

July 6, 2010

SENATE BILL NO. 29

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 29 with my recommendations for reconsideration.

New Jersey residents need relief from highest in the nation property taxes, up 70 percent in the past decade. Since 2001, spending at the local level has spiked 69% - from 26.5 billion dollars to an estimated 44.7 billion dollars this year. Had a hard 2.0 percent cap on property taxes been in place for the last 10 years, the average family's property tax bill today would be \$5,167 -- \$2,114 less than the \$7,281 average they are paying now. New Jerseyans can no longer afford to wait for real, sustainable property tax relief. That is why I am returning this bill to the Legislature with my recommendations to achieve meaningful, lasting property tax reform for New Jersey taxpayers.

Senate Bill No. 29, introduced on June 21, 2010, proposes to address this rampant increase by modifying the current 4% cap to a 2.9% cap. However, Senate Bill No. 29 fails in three fundamental ways to provide real reform.

First, the proposed cap is too high and should be lowered to 2.0 percent.

Second, Senate Bill No. 29 does not adequately reform the exemptions and waiver procedure built into the existing cap law. Under current law, there are 14 exceptions or waivers, including a catch all waiver that allows for exceptions not covered in the first 13, which has made the current 4 percent cap almost irrelevant. Senate Bill No. 29 leaves the catch all waiver in place and the decision to grant or reject a request under the catch all waiver in the hands of the Local Finance Board in

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Trenton. We must limit the exceptions and waivers and place ultimate authority back in the hands of the people. As such, my conditional veto repeals 10 of the 14 waivers and exceptions, eliminates the catch all waiver and leaves in place only four limited exceptions: capital expenditures, including debt service; pension benefits (only to the extent that the increases exceed 2.0%); health benefits (only for the amount of increases between 2.0% and the average cost increase in the State Health Benefits Plan); and expenses incurred in connection with a state of emergency as determined by regulations to be defined.

The elimination of the catch all waiver is critical. As Senate Bill No. 29 currently provides, a possible exception to the cap may be granted for "any purpose related to the provision of government services that the [Local Finance Board] deems essential to protect the public health, safety, or welfare." This broad language is especially troublesome as it invites municipalities to apply for waivers to the cap at the first sign of fiscal concerns without the need to make difficult budgetary decisions.

Third, as stated above, the bill needs to provide for direct voter involvement. Senate Bill No. 29 continues to utilize the politically appointed Local Finance Board to grant exemptions to the cap. This process must be placed in the hands of the voters. No longer will Trenton bureaucrats decide property taxes. Any waivers of the 2.0% hard cap can only be granted by a vote of the people. Specifically, I propose that a local cap override referendum should be approved by majority vote.

I remain convinced that a constitutional amendment imposing a cap on increases in tax levies by local government units will provide the surest means to rein in skyrocketing

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property tax costs. However, the Legislature has sent me Senate Bill No. 29 with its 2.9% cap and numerous exceptions. Through the recommendations contained in this conditional veto, we can achieve a hard 2.0 percent statutory cap with direct voter involvement.

Accordingly, I herewith return Senate Bill No. 29 and recommend that it be amended as follows:

<u>Page 5, Section 2, Line 8:</u>	Delete "["
<u>Page 5, Section 2, Line 21:</u>	Delete "]"
<u>Page 10, Section 3, Line 35:</u>	Delete "["
<u>Page 10, Section 3, Line 36:</u>	After "election" insert ", in accordance with subsection c. of section 4 of P.L.2007, c.62 (C.18A:7F-39),"
<u>Page 11, Section 9, Line 11:</u>	Insert "[" before "Except"
<u>Page 11, Section 9, Line 20:</u>	Insert "]" after " <u>bill</u>)"
<u>Page 11, Section 9, Lines 11-20:</u>	Delete in their entirety
<u>Page 13, Section 5, Line 22:</u>	Delete "e." after "subsection" and insert "b."
<u>Page 13, Section 5, Line 25:</u>	Delete "2.9" and insert "2.0"
<u>Page 13, Section 5, Line 26:</u>	After "for" insert "["
<u>Page 13, Section 5, Line 27:</u>	After "year," insert "]" insert "[" after "costs,"
<u>Page 13, Section 5, Line 30:</u>	After "year," insert "]" and"
<u>Page 13, Section 5, Line 36:</u>	Insert "[" before "(2)"
<u>Page 14, Section 5, Line 10:</u>	Insert "]" after "adequacy."
<u>Page 14, Section 5, Line 30:</u>	Insert "[" before "c."
<u>Page 14, Section 5, Line 33:</u>	Insert "]" after "year."
<u>Page 14, Section 5, Line 39:</u>	Delete "2.9" and insert "2.0"
<u>Page 15, Section 5, Line 2:</u>	Delete "2.9" and insert "2.0"
<u>Page 15, Section 5, Line 5:</u>	Insert "[" before "e."
<u>Page 15, Section 5, Line 31:</u>	Insert "]" after "percent."

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<u>Page 15, Section 6, Line 40:</u>	Insert "[" before "(1)"
<u>Page 17, Section 6, Line 15:</u>	Insert "]" after "subsection."
<u>Page 17, Section 6, Line 16:</u>	Delete "c." and insert "a."
<u>Page 17, Section 6, Line 19:</u>	Insert "]" after "waiver,"
<u>Page 17, Section 6, Line 20:</u>	Before "school district" delete "the" and insert "A"
<u>Page 17, Section 6, Line 22:</u>	After "increase the" insert "adjusted"
<u>Page 17, Section 6, Line 25:</u>	After "the" insert "adjusted"
<u>Page 17, Section 6, Line 26:</u>	Delete "at the April 2007 school election" insert "shall" before "vote" after "affirmative"
<u>Page 17, Section 6, Line 26:</u>	Insert "[" before ", or"
<u>Page 17, Section 6, Line 28:</u>	Insert "]" after "affirmative"
<u>Page 17, Section 6, Line 29:</u>	Insert "adjusted" before "tax"
<u>Page 17, Section 6, Line 32:</u>	Insert "adjusted" before "tax"
<u>Page 17, Section 6, Line 44:</u>	Insert "[" before "(3)"
<u>Page 18, Section 6, Line 10:</u>	Insert "]" after "State."
<u>Page 18, Section 6, Line 11:</u>	Delete "e." insert "b."
<u>Page 18, Section 6, Lines 11-12:</u>	After "approval" insert "to exceed the cap pursuant to subsection c of this section" and delete "for a waiver pursuant to this section"
<u>Page 22, Section 8, Line 37:</u>	Insert "]" after "limitation" insert "tax levy growth limitation" after "]"
<u>Page 22, Section 8, Line 40:</u>	Remove "]" after "activities" remove "tax"
<u>Page 22, Section 8, Line 41:</u>	Delete "levy growth limitation."
<u>Page 24, Section 9, Line 25:</u>	Delete "1.029" and insert "1.02"

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<u>Page 25, Section 10, Line 12:</u>	Insert "[" after "raised"
<u>Page 25, Section 10, Line 39:</u>	Insert "]" after "year."
<u>Page 25, Section 10, Line 39:</u>	After "year.]" insert "by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2.0% ; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L. 1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of the Department of Education, as appropriate."
<u>Page 26, Section 11, Line 9:</u>	Insert "[" before "11."
<u>Page 26, Section 11, Line 37:</u>	Insert "]" after "section."
<u>Page 26, Section 11, Line 38:</u>	Delete "b(1)" and insert "a(1)" Delete "Notwithstanding subsection a. of this section" " and replace "the" with "The"
<u>Page 26, Section 11, Line 43:</u>	Delete "60", insert "in excess of 50" delete "or more"
<u>Page 27, Section 11, Line 34:</u>	Delete "]"

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Page 27, Section 11, Line 36:

Insert "[" before "c."

Page 27, Section 11, Line 42:

Insert "]" after
"State."

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/Jeffrey S. Chiesa

Chief Counsel to the Governor