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# *Public Hearing*

before

## SENATE STATE GOVERNMENT COMMITTEE

### Senate Concurrent Resolution No. 1

*(Amends the State Constitution to dedicate the amount of annual revenue derived from a tax rate of 0.5 percent imposed under the sales and use tax for property tax reform)*

## ASSEMBLY STATE GOVERNMENT COMMITTEE

### Assembly Concurrent Resolution No. 1

*(Amends the State Constitution to dedicate the amount of annual revenue derived from a tax rate of 0.5 percent imposed under the sales and use tax for property tax reform)*

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**LOCATION:** Committee Room 4  
State House Annex  
Trenton, New Jersey

**DATE:** July 27, 2006  
10:00 a.m.

#### **MEMBERS OF COMMITTEES PRESENT:**

Senator Joseph Coniglio, Chair  
Assemblyman Mims Hackett Jr., Chair  
Senator Nicholas P. Scutari, Vice Chair  
Assemblyman Gary S. Schaer, Vice Chair  
Senator Nicholas Asselta  
Senator Leonard T. Connors Jr.  
Assemblyman Jack Conners  
Assemblywoman Amy H. Handlin  
Assemblyman Sean T. Kean



#### **ALSO PRESENT**

Frank J. Parisi  
Pamela H. Espenshade  
*Office of Legislative Services*  
*Committee Aides*

Christian Martin  
*Senate Majority*  
Gina LaPlaca  
*Assembly Majority*  
*Committee Aides*

Rosemary Pramuk  
*Senate Republican*  
John Kingston  
*Assembly Republican*  
*Committee Aides*

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

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**SENATOR JOSEPH CONIGLIO (Chair):** Good morning, and welcome to the Joint State Government Committee meeting this morning.

Frank, would you take the roll, please?

**MR. PARISI (Committee Aide):** Certainly, Mr. Chairman.

For the members of the Senate State Government Committee, Senator Connors.

**SENATOR CONNORS:** Here.

**MR. PARISI:** Senator Asselta.

**SENATOR ASSELTA:** Here.

**MR. PARISI:** Senator Weinberg. (no response)

Senator Scutari. (no response)

Chairman Coniglio.

**SENATOR CONIGLIO:** Here.

Assemblyman Hackett, would you ask for a roll call, please?

**ASSEMBLYMAN MIMS HACKETT JR. (Chair):** Roll call, please.

**MS. ESPENSHADE (Committee Aide):** Assemblywoman Handlin.

**ASSEMBLYWOMAN HANDLIN:** Here.

**MS. ESPENSHADE:** Assemblyman Kean.

**ASSEMBLYMAN KEAN:** Here.

**MS. ESPENSHADE:** Assemblyman Connors.

**ASSEMBLYMAN CONNERS:** Here.

**MS. ESPENSHADE:** Vice Chair Schaer.

**ASSEMBLYMAN SCHAER:** Here.

MS. ESPENSHADE: Chairman Hackett.

ASSEMBLYMAN HACKETT: Here.

SENATOR CONIGLIO: I want to say good morning, and welcome to the Assembly State Government Committee. I look forward to working with you this morning.

Good morning, Senator Scutari.

SENATOR SCUTARI: Good morning, Mr. Chairman.

SENATOR CONIGLIO: How are you?

No fine for you this morning. It's okay. (laughter)

SENATOR SCUTARI: I figured you had plenty of members here.

SENATOR CONIGLIO: That's okay.

Good morning, and welcome to the State Government Committee public hearing on ACR-1, SCR-1.

I would like to especially welcome the members of the Assembly State Government Committee.

Today's public hearing is required by our State Constitution, prior to adopting these resolutions. Today will also be an opportunity for the sponsors of this resolution to testify regarding the need for the State to set up its efforts at providing property tax relief.

Following today's public hearing, the proposed amendment will be presented to the Legislature for a vote. If the amendment is agreed to, it will then be submitted to the voters in November.

I am under no illusion that this measure will be a proverbial silver bullet to a problem as complex as the property tax burden facing our

state. New Jersey residents shoulder some of the highest property tax burdens in our nation.

The tax system that we have in place today evolved over a long period of time, and is a relic of our colonial past. No one should underestimate the magnitude of the State's property tax problem. To put this in perspective, the State collects three main taxes on income, sales of certain items, and on corporate business activity. Consider that the total amount collected via these three taxes is now about \$23 billion.

The total property tax levy collected by local government for counties, schools, and municipalities is now about \$21 billion. The State already spends over \$9 billion per year on direct school and municipal aid. In the face of these numbers, there are those that would argue that this \$500 million is not enough, and we need -- more to do. We do need to do more.

I believe, however, that SCR-1 is an important first step and the beginning of a larger process of reform that could ease the burden on our homeowners. Tomorrow, the Governor and the Legislature will begin to lay out an extraordinary framework to bring about legislative measures and corresponding action aimed at reducing the property tax burdens on New Jersey residents.

Special bicameral, bipartisanship committees will meet to examine the property tax problem from all angles. Hopefully, at the end of this process, the Legislature will have a package of meaningful reforms that we can present to the public.

It will not be easy. No system or structure that has developed over so long a period, and that provides the essential services of government

like education and public safety, can be magically transformed overnight. I can say, in all sincerity, on behalf of my Senate colleagues that we are privileged and will pledge our best effort in this endeavor.

With that, if any other member would care to make an opening statement, that would be in order at this time.

Chairman Hackett, if there is anyone on your Committee, we welcome it -- or any on the Senate side.

ASSEMBLYMAN HACKETT: Thank you.

SENATOR CONIGLIO: Now it's your ball.

ASSEMBLYMAN HACKETT: Thank you, Senator.

I want to thank you for giving me the ball, and I believe I will be able to run with that.

Just a quick statement. First of all, I'd like to extend greetings to Chairman Coniglio, to the Senators, and to my Assembly colleagues, and to all of you in attendance today.

I believe that today is, indeed, a historic occasion. There is no greater concern to the citizens of my district and the State of New Jersey than property tax reform. We have talked about it, and now we have taken steps in an attempt to provide relief.

Today we will begin a process that will be an incredible journey toward real, meaningful, and permanent property tax reform here in New Jersey. I'm honored to be a part of it.

I thank each and every one of you for being here today. I know, as you do, you're looking forward -- and I am also -- to tackling the work before us.

So, now, with the ball that I have, let us begin.

If there is any other member who would like to speak at this time, please indicate as such.

ASSEMBLYMAN CONNERS: Mr. Chairman.

ASSEMBLYMAN HACKETT: Yes, Assemblyman.

ASSEMBLYMAN CONNERS: Thank you, Mr. Chairman.

Is this-- Are we on? (referring to PA microphone)

First, I'd like to thank the Governor, the Senate President, and the Assembly Speaker for their leadership on this issue, which I think is going to lead to the dedication of over a half-a-billion dollars in property tax relief for the 2007 fiscal year.

The Legislature is about to commence a rare Summer session in which the Assembly and Senate will form committees tasked with examining options for real, lasting property tax reform. And these two steps have done more for property taxpayers in this state than New Jersey's seen in several years. And yet these two steps alone are not enough. New Jerseyans deserve and require a constitutional commitment to dedicate these funds permanently. And that process begins by approving this resolution today, and passing it in our respective houses, and putting it on November's ballot for approval by the state.

People are frustrated with property taxes and they're demanding results. And this is an opportunity, as I see it, to let New Jerseyans help decide how their tax money is used, and to enact a constitutional commitment that goes beyond campaign promises.

The coming weeks will involve difficult decisions and complex issues. And those decisions could be aided by securing these funds for

direct relief, lasting reform, or whatever is deemed appropriate and necessary towards ending this crisis, which has been 30 years in the making.

Our children are entitled to top-notch education, our neighborhoods should be safe, and our seniors and veterans deserve assistance. However, these services should not and must not come at such a cost as to force working families out of their homes.

The time for property tax reform is long overdue. And it's with that in mind, Chairman, that I intend to-- I'm supporting this legislation, the next step to true property tax relief and reform.

Thank you, Mr. Chairman.

ASSEMBLYMAN HACKETT: Thank you very much.

Anyone else?

SENATOR CONIGLIO: Senator Asselta.

ASSEMBLYMAN HACKETT: Senator.

SENATOR ASSELTA: Both Chairmen, first of all, I would think-- And reading some of the words that have been used by both Chairmen and the Honorable Assemblyman Connors to the effect of, "New Jerseyans deserve to know" and "this is a historic piece of legislation," the interpretive statement here, at least in my view, needs to be redone, reworked; and explained to the voters of New Jersey exactly where this special property tax reform account -- how it is administered.

So if you're going to ask the entire population of this state to vote on an historic piece of legislation -- New Jerseyans need to know -- then this interpretive statement -- what I assume here, Mr. Chairmen, this is what will be on the ballot -- this brief special property tax reform account is incomplete.

And, consequently, I don't know why we're here. I mean, you've already stated how important this is. And the people of New Jersey need to know how this particular account will be administered. And without that in the interpretive statement, Mr. Chairmen, how can New Jerseyans go to the voting booth in November and, educated as to the effect of -- there is no mechanism, how can they vote?

SENATOR CONIGLIO: I don't disagree with your statement, Senator. But at this time we do not have the ability to make any change.

SENATOR ASSELTA: Why is that? Why weren't we prepared, through you, Mr. Chairman, to have a real comprehensive question on a ballot?

I've been voting for my entire life. And I've been in voting booths, as all of you have had, with interpretive statements that are, like, massive. And you sit there, and you read it, and you've got to take your glasses in there and read it, and try to comprehend it, even if, let's say, you didn't get a ballot in the mail earlier -- which sometimes doesn't happen. This statement is just too brief, too incomprehensive, and doesn't explain to the voters of New Jersey exactly how this money is going to be administered. Is it going to go North, is it going to go South, is it going to go Central, is it going to go-- How is it going to be administered? And that's really the central question here today.

And coming up here today, knowing that this statement was read like this, and this bill read like this, is totally irresponsible that we're even here.

SENATOR CONIGLIO: I think, Senator, also, that the special sessions that are going to be held over the Summer will answer some of those questions for you.

But to directly answer your question, Frank has some comments. And I'll let Frank Parisi answer your question for you.

SENATOR ASSELTA: Okay.

MR. PARISI: This is a public hearing. And there is no mechanism, at the present time, for amending the statement in the bill. If the statement is to be amended it can be amended on the floor when the bill is considered. If that, in fact, happens, the whole resolution will die, and the process has to start over again.

SENATOR ASSELTA: Well, through you, Mr. Chairman-- And, Frank, am I correct in assuming this is how the ballot will read, this interpretive statement?

MR. PARISI: Yes, Senator, I believe so.

SENATOR ASSELTA: Thank you.

SENATOR CONIGLIO: Sean.

ASSEMBLYMAN HACKETT: Yes, Assemblyman.

ASSEMBLYMAN KEAN: Thank you, Chairmen.

I would like to echo Senator Asselta's comments with a little more specificity.

I think it's very easy. We could have put some more direction and given the public some more knowledge about how this will work with some accompanying, enabling legislation, some statutory provision that could be proposed at the same time to describe how this property tax reform would work.

Is it going to be merely a shell game, where if the State gives out \$15 billion a year in property tax relief, we're going to dedicate \$500 million of it; but then, next year, we're going to take \$500 million that we're already giving, and move it over, and give that to some other well-deserved cause? That's the problem here. There's absolutely nothing in place or nothing that's been proposed to define who is going to allocate these funds, through property tax reform. Is it going to be administered the way Homeland Security Grants were administered? Will it be administered the way the Christmas Tree items were administered in the last budget, where \$400 million were tacked on in the last few hours of the budget process?

SENATOR CONIGLIO: Let's not be political, Assemblyman.

ASSEMBLYMAN KEAN: Those are my concerns.

Thank you, Senator.

SENATOR CONIGLIO: Just to answer your question-- This is not a political forum and I don't think we need that.

But what I will say to you is that I think that all eyes are on us, collectively, together. I think we all have a responsibility to the people of the State of New Jersey to not let those things happen.

There will be special sessions over the Summer where our colleagues will be working on different pieces of legislation and reforms that are necessary for property tax relief. And I'm sure -- I would count on, in fact -- that the people in the Legislature are educated enough and intelligent enough to do the right thing with this proposal, as it moves forward.

You know what? We all have a lot at stake here -- the legislators and the people of the State of New Jersey. I think it's incumbent

on us that we make sure that we dot our *Is*, and cross the *Ts*, and make sure that we do not have any loopholes in this piece of legislation moving forward. I think that's incumbent on all of us.

ASSEMBLYMAN KEAN: Through you, Chairman, if I could just follow--

SENATOR CONIGLIO: Senator Connors.

SENATOR CONNORS: Thank you, Mr. Chairman.

I agree with Senator Asselta, from the standpoint that I think we're putting the cart before the horse.

Generally speaking, during the time that I've been here in Trenton, we've always seen enabling legislation that was passed approximately at the same time that the question went on the ballot. We don't have enabling legislation. And I think, for that reason, we're putting the cart before the horse.

The second thing that I'm deeply concerned about is-- I am under the impression -- and I've been told -- that we're going to have a problem balancing the budget next year. Don't you think we ought to have -- shouldn't that be one of the questions we're talking about today -- is what -- cleaning our own house? Shouldn't we be looking at trying to have a State government that people can afford, before we start to dictate and to put in bills that will affect the lives of the other municipalities -- all the municipalities in this state?

And there is a clear -- statements have been made -- clear statements have been made with regard to consolidation. In other words, that's going to be really the key. That's going to be the panacea of how we're going to save the public from the onerous taxes that are heaped upon

them. Should we end up with a city of New Jersey? Is that the answer to it, rather than have the 566 municipalities? I'm not defending that. I am just saying that I think we should be looking at what impact we're going to have, with regard to this constitutionally dedicated half-a-billion dollars -- or more than half-a-billion dollars -- what impact it's going to have on the State budget in the future.

And if something-- If it doesn't work, we then have dedicated a half-a-billion dollars for something worse. What do we have to do then, turn around and unconstitutionally dedicate that?

SENATOR CONIGLIO: Senator, Assemblyman Hackett would like to answer your question you proposed, if that's okay, before you continue in making a statement.

ASSEMBLYMAN HACKETT: Thank you.

Senator Connors, I want you to know that ACR-2, next year, will provide, constitutionally, so that the State fiscal house will be in order. And you notice what we are here today to do is to make sure that we dedicate these moneys toward property tax relief. Without the vote today, those moneys will go into the general fund.

SENATOR CONNORS: I beg to differ with you, sir. That's not what this--

ASSEMBLYMAN HACKETT: I'll let you speak.

SENATOR CONIGLIO: Senator.

ASSEMBLYMAN HACKETT: Senator.

SENATOR CONNORS: I allowed him to speak.

ASSEMBLYMAN HACKETT: Senator, no, I didn't--

SENATOR CONNORS: But the plain fact of the matter is, it doesn't say property tax relief.

ASSEMBLYMAN HACKETT: Senator.

SENATOR CONNORS: It says *property reform*.

ASSEMBLYMAN HACKETT: Senator, we're going to make sure, once we vote today, moneys will be earmarked for property tax relief. Without the vote, the moneys will be placed into the general fund.

SENATOR CONNORS: That's not what this bill says. I beg to differ with you. It's not what this bill says. This bill talks about reform. Look at Webster's and see what Webster's says with regard -- the difference between *relief* and *reform* are as wide apart as the polls.

ASSEMBLYMAN HACKETT: Senator, do you understand ACR-2? Have you read that?

SENATOR CONNORS: Yes, I have it right here before me.

ASSEMBLYMAN HACKETT: All right. Well, the clarity of that -- just give that to us. I'll let you do that.

SENATOR CONNORS: Pardon?

ASSEMBLYMAN HACKETT: The clarity of ACR-2. Would you give that to us, please?

SENATOR CONNORS: I beg your pardon. I have ACR -- or SCR-1, Senate Concurrent Resolution.

SENATOR ASSELTA: Could your staff supply us with it?

SENATOR CONNORS: This is what is going to be passed next year?

ASSEMBLYMAN HACKETT: You don't have that before you?

SENATOR CONNORS: Apparently not.

ASSEMBLYMAN HACKETT: So you're going to take what I say as truth. Is that true?

SENATOR CONNORS: I accept what you said as true, although I cannot comment on a bill that I haven't seen. You're asking me to do something that's going to be introduced next year. Is that what you told me?

ASSEMBLYMAN HACKETT: And understanding that the Appropriations Committee will be able to earmark what you're saying -- and we're not that type of Committee to do that. What we're trying to do is to make sure that all of the measures that we're introducing will be actually constitutionally -- so that we'll be able to give property tax relief.

SENATOR CONNORS: I don't know how we're going to discuss SCR-2, when we don't even have it on the table here.

ASSEMBLYMAN HACKETT: Well, we have other speakers that will come up. Maybe there will be clarity that will be given at that point.

SENATOR CONNORS: Well, I'd liked to be enlightened before this.

ASSEMBLYMAN HACKETT: You will be enlightened before the end of this session.

SENATOR CONNORS: Well, in any event, going on to what I said before -- that each and every year, we're going to be dedicating this money. And what provision is it if this doesn't work -- doesn't relieve -- the tax relief that it purports to bring about? Do we have to unconstitutionally dedicate it -- or constitutionally undedicate it?

ASSEMBLYMAN HACKETT: Senator, the reason we're here is for solutions. We'll bring up concerns that you have. And we will make sure that we address the solutions to put our State -- to be fiscally responsible, as we all would want it to be.

SENATOR CONNORS: Well, Mr. Chairman, I'll offer this as a solution. We ought to start right here in the State, and pass a budget in a timely fashion, like we didn't do this year. That's--

SENATOR CONIGLIO: That's a political statement. That's not for here.

SENATOR CONNORS: That's germane to the issue. The fact of the matter is, we had to raise taxes this year in order to support the budget. And we shouldn't be doing that.

SENATOR CONIGLIO: Thank you, Senator.

SENATOR CONNORS: We should be setting an example to all of the counties, and municipalities, and school boards in this state, and say, "We can do a better job. We're going to direct you after we clean our own house." And we haven't done that.

SENATOR CONIGLIO: Thank you, Senator.

Assemblywoman Handlin.

ASSEMBLYWOMAN HANDLIN: Thank you, Senator, and Mr. Chairman from my own side of the House. Thank you.

Just three brief points: One is, I'd like to refer back to the comment that Senator Coniglio made, which essentially boils down, in my view, to the following. I guess since we have no way of amending the language in the explanatory statement -- as I understand our situation now

-- we should say to the public, "We're from the Legislature. So you can trust us." Is that correct?

SENATOR CONIGLIO: That is maybe what you assumed from my statement to be correct. That's not what I'm saying.

ASSEMBLYWOMAN HANDLIN: Because you had commented--

SENATOR CONIGLIO: We have the responsibility to the public. The burden is on us to make sure that everything that Sean stated does not happen.

Okay?

ASSEMBLYWOMAN HANDLIN: Okay.

SENATOR CONIGLIO: And I think that's our responsibility. I don't think we should shrug our responsibility in any way.

ASSEMBLYWOMAN HANDLIN: Oh, no, no, no.

SENATOR CONIGLIO: We are the focus.

ASSEMBLYWOMAN HANDLIN: But we should tell the public that they can trust us to do the right thing.

SENATOR CONIGLIO: And I think that we have to be honest with the public, to make sure that that happens in the right way and in the right format.

ASSEMBLYWOMAN HANDLIN: Okay.

SENATOR CONIGLIO: That's our job.

ASSEMBLYWOMAN HANDLIN: Okay. So we're telling the public, "You can trust us to do the right thing."

The second comment I wanted to make is -- some of you know, in my other life I'm a professor -- and it just so happens that I did my doctoral dissertation about how people vote on ballot questions.

And I want to tell you, from a scholarly perspective--

SENATOR CONIGLIO: This is not a lesson, is it?

ASSEMBLYWOMAN HANDLIN: Would that harm any of us, sir? (laughter)

SENATOR CONIGLIO: Hopefully not.

ASSEMBLYWOMAN HANDLIN: I don't think so. We can always learn.

And I just wanted to assure everyone that if there is anyone who believes that the language of ballot questions doesn't matter, that is quite wrong. In fact, it matters greatly. And it affects people's votes. And that has been demonstrated around the country. So I think that it's a very legitimate worry that we all have.

And my third point is to, perhaps, assuage some of that worry. I want to assure all of my colleagues that I will be putting forth some legislation which would statutorily do what we can't do today. And that is to create a bipartisan body which would review the disposition of these funds according to transparent and objective criteria. And perhaps we will have an opportunity to talk about that a little bit later, in conjunction with some of the testimony.

SENATOR CONIGLIO: Thank you very much, Assemblywoman.

Anyone else wishing to speak, have a statement, or anything?  
(no response)

Okay, Chairman. Do you have any witnesses?

ASSEMBLYMAN HACKETT: At this point, we have Assemblyman Neil Cohen, Senator Bryant, and Senator Karcher who wish to speak on the bill.

The order that you prefer--

ASSEMBLYMAN NEIL M. COHEN: Senators first.

ASSEMBLYMAN HACKETT: Senator Karcher.

SENATOR ELLEN KARCHER: Good morning, Chairman Coniglio, Chairman Hackett, and members of the Senate and Assembly State Government Committees.

Thank you for this opportunity to testify today on Senate Concurrent Resolution 1. SCR-1, if approved by the Legislature and ratified by the voters at the general election this November, would constitutionally dedicate half-a-penny from this year's sales tax increase to property tax reform efforts.

By constitutionally dedicating these funds, we can ensure that we will have recurring revenue to keep our commitment to reform. However, this constitutional amendment is only a down payment, the first step toward the type of across-the-board reform that is needed.

For over three decades, New Jersey residents have suffered under an oppressive property tax structure that has negatively impacted the quality of life and the cost of living in the Garden State. For years in New Jersey, property tax increases well above the rate of inflation have been the norm, and taxpayers have had enough.

This Summer, New Jersey's Legislature will act on the taxpayers' frustration, and work during a Summer session to push major

reforms that will, hopefully, put downward pressure on our state's soaring property taxes.

As you know, last month, Senate President Codey and Speaker Roberts announced their intention to convene a special session of the Legislature this Summer to address the property tax crisis. And tomorrow, that special session will begin with an address by Governor Corzine to a joint Legislature.

And while the Legislature has tried in the past, through piecemeal reform and stopgap measures, to slow down the pace of the property tax behemoth, we have yet to make a real dent in the system. Nothing short of total reform will succeed in stabilizing property taxes and turning the tide against years of painful increases. Every aspect of how we organize and fund government in New Jersey must be scrutinized; there cannot be any sacred cows. We must be willing to embrace radical changes to the way Trenton and our local governments do business, to show real results for New Jersey's beleaguered taxpayers. Reform won't be easy.

Moving forward, we must balance efficiencies and tax parity, as we strive to make real changes to our tax system. No one has ever claimed that New Jersey State government, or municipal governments and school boards for that matter, operate at maximum efficiency. There's a lot of ways to cut, and we will be aggressively seeking out any and all savings for the taxpayers.

But eliminating waste alone won't be enough to tame the property tax beast. We need to look to alternatives to current methods of funding our State's most pressing obligations. And we need to encourage public officials, on the municipal level on up, to do more with less.

The cost drivers that have fed our property tax crisis are many. Waste in government services, through public corruption and inefficient practices; an outmoded school funding formula that doesn't meet the educational needs of our children; and a strict and, frankly, misguided adherence to the dogma of home rule have created a state that New Jerseyans can no longer afford. We need to demand a higher standard in efficiency, fair funding for all of our schools, and a keen eye towards taxpayer savings to make reform work.

This Summer, we stand to make a difference in the lives of our residents and provide stability for the future of the Garden State. The task is daunting, and the resistance to reform may be vigorous. But I will work as hard as I can, on behalf of the taxpayers of Monmouth County and our state, to see reform realized.

Property taxes have controlled our lives and our wallets for too long. However, through a Summer session dedicated to reform, we stand to realize our greatest hope of an affordable New Jersey with a fair tax structure.

Thank you.

ASSEMBLYMAN HACKETT: Thank you very much.

Assemblyman Cohen.

ASSEMBLYMAN COHEN: Chairman Hackett, Chairman Coniglio, members of the Committee, I want to thank you for scheduling this public hearing today.

I want to thank Speaker Roberts, Majority Leader Watson Coleman, who are additional prime sponsors of this legislation, for their

leadership on this issue in the Assembly; and Senators Karcher and Bryant for sponsoring this measure in the Senate.

This proposed amendment to our Constitution is an enormous and vital first step on the pathway, which is fragile and complex, to property tax relief in New Jersey. The people of New Jersey and its legislative representatives want to guarantee that the penny increase in the sales tax they've been asked to accept will not end up being thrown into a black hole and squandered. This amendment would provide that guarantee.

The people of New Jersey want a guarantee that the money meant for property tax reform will be there in perpetuity and not fall casualty to yet another future budget crisis. This amendment would provide that guarantee.

Locking away half of the penny increase into a dedicated account will ensure that the money meant for property tax reform goes to property tax reform, not just this year, not just next year, but every year hereafter.

The Governor has set a conservative estimate that this amendment could lock away more than \$5 billion over the next 10 years. This amendment would be the most significant dedication of new money for property tax relief since the State income tax was first enacted 30 years ago.

Ever since then, legislators, and local government officials, and governors -- both Republican and Democrat -- have avoided dealing with many inherent problems of our property tax system. Those days are at an end. Tomorrow the Legislature will embark on a historic special session that will lead us closer to our goal of reducing property taxes and enacting

structural reforms. Our efforts will require a new source of funding to put into practice, which the Legislature will design and shape over the coming months.

Constitutionally dedicating one-half of the recent sales tax increase to our future property tax efforts will ensure the stable source of new funding we will need -- whether it be for enhanced, direct relief; reducing the local tax levy on a yearly basis; a new school funding formula; or, as Governor Corzine recently noted, as a carrot to promote consolidation and service sharing at the local level.

According to a recent Quinnipiac poll, New Jerseyans support the concept of setting aside this half-penny for property tax relief by more than a 20 percent margin. With this proposed dedication on the ballot in November, New Jersey residents will have a voice and they will have a vote. We need to make progress. And this is the beginning of an enormous first step to do so.

And after the conclusion of testimony, I'd be available for questions.

Thank you very much.

ASSEMBLYMAN HACKETT: Thank you, Assemblyman Cohen.

Senator Bryant.

**S E N A T O R W A Y N E R. B R Y A N T:** Thank you, Chairman Hackett, Chairman Coniglio, and members of the Committee.

I want to start off by thanking, first, the Speaker of the House, who thought about -- that we ought to dedicate money for property tax reform. That was also coincided with by the President of the Senate,

Senator Codey; as well as my colleagues sitting here at the table, Senator Karcher and Assemblyman Cohen.

Boiling this down, what we're doing is, we're protecting the taxpayers' money. A lot of folks talked about, why don't we have a bill proposing how you're going to spend all the money? The Constitution doesn't require that. The Constitution says, first you must place something on the ballot. That's what this does.

When we do things by statute or by bill, that is not protected from the spending woes of any of us sitting in the Legislature. When you do it constitutionally, you protect it. So no matter how you dice this, when you take one-half-a-penny and put it on the ballot, and the people speak -- they actually vote on it -- you no longer can ever, ever, ever, ever not use it for property tax reform. That's what this is all about.

Then, once they give us that constitutional obligation that it should be for reform, we then are empowered to talk about how, in fact, we ought to distribute that reform. This is going into the Property Tax Relief Fund, which is already constitutionally dedicated.

Folks say, "I don't understand how it's written." It tells you. When we did the income tax, there was already a Property Tax Relief Fund constitutionally dedicated. So this makes, basically, a subaccount of tax reform within the Property Tax Relief Fund. So I'm trying to, technically, tell you how this works.

But what it says to the voter is, "You do not have to depend on your legislator whether, in fact, they will ever use this for any worthy purpose." It could be to save all the kids that have a particular disease. It can't happen. Once they vote on it, this becomes the driving force for them

to have a reform and relief, because it is dedicated by the voter. And then, therefore, we're dictated to do that.

Let me commend both the Speaker and the President of the Senate. Not only are we having a special session with our Governor tomorrow to talk about how we should reform-- And those who are asking the question, shouldn't we have some statutory language to talk about how do we spend this reform money -- that is what they set up. It's already in place. They're setting up committees to talk about how we ought to reform the taxation system within this state. And through that process, there will probably be a series of bills that would probably come out of it, talking about: how do we do education, how do we do municipal tax burden. All those things are on the table for us to discuss. And then, if the voters -- as I expect they will -- would want property tax reform so they can have relief on the heavy property tax burden they have, these bills will then implement it.

So don't listen to the ruse that you have to have a statutory way of disbursing the money. Because you can't put the cart before the horse. You must have a constitutional dedication before we can do anything, statutorily. So we're doing the right thing, today -- is putting it on the ballot so people can speak.

I hear over and over, "Why don't we trust the people of New Jersey to speak for themselves? Why won't we give them an opportunity to direct how they would like to see relief?" This does it today.

So all those who believe we ought to have property tax reform, and all those who believe that the New Jersey voter ought to have a right to vote on that reform-- Then you ought to pass this SCR-1 and ACR-1.

Thank you very much.

And I'm prepared for any questions, Mr. Chairman.

ASSEMBLYMAN HACKETT: Thank you, Professor -- I mean, thank you--

Assemblywoman Handlin.

ASSEMBLYWOMAN HANDLIN: Thank you, Mr. Chairman.

I first would like to say that I am pleased to say that I have some areas of agreement with all three of these lady and gentlemen who just testified.

Specifically, I agree with Senator Karcher that there can no longer be sacred cows. I agree with Assemblyman Cohen that the public wants assurance that this money will not disappear into a black hole. And I agree with Senator Bryant that we should be protecting the taxpayers' money.

Along those lines, I have a couple of questions. And I'll pose them to any of the three of you who would care to respond.

Let's say the mayor of a town is my brother. What's to stop me from awarding some of those revenues to him? And along the same lines, what would prevent me, as a legislator working to influence my colleagues, of course, from giving money to only those towns that hire the engineering firm that gives me the biggest campaign donations?

SENATOR BRYANT: Let me say, first of all, I don't know what that has to do with whether you dedicate the funds or not dedicate the funds.

This ballot question is not about the distributions you just talked about. Those are like ruses that you try to raise when you don't want to deal with the main issue. This issue is, do you want to take a half-

a-penny, which is about \$600 million a year -- over a 10-year period, over \$6 billion -- and dedicate it to reducing property taxes. That's a very simple question.

We then have to implement it, at some point in time -- once you have the property tax reform.

ASSEMBLYWOMAN HANDLIN: Yes, as we said, the devil is in the details.

SENATOR BRYANT: So that is not what is before you today. Today is not about how do we implement it. Today is about, do you give the voters the opportunity to vote on making sure that you place it in an account that cannot be touched but for reform.

ASSEMBLYWOMAN HANDLIN: Okay. That's fair.

SENATOR BRYANT: Not in terms of some mythical thing that might come up. When they come up before a committee, that is when the proper question for that-- It is not whether, in fact, you dedicate it or not.

ASSEMBLYWOMAN HANDLIN: Okay. That's fair.

So then what you're saying is that there is no protection--

ASSEMBLYMAN HACKETT: Through the Chair.

Assemblywoman Handlin--

ASSEMBLYWOMAN HANDLIN: That's just-- I concluded my point. That's fine.

ASSEMBLYMAN HACKETT: No. I'm saying, anytime you address a second time--

ASSEMBLYWOMAN HANDLIN: Oh, I'm sorry. Forgive me. Through the Chair.

ASSEMBLYMAN HACKETT: Thank you.

ASSEMBLYMAN COHEN: Let me-- As Senator Bryant said, the only thing before the Committee now is the dedication of what would be \$600 million a year. And I guess you can decide, as a representative from your district, whether you support \$600 million going to property tax relief or not.

The issue-- This harkens back to the constitutional amendment more than 30 years ago. During the crisis -- the school crisis and the funding crisis -- when Governor Byrne was then Governor -- and the schools were about to shut down that Summer, the constitutional amendment didn't say, as I recall, that the income tax would be used for homestead rebates. It just said it was going to be used for property tax relief, because that was the trade-off.

The Legislature then went through a process which evolved into homestead rebates. Homestead rebates are done by statute. The enabling legislation of what source of money goes into the rebate comes from the State income tax. So the same type of legislation that we're doing today is the same type that existed more than 30 years ago, when they enacted the State income tax. You didn't list exactly what programs of property tax relief would come out. That would come through the legislative process.

Similarly, that's what we're going to be doing in the future, when all these task forces are meeting. For instance-- And you have to allow flexibility for creativity. Should we be using money, that is not spent by a community, with a check or, rather, come off of their local tax levy? I mean, we're going to have sufficient money so that if a-- As you know, if you know municipal and county government, you have a county portion,

you have a board of ed portion, you have a municipal portion. That bottom number is the tax levy, how much you have to raise from your local taxpayers.

So we may say, “We’re not going to give a direct check for spending, but we’re going to take that check and apply it to the tax levy.” So if you had to raise \$10 million locally-- And Senator Connors knows, also, as a Mayor. If you have to raise \$10 million locally, and you get \$500,000, that means you only have to raise, locally, \$9.5 million. That way, you have automatic, right-away property tax relief and stability.

Governor Corzine has said we may want to use some of this money as a carrot to some of the county and municipal governments for sharing of services.  $X$  amount of money might be available if you do the following. If this fire department in one town is taken over by another town, then the State might say, “Well, we have for you  $X$  amount of money to save your local taxpayers by sharing services.” You can do that with the department of public works and any other number of areas.

Moneys also may be available to make adjustments on homestead rebate. Plus, there may be 10 or 20 other ideas that either side of the aisle may have during this process. In fact, we’re going through the right process. And sometimes we don’t. And that is, we’re going to have a revenue source. And then, before we legislate, we’re going to have an enormous amount of hearings and information from experts, and from Republican mayors, and council people, and Democrats, and freeholders, county executives, business administrators, municipal CPAs, and a whole wide range of information that these committees are going to be looking at to see whether or not there should be school funding formula changes, how

these dollars should be applied. But the first natural step is to have revenue. And the first natural step, in terms of property tax relief in the '70s, was the enactment of the State income tax.

ASSEMBLYMAN HACKETT: Thank you, Assemblyman.

ASSEMBLYWOMAN HANDLIN: Through the Chair, if I could just conclude.

I understand and appreciate the clarification. And I would like to simply make the point that this, I think, ties back to where we started, which is the fact that we all know what will be on the ballot for voters to read and consider will be extremely vague. And that's why what we're doing here today is trying to clarify what -- how this will work in as concrete a way as we can for the members of the public who read or listen to the reports of this meeting. And what you have both just clarified is that there exists absolutely no protections against nepotism, against pay-to-play, or essentially against any kind of shenanigans, as long as they're done in the name of creativity.

ASSEMBLYMAN COHEN: Well, you know something? Since that is a-- That may be your view, and that may make a good headline in your newspapers, locally. But we already have laws. On nepotism, we have laws. If you do something in exchange for something else, you get charged criminally. That's official misconduct. So we have sufficient laws, under the New Jersey Code of Criminal Justice, to deal with any kind of inappropriate activity. So if there is bad activity, there are laws to deal with it. Lord knows, we pass them every time we have a session, in changing the New Jersey Code of Criminal Justice.

ASSEMBLYWOMAN HANDLIN: Good.

ASSEMBLYMAN COHEN: So your newsclip for tonight-- The real story here is the fact-- And you can decide. Whether you wish to support \$500 or \$600 million in perpetuity for your residents will be your call.

ASSEMBLYWOMAN HANDLIN: Thank you.

ASSEMBLYMAN HACKETT: Thank you.

Senator Scutari, and then Assemblyman Kean.

SENATOR SCUTARI: Thank you.

Thanks for clarifying that, Assemblyman. Because I just think that that kind of an assertion can be made for absolutely anything that State government does. We already have laws that prevent those types of things, and they just need to be enforced.

I do have one question, and then I want to make a statement.

There has been discussions, I think -- or at least there has been the thought that this money might be securitized, for lack of a better word, to bring up a bigger pool of money upfront, in order to do some things. Is that contemplated by the sponsors, for the use of this money, at all?

ASSEMBLYMAN COHEN: It's not-- I can't speak for Senator Karcher or Senator Bryant. It's not contemplated by me. And I think that came up with-- That was a comment that Senator (*sic*) Corzine, I believe, had made at a press conference that was dealing with other issues.

The issue of securitizing these dollars has not come up in any discussions, at least from the Assembly's standpoint.

SENATOR BRYANT: I haven't contemplated the securitizing of anything. I think the whole purpose of having the committees that you're going to have is for the committees to come up with different ways in

which you can have tax reform. So I'm very open to whatever it is. The main thing is to make sure that we dedicate the dollars so that you have some money to do whatever it is that the committees come up with.

SENATOR SCUTARI: SCR-1 -- I guess it talks about the sales and use tax property tax reform. I would disagree with the way that language is stated, because I don't think it really is, necessarily, all-out reform. Reform is going to take a much bigger picture. I would imagine that it would be more relief than reform. So I would agree with that. I think Senator Connors brought that up earlier.

But I would say that the broader issue of property tax reform is really not up for discussion today. Because, I mean, I don't know if we have a property tax problem in this state. We have a spending problem. We spend too much money. And I think what people have been saying is that -- stop spending so much money.

The State Legislature doesn't spend the property taxes. I mean, I think that somehow people think we spend the property taxes. We don't do that. The boards of education, the freeholder boards, and the cities spend the property taxes on local things. Local services are provided as a result of what they pay to their local governments.

So what really can we do to control that spending is what we need to look at over the next coming weeks. And I think we need to look at the reduction in the ability for these entities to spend money, which would be a reduction in health benefits, which would be a reduction in pension benefits, and a way that we can control the spending of the locals.

And Senator Connors also brought up a point that I do agree with. We're having trouble balancing our budget on a yearly basis. And

we're tackling a property tax problem that is being created through local spending. So it's going to be a very delicate few weeks, I imagine.

But I would like to make a statement that we have to make some very bold decisions if we're going to ever do anything about how much money is spent on property taxes. And that includes drastic spending cuts at the local level and our ability to rein in what those entities can spend money on. Because we don't spend that money. They spend it. They decide they're going to hire more firemen, more cops, more sanitation workers, provide more programs, hire more teachers, increase the complement at the county jails, the prosecutors' office. And that's where all the money goes.

What we do is, we take the money that we raise and give 70 percent of our budget back to them. So it is a difficult issue which the Legislature has taken up as their responsibility. And if we're going to do anything about it, we're going to have to do -- which I consider reform. This is not reform. This may be a relief package, which I don't disagree with. But to call it *reform*, I think, is a little mischaracterization. Reform is going to be very, very difficult. And I believe I'm ready to make those decisions -- I hope everyone else is, in the next coming weeks -- which is to reform the benefits that all State workers -- municipal, county, State workers -- get in terms of their pensions, in terms of the health benefits, in terms of the ability to hire new employees. That's what we're looking at -- is that, can we afford the government that we provide? And apparently we cannot. And if we can't, then the only way to do that is to control the spending at those levels.

Thank you, Mr. Chairman, for my indulgence.

ASSEMBLYMAN HACKETT: Thank you.

Assemblyman Kean.

ASSEMBLYMAN KEAN: Thank you, Chairman.

If I could just ask a question, perhaps, to the sponsors; or maybe staff would be better equipped.

Can anybody give me a general number -- about how much of the State budget -- this year's \$31 billion -- goes for property tax relief? Some staff said \$18 billion. Is that an approximation? Fifteen billion?

SENATOR CONIGLIO: Well, I think Senator Scutari said something before -- that \$0.75 of every dollar goes back to the municipalities in school aid or municipal aid. That's all forms of property tax relief.

ASSEMBLYMAN KEAN: Do you know, Pam?

SENATOR CONIGLIO: We're going to try and get you the right number. Right now, we're going to give you an estimated number of about \$14 billion.

ASSEMBLYMAN KEAN: All right. Let's say \$14 billion goes for property tax relief in the budget. That sounds like it's less than \$0.70 on the dollar. But whatever the number is--

SENATOR CONIGLIO: That's the total dollars that we return, though.

ASSEMBLYMAN KEAN: I just want to rattle off -- and this is not for rhetorical purposes, because I am going to follow it up with a question. But this Legislature, in the last few years, has proposed and passed a variety of taxes which were originally designated for specific purposes. The Hotel-Motel Tax: \$2.3 million from tax collections goes to

the general fund, although it was originally proposed toward specific purposes -- which went, eventually, into the general fund. The Helicopter Tax: \$2 increase in the motor vehicle registrations in the state. Those helicopters were never purchased, and the deferred purchased money went into the general fund. The State Police Trooper Class Tax: December 2005, the \$1 increase deposited into the general fund. County Recording Fees: \$27 million in revenue in 2003 into the general fund. And, finally, the Millionaire's Tax, which we passed last year, which was to be dedicated for property tax relief. What we've seen in the last two years is a reduction in each year of the homestead rebate. So, in fact, what has happened with the Millionaire's Tax, which was a tax on individuals and households that made \$500,000 a year or more, is that the money that was currently being used for property tax relief was shifted somewhere else, and the Millionaire's Tax money -- which is the Property Tax Relief Fund -- was used for those purposes.

And that's getting to my question to the sponsors. Senator Bryant kept saying that this is not a ruse, this is to prevent ruses from -- ongoing. But what I'm concerned about here today -- and maybe you can assure me differently -- is that this money that we're dedicating here today -- \$500 million, \$600 million, whatever the number is -- isn't going to be a ruse, and it's just not going to go into this property tax reform account, and then other money will be shifted out of that and being used for other purposes.

So I think it's a big ruse. I think that this whole thing is a ruse. And I think that meaningful property tax relief has to come through reductions in spending, and not just moving shells around on the table.

And that's what I see this as. It's a half-a-point in the sales tax being dedicated when, in fact, there's already \$14 billion in the public money being used for property tax relief. And there's no assurance that they won't just take -- that the government -- whoever the government is, Republican, Democrat -- that future administrations won't just take that \$500 million off the table and put it to some other well-deserving cause, and then dedicate this amount. So it really is a ruse, and it really is a shell game.

SENATOR CONIGLIO: Assemblyman, what is your question?

ASSEMBLYMAN KEAN: I'm asking for some assurances.

SENATOR BRYANT: He's asking me whether it's a shell game. And what I'm trying to tell you-- You make the point why you need to pass this.

When you pass a statutory allocation, like for the Hotel Tax, it goes into the general fund. And the general fund then has the ability to spend the money anywhere it wants to.

When you have a constitutional dedication of a tax, then it must go into the constitutional dedication, which means it has to be relief. Let's assume we decided to give everything else in the general fund, and no property tax relief. When you pass this bill, every year you will have to do \$600 million property taxes. I don't care whatever else we do with the general fund.

So this is the way you protect money. It's the only way, under our Constitution, that we can protect money. When you statutorily create money, it is for the general fund to be used for its purpose or another purpose. When you constitutionally dedicate it, it can never not be used

for that purpose. So, in essence, that is why -- and you make the argument for why you ought to do the constitutional dedication.

ASSEMBLYMAN KEAN: Through the Chairman.

SENATOR CONIGLIO: Before you answer that question, the real number is \$15 billion. Okay?

ASSEMBLYMAN KEAN: Thank you, Senator.

SENATOR CONIGLIO: And please have a question and not a statement, if you're going to ask a question. Be more direct, please.

ASSEMBLYMAN KEAN: Just as a follow-up to the Senator.

I'm well aware of how the process works, Senator. But I'm not assured that--

SENATOR CONIGLIO: We've given a lot of latitude here today. So bear with us.

Thank you.

ASSEMBLYMAN KEAN: Thank you, Senator.

SENATOR CONIGLIO: I will defer to Senator Connors, because he asked ahead of you, Senator.

I have to defer to the senior Senator. I'm sorry about that.

SENATOR ASSELTA: He's older. He's the senior.

SENATOR CONNORS: He's right.

SENATOR CONIGLIO: And please, Senator-- Please keep it in question form and not in statement form. I would greatly appreciate that for -- to expedite the process.

SENATOR CONNORS: My question is to Senator Bryant.

Where does this money come from?

SENATOR BRYANT: The money comes from the sales tax.

SENATOR CONNORS: Question.

SENATOR CONIGLIO: Perfect. I love you.

SENATOR BRYANT: It comes from the sales tax.

SENATOR CONNORS: It comes from the sales tax. Who pays the sales tax?

SENATOR BRYANT: Individuals.

SENATOR CONNORS: And we're going to take money from the people to put into a guaranteed fund -- reform fund -- to reform property taxes, and are going to ask them to vote for it.

In other words, as I understand it-- The figures I have seen is that each household can expect, with the one-penny sales tax, to spend about \$275 a year. Is that your--

SENATOR BRYANT: I've seen that figure, in terms of households.

SENATOR CONNORS: So we're going to take \$138 of that and save it for them. We're going to constitutionally dedicate it to save it for them, right?

SENATOR BRYANT: We're going to take it and put it into some type of property tax relief.

SENATOR CONNORS: No, no. You didn't say relief.

SENATOR BRYANT: Or reform.

SENATOR CONNORS: That's my point.

SENATOR BRYANT: I mean, the point is-- Let me say--

SENATOR CONNORS: No, the point is, it doesn't say relief. It says reform.

SENATOR BRYANT: Can I answer the question, Senator?

SENATOR CONNORS: Go ahead.

SENATOR BRYANT: The best that I can--

I think what-- And I agree with Senator Karcher. This is not a cure-all. This is not going to be total reform for everything. This is sort of a down payment, in terms of getting to the things that you will reform with the other things that we already have under our property tax relief. It goes into the Property Tax Relief Fund. It's just a subaccount for property tax reform in that Relief Fund, under the Constitution.

SENATOR CONNORS: Again, through you, Mr. Chairman.

SENATOR CONIGLIO: Please.

SENATOR CONNORS: The question is: We're going to ask the people, "Can we take this \$138 per household in the State of New Jersey and put it in a special account that can't be touched for anything else but property tax reform?" Did I frame that--

SENATOR BRYANT: We do that with the income tax every day.

SENATOR CONNORS: Well, I'm not asking what we did. I'm asking what-- Does that essentially frame the question?

SENATOR BRYANT: Essentially, we are taking a half of the penny that we raised the sales tax, and putting it in a property tax--

SENATOR CONNORS: And we're not telling them how we're going to do it?

SENATOR BRYANT: You're dedicating it to property tax reform.

SENATOR CONNORS: We've already agreed to that. I agree.

SENATOR BRYANT: And I'm agreeing with you.

SENATOR CONNORS: I agree with you. It's constitutionally dedicated. It can't be spent anyplace else.

SENATOR BRYANT: Under--

SENATOR CONNORS: We're going to take \$138 from every household in this state, to put into a fund.

SENATOR BRYANT: But under Article IX, this is the procedure of how you dedicate a fund. It does not require that you have a statutory--

SENATOR CONNORS: Senator Bryant, I agree with you.

SENATOR BRYANT: It does not tell you to have a statutory scheme of how you're going to disburse it.

SENATOR CONNORS: Senator Bryant, I agree with you. Article IX -- I agree with you, that that will be constitutionally dedicated. It can't be used for anything else than property tax reform. Am I correct?

SENATOR BRYANT: Absolutely.

SENATOR CONNORS: Okay.

And so the people are going to be asked to buy a pig in a poke, because they don't really know whether it's going to be spent for increased school aid or for any other increased municipal aid, a carrot-type affair to entice municipalities to consolidate, or some other reason. Because they don't really know. They don't know how this form of property tax reform is going to come about, based on this question. Is that not so?

SENATOR BRYANT: I would say that they know that they're going to get relief out of it.

SENATOR CONNORS: How do they know that?

SENATOR BRYANT: Because it's in the Property Tax Relief Fund.

SENATOR CONNORS: Well, we've told them an awful lot of things through the years. We said that when the income tax came. And that was going to do that. And it was promised -- property tax relief that didn't occur.

My whole question--

SENATOR BRYANT: I disagree. They get \$10 million in school aid. That is property tax relief.

SENATOR CONNORS: I believe we should be working together. What I am really concerned about is, we're taking money from the taxpayer to say we're going to put it in an account that can't be touched for anything other than reform. And we haven't defined *reform*. Is that not so?

SENATOR CONIGLIO: Senator.

SENATOR CONNORS: Through you, Mr. Chairman.

SENATOR BRYANT: It is in the Property Tax--

SENATOR CONIGLIO: Is this the last question?

SENATOR BRYANT: It's in the Property Tax Relief Fund. It is a subaccount within that fund.

SENATOR CONIGLIO: Thank you, Senators.

SENATOR CONNORS: So under the name of reform, it can be used for anything that the enabling legislation wants to use it for.

SENATOR BRYANT: For tax relief.

SENATOR CONIGLIO: Excuse me, Senator. I think Senator Bryant has answered your question as best he can.

SENATOR CONNORS: I think he's--

SENATOR CONIGLIO: And at this time, I'd like to move on to Senator Asselta.

SENATOR CONNORS: He's attempted to answer it as best he can, yes.

SENATOR CONIGLIO: He tried to.

SENATOR CONNORS: Tried.

ASSEMBLYMAN COHEN: Let me just--

SENATOR CONIGLIO: Senator Asselta.

SENATOR ASSELTA: Thank you, Senator.

I don't want to be argumentative. And I think this side of the aisle, Mr. Chairman and my colleagues, wants to be helpful here. Because I think the public understands they're going to pay for their own property tax relief here, in some way, shape, or form, with this increase of the sales tax. What we're trying to do is get this question passed, and not risk it not being passed because the public-- And the general public, who are going to vote on this, are not well educated on the issue -- is how they're going to get their money back.

And when I walk around my town, that's the kind of questions I'm going to get in the next week or two, or three weeks. "How is this going to work, and how am I going to get my refund back?" Because they're interpreting it as a refund. They're going to pay for it. And I think all of us, already -- July 15. We've been paying a little bit more. I bought a dishwasher the other day. I paid a little bit more. I put that receipt in a box, because I want to see how much more I'm paying this year.

My question is: Risking the passage of this, don't you feel-- And I think we want to be helpful here, because we've already committed to this tax. It's passed. We want this to pass so we get reform back in my county -- the poorest county in the State of New Jersey. God knows we need the relief. Don't you feel we need to be a little more specific to the taxpayer in this, the citizens of New Jersey, so we get this thing passed? And if it doesn't pass, what happens then?

We've seen a lot of 20 percent poll numbers go the other way over the course of time. How about if this thing doesn't pass because it's vague, it's not specific? What do we do with that \$600 million? And I know the Chairman of the Budget Committee-- Do we roll that tax back to a half-a-cent?

That's my central question, Mr. Chairman. What happens if this question fails?

SENATOR CONIGLIO: That's a good question, Senator. And I had that question myself. But, you know what? Hopefully it does not. And maybe I can answer it here.

SENATOR ASSELTA: Well, I know, we can't view in hopes. We have to make sure we can educate the public, through the Chairman, so that they vote in the affirmative.

SENATOR CONIGLIO: Maybe I can answer it for you.

SENATOR ASSELTA: Okay.

SENATOR CONIGLIO: If this proposed amendment is rejected by the voters, the Legislature could still designate the .05 -- the half-a-penny of the sales tax and use tax -- from the general fund to a property tax reform act, on an annual basis. The designation, however,

would not be constitutionally mandated. So the money would still be used for property tax relief in any form that we, as a Legislature, choose, and whatever guidelines we propose for it. So there is a mechanism.

Thank you, Christian. I appreciate that.

Next we would like to--

Thank you, Senator.

I would like to ask--

Thank you, Senators and Assemblyman.

I would like to ask the public, at this time, if there is anyone from the public wishing to--

Gary Passanante, Mayor of Somerdale. He's here on behalf of the New Jersey League of Municipalities.

Mayor, welcome.

**MAYOR GARY J. PASSANANTE:** Thank you, Chairman Coniglio and Chairman Hackett, and members of the Committee.

I'm Gary Passanante, the Mayor of Somerdale. I'm a member of the League of Municipalities' Executive Board. And I'm also the Co-Chair for the League of Municipalities' Property Tax Reform Committee.

The budget crisis is over. Now the real work begins for fundamental, sustainable, property tax reform. New Jersey is still overly dependent on regressive, excessive property taxes. The crisis continues for New Jersey families and small businesses.

With the facts in focus, I am pleased to be here today to indicate the League's strong support for ACR-1 and SCR-1, which would ask the voters to amend the State Constitution to annually dedicate one-half of the increase in sales tax revenue for property tax reform.

Throughout this budget process -- and just as we always have -- we've asked the Legislature to make the property tax crisis its top priority. Relief is nice, and the constitutional dedication of this revenue is a great first step. But the people of New Jersey still need real and sustainable reform.

Property taxes are unfair and inequitable. They are not based on the ability to pay, and fall heaviest on those living on a fixed income. In our state, those with the least shoulder a disproportionate share of the burden. Households with incomes in the lowest 20 percent pay 9.2 percent of their earnings to property taxes, while the wealthiest 20 percent pay 3.6 percent of their income through this assessment.

New Jersey is overly reliant on this regressive revenue source. The property tax accounts for about 45 percent of the total State and local tax revenue in our state. The national average is just slightly above 30 percent.

No matter how much you think government should spend, no matter where you think the money is needed or money is wasted, no matter what the appropriate level of revenue we need to meet our responsibilities to the people who elected us, the simple fact of the matter is that there is a heavy or fair way to raising it. That is the crying need of the property taxpayers of the state.

I want to thank Speaker Roberts for his tireless and courageous commitment and leadership on this. I want to thank all of the co-sponsors and the sponsors for this initiative. And I want to thank all the members of the Legislature who have come to appreciate the importance of property tax reform and the progress we need.

This Summer, the Legislature needs to make real progress toward real and sustainable property tax reform. It needs to let the people decide if they would like to have a Citizens Convention for Property Tax Reform, should the Legislature's special session fall short of that goal. This Summer has to be dedicated to giving the people of New Jersey real hope that the long-delayed reform is really finally on the way. There is time enough to get the Convention question on the November ballot. And we believe that it is imperative that this opportunity not be wasted.

Thank you.

SENATOR CONIGLIO: Thank you.

ASSEMBLYMAN HACKETT: Thank you, Mayor.

SENATOR CONIGLIO: I have a question for you, Mayor.

I think-- You know the problem that you present to us today is a shared problem equally amongst the Legislature. And I'm very happy to see that the League has a representative here, today, in yourself.

But the question is, all of the municipalities in the State of New Jersey have to have a commitment and a willingness to work together so that we can share services, share boards of education resources amongst municipalities. And what there has to be is, there has to be an overall commitment and the willingness from everyone in the state -- particularly all of the town fathers -- that some of their home rule might be eroded in order to make New Jersey a better state and provide real property tax relief for everyone.

So I think it's incumbent on all of us that we need to work together. Those are some of the things I think you need to bring back to the League to say, "Hey, we need your help." But you people have to make

a decision on your own to see how much you're willing to help and chip in, and what sacrifices and how much of a commitment you're going to make, to make this process work.

MAYOR PASSANANTE: Mr. Chair, the League's position has been, and continues to be, favorable and supportive of consolidation, provided that it is done in an open process and decided by the public, not in a forced manner. So we have not changed that position through the years. And we continue to support that.

I would like to, however, mention that if we take a look at the local municipal budget-- I've heard a lot of talk today about it's our responsibility -- that we really don't have a property tax problem, that the problem is local government. If you take a look at the portion of the municipal budget, in most cases it's 20 percent, 10 percent, 15 percent. Our portion-- I believe we've shown how to efficiently run government in our local towns. It's not our issue.

SENATOR CONIGLIO: I don't think I singled out anyone. I think it goes across the board. It's the county tax, it's the school tax, and it's your tax. And it's everybody. We're all in this together, as regions or as counties, to work together to share services as much as possible. I think that's what I'm saying to you.

We all have to be committed to this. We all have to be committed to making it work. No one's at fault here. We want to find the answer to the problem. We know what the problem is. Now it's our responsibility to solve the problem. And we have to have the willingness to work together to solve this problem. That's what it's all about. It's not a time to point fingers.

You know what? We're in the 11th hour. We need to move ahead in the right direction and make the right things happen for the citizens of the State of New Jersey. And I said, if that meant that you have to give up a little bit of your home rule, that's what this is all about. We all have to be prepared to do that to move forward together.

MAYOR PASSANANTE: And I think you'll find that all of us at the League, as well as each of us as my fellow mayors, would be more than interested in working with the State Legislature in finding some true reform, long-term reform.

So we appreciate your support. And we've been asking this for many years. And we look forward to seeing the progress.

SENATOR CONIGLIO: Senator Asselta.

SENATOR ASSELTA: Mayor, you and I know each other well. And you're doing a great job in Somerdale.

There has been, lately, a whole lot of attention paid to cities, and communities, municipalities that have a really poor exit strategy for retiring employees. Would this be something the League of Municipalities would be interested in: in reforming, specifically, sick days -- unused sick days, that type of thing, that is really costly to taxpayers across the board, in every municipality in this state?

MAYOR PASSANANTE: I'm sure that the League would be more than open to discuss options and considerations on how we can control that. I know, locally, we've taken action in our own towns to curtail the overall expense of exiting employees, and what we can do with what level of control we have. So we have done that. And I'm sure the League

would be more than happy to investigate and work with you on finding solutions.

SENATOR ASSELTA: Great. Thank you.

SENATOR CONIGLIO: Thank you very much, Mayor. I appreciate your comments. Thank you for coming today.

ASSEMBLYMAN HACKETT: At this point, is there anyone from the public who would like to speak at this time? (no response)

SENATOR CONIGLIO: Oh, I'm sorry, Senator. Forgive me. I'm sorry.

Senator Connors has one question for you. He's only allowed one though. He's got to go fishing later. That's why he's only allowed one.

SENATOR CONNORS: I'll ask the Mayor this: Mr. Mayor, in your administration of the local government of Somerdale, do you find a lot of legislation that has been passed that actually cost your municipality more, such as using union help when a municipal project is involved, or when negotiating contracts -- that the arbitrator is appointed by the State and sides with the union? Do you find that?

MAYOR PASSANANTE: Senator, in general, I will tell you that there is a lot of legislation passed by this whole Legislature that impacts what we do on a local level. I'm not going to get specific as to which ones. But I can tell you that, in general, we are paying the price for decisions you are all making for us that we have no control over. So, yes, you are absolutely correct. There are issues that have affected us, budgetarily. And it's across the board.

SENATOR CONNORS: Thank you, Mayor.

That's my point exactly. This Legislature, in my humble opinion -- and I'll just make this statement for the record. This Legislature, me included as a member, has handed down, year, after year, after year, all kinds of legislation that's put the municipalities at the exposure of the legislation, to spend more property taxes.

I look forward to seeing this reform. And, hopefully, they'll start to eliminate some of these ridiculous rules that have been put in place over a period of time. And, also, it embraces schools. I am told there are literally hundreds and hundreds of rules that govern school boards. Now, I'm not trying to whitewash school taxes at all on the one hand. On the other hand, some of them that are put in place just cost the public more and more money.

I look forward to seeing those resolved under this reform.

SENATOR CONIGLIO: Thank you, Senator.

And thank you, again, Mayor.

Do you have something to say?

MAYOR PASSANANTE: Yes, one last comment.

Senator, I want to also clarify my position on this. This is my 11th year as a Mayor. I do not want to imply or let anyone think that I am selectively choosing the current administration as being the problem. This has been a problem for the last 11 years, since I have been Mayor. I have been chairing and co-chairing property tax reform for the last seven years. And it is a problem across the board -- Democrat, Republican, Independent. It's a problem that you should be solving. We do not have the control to do that. We have done our best.

So you are absolutely right. And if you're speaking of long-term, we have had this problem for many, many years, not just recently.

SENATOR CONIGLIO: Thank you, Mayor.

SENATOR CONNORS: May I respond to that, Mr. Chairman?

SENATOR CONIGLIO: Quickly. I'm giving you a lot of leeway.

SENATOR CONNORS: I couldn't agree with you more, Mayor. And it happens to be my 41st year as Mayor of the borough of Surf City.

SENATOR CONIGLIO: I didn't know whether you were talking as a Mayor or a legislator before. I didn't want to get into that before. But that's okay.

SENATOR CONNORS: Well, if I speak as a Mayor--

SENATOR CONIGLIO: You're entitled.

SENATOR CONNORS: --I can assure you that it will benefit the Legislature. Because it's only spending that really -- and being forced to spend -- is really what's generated high property taxes. High property taxes have been with us for a long time, because we've been forced, at the local level, to spend because of legislation that's passed in this House.

SENATOR CONIGLIO: Thank you, Senator.

Anyone from the public wishing to speak? (no response)

Thank you, Mayor.

Anyone from the public wishing to speak? (no response)

ASSEMBLYMAN HACKETT: I hereby declare this meeting closed.

Thanks, everyone, for attending.

Thank you.

**(HEARING CONCLUDED)**