NJLM New Jersey State League of Municipalities

222 West State Street, Trenton, New Jersey 08608
PHONE (609) 695-3481 • FAX (609) 695-0151
EMAIL league@njslom.org • www.njslom.org

Michael J. Darcy, CAE, EXECUTIVE DIRECTOR | Michael F. Cerra, ASSISTANT EXECUTIVE DIRECTOR

April 12, 2019

Hon. Paul A. Sarlo
Chair, Senate Budget & Appropriations Committee
Senator, District 36
496 Columbia Blvd., 1st Floor
Wood-Ridge, NJ 07075

Hon. Eliana Pintor Marin
Chair, Assembly Budget Committee
Assemblywoman, District 29
263 Lafayette St., 1st Floor
Newark, NJ 07105

Re: Municipal Position on Governor's Proposed FY 2020 Budget

Dear Senator Sarlo and Assemblywoman Pintor Marin:

As you review the Governor's proposed FY 2020 budget and put together a final Appropriations Act, please consider the impact that your decisions will have on New Jersey municipalities and local citizens and businesses. From our perspective, municipal property tax relief funding is of paramount importance.

We thank the Governor for an appropriate increase in Transitional Aid and the end of the diversions from the Affordable Housing Trust Fund (a $59 million restoration), and the Clean Energy ($70 million) funding programs. While more needs to be done to address the affordable housing crisis in New Jersey municipalities, this is a welcome first step toward the State reentering the playing field to develop a statewide, rational housing policy.

Unfortunately, the proposed budget does not seek to end the diversion of Municipal Property Tax Relief as well.

Regarding that, the Governor has proposed level funding for combined Energy Tax and Consolidated Municipal Property Tax Relief Assistance (CMPTRA) property tax relief. After 10 years of reduced relief, we hoped to see these funding sources restored to their previous levels. If the Governor's proposal is not changed, FY 2020 funding for Energy Tax and CMPTRA property tax relief will be $190 million lower than it was before the Recession of 2008. And if the $71 million shift, which occurred between 2015-2018, from Transitional Aid to CMPTRA, is discounted, the statewide gap grows to over $260 million.

The Energy Tax and CMPTRA are all municipal revenue replacement programs. They are not, properly speaking, State aid. They were not meant to make things better for municipal property taxpayers, but rather intended to keep things from getting worse. But things are now worse, since the State slashed funding in the years after the 2008 financial collapse.
In 2007, NJ municipalities divided $1.63 billion in general property tax relief distributions. On average–and no town is average–that was about $2.9 million, per municipality. It worked out to about $188, per capita. For 2020, the Governor asks for only $1.44 billion in municipal property tax relief, $190 million less than was distributed before the Great Recession. On average, that would be about $2.5 million, per municipality or about $161, per resident.

After over a decade of this failure to honor the State's statutory promise to local taxpayers, the time has come to recognize the fact that there is a connection between property tax relief funding and property tax relief.

That connection is obscured by the proposed continuation of last year's decision to open the ETR "lockbox," which has always been funded through taxes (Sales and Corporate) levied on energy suppling utilities. Instead, the budget would, again, deliver level funding with Income Tax dollars. This "accounting change" shakes the foundations of the Energy Tax Receipts Property Tax Relief Fund (ETR), which, for more than 20 years, has delivered reliable, though insufficient, property tax relief to municipal home- and business-owners, all around our Garden State. We urge the respective Budget committees to keep the ETR lockbox off-budget.

We want to commend a couple of other initiatives that the Governor mentioned in his speech or that are, otherwise, included in the proposed budget. Negotiated public employee health benefit reforms are projected to provide a total of $400 million in savings, for local employers participating in the State Health Benefits Program or the School Employees' Health benefits Program. Details on these savings have not been provided yet and we are anxious to learn more about how these potential savings may be achieved.

Further, we appreciate that the budget would allocate $2 million for outreach for the 2020 Census. And, in addition to $9.8 million in Federal funding, the State will put $10.8 million toward election access and security.

In addition to our advocacy on the matters already mentioned, League members must ask for a permanent fix to the telecommunications business personal property tax problem that costs more communities more tax revenues every year. The problem began in 2008, when Verizon informed a handful of municipalities that it had decided to exempt itself from payment of taxes on all of the cables and electronic equipment it houses in local switching stations. In the years that followed, similar decisions by Verizon have led to cases affecting taxpayers in hundreds of other New Jersey municipalities.

After a court case that dragged on for 10 years, Hopewell Borough finally prevailed. This win, however, only required Verizon to meet its obligations to the citizens of Hopewell for one year. And we have recently learned that Verizon has appealed even that. Absent legislative action, every effected municipality will be faced with mounting legal bills in every year that Verizon claims an exemption.

A few years ago, Senator Smith and Assemblyman Caputo introduced legislation that would address this matter. We hope to see remedial bills again this year. And we hope, this time, to see them passed.

We would welcome the opportunity to meet with you, or any other members of the Senate Budget and Appropriations or the Assembly Budget Committees, to discuss our concerns with the proposed budget. Please do not hesitate to ask your staff to contact me to make arrangements or if you have any questions or comments.

Thank you for your consideration.

Very truly yours,

Michael F. Cerra

Michael F. Cerra
Assistant Executive Director

C: All Members of the Committees and staffs