to discourage growth.

So, by way of example, you would not encourage differentiation taxation on farmland areas, per se, because you don't want to encourage that farmland to be developed. But, given the choice, in an urban area where you have a vacant lot that should be developed, that has infrastructure, where the State's made commitment -- or the county or others -- of infrastructure, those areas should be developed. And the property owner who chooses to develop that area should be rewarded for his or her service. And whereas the property owner who continues to maintain that for landbanking, or for other purposes other than -- of higher use -- should be penalized through a taxation system.

MS. PERROTTA: I would add to that, that New Jersey already has in place various property tax abatement programs specifically geared towards distressed cities. These are effective in some cases -- in many cases, I would say. But they are not specifically-- They don't do two things. They don't specifically look at vacant land itself and what to do about landbanking, for the most part. And they also do not represent the kind of fundamental property tax reform. This is an opportunity to kind of change the way that everything works in order to not have as many programs piled on top of each other. So this is another reason why it might be a good idea.

SENATOR KENNY: And this would be permissive by a municipality?

MS. PERROTTA: Yes, this would be a constitutional amendment, which permits municipalities to have the option of implementing it. It wouldn't necessarily force any municipality to do anything.

I would add that in our reports we discussed the need for accurate assessments of land versus improvements on land, and how, in many of the places where this policy would be most beneficial, those assessments are actually the worst. So there's a need for technical expertise there. There's also a need for general education of municipalities, of tax experts, and that kind of thing, as to how this is to be implemented, how to phase it in over time, and that kind of thing. So there would be some technical assistance element to this, as well.

MR. DALLESSIO: The split-rate taxation would clearly be a local option, through a constitutional change. If you utilize the State plan, obviously that would have to be a statewide system. And our hope is that

the Legislature would utilize the State plan to actually improve our property tax system and our fiscal system.

SENATOR KENNY: Okay. All right. Thank you very much.

MR. DALLESSIO: Thank you for your time.

SENATOR KENNY: We appreciate your time.

The next issue is exemptions. And as I said at the beginning, you have the Uniformity Clause, and then you have exemptions to it. Many of these exemptions -- or at least four or five -- are in the Constitution. And then there are 200 or more statutory exemptions, which are being researched by OLS.

The exemptions that are before us today are constitutional exemptions. That means they were in the Constitution. And in order to change these, we would have to amend the Constitution. So they are protected, affirmatively, as they stand.

So we're not talking about the statutory exemptions, which will be the subject of another discussion. OLS is compiling the data as to how much property is exempt from taxation in the State of New Jersey in total.

So these are-- The next people to testify are, what I refer to as, constitutional exemptions protected by our Constitution of 1947.

So you have the New Jersey Hospital Association.

Sean Hopkins and Randy Minniear.

SEAN J. HOPKINS: Sean.

SENATOR KENNY: Sean, okay.

MR. HOPKINS: I think one of these is working. (referring to PA microphone)

SENATOR KENNY: I'm sorry, I'm on.

MR. HOPKINS: Okay.

I just wanted to go ahead and say, right up front, we have submitted materials. And they are at your disposal, and I will accordingly keep my comments very brief.

SENATOR KENNY: Thank you.

MR. HOPKINS: The materials that you have in your possession will really expand on the following points: Hospitals in New Jersey serve as the health-care safety net to their communities. Hospitals in New Jersey are almost exclusively not-for-profit facilities. What that means is that any excess revenues over expenses are returned to the community in the form of new technology, new services, and community benefit programs. In many instances, hospitals are the largest employer in their community. Our mission is to provide the most comprehensive, highest-quality care to the members of our community, regardless of a patient's ability to pay.

Any change to the current exemption policy would severely impact a hospital's ability to maintain their current mission. And again, as I said earlier, a more thorough exploration of all of these points is contained in the materials, which I've previously submitted to you.

Thank you.

SENATOR KENNY: Thank you, sir.

One issue on these exemptions -- both constitutional and statutory, but specifically constitutional -- on the charitable, not-for-profits, is that the Constitution does say, as long as the purpose is exclusively for charitable purposes-- And one of the things we're researching is where certain charitable, not-for-profits that originally were given exempt status

have wandered into areas that are not for charitable purposes -- which is something that we're looking at.

But I say that not in respect to the New Jersey Hospital Association, but in respect to, in general, this constitutional exemption for these four purposes.

Thank you very much.

Association of Independent Colleges.

JOHN B. WILSON: Thank you, Mr. Chairman.

And good afternoon, members of the Committee.

My name is John Wilson, and I'm with the Association of Independent Colleges and Universities, which represents the 14 public-mission--

SENATOR KENNY: Excuse me, you're not on. (referring to PA microphone)

Somebody -- you're pressing your red light.

ASSEMBLYMAN MANZO: Press the button next to you. Is the red light on, on the other one?

MR. WILSON: Yes.

Is that better? Let me try this one.

Good afternoon. My name is John Wilson. I'm with the Association of Independent Colleges and Universities in New Jersey, representing the 14 public-mission, private colleges which are listed in the material that's being distributed to you.

The tax exemption that our institutions enjoy dates back to the British system. And the justification for it is the public benefit of the educational activities of the institutions, the belief that government should

not be the sole provider of these services, and the relief that providing these services gives to the government in its duty to provide these services for the citizens.

Every state in the nation exempts higher education from taxation. Exempt property must be used, however, for educational purposes. And a number of our member institutions do pay taxes, because some of the property that they own falls outside of the scope of the educational purposes. And also, a number of our institutions voluntarily leave property on the tax rolls.

For example, graduate student housing, where you may have children who are being educated in the local school district-- The money that the institutions would have to apply to pay for property taxes would have to come from the major source of revenue that the private institutions have, and that is tuition revenue. And the difficulty that that would create is that it would hinder the ability of the institutions to be able to achieve their missions, because that tuition revenue is really to be directed toward educational purposes.

When knowledge and education are treated as business goods and services, an exciting picture emerges. What appears, along with stimulation of the economy, is an increase in the social cohesion, citizen development, and the democratic participation for the public good. And all of those factors are aided by the exemption from taxation. And it's a climate that tax exemption creates for our member institutions.

There is a lot more information in the pages that I've submitted, Mr. Chairman. But I would like to suggest that I limit my remarks to those pieces.

Thank you.

SENATOR KENNY: Thank you very much.

Just an example of some of the feedback that we get on an issue that you just mentioned, is that it's not infrequent that faculty members live in housing on campus. And that housing does not pay taxes. And they send their children to public schools, and they are not paying property taxes. And that's an issue that's come to our attention. And it's not a small issue. It's many, many, many families who live in tax-free housing, send their children to public schools in the community, and are not paying property taxes for those children. So the property tax for those children are being paid for by people who don't have housing on campus. So it's one of those issues that comes up.

Thank you, sir.

MR. WILSON: Thank you.

SENATOR KENNY: Center for Non-Profit Corporations, Linda Czipo (indicating pronunciation), is it?

L I N D A M. C Z I P O: Czipo. (indicating pronunciation)

SENATOR KENNY: Czipo, okay. (indicating pronunciation)

MS. CZIPO: Good afternoon, Mr. Chairman, members of the Committee.

I'm Linda Czipo. I'm the Executive Director for the Center for Non-Profits. We are a charitable umbrella organization serving charities throughout New Jersey through education and direct services.

I've just given written copies of my comments. I'd just like to touch on a couple of things.

As you are examining potential changes in the Constitution, we would ask that you remember the public benefit functions that charities provide. Most charities in New Jersey, by and large, are very small organizations -- 25,000 501(c)(3) organizations in New Jersey, according to the IRS. Ninety of them, approximately, have budgets of under \$1 million. Many nonprofits don't own property and are, in fact, indirectly paying property taxes through rent to landlords, and the like.

I also ask that you remember that nonprofits are contributing not only to public benefit functions, but they're also making economic contributions to the economy. Nonprofits employ 240,000 people in New Jersey. These employees pay taxes, provide economic benefits to the municipalities where they live and work.

In terms of the impact on nonprofits for any potential constitutional changes, we would certainly be concerned with many of those that might be proposed. Nonprofits are the ultimate safety net for individuals in New Jersey, particularly those in need. Nonprofits tend to be focused in those areas where the need exists. There is very little in the way of a safety net for nonprofits to compensate for any changes in the tax structure. They, by and large, cannot pass costs on to end users. They're already struggling with very, very stretched budgets. So there's not a lot of room for belt-tightening, as far as trying to adjust for this impact.

The other thing that we would ask that you keep in mind is that, as far as the Division of Taxation figures go, approximately 12 percent of all tax-exempt land in -- property in the State of New Jersey is attributable to charities and nonprofits. And that accounts for only 2 percent of all real property in the state. So that's something as far as a

perspective on the magnitude of the issue that we would ask that you keep in mind.

Finally, there are -- although I realize we're talking about the Constitution -- there are some statutory changes that were made to allow for some prorated property tax exemptions for mixed use of exempt property. That is something that was enacted -- I believe it was five years ago -- and that we supported. That is a concept that we would certainly like to explore with you.

And finally, I think, again, dealing with statutory changes-- I think it's pretty well regarded that the property tax statutes are very confusing. And we would certainly welcome the chance to work on recommendations to simplify those so that they would be a little more straightforward for those who have to comply with them.

Thank you.

SENATOR KENNY: Thank you.

The Arc of New Jersey, Thomas Baffuto.

THOMAS BAFFUTO: Thank you, Senator Kenny, and members of the Committee.

I will be very brief. I've submitted comments.

Basically, to reiterate some of the things that Linda was just saying, the Arc of New Jersey -- and all agencies that support our most vulnerable citizens -- are able to provide services because of our tax-exempt status. If these agencies had to pay property taxes, we think the results would be catastrophic.

I could offer a number of examples, but just briefly. If we take, typically, group homes, where folks with developmental disabilities, folks

with mental illness, or children live in-- If the funding for those programs, which comes from our partnership with the State of New Jersey, is so limited-- If we had to pay property taxes on those programs, quite frankly, I think they would all have to go out of business. And then we would have larger problems on our hands.

In addition to that, many nonprofits have buildings they run programs out of. Again, if we had to pay property taxes on that -- the funding and the climate right now for nonprofits is so tight, that too would be catastrophic.

I urge you, as you're considering any constitutional changes, that you consider the impact on our most vulnerable citizens and recognize the fact that for nonprofits to have to pay property taxes, it would put many, if not most, out of business.

Thanks for the opportunity to share that with you today.

ASSEMBLYMAN BURZICHELLI: Thank you very much.

We'd like to call, next, the New Jersey Chamber of Commerce -- Tom Bracken.

Tom, since you were originally scheduled at the top but were unable to make it in a timely fashion, that means your time will be a little more limited. I'm only teasing, of course. You can take as much of three minutes as is helpful to you. (laughter)

J I M L E O N A R D: Assemblyman, thank you for the opportunity to be here.

My name is Jim Leonard. I'm Vice President of Government Relations for the State Chamber.

We do appreciate you allowing us to take a minute or two, and not to reiterate what has been said but, in fact, to add a little bit to the discussion.

ASSEMBLYMAN BURZICHELLI: Actually, it was Senator Kenny who insisted you testify.

MR. LEONARD: Thank you, and thank him.

With me today is the Chairman of the State Chamber, Tom Bracken.

This issue is so important to the State Chamber that we felt it was of vital interest to have Tom be here to talk to you for a minute or two about what he sees, from a business perspective, as the problems associated with the change of the Uniformity Clause.

So I'll turn it over to Tom, and I'll hand out the testimony.

THOMAS A. BRACKEN: Okay. Thank you, Jim.

As Jim said, I'm Tom Bracken. I'm the President and CEO of Sun National Bank, and also the Chairman of the New Jersey State Chamber.

I will be brief. The reason I was late is I attended-- I have been appointed to the Governor's Economic Growth Council. We had our first meeting today. He also rolled out his economic growth plan this morning.

I would begin by saying that I've been in this business in New Jersey -- the banking business -- for 37 years. And I'm appalled at how far the economic climate of New Jersey has fallen. From a competitive standpoint, we are almost at the bottom in this country. Businesses are not attracted to New Jersey, businesses are leaving, businesses are not growing here.

I think my favorite comment about that is talking to members of the CPA Society, who have said to me that they have been asked by their clients about relocating out of New Jersey because of attractive packages. The comment has always been, "It's too disruptive to move out of the state, but economically it would be a good thing." But in all good conscience, the accountants cannot allow their companies to grow in the State of New Jersey, which is a very sad commentary. So the appalling nature of the business community is very apparent to me, and also the business community in general.

As I said, I came from the meeting this morning of the Economic Growth Council where the Governor outlined his number one priority for the State, which is to enhance the business community. Doing anything with this property tax shifting--

By the way, this is not reform. And I think your mission is reform. This is not reform. This is just shifting dollars. Shifting dollars in this context would be a nail in the coffins of the New Jersey business community. We would then be dead last, I think, in the U.S. from a competitive standpoint. We cannot afford to do that.

So from the standpoint of the business community, and being brief, I would tell you that this is something that is absolutely going to be detrimental to this state. Without creating jobs, without attracting and retaining businesses, the economy of this state is going to get much, much worse. And by doing any kind of property tax movement from the residential area to the business area would be a very -- a hard, strong nail in the coffin of our business community.

I thank you for your time. I hope I was brief enough.

SENATOR KENNY: Thank you very much, Mr. Bracken.
Your testimony was very good.

Okay. That concludes the testimony on exemptions.

The next topic is farmland/open space. And this is a subject of a constitutional amendment which avoids the impact of the Uniformity Clause.

New Jersey Conservation Foundation, Alison Mitchell and Greg Romano.

ALISON E. MITCHELL: I think we're all moving slowly down.
(referring to PA microphones)

Is it working?

ASSEMBLYMAN MANZO: The one with the red light on.

MS. MITCHELL: Okay.

Sorry.

I'm Alison Mitchell, the Policy Director for the Conservation Foundation.

Greg Romano, my colleague, will not be joining us this afternoon.

Thank you, Chairman, and members of the Committee for the opportunity to testify.

I was asked to appear before you to talk a little bit about the Farmland Assessment program, as well as open space assessment in general.

Basically, the Conservation Foundation is very supportive of the Farmland Assessment program in New Jersey. We view it as critical for the survival of agriculture. And we also feel that it has a very positive benefit for the public, in a variety of ways, but also a positive benefit to the

tax base in local municipalities. And I know that many of you have already heard about the numerous studies that have been done, documenting that farmland, even when given preferential assessment as we do in New Jersey, is still a net positive to tax revenues at the local level, because it requires so little in the way of community services. And that's something that, if members are interested in hearing more about, we have documentation that we can provide to the Committee.

In general, it's also our opinion that -- I'm sorry, excuse me -- that there is an ongoing debate about various elements of the program. And the one which is most germane to the Conservation Foundation's mission is that of the rollback tax, and all of the various issues that are debated in the press. And I know some of you have probably seen the recent debate going back and forth in the press about the Farmland Assessment program -- are all addressed in a report that was done for the Department of Agriculture back in 2001 -- recommendations of the Farmland Assessment Review Committee. And Michele Byers, our Executive Director, was a participant in that Committee.

With respect to the rollback, I think a central question in the debate is the degree to which New Jersey's rollback tax -- which is two years, as well as the current year of assessment -- unintentionally creates a subsidy for short-term speculation, as opposed to just a subsidy for farmers, which was the original intent.

And I secondarily -- whether or not the public could possibly recapture more of the revenue or the tax benefit that goes to landowners under the Farmland Assessment program, when the land is converted to another use.

The Conservation Foundation published a report back in 1998, with the goal of better bringing out the issues around the Farmland Assessment program and better protecting farmland and the agricultural industry in the state. In this study, we found various approaches to rollback taxes around the nation, depending on which state you look at. And, indeed, a number of states in the New Jersey region have longer or more stringent rollbacks than we do. It's our understanding that Pennsylvania, for example, has a seven-year rollback, with an interest component. And another state that I want to bring to your attention in particular -- because we found it particularly interesting, in terms of the nature of the debate in New Jersey about the rollback -- is Massachusetts. Because at the time of our study at least, Massachusetts had a conveyance tax for land leaving its farmland assessment program, that was levied -- that was equal to the percentage of the sale price when the farmland assessed property was sold for other uses. There was index -- the number of years that the land had been in the program. Basically 10 percent of the sale price in the first year of ownership, decreasing to 1 percent after 10 years of ownership, or a straight five-year rollback tax, whichever was larger.

But the component that we found that was interesting was this indexing to the length of time of ownership. Since most farmers in New Jersey hold their land for extended periods of time, the appeal of a higher rollback penalty for short-term ownership is that it may help address concerns about subsidizing speculators and recapture some of the tax revenues that have been given them, without impacting farmers.

Now, I'm not recommending that 10 years is the right time frame for that, or one year is the right time frame. I'm just suggesting that

if there is going to be some change to the rollback -- and if the impetus for that change has to do with speculation and short-term speculation, with a desire not to hurt farmers -- that might be a program that New Jersey would want to look at.

Many farmers in New Jersey, of course, lease considerable portions of their land. And concerns have been expressed about the impact that a longer rollback might have on those folks. But one question in particular is whether nonfarmer landowners, who are in farmland assessment, might actually decide not to put their land into farmland assessment if the rollback penalty were higher, if they were looking to sell their land for development in the near future. And that would limit the supply of rental land. And I think that question merits further examination. But I think we also need to take into consideration the fact that very short-term lease arrangements are not good for New Jersey farmers in general anyway. And we've been hearing more and more about that, as well.

I just want to close -- in terms of talking about farmland assessment -- with saying that the debate over farmland assessment in New Jersey always raises significant concerns of the farming community in New Jersey. And any changes to this program, which we view as a very important public program, must be carefully considered to avoid negatively impacting farmers who I think really do enjoy and deserve broad public support.

One very brief comment about farmland assessment is, that is not on the rollback tax topic, relates to forest assessment. And just-- I have written testimony which I will submit, so I won't go into any detail. But I

just want to mention that if there is to be a change in farmland assessment, one of the things that really has to be addressed, in our opinion, is the way that forest land is treated under the program. Because, at the moment, it is not beneficial to the public, it is not beneficial to the environment, it's not beneficial even to long-term timber harvesting. It's beneficial to a very small and short-term -- benefits a very small forest products industry at the expense, really, of the environment and the public. And we have recommendations contained in our report on how to go about changing that. Some of that could certainly be accomplished with a constitutional change. And I understand the rollback, obviously, is subject -- any changes to that are subject to a constitutional change, as well.

We were also going to talk about the Green Acres Tax Exemption Program as it relates to local tax dollars. But that, I think, is actually a statutory exemption. So we have written testimony. We'd be happy to appear at another time if that is more appropriate. Because I don't think it's a constitutional issue.

SENATOR KENNY: Correct.

MS. MITCHELL: Okay.

With that, thank you very much, again, for the opportunity to testify.

And I will provide the Committee with my written comments.

SENATOR KENNY: Thank you very much.

New Jersey Farm Bureau, Richard Nieuwenhuis.

R I C H A R D N I E U W E N H U I S: There you go. (referring to pronunciation)

SENATOR KENNY: Not bad?

MR. NIEUWENHUIS: It's right on.

SENATOR KENNY: Okay.

MR. NIEUWENHUIS: My dad always said he left his country, not his name. (laughter)

Good afternoon.

I'm glad to have the opportunity to be here and talk about a very important subject to the New Jersey agricultural industry.

My name is Richard Nieuwenhuis, and I'm the President of the New Jersey Farm Bureau, representing 15,000 farm families and farm-related families in New Jersey.

I'm going to keep it brief. I have written -- my written comments are going to be passed around. And I would appreciate if you all could read them. That's got a little bit more detail in it.

But farmland assessment allows for qualified landowners to have a lower tax rate, which is based on the productive nature of the land. Actively devoted land is not included. The actively devoted lands are what's taxed, not the improvements that are on the land, as in farm buildings, as in farm markets, as in the home, as in the land under the home on the farmstead. We pay the exact same tax rate as our neighbors do next door to us. So that is not an issue. That's a misconception that is often placed with farmland assessment.

The purpose of farmland assessment was instituted to relieve an unmanageable property tax burden on open land that farmers were farming. Many times, back in the '50s, this tax burden was more than what they could produce off the land.

There's approximately 1 million acres of farmland-assessed ground in New Jersey, comprising about 22 percent of our total land base in New Jersey. So as you can see, it's a significant number in New Jersey.

One of the things that I would like to bring out is that farmland assessment, albeit at a lower tax rate, is still a net gain in revenue for the local municipality where the land is devoted.

The annual rate of farmland lost in New Jersey over the last five years has been less than 10,000 acres. This is primarily due to the farmland assessment. There's another point that a lot of people hit on -- is that they say in the last 40 years the Farmland Assessment Act has not been changed or has been kept status quo. The statute, in fact, has been amended three times since 1980, and the law also has been subject to judicial interpretations many times -- court cases are decided, case law created, and the laws continually updated in that process.

In 2001, the then Secretary of Agriculture, Art Brown, commissioned a study -- or commissioned Cook College to do a study. The review committee looked at the three main components of farmland assessment: the minimum acreage, the minimum income requirement, and the rollback. Based on the Cook study, it was estimated that a change as small as increasing the minimum acreage from five to 10 acres would result in a net decrease of about 60,000 acres. And very similarly, changing the income threshold from 500 to 1,500 would immediately erase about 69,000 acres from farmland assessment. Major numbers there, in that.

Now there's one other thing that I would like to bring to your attention, and that's also in our packet that we're giving to you, is that the National Agricultural Statistics Service has shown that commodity prices--

Now, when I say *commodity prices* that means your typical soybean, corn, hay, wheat -- those commodity prices have only gone up approximately 18 percent in the last 25 years. Our costs have risen approximately 150 percent -- taxes, fuel, and the like.

The issue of rollback tax was just brought up by the previous speaker. The Cook College study also addressed that as well. The possible changes going to a four-, six-, eight-, 10-year scenario were all played out. This increase in penalty would not encourage farmland owners to keep their land in farming. The study, in fact, found that the exact opposite would be true. And also, being that the farmer is basically, in most cases, the landowner, they would wind out with obviously taking less money for their land because of the rollback provision.

New Jersey Farm Bureau strongly feels that this system is working. It's working well. It's retaining agriculture in the state. It's not making it more profitable, it's not making it more easy, but it is making it possible. So we urge you to leave the Farmland Assessment Act the way it stood. And in the future if there is need for changes, we would very much like to be at the table to talk it through further. But the way the Act is progressing right now-- And also, I would just like to say, in closing, that farmland preservation goes right hand in hand with the fervent desire of the New Jersey taxpayer to keep open space and farmland in New Jersey.

Thank you.

SENATOR KENNY: Thank you very much, sir.

Okay, we have a series of speakers of local municipalities and counties. And I'm going to ask them to make their remarks pertinent to the constitutional issues that have been discussed today.

The League of Municipalities, Bill Dressel and John Lloyd.

WILLIAM G. DRESSEL JR.: (speaking from audience) And Mr. Haney.

SENATOR KENNY: I have Mr. Haney down as another topic. That's fine.

MR. DRESSEL: Thank you.

Thank you, Mr. Chairman. My name is Bill Dressel. I'm Executive Director of the State League of Municipalities. I am joined with John Lloyd, the League tax counsel; and Mr. Bernard Haney, President of the Assessors association.

You have before you, Mr. Chairman and members of the Committee, copies of our prepared statement. And following the instructions of the Chairman, I will not read that. However, I would like to make a couple of brief comments, and then have Mr. Lloyd discuss the constitutional exemptions that you instructed us to do.

Today's hearing is not a debate over who should be paying more or less. It's a debate over the consequences of the current system. We do not see the need for systemic fundamental changes to the State Constitution. It's the implementation of the tax system; that tax exemptions have had adverse impact on the tax base. We are focusing on the need for reform which addresses, in essence, the disproportionate fiscal impact that these exemptions have had on certain municipalities. And many of those municipalities you have heard from, in your districts, that have complained on the proliferation of tax exemptions that have had that kind of impact on the tax base; and there have been numerous attempts by legislation, by the League, and other groups to address that concern.

What we will deal with today is--

SENATOR KENNY: Excuse me?

MR. DRESSEL: Yes.

SENATOR KENNY: Before you continue, what exemptions are you referring to? What type of exemptions are you referring to?

MR. DRESSEL: I will have Mr. Lloyd give it, if I may? I'll just summarize and then I'll have Mr. Lloyd do it.

SENATOR KENNY: Because there are a variety of exemptions.

MR. DRESSEL: Yes. And we will deal with the constitutional exemptions. What I was talking about -- like statutory exemptions, hospital exemptions, talk about open land, talk about host benefits.

SENATOR KENNY: Okay. All right, all right.

MR. DRESSEL: Things like that, but that's getting a little far off what I thought you wanted us to address, Mr. Chairman.

SENATOR KENNY: Okay, fine.

Mr. Lloyd will address that then. Okay.

MR. DRESSEL: And he will deal with that in great specificity, Mr. Chairman.

But I would like to say, that when you do take up that issue of statutory exemptions, that I would reserve my right to come back. Because we do have some comments as it relates to such things as hospitals, what they do, what they perform on their property, and those exemptions. We'll not deal with it today, but I would like the opportunity.

At this time, Mr. Chairman, I would like Mr. Lloyd to get into the Uniformity Clause and to also address the constitutional exemptions.

JOHN LLOYD, ESQ.: Thank you, Bill.

Good afternoon, Chairman and the rest of the members of the Committee. Thank you again for allowing Bill, myself, and Bernie to be here today for this discussion. And we've paid attention closely during the course of this afternoon and tried to, quite frankly, adjust a little bit, on the fly, some of our comments to respect the parameters, Chairman, that you've laid out. In the reality, in all candor, the League has poured over this issue for the last three weeks very carefully and discovered that, as you've heard, ad nauseam so far, it is extremely complex in nuance, especially for an entity with a diverse membership such as the League, which is as diverse as this state. The reality of it is, the nature of various municipalities is similar to the full range of the demographics of this state. And an issue like this, which is so complex in its application, has led us to be seriously concerned, if you will; or urging the Committee further -- which you've heard already -- to be very careful with concepts that deal with changing the foundation of it.

What we have been able to distill in that regard -- and these comments are directly related to the Uniformity Clause-- And I'm here today, in part, as special counsel to the League, but also hopefully able to provide the Committee with some benefit of 20 years of experience in the field, working with the application of these laws that stem from our Constitution. The beauty of the Uniformity Clause is such that it has allowed an implementation of a extremely sophisticated and complex tax administration system over the last 60 years.

I can tell you that it's unique in compared to some other states, which you're hearing a lot about -- this Committee and your other Committees are hearing about other aspects of other states regarding school

funding, school organization. You're going to be looking at organization of the municipal governments and how it compares. We're fairly unique in the union for the complexity and sophistication of our assessment system that has flowed from the Uniformity Clause; further flowed from the creation of a unique and really unparalleled tax court created in 1979; such that-- And here's the reason why we're urging that that's relevant: Adjusting the Uniformity Clause will have the unintended consequences of the impact on all within that system that has been built up because of the Uniformity Clause. Specifically, from the League's standpoint, the way in which our courts administer the statutes which have been passed because of the Uniformity Clause has led to -- and we would submit -- a positive aspect, not just for the municipalities, but for taxpayers, residential and commercial. And that is, a certain level -- a certain level -- of certainty and predictability.

The courts have recognized that stability of the assessment base is hugely important for the operation of the municipal budgets, as it is for taxpayers' planning. The court has used the Uniformity Clause many times to address and deal with drastic swings in the marketplace that, if not filtered through the Uniformity Clause, could result in drastic swings in assessments and values. For a municipality, that means vacancy rates that spike at a particular time, market rents that spike at a particular time, capitalization rates that change drastically at a time. That is not readily evident as a consequence of the Uniformity Clause. But because of our years in litigating these cases, we're here to say to you that at this point in time, absent any compelling reason to the contrary and a specific policy proposal that is analyzed, we don't see the need for a systemic change, at

the ground level, to the Uniformity Clause. And it's for those reasons which I could be much more thorough and complete on, but it's not appropriate for this afternoon.

The second point, heeding the Chairman's concerns about what the parameters are for what you're looking at right now, would be beyond the Uniformity Clause: those constitutional provisions that deal with exemptions. At the threshold level again, the League's position with regard to the constitutional exemptions, which as we understand them to be, particularly by name, the religious, educational, charitable, and cemetery purposes in the second paragraph-- The line in that same constitutional provision that says, "other exemptions may be given by general laws," as I understand, Chairman, is what you want to reserve for another day. Those are the statutory. I'll pause over those for a second. But the distinction we would make with the constitutional exemptions-- With that, we would add, aside from that one paragraph and those four that were preserved -- because they existed so firmly at the time of the constitutional convention -- the original provision, which is in Article III -- which is not in the Article VIII section, but in the third paragraph. I'm sorry, it's not Section 1, it's Section 3 -- is really the cornerstone related to blighted properties -- is the cornerstone for what we now know as the long-term exemption law.

A very difficult issue for the League to have a monolithic position on as well, but we would urge the following, as we do with the Uniformity Clause: At first blush, it may appear that the statutory regime that's grown up over that constitutional provision has resulted in -- and I think this has taken a hit in the headlines, a little bit -- abatements, and exemptions, and the intimation there, maybe, that there's just some

wholesale excising or removal from the tax rolls of otherwise successful properties. We're here to say it is not that simple.

We don't have a specific answer other than to say, please be aware of that. The nuances of a long-term abatement act and a deal that's done pursuant to that have very powerful benefits to the host municipality. There may be issues relating to-- And this is hard to draw the line, distinguish the line between issues of impact, which may differ from one municipality to the other. But the simplistic notion that abatements, and long-term tax exemptions, and the five-year abatement -- which is also a constitutional provision, although added later; it wasn't in the original '47 Constitution, it came in the '70s-- Those two tools have been very fundamental, quite frankly, to address some of the things you've heard about already this afternoon, which is the development of areas that would otherwise not get developed.

So the League's position at this point, again, is to urge caution on broad-stroke assumptions on that. We would like to offer -- and Bernie Haney is President of the AMANJ, in conjunction with the League, as an affiliate association. And as has been our experience in being involved, with this great body, in legislation through the years, we'd like to offer our resources for getting the data and analysis necessary for your proper consideration of any proposed change and reform. We're not just here to say be careful and status quo. We understand that we should do more for you, and we're willing to do that -- which is to provide the resources that maybe only we can get, when you refine, if you will, or come up with specific and concrete proposals about change and reform. So that was one of our major points -- was to offer our resources for that.

Finally, then, Chairman, if you wanted some direct conversation today -- well, since you wanted to do it on another day as well -- the League's position on the statutory exemptions, very quickly again, he is again at the threshold. It's not simple. It cuts many ways. Many of the member municipalities are supportive of and glad for certain of the exempt properties and the existence of the exempt properties within their boundaries. There have been unintended financial consequences though. To some of them, again, difficult to paint with a broad brush. We would offer the resources again to try to provide you with some of the empirical analysis you may raise connected to--

Let's just -- to take an example: The hospital industry has changed tremendously just in the last five years. And the analysis that our statutory exemption procedure provides for hospitals arguably is outdated. The standard used by town assessment, in the first instance -- and then if it's contested in court, ultimately a judge -- for determining whether a hospital should receive an exemption, is a very, very different analysis today than it was five years ago. And we would submit, that portion of 54:4-3.6 could well support a revision. We don't think it rises to the level of a change in the constitutional enabling language that's in the Constitution. But the application of 3.6, 54:3.6 -- and I will add further, as a practitioner -- is woefully due for a reworking, in terms of organization, structure, clarity, and ease for the assessing community and the courts to deal with. And that is a very specific recommendation we're making today -- would follow up at a later point.

So that really is what our position is at this point. If you have any questions, we would be willing to entertain, obviously.

SENATOR KENNY: On the -- the hospitals are currently in the constitutional exemption provisions, correct?

MR. LLOYD: No. I think hospital purposes came as a general law from-- I'm sorry. I think--

SENATOR KENNY: Charitable?

MR. LLOYD: Am I on? (referring to PA microphone)

SENATOR KENNY: Go ahead.

MR. LLOYD: Am I on? Okay.

The hospital purposes exemption was a statutory exemption flowing from the enabling constitutional language of exemptions provided by general laws. It was not an exemption existing in common law in 1947. It is one that has been initially enacted by statute. It has been revised.

And Chairman, I've heard you mention a couple of times here today, and I was watching some of the other proceedings -- and it's difficult for me, and being in this all the time, to get this as well -- is that the words *partial* are thrown around a bit. And I'm bleeding all into the statutory realm here, but we think it's significant. It's an example of tools that you all have used to address the changes. The reality of it is, there is in essence -- I mean, it's semantics maybe -- but there is an aspect of partial exemptions that, right now, actually is in existence. And that is with regard to hospitals, most specifically. If a portion of a hospital property is used for nonexempt purposes, as done by the test -- owned by the hospital, used exclusively for hospital purposes -- that portion of that property is assessable. And assessors do it all the time.

Until recently, the religious exemption was the only exemption that had stayed squarely out of that potential partial situation. And that

was changed, I think, two and a half years ago by statute, off of a case that came out of Newark or East Orange, I think.

I highlight that to you now, Chairman, in part just because that is the kind of thing that we think the League is excited about -- what the League is excited about: this effort. Although it has a constitutional rubric to it, is absolutely leading to the opportunity to address the workings of that statute and how they play on the member municipalities.

SENATOR LANCE: Thank you, Mr. Chairman.

This has been very helpful.

As I understand your testimony-- And I'm sorry, your name again, sir?

MR. LLOYD: John Lloyd.

SENATOR LANCE: Mr. Lloyd -- is that it's the League's position that, at least from a beginning standpoint, you would be cautious in changing the Uniformity Clause. Am I accurately characterizing your testimony?

MR. LLOYD: Yes, you are, Senator.

SENATOR LANCE: You go on to say, however, that we have broad authority, statutorily, regarding many of these matters. The constitutional dimensions of the abatement provision give the Legislature the opportunity to determine various programs for distressed areas. Does the League have a position on the fact that these programs seem to have been renewed regularly and do not have an ending point?

MR. LLOYD: I'm not trying to give a lawyer's answer or a--

SENATOR LANCE: That's all right. I'm a lawyer. (laughter)
And in my House, the abatement program is, of course, called Fox-Lance.

MR. LLOYD: That's right. That's right. I thought of that earlier, and I didn't want to appear--

SENATOR LANCE: The original purpose was not to have this go on ad infinitum, ad nauseam, I can assure you. Is it not a fact, through the Chairman, that these abatement programs have continued for a second or a third regime?

MR. LLOYD: Our understanding again, Senator, to -- reserving for -- in direct response to that, to provide you with a more thorough empirical analysis and a quantification of that. But from a global standpoint, I don't think we would disagree with your comment, and I think the League would be supportive of -- if what you're intimating is some kind of, perhaps, enhancement of oversight and accounting, if you will, in measuring that. And the reality of it is, Senator, I can't answer that question definitively one way or the other. My intuition is, yes, that there have been agreements that, being within the province, perhaps exclusively, of a particular governing body and a particular taxpayer, maybe never sees the light of day beyond that.

SENATOR LANCE: Well, has there been any situation where long-term abatements have not continued?

MR. LLOYD: Have ended?

SENATOR LANCE: Yes.

MR. LLOYD: I can personally recall at least two or three instances where I believe it was converted to a conventional assessment after a particular point in time. If you ask me a little further: In my experience would that be the exception? I would tend to say, "Yes." That would be, again, my sense at this point.

SENATOR LANCE: And--

B E R N A R D H A N E Y: Senator, if I may, through the Chair, there have been abatements that have, in fact, ended. We can provide you with data on that if you would like.

SENATOR LANCE: Thank you. That's terrific. And I hope you do so. I believe this is again the responsibility of OLS, and I ask, through the Chair, a thorough examination of the percentage of long-term abatements that have ended. And I hope that we could get an analysis of that at some point. It is my anecdotal belief that that percentage would be miniscule, Mr. Chairman. That these abatements continue.

If you believe, as I believe, that we should not fundamentally change the Uniformity Clause, that does not necessarily mean, however, does it, that we couldn't somehow try to help residential property taxpayers through some form of relief? And this is a mission of this Committee and the other Committees: partial abatement, or some sort of circuit breaker, or some sort of relief that, I would imagine, requires a constitutional amendment. But that, in and of itself, would not have the effect of changing the Uniformity Clause and further burdening an already overburdened business climate in New Jersey. Is that accurate?

MR. LLOYD: I think that's absolutely accurate, Senator.

SENATOR LANCE: Thank you.

Thank you, Mr. Chairman.

SENATOR KENNY: Assemblyman Manzo, did you have a question?

ASSEMBLYMAN MANZO: Yes. To follow up on Senator Lance's questions, I, too, would be interested. It is my understanding in my

own hometown that there's a process of rolling over some of those 20-year tax abatements, which have initially reached merit and are now being rolled over. And more particular, I think what you're recognizing is that the State should have oversight, I believe, in the area of tax abatement -- which wasn't, I think, given at the time the law came in. And the fact that now you have municipalities coming to us for municipal aid, and at the same time maybe too loosely administering long-term tax abatements; and more importantly, not following up on the audit of those abatements through the years, making sure that they're coming on line, as they should be coming on line. That the State, in effect, isn't just handing out municipal aid to municipalities who could be getting that revenue by properly auditing their long-term tax abatements.

Am I hearing you folks sort of saying, rather than toying with the Uniformity Clause and the exemptions, maybe tightening up statutorily some of regulations that, per se, guard that, or are a better avenue?

MR. LLOYD: I think that's correct, Assemblyman.

And further, to what Mr. Dressel said earlier, as well as tightening up, maybe revising to make more appropriate to today's climate. And assuming -- at the beginning of your comment -- assuming proper compliance in that regard, and proper analysis and behavior, as well, treating their own tax base, that they also be eligible for or be considered for the proper kind of -- whether it's reimbursement, tax-base sharing, whatever the mechanism of the formula is -- but something to account for and reflect if there's been some fiscal impact to them hosting it.

ASSEMBLYMAN MANZO: One final, Mr. Chairman, if I may?

Do you feel that rather than mending or rewording the Uniformity Clause, per se, that there is -- and this is to the League, in general, and you, and to the tax assessor -- that there's more to be gained if we were doing a better job at making sure properties -- whether they're business, whether they're a home, or vacant -- that they're up to assessment, and they're paying what they should be paying, and they're not allowed to languor in -- where we're forcing towns almost to come to the point where they have to do a mandatory reval rather than bringing properties up to true assessment on a more frequent basis? If we took that approach rather than changing uniformity, wouldn't we be better off fiscally, wouldn't municipalities be better off fiscally in this state?

MR. LLOYD: I think Mr. Haney could address that first, and then Bill may have something to say.

MR. HANEY: Gentlemen, from the perspective of the assessor, up until 2000 we had many municipalities that were revising values on an annual basis. I remember a comment at an earlier hearing from you about the vacant land values in Jersey City. In 1999, the assessor in Jersey City could have gone through Jersey City and revaluated all the vacant lands in that town and put them on the books. In 2000, that was signed into law, known as Chapter 101, that requires that permission be granted by both the county board of taxation and the New Jersey Division of Taxation in order to amend assessments in any given municipality.

The outcome of that is that in the normal course of business there is an expensive study required in order to amend any area of any town. So we're not able, at this point, to go through our town and amend values based on ratios that are given to us. We're required to go through an

expensive study, submit that study to the county board of taxation and the to Division of Taxation, and await their approval in order to do that. That was a mandate in Chapter 101. And that has forced us to be in the position that we're in right now, whereby we're doing revaluations everywhere.

I know in Bergen County, 59 towns are under order to revaluation. To revalue is a costly, costly expense to municipalities and it wouldn't be necessary if we were able to maintain assessments as we did in the boom of the '90s. The revaluations in the '90s were significantly more, because we were able to adjust values.

And I know in my own town, I did that on a semi-annual basis. I went back and looked at what sectors of the town were lower than the others and adjusted them in a common level. Which basically goes back to our Uniformity Clause -- as opposed to shooting those up, we adjust them to a common level, which then makes everybody in the municipality on an equal basis. So we're not able to do that anymore without significant studies that cost a lot of time and a lot of manpower. And in some instances, that manpower is not available.

SENATOR KENNY: I'd like to get back to the constitutional issues.

Mr. Lloyd, you are obviously an expert in this area. And although I'm not quite certain what conclusions you've come to or that you're recommending, and the only exemption I heard talk about was hospitals, which are -- don't fall into one of the four categories of the original constitutional exemptions -- are you saying-- And that's the only exemption that Mr. Dressel mentions -- was hospitals. Are you saying that

we're not taxing hospitals enough? And how is that going to help us with the property tax crisis?

MR. LLOYD: Senator, I think to--

SENATOR KENNY: Because my conclusion from your testimony -- and you are a respected expert who is going to the bench, I believe (laughter) -- a respected expert. If I was to characterize your testimony as a public official in the political realm, it doesn't seem that you're suggesting that there's much opportunity for us within the Constitution to do much in changing the dynamics of property tax relief. That's what I would gather from you, who are an expert in this field. Because I haven't heard anything-- You said, don't rock the boat on the Uniformity Clause, don't rock the boat on statutory exemptions necessarily -- this is a diverse state, a lot of interests are affected, every town. I mean, you're being -- and I'm using my own words -- you're being very, very careful and limited in -- that the charge of this Committee, this constitutional review committee, you think our charge-- Not our charge, but that our potential here is very limited.

MR. LLOYD: Mr. Dressel is going -- wants to speak with us. Well, he just tapped me on the hand and said, "Do you want me to handle it right away." And let me just say this first. That's for a reason, Senator. What you heard and what we've been able to distill is absolutely for a reason -- after careful deliberation on it. It's careful, it's cautionary, but it's substantive. We believe you absolutely could make tremendous changes to our property tax system. We're asserting that they're so difficult to really -- the consequences of those are so difficult to ascertain. And I'll circle there for a second. With regard to the Uniformity Clause, a change in the

language of that clause, that would lead subsequently to a reexamination of 60 years of statutes and case laws on how to value commercial properties -- let me just keep it limited to that -- is very difficult, if not impossible, to ascertain what those consequences would be. We're not saying, in the face of that, do nothing at all. The first point is, from our best analysis, is that the significant things that you can do, do not necessarily require an adjustment of the constitutional language. That the constitutional language itself affords you, as it has for the last 60 years, significant leeway, significant ability for creativity. So we are not attempting to depict or to characterize or present to you a hypercautious position that leaves you with nothing when the day is done.

We mentioned hospitals illustratively. We would say the same thing for every single other exemption. I think, to directly answer your question, it is the League's position that we are not saying that those exemptions should be eradicated or cancelled. So let's say, hypothetically, you were to convene a convention, and two-thirds came out, and it went to the voters, and it went through as to say, "All exemptions are heretofore abandoned. Either start from scratch or everybody is going to pay property taxes." You could do that. It's the League's position that that is not indicated at this point.

What is indicated, from the League's standpoint, are two things: an acknowledgement that the statutory language that exists could well support revision to be able to better and more accurately reflect various activities that are currently exempt. We will, if asked, come to very specific positions as to each particular exemption. I think that the threshold -- we

would suggest, most likely that, from what our discussions have been up to this point--

SENATOR KENNY: May I interrupt?

MR. LLOYD: Go ahead.

SENATOR KENNY: Are you referring to the statutory exemptions, as opposed to the constitutional exemptions?

MR. LLOYD: I was referring to statutory at this time, because of hospitals, because of the mention to the hospitals. But the reality is, Senator, you could take it, if you wanted to -- you could take it into the constitutional conventions. For you to -- let's say you were to decide to eradicate exemptions given to educational institutions. You would need to change Article VIII. The League's position is, we don't think that that is indicated, that that's appropriate. So on the constitutional turf, you're right. We haven't and are not saying that there's need -- I guess ultimately cutting to the chase -- that there's need, there's great need for change of that language. That is, distilled to its essence, the League's position. It exists for all the cautionary comments that we brought to this point.

However, it appears to us, as we discussed it, the charge of this Committee included, as I think you've properly identified, that -- the label "Constitutional" for your Committee doesn't mean that you are not to consider those statutes that have flown from, emanated from the constitutional language. On those statutes, on that language, and on those programs, the League is of the position--

SENATOR KENNY: No. What statutes are you referring to?

MR. LLOYD: I would say with regard to exemptions first, Senator. I would think with regard to--

SENATOR KENNY: Statutory exemptions, you're referring to?

MR. LLOYD: Yes.

SENATOR KENNY: Okay. That's what -- okay.

MR. LLOYD: The hospital exemption. I think that -- let me move further. Within the area of -- within religious. Now, let me pause for a second. What we've also done so far is taken a fairly perfunctory analysis of bang for the buck. You have an awful lot of exemptions that you could look at and question conceptually. But when the day is done, the actual fiscal consequences, to any adjustment there, we don't view as being so significant that it is a crying call to adjust that. And I'm talking now about parsonage exemptions relating to the religious. Within the school community and the school exemptions, some ancillary school-type activities that have become the subject of some cases, there is just not, quite frankly, that much money or that much tax base involved there.

Getting back to the concept of the bang for the buck: there is with hospitals. So that's one area. I know they're going to react to today thinking that the League is beating up on hospitals, and they're not. They're really not.

SENATOR LANCE: I think they are, yes. (laughter)

MR. LLOYD: Well, they are going to-- And it's simply because, what it highlights is what we've experienced in trying to dig in and give you concrete proposals -- that almost in every avenue on the existing exemptions, it has led to not a position that the League feels it needs to take with regard to an eradication of that. The standards, and tightening up the standards of how they're granted, warrants examination. With regard to -- one could say, arguably, that the cemetery exemption, which

was in the Constitution, maybe warrants reexamination. In all candor, we have not done an empirical study of that and we could have the assessors do that -- to pull together cemetery properties throughout the state, what their acreage is, where their zones are within their municipalities, and come up with some -- in conjunction with OLS -- to come up with some kind of analysis of whether the cemetery exemption should be examined.

But, Senators, so that-- From the constitutional language, when you look at just what the Constitution says, the League's clear position at this point is -- both because of the potentially unintended consequences that would negatively effect municipalities, and specifically what we're talking about there with the Uniformity Clause -- is that the system has been very, I think, intricately and carefully set up -- a valuation analysis of commercial properties, because of the Uniformity Clause. That benefits municipalities. Without it, in a market where vacancies were to go to 25 percent, it's possible that a commercial property would be able to come in and to say, "For year two of the second year of such a swing, the assessment should be cut by 25 percent." That's not how the current system works. And it doesn't work that way, Senator, because of the Uniformity Clause. The same thing with other market forces that fluctuate tremendously. That's the reason for our position that we don't view the Uniformity Clause as being appropriate for revision.

SENATOR KENNY: It probably--

Leonard wants -- Senator Lance, excuse me -- will ask the last question. Perhaps through my own ignorance of some of the subject matter, I understand, the second time around, better your position. I understand, on the Uniformity Clause, where you stand. And you're saying

that there's opportunities both in the constitutional exemptions and in the statutory exemptions -- that there's opportunities there for consideration. Is that a correct summary of your testimony?

MR. LLOYD: Absolutely, Senator.

SENATOR KENNY: Okay, that's what I meant. Appreciate it. Thank you.

MR. LLOYD: Sure.

SENATOR KENNY: I'm sorry.

SENATOR LANCE: Thank you, Senator Kenny.

I understand, I believe, the sophistication of your argument, and I understand that there could be a tremendous fluctuation in what could be collected any one year from the next year, given the fact that commercial and business entities quite appropriately would ask for reductions if there were a change in the Uniformity Clause. And we've heard today from a variety of witnesses as to why the Uniformity Clause should not be changed, and now from the League.

However, that does not mean that we are not also charged with the responsibility of trying to ameliorate the property tax burden on residential taxpayers. And the testimony has been uniform so far in favor of the Uniformity Clause. We could not, however, could we, provide a circuit breaker or other type of relief to residential taxpayers without amending the Constitution.

MR. LLOYD: I think, Senator, the question might be the circuit -- the path of the relief. What I mean by that is, what the Uniformity Clause regulates and controls is that circuit breaker happening at the beginning point. The assessment and the taxing.

SENATOR LANCE: Yes, I'm aware of all that.

MR. LLOYD: And I guess what we would suggest is it's possible that the relief could be provided, that you're intimating, at the other end of the process.

SENATOR LANCE: Could you please explain to me how that could occur without amending the Constitution?

MR. LLOYD: Well, if it would be some kind of reimbursement mechanism. And what I mean by the other end of the process, is some kind of -- after the consequences of the assessment occur, and the fiscal consequences to a town are discerned, if there's some kind of fiscal -- whether it's tax sharing, whether it's reimbursement. And again, I understand this raises where that--

SENATOR LANCE: We do provide, at the moment, rebate checks, but that, of course, is done constitutionally, and then statutory provisions thereunder. I don't understand, as a lawyer, how we could provide a circuit breaker without amending the Constitution.

MR. LLOYD: I think, from what we contemplate at this point -- I mean, it's something in the area of municipal aid. It's something within the rubric or the mechanics of some kind of municipal aid that is not necessarily tied individually to a particular property owner's assessment and taxes, or tax rate. The intimation that Mr. Dressel made, about some kind of reimbursement for a town experiencing fiscal consequences from hosting an exempt entity would be an example.

For what you're saying, Senator, with regard to the residential, I agree, it's tougher. It's definitely tougher. And what I would say is, as you've done with other mechanisms, could be accomplished if it's-- Don't

mistake what we're saying is that you can't amend the Constitution. What we're saying is a further amendment to the Constitution, if you will, perhaps in addition, is absolutely something that we understand you could explore, should explore. And if that is the only way to accomplish, Senator, what you're intimating now, I don't think the League -- the League would not be in opposition to that.

SENATOR KENNY: Any further testimony?

MR. HANEY: Senator Kenny, Senator (*sic*) Burzichelli, I had remarks, and then I found out yesterday that I will be back. So I will hold my remarks for when I come back.

SENATOR KENNY: Thank you, sir.

Thank you, gentlemen. Thank you, gentlemen.

MR. DRESSEL: Thank you.

MR. LLOYD: Thank you.

MR. HANEY: Thank you.

SENATOR KENNY: New Jersey Future, Tim Evans.

I'm sorry. I'm sorry.

John Donnadio. I'm sorry, he's next. The New Jersey Association of Counties. I'm sorry.

JOHN G. DONNADIO, ESQ.: We drew straws, so that's why he let me in front of him.

SENATOR KENNY: You have no statement in front of you.

MR. DONNADIO: No. I submitted one to the Committee, Mr. Chairman.

SENATOR KENNY: Very good.

MR. DONNADIO: And my comments will be very brief.

My name is John Donnadio. I'm with the New Jersey Association of Counties. I of course want to thank you for allowing me this opportunity to testify. And my testimony today is very narrow in its scope, in that I want to relay to this Committee the answer to the question that we presented to our board of directors, which I'm sure, as you know, is comprised of freeholders from each of New Jersey's 21 counties, four elected constitutional officers, and one county executive. And that question was simply: "Should this Committee and should the Legislature consider an initiative that would amend, alter, eliminate, or create some type of classification scheme with respect to the Uniformity Clause?" And quite simply, that answer was no. Our board shared some of the concerns that the business community had, and at the end of the day this will have a negative impact on businesses, and will ultimately harm a county's tax base that is obviously dependent on the county tax rate.

And we are concerned that we should leave it alone. And this Committee should look to some of the other measures that you have addressed over the past couple of weeks during this Summer session. So at the end of the day, we think that the Uniformity Clause should remain in its current form, and that we should continue to explore other measures, such as sharing of services and providing local governments with mechanisms and resources to deliver the services that they need to in a more cost-effective manner.

So I thank you for your time and consideration. I'll be happy to answer any questions, if I can.

SENATOR KENNY: I think that's fine. Thank you very much for your testimony.

MR. DONNADIO: Thank you.

SENATOR KENNY: And now, Mr. Evans, New Jersey Future.

And followed by our last speaker, Jon Shure, from New Jersey Policy Perspective.

T I M E V A N S: Well, thank you, first of all, for inviting New Jersey Future to appear. And I want to first say that I'm filling in on short notice for somebody else, so I don't know if you were expecting to hear from us on a specific exemption. And if so, you should let me know. If not, then with your permission, I'll direct remarks to the Uniformity Clause in general.

New Jersey Future is a land-use policy organization. So our primary interest in property tax reform is in addressing the negative land use consequences of the overreliance on property taxes.

RPA spoke a little bit about some of these earlier. We're talking mainly about the chase for commercial rateables, and the flip side, the resistance to housing developments, especially housing that's likely to generate school children. These have far-reaching land use implications, and there are others. I won't go into them all now, but--

Our view is that these land use consequences arise as much, if not more, from intermunicipal competition, as they do from the fact that it's the property tax, per se, that municipalities are dependent upon. So if you're going to neutralize that municipal competition as much as you can, we think you're-- We're talking about looking at regional solutions, some of which may involve changing the Uniformity Clause, and I'll give you a couple examples. There are any number of scenarios you could construct.

But consider first of all the creation of a new regional taxation and land use planning body. Or equivalently, you could think of an existing

one like the Pinelands Commission that has land use authority but doesn't currently have taxation authority. I'll use that just because we're all familiar with it. If you were to endow the Pinelands Commission with taxation authority, where it would be applying a single property tax rate to all properties within the Pinelands management area boundary, then for municipalities where there's a part inside and part outside the Pinelands area, you would suddenly have a violation of the Uniformity Clause, because properties inside have one tax rate, properties outside have another.

Another example I'll give you, which RPA alluded to earlier but didn't elaborate on, is one of the recommendations from the SLERP Commission in the late '80s -- which is a little bit before my time. But one of our trustees was on that Commission and tells me that one of its recommendations was to institute a tax on new development that would vary by the State Plan planning area. And again, you'd have the same situation. Because the State Plan planning area boundaries don't necessarily follow municipal boundaries, just as with regional taxation authority, you have the possibility of -- for municipalities that are partly in one planning area and partly in another -- you'd have properties in different parts of that municipality being taxed at different rates.

Now, I should stress that at this point, New Jersey Future isn't necessarily advocating either of the two things that I've just described. We don't think we have the answer any more than anyone else does, at this point. But I think, at the same time, it would be inadvisable to take the Uniformity Clause off the table in case something -- a solution like the two I've talked about were to come along.

Thank you.

SENATOR KENNY: Thank you very much, sir. Thank you for your testimony.

Jon Shure, from New Jersey Policy Perspective.

J O N S H U R E: Thank you for asking me to come here. But more importantly, I want to thank all the members of the Committee for taking on the task of taking New Jersey's upside down and backwards tax system and trying to turn it right-side up. It's long overdue and I think there's a lot of good things to be done.

I was asked to come and talk about the recommendations and findings of a report that we put out two years ago about tax exempt property in New Jersey, written by Professor Donald Krueckeberg from Rutgers University. And my written testimony will do that in detail; as well as we've given you some charts that, on a town-by-town basis, talk about how much tax exempt property there is in each classification and how much tax revenue the towns have given up as a result of that. So I'll just summarize this briefly and will be certainly happy to answer any questions.

But as New Jersey clings to an obsolete and not very fair tax system, what's happening with tax exempt property is really one more symptom of what's wrong in our state. Everything else being equal, residents in New Jersey are paying higher property taxes than they would pay if everyone using the services shared the burden of paying for the services. In 2005, 12 percent of the value of property in New Jersey was exempt from property taxation. Almost all of it -- schools, public property, churches, charitable institutions, cemeteries -- that amounted to over \$91 billion in total property value in New Jersey, and it represented \$3.2 billion

in lost property tax revenue. I think that gives us some perspective of what the magnitude of the situation is.

But one problem is not so much--

SENATOR KENNY: Sorry, again. What was the number of the exempt?

MR. SHURE: Twelve percent of the property value amounting to over \$91 billion.

SENATOR KENNY: Now, are you only referring to the constitutional?

MR. SHURE: I wish I could give you a better breakdown, but the information, as is provided in the abstract of rateables from the Division of Taxation, doesn't make those distinctions quite as clearly.

SENATOR KENNY: Because we have the four categories of constitutional exemptions, then you have -- exemptions may be granted by general law.

MR. SHURE: That's right. The way the State breaks it down in the abstract of rateables: it has public school property, other school property, public property, church and charitable property, cemeteries and graveyards, and a very large category called *other exemptions*.

SENATOR KENNY: Oh. So that's in the 91 billion, the other exemptions?

MR. SHURE: Yes, that's right.

SENATOR KENNY: So presumably, that's the statutory -- the general laws.

MR. SHURE: They're rolled into that. That's right.

SENATOR KENNY: Ninety-one billion -- that's 12 percent?

MR. SHURE: Twelve percent of all the property value in New Jersey.

SENATOR LANCE: Jon?

MR. SHURE: Yes.

SENATOR LANCE: As I was reviewing the figures earlier this morning -- and they're certainly excellent figures -- does that include, for example, a State park that might be located in a municipality?

MR. SHURE: As far as we know it does, because it talks about public property.

SENATOR LANCE: So the \$91 billion figure would include, to the best of your knowledge, a value for State parkland in municipality X?

MR. SHURE: As far as we could tell, it would.

SENATOR LANCE: Thank you. That answers my question.

MR. SHURE: Yes. Okay.

One of the problems is not so much the amount of property exempt from taxes, although that is significant, but also the distribution of those exemptions across New Jersey's municipalities. The exemptions tend to be concentrated in relatively few places, and it often tends to be the case that the municipalities with the most tax exempt property value are the ones that can least afford it. A lot of the poorest municipalities in New Jersey have most of the tax exempt property. Most municipalities with higher incomes tend to have fewer taxes and properties.

Now, as you have been hearing and talking about today, it was long customary to exempt certain property from taxation in New Jersey and elsewhere -- churches and schools, for instance, were considered merely an extension of the private property of the people who used them, and they

already were being taxed. In 1851, the State followed long-standing tradition and exempted, explicitly, property from taxation if used for religious, educational, charitable, or cemetery purposes. The 1947 Constitution upheld such exemptions, and then State law further expanded those exemptions for, among other things, historical societies, public libraries, buildings used and owned by first aid squads, etc., etc.

In 1971, the State Division on Taxation was directed to compile a list of the approximately 100,000 exempt properties across New Jersey. And a key recommendation that came out of that process was that the burden of exemption from property taxes for religious, educational, charitable, and other nongovernmental organizations should be equalized among taxing districts. In other words, each county could share the burden of exempt property in that county, so it wouldn't be born only by the municipality where it was located. Nothing came or that.

What the State did start to do -- and this addresses, I think, some of the statutory aspects-- In 1997, they created the PILOT program -- Payment In Lieu of Taxes -- for State property, to make payments to municipalities in lieu of the property tax. It's only been funded to the point of where about a third of the value is given back to municipalities, and none of it goes to schools or to counties. Some municipalities also have their own PILOT arrangements worked out with nonprofit organizations, tax exempt organizations. They tend to be lump-sum contributions, and they vary according to the size, financial capability, and generosity of the entity.

Skipping ahead, now, I would argue that all of this is made worse in New Jersey by the fact that we rely so heavily on local property taxes to pay for education and government services. Obviously, the more

you rely on this form of taxation, the bigger a problem it is to have so much property exempt from that taxation -- it just stands to reason.

Now, in the report that we put out in 2004, we did not say that tax exempt properties should be required to pay taxes. So we did not advocate changing the Constitution to end that exemption. I'm not sure that would ever be politically possible. I'm not sure it would be fair. But I think a way to look at this is that there are ways to make the system more fair. I don't think they would involve having to deal with the Constitution, frankly. It was discussed a little before. One is to have tax-base sharing, to have municipalities in a region pool their property tax revenue, or a portion of it, and divide up the money in ways it takes into account municipalities that are not getting revenue because of tax exemptions.

Similarly, you could create a tax exempt, tax-base sharing pool that would spread among a region the costs that need to be made up because of property taxes not paid by each entity. There's many examples you can give; but take, for example, a hospital in one municipality. It doesn't pay property taxes to that municipality, but it serves many municipalities. So the property tax hit is taken only in one of the municipalities served by the hospital. You could again, as recommended 30-some-odd years ago, assign all tax exempt property to the county to have the cost shared. You could do it at the State level, in effect raising municipal, school, and county aid to take into account lost revenue because of property tax exemption.

And finally, and this goes more to, I think, accountability and openness, there ought to be a State Web site, a database, where anybody could look up all tax exempt property in New Jersey and the reason for the

exemption. Such a list also could record any payments made in lieu of taxes, and copies of the agreements setting forth the terms. Because while we're not suggesting that nonprofits, charitable institutions, etc., be made to pay property taxes, the public has a right to know what they might be paying in lieu of property taxes and to determine whether that is, indeed, a fair amount.

In short, all of these steps would help to make sure that local property tax exemptions are viewed in a realistic context. They are local subsidies to regional demands, and they should be recognized as such.

Thank you.

SENATOR KENNY: I have one issue.

MR. SHURE: Sure.

SENATOR KENNY: The Constitution protects religious, educational, charitable, cemetery purposes, if they're exclusively used for those reasons. Is that an issue?

MR. SHURE: Yes. That wasn't dealt with in the paper. But, yes. Many nonprofit institutions also have a profit-making subsidiary, perhaps sharing the same space. Would you have to find a way to cut how much they should pay in property tax? There are issues along those lines. And I think that some of the work done by the State in the past, to try to get a handle on just how many properties we're talking about and exactly what their use is -- an update of that would be helpful, I think. Because the exemptions for the purposes stated in the Constitution, I think are valid. They serve the public good. But if some of those exemptions are going to people for reasons other than what the Constitution dictated, then I think it's worth taking a look at, sure.

SENATOR KENNY: I don't recall. Did you address the Uniformity Clause issue?

MR. SHURE: We did not, and we have not taken a look at that.

SENATOR KENNY: You don't have a position on that?

MR. SHURE: I'm learning more about it.

SENATOR KENNY: All right. Thank you.

MR. SHURE: Sure.

SENATOR KENNY: Anything for Mr. Shure from anybody before we conclude? (no response)

MR. SHURE: Thank you.

SENATOR KENNY: Okay. I think that concludes the hearing.

Just for point of information, our next meeting is next Thursday, September 14, and we'll be talking about revaluation, of control of property tax levies, and the overview of existing proposals on property tax reforms -- concerning such things as statewide or regional property tax systems, constitutional provisions concerning local control of property tax levies, some of the sharing issues you've heard -- many of which would require constitutional amendments. Some of the regional taxing issues would require constitutional changes, in my opinion, because they would deviate from municipal assessment to some degree. So that will be the subject on the 14th.

And then we will have two public meetings: One on the 21st, in an area to be determined; and another on the 28th, to be determined. And these meetings will be open to the public and allow the public to provide testimony.

ASSEMBLYMAN BURZICHELLI: But they will be in New Jersey?

SENATOR KENNY: Yes. (laughter) No, they'll be in Pennsylvania--

ASSEMBLYMAN BURZICHELLI: Yes. In a tax exempt area.

SENATOR KENNY: --where everything is better. (laughter)

So we're told.

So on the 21st and 28th, we'll have these public hearings. And we'll get that information out to you. The Chair and I will work that out with the staff. And then we'll be meeting again to continue these discussions on October 5, on October 12, and October 19. And then we will ultimately make some recommendations and work with the Committee members to decide what our conclusions are.

So thank you very much for joining us today.

(MEETING CONCLUDED)