



## LEGISLATIVE VIEWPOINT

**New Jersey State League  
of Municipalities**

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April 25, 2012

RE: Restoration of Municipal Property Tax Relief  
Funding

Dear State Legislator:

We thank Governor Christie, Senate President Sweeney and Assembly Speaker Oliver for their work on reforms that will limit local cost increases in future years. We thank Lieutenant Governor Guadagno for her leadership on unfunded mandates relief, and we thank Senators Oroho and Stack and Assemblymen Burzichelli and Rumana for their dedication to this effort. We are grateful to all legislators who helped to advance any of these initiatives.

For years, the League and local officials had called for steps such as pension and benefit reforms, arbitration reforms, mandates relief and civil service reforms. And over the last two years, more has been done on those issues than has ever been done before. All these reforms will help to limit future property tax increases.

But now, we ask you to take actions to reduce property taxes by moving this year to phase in the restoration of municipal property tax relief funding.

Taxes on gas and electric utilities were originally collected by the host municipalities. When the State made itself the collection agent for these taxes, it promised to dedicate the proceeds to municipal property tax relief.

State policy makers reaffirmed that commitment when energy tax reform was enacted in 1997. Assemblyman Paul DiGaetano, who sponsored the Energy Tax Receipts Property Tax Relief revenue replacement program said, "We want local governments to be rest assured that the pending change in the collection of the state's public utilities and communication taxes will not reduce the local share of these revenues." His cosponsor, Assemblyman Paul Kramer said, "We want municipalities to know they can count on this money for property tax relief year after year." And when signing the new law, the Governor's office issued a Press Release, which reads, "Gov. Christie Whitman today guaranteed that New Jersey municipalities will receive a steady and increasing source of property tax relief when she signed legislation that distributes revenue for municipal aid from the state's new energy tax system."

When that law was amended in 1999 to pledge annual inflation adjustments, the sponsors of that bill also wanted to address the concerns of local officials and property taxpayers. Then-Assemblyman Samuel Thompson said, "By increasing aid in relation to the rate of inflation, this measure will provide for a more realistic approach in determining the amount of annual state aid to yield real property tax relief."

Recognizing that the program was designed to replace municipal revenues, co-sponsor Assemblywoman Marion Crecco said, "The energy tax replacement aid program was created to replace the aid

municipalities lost as a result of the elimination of the gross receipts and franchise tax. It is important that we included this funding initiative in our legislation to link the rate of property tax aid increases to the annual change in the rate of inflation."

Another co-sponsor, Assemblyman Richard Bagger, commented on the importance of the inflation adjustment and said, "Just as the consumer price index reveals the purchasing power of individuals and families, the Implicit Price Deflator is a tool that is used in determining the rate at which inflation effects the purchasing power of government agencies. As a matter of fact, the Implicit Price Deflator is the same index used to determine the annual inflation adjustment in municipal budget caps. It is only fitting, therefore, that the rate at which we increase annual state aid to municipalities would correlate with this percentage."

And the Senate sponsor, Senator Donald DiFrancesco noted, "This is a fair, equitable and permanent manner in which to provide aid to municipalities and to address the increases that occur because of the uncontrollable effects of inflation."

For years, though, State budget makers have diverted revenues from Energy Taxes, while shifting more and more funding from Consolidated Municipal Property Tax Relief Aid.

As a result of these decisions, a number of municipalities have had to increase property taxes, despite the fact that will spend less in 2012 than they did in prior years. The State's diversion of municipal tax relief resources has overwhelmed local efforts to reduce property taxes.

We sincerely appreciate the introduction of bills that would honor the property tax promises made in prior years. We thank Senators Sarlo, Greenstein and Connors and Assemblywoman Gove and Assemblymen Benson, DeAngelo and Rumpf for their leadership on this.

Of immediate concern is an increase in the level of distributions to be specified in the budget bill that you will consider in the coming weeks. Please make this the year when the restoration of vital municipal property tax relief funding begins.

Thank you for your consideration.

Very truly yours,



Hon. Janice Mironov, First Vice President,  
NJLM, Chairperson, Energy Receipts Restoration  
Task Force and  
Mayor, East Windsor Township



Hon. Arthur R. Ondish, President,  
NJLM and  
Mayor, Mount Arlington Borough