



Newsroom

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[Press Releases](#)
[Featured Videos](#)
[Audio Clips](#)
[Newsletters](#)
[Speeches](#)
[Reports](#)
[Executive Orders](#)
[Home](#) > [Newsroom](#) > [Speeches](#) > Governor Corzine's Address New Jersey League of Municipalities

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[Governor Corzine's Address
New Jersey League of
Municipalities](#)
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Let me say in advance it's tough to make poetry out of property taxes. And the fact is, I can't make poetry period.

Seriously, there will be things that I'm going to say that you will like, and there'll be things you won't.

You all can understand that what we say today goes well beyond this room or Trenton; it goes to the people we serve.

That said, I don't know what it is, but the times are changing in our state. Rutgers is competing for a national football championship, there is a shifting national debate in Washington and the stars are aligning to bring real relief and reform to property taxes and the organization of government.

I know we tend to dramatize everything in politics, but I truly believe we are on the threshold of New Jersey history with respect to addressing this long standing, intractable problem facing our citizens.

To this end, the public is clamoring for leadership.

The public is looking for bold efforts to reduce the heavy burden of property taxes
And, they will rightly hold those of us in public service accountable for results.

The Special Committees and my Administration have been thinking outside the box and analyzing concepts that were historically off-limits. I hear there are eight-hundred-pound gorillas are loose up and down the turnpike.

All of us in government have come to realize that we can't change the status quo unless we break some glass and do the people's business differently on ethics, on finances, on education and, for purposes of today's discussion, on property taxes.

The opportunity for fundamental change is at hand. I don't want to say it's now or never, but it's pretty damn close.

When we started this process back in July, I paraphrased Albert Einstein, who said you can't solve problems using the same thinking that created the problem in the first place.

To me, this phrase summed up why so many previous reform efforts have failed the test of time. We keep applying the same logic and patterns of response.

Same paradigm – same outcome.

I know there are many who doubt if the political will exists to embrace truly different ideas or confront the third rails of politics. Well, it's now clear that the special session on property taxes under the direction of President Codey and Speaker Roberts is ready and willing to make history.

Their review process has been thorough, transparent and conducted in a bipartisan fashion. That, of course, does not mean everyone has always agreed.

All branches of government have cooperated, shared information, offered ideas and worked together to seize the moment. More than 40 public hearings were held. National experts and models of governance were examined and analyzed from all over the country.

I even heard one or two of those sacred cows squealing under the Golden Dome.

The Legislature proposed an ambitious agenda with a tight deadline. Yesterday's reports met both. There are 98 positive recommendations for the Administration, the Legislature and the public to consider, to package and move forward.

We should all give credit to the leadership of Speaker Roberts and President Codey for their efforts in moving the process to this point. I want to publicly congratulate them, along with all the members and staff of the special committees, as well as members of my Cabinet and senior staff who have worked alongside the committees and the leadership.

But the process isn't over with the release of the recommendations of the joint committee reports. We are simply entering the next and probably more difficult phase of the process.

It is time to make concepts law. The details, the all so troublesome details, must now be addressed.

We have to take all this hard work, all the recommendations, and gather public input, further debate the details, consider additional ideas, draft legislation and get the necessary votes to make the package law.

All that will not be easy.

The status quo will always have strong voices and change always entails resistance. The goal of this effort has never been to work around the edges but to fundamentally alter the status quo in a way that improves the lives of the community at large – the people of New Jersey.

As we enter the next phase we have to constantly keep in mind that our objective is to improve the welfare and well-being of all the state's citizens.

The common good must prevail over parochial interests.

The only way this effort will succeed is if we all understand that every stakeholder will have to put aside some of their personal interests to allow the common good to prevail.

Governor, legislators, local elected officials, public employees, teachers, school board officials, business and labor leaders - everyone has an interest in an outcome that is greater than their own – an interest in the common good of the people of our state.

I don't expect the next phase to be painless. And I don't expect everyone to quietly accept all aspects of a completed whole-cloth proposal. If some people aren't screaming at the end of this process, then our reforms most likely have not been bold enough.

But we all have to force ourselves to think about the greater good we are seeking to achieve:

- A fairer school funding formula;
- Management reforms throughout government;
- Pension and benefit reforms;
- Improvements in the delivery of government services; and, yes,
- Property tax relief.

Every individual initiative we ultimately make will be vulnerable to the charge that it only incrementally changes the status quo; that it only has a limited benefit or that it provides no immediate or even near term payback.

Those charges are inevitable. They're as sure as the next round of election recounts in Florida. We must, we absolutely must look beyond politics as usual and resist the urge to think about this relief and reform in narrow, piecemeal terms or short term perspectives.

We can't let what normally happens in Trenton be repeated. We need to create a new "normal." We need to act in a holistic manner.

We can't let the work of the special session fall prey to the death by a thousand cuts.

This doesn't mean we can't try to improve or enhance the final package. I will. We all should.

But it does mean that we must recognize that the strength and efficacy of the package comes from the cumulative value of the whole as opposed to the individual value of its parts.

The public and a lot of others are skeptical that we can enact a comprehensive package of relief and reform that is sustainable over time. They have every right to be. Any reference to history doesn't instill confidence.

The public isn't stupid. They have been promised relief more often than they care to remember. The promises come and go with campaign season rhetoric, but the property tax bills keep getting bigger and bigger.

This negative reality will continue unless we do something very different than we've ever done before.

Let me be clear, I am pleased by what I have seen so far in the reports from the joint committees. I am encouraged by the willingness of the Legislature and its leadership to address many areas that demand action. And I am confident we can get the job done – the public demands nothing less.

But there are additional ideas that must be considered and included.

The more risk we take in the final product, the more likely we are to bring actual, lasting and beneficial change. The truth is there is no surefire, guaranteed way to bring about successful outcomes. Whatever we do comes with some degree of uncertainty.

But the bolder we are, the greater the probability of positive results. If I have learned anything in politics, on Wall Street or in life it is that you have to be willing to take calculated risks if you want to make real gains and progress.

Listen, I can't promise that everything we do will be an absolute success. But if we largely embrace the status quo, I can absolutely assure you, we will fail to take advantage of this historic opportunity.

Bold, bold, bold action in both relief and reform is what we need.

Not surprisingly, there isn't much debate on the need to provide immediate relief. Everyone, including me, wants to increase direct relief by as much as possible to as many taxpayers as possible.

I support providing progressive tax relief by directly reducing up to 20% of the property tax bill for a substantial portion of the State's primary homeowners. I think we would be remiss if we didn't offer progressive relief to tenants as well.

But relief is constrained by available resources.

The amount of relief available must be viewed in the context of the overall reform plan as well as the State operating budget next year and in the years beyond. Providing relief and then retreating in a year or two because we don't have the money is neither desirable nor acceptable.

Last July, I started this process by saying that a solid foundation for the state budget was essential to tackling property taxes. Then, now and in the future, the budget and property taxes will be inextricably linked.

The effort to provide immediate property tax relief cannot be done by creating a giant hole for future budgets. Let me be clear, whether the subject is the budget or property taxes, I can't support short-term fixes.

We have made significant progress putting the state's fiscal practices in order, first under the leadership of Governor Codey and then in the recent budget.

A move backwards in our obligation to have recurring revenues match recurring expenditures would be a huge mistake.

With this perspective in mind, even in the sole context of property tax relief and reform, we have substantial demands on limited resources:

- Immediate property tax relief;
- Funding for a fairer school aid formula;
- A reengineering fund to provide incentives for consolidations; and
- A sustainable funding for contractual and moral commitments to pensions and other benefits.

And I could go on.

To meet this demand on uses, we have limited sources of funding available. We have the dedicated sales tax revenue, the existing rebate programs, expected future economic growth and potentially down the line, funds made available from asset monetization, structural reforms, collective bargaining and better management and oversight.

Washed up businessman turned Treasurer, Brad Abelow and I will be working diligently with the Legislature to be certain that the sources and uses of funds are reconciled in a way that is sustainable over time.

Fundamentally, our situation is no different than that of a corporation operating in or near bankruptcy. The business practices that we have been using have put us deep in the red.

Our old ways of doing business have imperiled our people, the economy and the well-being of our state. And they need to be changed -- at every level of government.

Let's be clear.

Relief is popular. Reform and sustainability are hard, very hard.

But anyone who thinks the status quo is working has a pretty high burden to show that the state's way of doing business is the most effective, efficient and fair way to operate.

It certainly appears to be among the most expensive.

Reform and change will be controversial and the payback isn't immediate. In fact, it is going to take some time to realize the benefits. This will take leadership, political courage and sacrifice from all of us. I don't underestimate that challenge.

But, the reforms and the attendant long-term savings are essential to building sustainability into whatever we do on the relief side of the plan.

Generally, I support the vast majority of the reports of the special committees. There are many excellent ideas that we need to bring to reality.

But there are some key reforms that need to be included and recommendations that should be strengthened.

First, we need to think more aggressively in terms of consolidations and shared services. Any process we create to look at government or school consolidations, whether it is a BRAC-like commission or something else, must have real power with real deadlines and real accountability for producing results.

Practically speaking, funding must be put aside to create powerful incentives and disincentives to support the consolidation recommendations.

We also have to recognize that consolidations or sharing of services often have up-front costs that can discourage constructive progress among local communities. These costs need to be partially underwritten with state funds so towns and school can make changes that capture the long term cash flow benefits.

Similarly, civil services rules must also be revised to facilitate voluntary local consolidations as proposed in Speaker Roberts' CORE plan.

Second, I continue to believe that a cap on annual increases in the property tax levy is essential to ensuring that our actions on relief and reform are sustainable.

Last summer I proposed a 4% cap on the annual increase in the property tax bill itself that would sunset after five years. This cap would apply to all property taxing entities.

I am open to ideas about phasing in the cap to provide an adjustment period. Five years should give us sufficient time to evaluate the cap's impact in encouraging structural changes that will reduce costs over time. Realistically, a cap will also help protect the immediate relief we are providing from being eaten up by extra spending.

Third, we absolutely need an independent and properly staffed statewide comptroller to provide consistent auditing, oversight and accountability.

The state will spend \$31 billion plus in Fiscal year 07. Local, county and school governments spend another \$35-\$40 billion, with independent authorities, colleges and universities spending billions of dollars more.

Yet nowhere in all this spending is there a consistent, transparent and independent auditing function. No business in the world could or should operate like this; neither can we.

Finally, I believe our initiative should provide local government additional ways to raise revenue. I think we can all agree that there is too much reliance on the regressive property tax to fund local government.

I am not proposing generalized taxes; we have enough of those.

But items like impact fees can only help local officials meet budget needs in ways other than the property tax. This is an area we can all work on together to bring additional tools to local officials.

Now, I started off this debate asking us to look to Albert Einstein's for inspiration on problem-solving. We could sure use Albert's brain now.

To guide us through this next phase, let me cite New Jersey's current resident genius, Rutgers football coach Greg Schiano.

After a particularly tough loss a year ago – I think it may have been to Illinois – he told his players the following:

"Right now we're in a bad spot. We're in the middle of a forest. It's all dark, we can't see. Get an ax and start choppin'."

The Scarlet Knights are doing their chopping.

Those of us in the public sector still have more choppin' to do, but we are closer to getting out of the forest than we've ever been.

This is a moment we cannot let pass. We are all in this together.

We must be bold.

We must have courage.

And we must put the focus on the common good over any special interests.

If we do, we will make history and serve New Jersey well.

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