

## Office of the Governor

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### NEWS RELEASE

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#### **Governor Announces \$100 Million in Direct Property Tax Relief, Moves Forward with Property Tax Commission Initiatives**

New Jersey Gov. Christie Whitman today announced a plan to return \$100 million in surplus revenues to taxpayers in the form of a direct property tax relief program.

"I am proposing a plan to ensure that when state coffers overflow beyond our expectations, taxpayers will get a rebate check and share in our prosperity," said Gov. Whitman. "In any year when the income tax revenue exceeds our projections by 10 percent or more, we will place an amount equal to 20 percent of that excess revenue into a taxpayer rebate fund. Once that fund reaches \$100 million, it will be distributed directly to the taxpayers."

"I am pleased today to announce we will have \$100 million in excess revenue which will be returned to hard working New Jersey taxpayers next year," said the Governor. "And our long range hope is that our economy will continue to expand by leaps and bounds in the years to come, enabling us to keep up the property tax relief program."

The Governor specified that under the program, money would be placed into the rebate account when two conditions are met: when income tax revenue exceeds projections by 10 percent or more, and when all other revenues meet or exceed projections.

The Governor made the announcement as she accepted the report of her Property Tax Commission, which offers 60 recommendations representing a minimum of \$1.2 billion of potential savings for taxpayers. She also announced 17 initiatives that she will advance immediately, including a new state aid program to promote the consolidation and sharing of services by local governments and schools.

"The new state aid program I am proposing today is a radical departure from the past. We will target this new state aid toward rewarding towns for efficiency, rather than simply increasing aid across the board, which rewards inefficiency," said Gov. Whitman.

The Governor's initiatives include an executive order and legislation to:

- Establish a \$25 million annual local aid program, Regional Efficiency Aid Program (REAP), which will make funds available to municipalities and school districts that have regionalized services. This aid, which is in addition to the local aid towns now receive, will come in the form of property tax credits on taxpayers' bills.
- Create a \$10 million Regionalization Efficiency Development Incentive Grant Program (REDI) to encourage local governments and school districts to explore ways to consolidate or share services.
- Make it easier for municipalities to initiate and complete consolidation studies.
- Permit early retirement incentives or added pension credit programs for newly consolidated municipalities or new shared service arrangements.
- Direct all state agencies to identify rules and program requirements that restrict local shared service efforts or cooperative activity and take action to remove those barriers.
- Direct state agencies to make personnel available to assist local officials to plan new joint services and evaluate the feasibility of shared service programs.

- Direct the Commissioner of Education to develop regional and shared service models for the provision of education and administrative services.

"Together, these initiatives give local governments tools to save money and lower property taxes, said Gov. Whitman. "In some cases, they do that by getting state government out of the way. In other cases, they put state dollars on the table, giving local governments an incentive to combine efforts with each other."

The Governor also discussed a shared services plan that is already in the making. Commission member, and West New York mayor, Albio Sires has been working with three other Hudson County towns to consolidate fire services. A study funded by the state's shared-service grant program revealed that by merging fire operations, these four towns could help save taxpayers \$5 million a year. "And the implementation of the REDI and REAP programs would provide additional economic incentives to these towns that could be passed on to citizens in the form of property tax relief," said the Governor.

Gov. Whitman also reiterated her support for pending legislation (A-1576) to permit local units of government to "opt out" of the civil service system for the purpose of consolidating or sharing services. Current law requires that when two towns want to share services, and only one of them is under civil service, both must adopt civil service. The Governor noted that this is a disincentive to towns who may want to jointly provide services.

Gov. Whitman expressed her support for pending legislation (A-2060/S-1254) that would establish a statutory budget cap exemption for shared service agreements.

The Governor said that the 17 initiatives adopted today are consistent with her desire to promote regionalization, consolidation, and sharing of services and will begin immediately to remove state government as an impediment to regionalization and consolidation efforts. She said that announcements about action on other Commission recommendations will be forthcoming over the next several months.

The Governor's Property Tax Commission presented Gov. Whitman with 60 recommendations to reduce property taxes. The recommendations span four categories: shared, consolidated, and regional services, ending the ratables chase, and tax administration and restructuring.

The Governor thanked Old Bridge Mayor Barbara Cannon, who chaired the commission, and her colleagues on the commission for their hard work. "Thanks to the members of the commission, we have moved one very important step closer to the relief our taxpayers need and deserve."

State Treasurer James DiEleuterio has estimated the cost savings for 12 of the commission's 60 recommendations. The potential property tax relief of the 12 recommendations is \$1.2 billion, approximately 10% of the current total property tax levy in New Jersey. Enactment of all 60 recommendations will result in an even greater potential for tax relief.

Information about each of the 17 initiatives announced by the Governor is attached.