

February 12, 2016

RE: A-302, Revenue Restoration Bill Needs Amendment

Dear Mayor:

On Monday, the Assembly State and Local Government Committee approved [A-302](#). The sponsors of this bill acknowledge the need to begin to restore revenues meant for local use. The bill, however, needs to be amended before it proceeds any farther. A-302 includes a provision, which would deny locally elected and locally responsive Mayors and municipal governing bodies the ability to determine the best use for these moneys to meet the needs of their community. A-302 would require any restored funding be subtracted from the municipality's adjusted tax levy.

A-302 was second referenced to the Assembly Appropriations Committee. There is currently no Senate companion.

The legislation provides for a phased-in restitution of the \$331 million, which has been annually diverted from dedicated municipal funding programs, for the Energy Tax Receipts Property Tax Relief Fund (ETR) and the Consolidated Municipal Property Tax Relief Aid (CMPTRA). During State Fiscal Years 2009, 2010 and 2011, this funding was needed to address State budget concerns. Ever since, those dedicated revenues have not been distributed. A-302 would, by Fiscal Year 2021, bring funding for all municipalities back to 2008 levels.

The restoration of this funding is long overdue. Taxes on gas and electric utilities were originally collected by the host municipalities, and when the State made itself the collection agent for these taxes, it promised to return the proceeds to municipalities for property tax relief. Just as municipalities collect property taxes for the benefit of school districts, counties and other entities; the State is supposed to collect Energy Taxes for the benefit of municipal governments. For years, though, State officials have diverted funding from Energy Taxes to plug holes in the State budget and to fund State programs. The cumulative impact of years of underfunding has left many municipalities with serious needs and burdensome property taxes.

Some proponents of the levy subtraction mandate believe that whenever the State 'gives' additional funds to municipal governments, the additional funds will be used, by local officials, to fuel more spending at the local level. This position begs the history of the ETR as these revenues were originally and continue to be intended to fund local priorities and services. The cumulative impact of years of underfunding, going back well before 2008, has left many municipalities with unmet needs. New Jersey mayors and municipal governing bodies are best suited to assess these local needs.

Local officials are clearly committed to limiting their reliance on increased property taxes. The Commissioner of the Department of Community Affairs recently noted that, since the imposition of the 2 percent tax levy cap in 2010, and despite the allowance for certain common sense exceptions, local levies have averaged 2 percent growth. In 2011, the Statewide average increase was 2.4%. It was 1.6% in 2012, 1.3% in 2013 and 2.2% in 2014. Last year, when we dealt with

several significant weather events, the Statewide average increase was 2.4 percent, and 47 percent of New Jersey municipalities raised their levies less than the mandated 2 percent.

But local officials are also committed to providing for the health and safety of their fellow citizens. They are also committed to promoting local economic development and redevelopment opportunities. And they are also committed to protecting the rights of future generations to enjoy the same, if not a better, quality of life, than that of their parents and grandparents. The levy reduction mandate could hamstring their ability to address those local needs.

While we thank the sponsors for this effort to restore important assets to local government, we will urge the legislature to consider the need for high quality local programs and services and the constraints under which local officials must operate. Please urge your legislators to trust local officials to responsibly balance local needs and local resources. Urge them to amend A-302 to remove the levy lessening mandate.

Contact: Jon Moran, jmoran@njslom.org or 609-695-3481 x121

Very truly yours,

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