

The Christie Reform Agenda: Enacting Reform Now to Bring Real Property Tax Relief to New Jersey Families

Toolkit Puts Reform in the Hands of the People

"We can finally turn to what we should have turned to decades ago. And that is, for state government to show leadership and discipline and for us to give you the tools to do what you need to do to get local spending and local taxes under control.

– Governor Chris Christie, 4/29/10

The Christie Reform Agenda takes immediate action to provide real property tax relief by putting power in the hands of the people. Since 2001, spending at the local level has spiked by 69% from \$26.5 billion to an estimated \$44.7 billion this year. New Jersey taxpayers bore the brunt of surge in government spending, with property taxes growing an astonishing 70% from 1999 to 2009. The average New Jersey household now pays \$7,281 a year in property taxes – the highest rate in the nation.

Providing Critical Property Tax Relief That Works

In 1980, Massachusetts was facing a similar economic and fiscal picture as New Jersey is today. Property taxes were out of control and taxpayers were suffering as Massachusetts struggled to regain its economic footing. To deal with burdensome property taxes, in 1982 Massachusetts implemented a constitutional amendment that was approved by voters in 1980. The proposition enacted a levy cap that prevents a property tax levy increase of more than 2 ½% annually.

Massachusetts has an honest levy cap, generally without exemptions. It does, however, accommodate growth in ratables, which, in turn, allows local entities to accommodate increasing service demands. It also encourages municipalities, school districts and counties to reduce annual tax increases below the 2 ½% by allowing them to "bank" the unused amount for future use. Governing bodies that wish to exceed the levy cap may seek voter approval to do so.

The result was a drop in the local tax burden. In 1977, Massachusetts had the 3rd highest local tax burden and in 2005 it had the 33rd highest.

Putting an End to High Property Taxes with Real Reform

Cap 2.5 is a constitutional amendment that will create a 2.5% cap on the increase in the property tax levy by municipal, school and county taxes and a 2.5% cap on spending for State government operations. The levy cap under current law has been ineffective in imposing fiscal discipline and holding down local property taxes. Like Massachusetts' levy cap, the New Jersey levy cap would be adjusted for increases in ratables, and local entities that do not spend up to the levy cap would be allowed to "bank" the extra levy and use it in subsequent years. Local governing bodies could ask their voters to exceed the levy cap through referenda.

The State cannot ask localities to adhere to standards that it itself is not willing to meet. This cap will force local governments to eliminate waste and inefficiencies in their own operations. Every community across New Jersey recognizes that it can do more with less.

The Christie Reform Agenda: Enacting Reform Now to Strengthen and Promote Higher Education in

Toolkit Puts Reform in the Hands of State Colleges and Universities

"To compete and be prosperous in this 21st century economy, we must have a system of higher education that keeps up with the demands of today's changing marketplace. New Jersey's institutions of higher learning are critically important to the economic growth of our state and must be afforded the necessary tools to stay competitive."

- Governor Chris Christie, 5/7/10

In order to provide students in New Jersey with world-class opportunities in higher education, the Christie Reform Agenda addresses several challenges facing the State's institutions of higher learning, including a lack of state capital investment to meet capital needs, outdated regulations and mandates as well as increased administrative and tuition costs.

The Christie Reform Agenda helps the state's colleges and universities manage their budgets more effectively and position themselves in the best financial position to grow and prosper as world-class

educational institutions. In order to give the state colleges and universities more power to control costs, Governor Christie is proposing the following legislative changes:

Lowering Costs with Employee Contract Reform. The Governor is proposing legislation that will require decisions on employee contracts by fact-finders to account for reductions in state funding to higher education, the impact of the contract on tuition rates, and the benefit packages already awarded to employees by the State. Additionally, the reform agenda includes legislation to establish a probationary period for state college and university faculty members.

Civil Service Reform. The Governor is recommending legislation to remove classified employees of the state college and universities from the civil service statutory scheme and to include them within each institution's personnel system.

Putting Negotiating Power in the Hands of State Colleges and Universities. Under existing law, the Governor's Office through its Office of Employee Relations is the negotiating employer of record for New Jersey's colleges and universities. The Governor's Reform Agenda would shift this designation from the Governor's Office to the colleges and universities themselves. This change will allow those employers closest to the process to negotiate contracts more effectively and eliminate the variability that exists from changes in state administrations.

Empowering Institutions to Manage their Workers Compensation Programs. Presently, workers compensation programs are managed by the State and, according to the colleges and universities, the current arrangement has resulted in a 100% cost increase associated with these programs over the past 5 years. The Governor is proposing legislation to authorize state colleges and universities to manage their own workers compensation programs.

The Christie Reform Agenda: Enacting Reform Now to Provide Real Property Tax Relief

Toolkit Puts Reform in the Hands of Local Government

"Today, our problems cannot be papered over any longer, nor can we avoid the big-picture decisions and changes that are necessary to get New Jersey back on sound fiscal footing and our economy moving once again. ... This tool kit of reforms is designed to empower you and your local government and school

district to manage budgets more effectively by holding down costs and providing much-needed flexibility in your budget.”

– Governor Chris Christie, writing to New Jersey mayors, 4/12/10

The Christie Reform Agenda will protect taxpayers while empowering local governments to manage their budgets more effectively. Since 2001, spending at the local level has spiked by 69% from \$26.5 billion to an estimated \$44.7 billion this year. New Jersey taxpayers bore the brunt of the surge in government spending, with property taxes growing an astonishing 70% from 1999 to 2009. The average New Jersey household now pays \$7,281 a year in property taxes – the highest rate in the nation.

The Christie Reform Agenda takes immediate action by taking control out of state government and putting it into the hands of the people and local governments. In a series of administration bills, Governor Christie is providing long overdue and critical assistance to local governments to better provide the services New Jerseyans expect at affordable costs that hold down property taxes for hard working families.

Cap 2.5 to Achieve Real Property Tax Relief. Governor Christie is calling on the legislature to act now and approve for New Jersey voter’s consideration this November an amendment to the Constitution. The amendment would limit annual increases in property taxes imposed by school districts, municipalities and counties to 2.5 percent. The proposal also calls for a similar constitutional cap of 2.5% on spending for State government operations. The property tax levy cap allows for adjustments in the event a municipality adds new ratables, and provides a limited exception for debt service. Current law provides for a 4% cap with at least 13 broad exclusions that render the cap virtually meaningless.

Leveling the Playing Field with Collective Bargaining Reform. Better than anyone else, mayors understand that the current interest arbitration law is in desperate need of reform. The current system tips the balance in favor of public sector unions, with decision making failing to take into account the basic, common sense consideration of how the contract will impact property taxes or spending caps. To level the playing field, the Christie Reform Agenda calls for a series of changes:

- Prohibit any arbitration award, including all salary and benefits costs, from exceeding the 2.5 percent cap;
- Reform how arbitrators are selected;

- Require the impact on property taxes to be taken into consideration when arbitrators make their decisions.

Civil Service Reform. The Christie Reform Agenda calls for changes to the civil service system in order to eliminate obstacles to cost-savings and consolidation by sharing services, providing greater flexibility for municipal and local governments to conduct furloughs, and creating options for local governments to opt out of civil service altogether. The reform agenda also states the employee disciplinary system must reduce the number of costly adjudication proceedings incurred by municipalities; and provide the Chair of the Civil Service Commission greater management power and the authority to make more temporary appointments for seasonal work.

Bringing the Public Benefit System in line with the Private Sector. Simply put, New Jersey's public employee benefit system must move closer to achieving parity with private sector employee benefits. In many parts of the state right now, public sector employees enjoy full benefit packages, including healthcare, without any salary contribution of their own. Under legislation Governor Christie recently signed into law, all public employees in New Jersey will contribute at least 1.5 percent of salary toward the cost of their health benefits no later than when their existing contracts expire. This results in an immediate savings of \$315 million this year, and an estimated \$8 billion over the next 15 years.

Going Further with Pension Reform. While the recent pension reform bills signed into law in March are a good and encouraging start, the Governor has called for further reform and action. The Christie Reform Agenda includes:

- Elimination of enrollment eligibility in any state-administered retirement system, such as the Public Employees' Retirement System, for certain non-governmental groups and associations.
- Prevent certain officers or employees on an approved leave of absence from his/her regular duties from enrolling in or continuing enrollment in any state-administered retirement system.
- Cap future accrual of accumulated sick leave at \$15,000 for current municipal and school board employees

Extending Refund Offset Authority to Local Governments. The Governor is proposing legislation that will allow local governments to offset unpaid property taxes against state gross income tax refunds.

Working to Reduce Unfunded Mandates. Some of the most impactful cost-drivers at the local level are unfunded mandates from Trenton. The Governor's Reform Agenda expands the list of parties that may bring challenges to the Council on Local Mandates concerning a potential

unfunded mandate, including groups such as the New Jersey Conference of Mayors, the New Jersey State League of Municipalities, the New Jersey Association of Counties, and the Garden State Coalition of Schools.

Election Reform. The Governor is proposing legislation to move school board and fire district elections to November. In addition to increasing voter participation in these elections, localities will achieve cost savings associated with no longer administering a stand-alone election in April. In addition, the Governor is proposing legislation that would require that only single sample ballot be sent to each household instead of multiple sample ballots to all voters residing in household.

The Christie Reform Agenda:

Enacting Reform Now to Protect Education and New Jersey's Children

Toolkit Puts Reform in the Hands of Local School Districts

"...Remember that the only way we will get through the challenges of today is by facing them now. Our state, our families and our children can no longer afford government at any level that wishes problems away or stands in the way of necessary change."

– Governor Chris Christie, 4/18/10

The Christie Reform Agenda puts real, tangible solutions in the hands of local school districts to help control costs in the long-term and provide additional near-term savings during the current economic and fiscal crisis.

Governor Christie's package of reform legislation is designed to enable school districts to better manage their budgets and, by extension, hold down property taxes for New Jersey families.

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cap does allow for adjustments in the event a municipality adds new ratable, and provides a limited exception for debt service. Current law provides for a 4% cap with broad exclusions that render the cap virtually meaningless.

Collective Bargaining Reform. Better than anyone else, school boards and superintendents understand that the collective bargaining system is in desperate need of reform. The current statutory framework unfairly favors the interests of public employee unions to the detriment of taxpayers. To level the playing field, the Governor's Reform Agenda calls for changes that would prohibit any contract proposal that would cause a school district to exceed the 2.5 percent cap. Additionally, the reform agenda includes legislation to grant school districts the ability to impose a "last, best offer" contract under certain circumstances.

Managing Costs with Executive County Superintendent Approval of Contracts. To help school districts manage personnel costs, the Governor is proposing legislation that would require Executive County Superintendent approval of all school contracts. Approval would be withheld for contracts that increase the annual levy more than the 2.5 percent cap, fail to require at least five hours of pupil contact time per day for teaching staff, fail to specify a minimum number of work days or prohibit contracting for ancillary services.

Achieving Savings Through Shared Services. The Governor's Reform Agenda includes legislation to better promote the use of shared services in order to achieve additional cost savings. Specifically, executive county superintendents will be required to implement sharing of school business functions across districts and municipalities.

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