

SENATE BILL NO. 4289

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Senate Bill No. 4289 without my approval.

This bill would provide an exemption to the two percent property tax levy cap for school districts that are presently spending below "adequacy," as defined by the School Funding Reform Act of 2008, as amended ("SFRA"), and have been subject to a reduction in State educational aid consistent with the terms of P.L.2018, c.67, commonly referred to as "S-2." This bill would allow these school districts to raise their property tax levies above the statutorily imposed two percent cap, without the necessity of voter approval. Under this bill, the maximum allowable adjustment to the property tax levy would equal the difference between the amount of State aid received by the school district in the prior budget year and the amount of State aid received by the district in the current budget year, provided that amount does not exceed the amount needed to bring the school district's spending to "adequacy."

The two percent property tax levy cap has been largely successful in helping keep the State's property tax burden under control. With limited exceptions, the cap law wisely places with the voters the sole authority to decide whether local units may raise their property tax levy above the two percent cap.

Yet even with this cap, in the eight years preceding my taking office, property taxes rose nearly 19 percent while public schools were underfunded by over \$9 billion. Consequently, in my first budget address, I proposed an increase in State formula aid to school districts of over \$283 million while simultaneously calling

on my partners in the Legislature to work together to modernize our current school funding formula. To improve certain inequities that had weakened the overall effectiveness of our school funding formula, I signed S-2, compromise legislation publicly championed by the Senate President that shifts State aid from overfunded districts to underfunded districts. While I was content to sign the legislation, I also recognized at the time that as S-2 is more fully phased in, there may be a need to revisit the issue of education funding for previously overfunded districts that experience difficulty raising enough money to contribute their local fair share, while maintaining high educational standards.

S-2, by its nature, ensured that some school districts in this State would receive more State aid, while others would receive less. The recent process of reallocating funding from overfunded districts began before the start of my Administration. In Fiscal Year 2018, for example, millions of dollars were shifted via budget language. In recognition of the reality that such reallocation could lead to fiscal distress in some districts receiving less funding, the budget also included separate language authorizing the Commissioner of Education to provide supplemental emergency funding to such districts, as determined to be necessary. Identical authority was included in the Fiscal Year 2019 budget as additional reallocations were implemented pursuant to S-2. In the Fiscal Year 2020 budget presented to me in June, however, the legislative majority attempted to narrowly limit that spending authority to only \$20 million, impeding the State's ability to provide assistance to adversely affected districts and exacerbating the funding challenges occasioned by S-2. Senate Bill No. 4289 likewise narrowly aims to address some of the effects of S-2 by making it easier to raise property taxes, which would

affect countless working and middle-class taxpayers across New Jersey. I do not accept the notion that the State's only response to school districts that are seeking help should be to let them raise property taxes on their residents without their approval. Instead, our State's leaders need to come together and craft a solution that not only ensures the State is making a sufficient investment in the very children who will shape our future, but also makes sure this investment is done in a fair manner. This is why I continue my call for a tax on residents making in excess of \$1 million per year, who are in a much better position to help fund our education system than the middle-class property taxpayers of this State who are already overburdened.

Decisions that will result in New Jersey families paying more in property taxes cannot be made lightly. I strongly believe that issues as important to New Jersey residents as property taxes and education funding warrant more deliberation than this bill was given. This bill was introduced in the last month of the two-year legislative session and passed in just 11 days. State-level decisionmakers should not delay difficult funding decisions until the end of the legislative session and fast track what amounts to a tax increase on the middle class without first exhausting all other options. The two percent cap law recognizes that any measure that will cause a family's property tax bill to increase is deserving of careful public consideration and debate, which is why the law primarily gives voters the ultimate decision-making authority over whether or not the cap should be exceeded.

I cannot support creating an additional avenue to exceed the two percent cap that both disenfranchises voters and increases their property tax burden. I remain open to discussing other ideas and look forward to working with my partners in the Legislature to

craft policies that ensure educational success in ways that do not burden middle-class taxpayers.

Accordingly, I herewith return Senate Bill No. 4289 without my approval.

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor