

STATEMENT OF HON. JAMES L. CASSELLA,  
PRESIDENT, NEW JERSEY STATE LEAGUE OF MUNICIPALITIES  
AND MAYOR, EAST RUTHERFORD,  
CONCERNING THE PROPOSED STATE FISCAL YEAR 2018-2019 BUDGET  
PRESENTED TO THE SENATE BUDGET AND APPROPRIATIONS COMMITTEE  
MEETING IN GLASSBORO  
TUESDAY, APRIL 3, 2018

My thanks to the Chair and the Members of the Committee for giving me the opportunity to comment on Governor Murphy's proposed budget. I am Jim Cassella, Mayor of East Rutherford and President of the League of Municipalities. On behalf of myself, the League's Officers and Executive Board, and all the members of the League, I want you to know that we appreciate the hours, days and weeks that you each will dedicate to this task. And we appreciate your consideration of the local perspective on the state budget.

Our citizens are best served, when all their elected representatives, at all levels of government, work together to serve their interests and to address their needs. And if there is anything the League can do to help you, as a Committee or as individual Legislators, please let us know. In particular, Chairman Sarlo and Senator Oroho, we would be happy to help you and your colleagues as you consider the problem of property taxes.

We respect the service of all of you to the people of New Jersey, and appreciate your perspectives on the issues. In hopes that the feeling is mutual, here is our perspective the Governor's budget proposal.

First, Governor Murphy has called for level funding of combined Energy Tax and CMPTRA funding. That's better than a cut. But we had hoped to see some indication that these dedicated municipal property tax relief funding sources will begin to be restored to their previous levels. Unless the Legislature adjusts the proposal, this will be the eighth straight year of level funding. And in the three preceding years, as the State struggled to balance its budget during the great recession, the level was lowered by about \$320 million.

In a recent NJSpotlight story, Colleen O'Dea noted that, since 2007, the CPI has risen by 22%; while property tax relief funding from these sources has decreased by 17%. Municipal officials don't expect any credit for keeping property taxes as low as possible, while continuing to deliver quality services, despite the short-fall. But we sure could use some help.

Second, we have another concern with the proposal. It appears that the Governor's plan may jeopardize the most significant and reliable source of municipal revenues, other than the property tax, in future state budgets. For over 100 years, municipalities have been able to count on certain taxes paid by energy producing utilities. These were originally assessed and collected locally, to compensate local citizens for the utilities' use of public rights of way and for local services provided to power suppliers. When the State decided to centralize tax collection, the statute promised to distribute the proceeds to New Jersey municipalities.

That promise wasn't always kept, but when utilities taxes were reformed in the 1990's, the new statute set up a dedicated fund – the Energy Tax Receipts Property Tax Relief Fund – and assured annual distribution amounts.

On page 25 of the Budget in Brief, it states that \$788 million of dedicated energy taxes are, for the first time, to be included in the State's General Fund. And the text mentions 'proposed legislation.' On page 59, listing 'dedicated revenues,' you'll see that the fund is proposed to be zeroed out.

Please remember that these funds were established to restore monies from sources that were originally assessed and collected by municipalities. These are, by and large, revenue replacement funds, meant to protect our property taxpayers from the impact of policy decisions made in Trenton, after the state made itself the collector of these revenues. Their purpose was not to make things better for property taxpayers. The purpose was to keep things from getting any worse.

While, for this year, the Governor intends to replace the dedicated funds with other revenues; we need assurances that we will be able to count on funding, in the future.

On behalf of our property taxpayers, we will strongly oppose any proposal that changes the Energy Tax Receipts Property Tax Relief Fund from a dedicated source of local revenues, which the state can only reduce at some risk to its own revenues, to another discretionary aid program, which the state can cut, in future years, to meet some other priority.

Third, we appreciate the Governor's proposed \$15 million increase in Transitional Aid. This program provides crucial support and state technical assistance, through the division of local government services, to the towns that need it most. And we urge you to accept the Governor's recommendation.

Fourth, we are concerned with the apparent elimination of Meadowlands Tax Sharing payments. Here again, a promise was made. And the citizens in the effected towns are the ones who will pay, either in terms of reduced services, fewer local employees and/or taxes higher than they would otherwise be.

Fifth, I want to address a possible over-confidence in the ability of shared services to lower property taxes. Shared services are a great tool. But they are nothing new to local officials. Where they work, we've been doing it for decades. Both formally, through State structured programs, and informally, when one town steps up to help a neighbor in one way, knowing that that neighbor will do the same in another. But shared services don't always work and they don't work everywhere.

Finally, I want to ask for some help. It's not related to the State's budget. But it would be a huge help to local budgets. We urge you to reinstate the Interest Arbitration cap on police and fire contracts. Over time, without the arbitration cap, expect to see fewer and fewer municipal employees, including in public safety. The 2% tax levy cap, without the 2% Interest Arbitration cap, will force layoffs and force reductions. With no limit on the awards that the public safety unions can get from a non-elected arbitrator, local services and efforts to keep property taxes down are bound to suffer.

Again, thank you for your time and attention. If we can help you on any matters of mutual concern, please let us know.