



## The Christie Reform Agenda: Cap 2.5

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### Remarks as Prepared for Delivery

#### Fiscal Crisis: The Current Budget As An Example

As you all know, we have a fiscal crisis in New Jersey: a \$10.9 billion deficit on a \$29.3 billion budget.

At 37 percent, it's the worst budget deficit percentage in America—worse than California, worse than New York, worse than Illinois—and we need to take bold steps to deal with it.

On March 16, we put forward a budget with \$10.9 billion in reductions against proposed spending of the Corzine administration.

This was not easy to do, so I want to start off by saying that while I stand firmly behind the cuts we proposed, please don't take my firm stance in favoring those cuts as meaning that I don't know how painful they are.

Everybody would love to be governor in a time when you can just give things away and make everybody your friend and make everybody happy.

That's not the time that I'm getting to be governor.

I feel an obligation to stand up and do what the people elected me to do, which is to get our government under control, and to start to reduce the amount of money that people have to pay to the government in taxes.

But if all we do is cut, and we don't get at the underlying problem, we're just going to be back in this spot year, after year, after year.

#### New Jersey Is On An Unsustainable Fiscal Course

Over the last ten years, municipal spending has grown by 69 percent, and property taxes have grown by 70 percent, until New Jersey property taxes are now the highest of any state in the nation.

This is an unsustainable course.

For nearly 30 years, the citizens of New Jersey have placed in the hands of politicians—mostly politicians from Trenton—the responsibility for fixing property taxes. And in every gubernatorial election since 1973, we've had folks dancing around this property tax problem, putting band-aids on it, but not doing a thing to address the structural issues that allow politicians to hike property taxes year, after year, after year.

We can't increase municipal aid, increase aid to school districts, and increase property taxes without end. At some point, the people's ability to pay runs out.

And now we're there.

With property taxes up 70 percent in ten years, people in New Jersey are now voting with their feet, and they're leaving.

Senior citizens are leaving the homes that they raised their families in, heartbroken because they can't pay the property taxes anymore.

Young couples can't buy their first homes, not because of home prices, but because of the property taxes.

And middle class families are suffering from 9.8 percent unemployment in New Jersey, the highest in the region—higher than Pennsylvania, higher than Connecticut, higher than New York. Many of them are finding that after they've lost their jobs, they're going to lose their homes as well, because their property taxes got raised beyond their ability to pay.

In every poll you'll ever see, New Jerseyans say our biggest problem is property taxes.

So how do we fix it?

The Centerpiece of the Solution: Cap 2.5

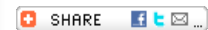
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First and foremost, we have to impose discipline on every level of the political system. I propose that we start with Cap 2.5, a constitutional amendment to cap property tax increases at no more than 2.5 percent per year.

For 30 years, politicians in Trenton have been passing the buck, and property taxes have gone up and up and up. The people of New Jersey have had enough.

I believe in less government, lower taxes, and empowering local officials who act on behalf of the people who elected them. I came here to do what the people sent me to do.

That may lead to a disagreement or two. Just recently, I had a friendly little exchange with a reporter you might have seen....

But anyone who comes to this discussion talking about "you can't cut this" and "you can't cut that" who doesn't have some way to pay for it besides jacking up property taxes is just joining that pathetic, 30-year tradition of passing along the problem for the next guy to deal with.

When we enact a constitutional amendment to limit property tax increases to no more than 2.5 percent across the board annually, we will have put in place the foundation for getting our fiscal house in order for the first time in a generation.

With that in place, then and only then can we begin to look at doing—in a sustainable way—what New Jerseyans want for urban revitalization, education, and every other big-picture issue.

But first we have to fix the foundation.

Cap the Spending Side, Too

Fundamental fairness dictates that the other part of the constitutional amendment has to be that discretionary state spending—state spending outside debt service or aid to municipalities or school districts—has to be capped at 2.5 percent as well.

We can't ask mayors to make sacrifices while the state goes on its merry way, spending like always.

We need to stop the explosive growth of government. If the projected spending of the Corzine Administration had been permitted to stay in place for Fiscal Year 2011, over the last 20 years state spending in New Jersey would have risen by 322%. That is 16% per year, every year, for 20 years. No economic model can sustain that level of public sector growth. On the local level this growth has also continued unabated.

Even as we speak, it continues in New Jersey at the local level, despite the economic downturn. Consider this fact. In 2009 we lost 121,000 private sector jobs in New Jersey, while the municipal and school board payrolls grew by 11,300 jobs.

The private sector shrank... while the government grew. That's exactly backwards from how it's supposed to be.

The leadership in the State Legislature in New Jersey believes that the solution to this problem is to increase taxes again—for the 116th time in the last 9 years. They passed a bill to raise taxes to 10.75% on those who make \$1m per year. I vetoed that bill, literally, one minute after the Senate President handed it to me. I vetoed it because New Jersey does not have a revenue problem; it has a spending and debt problem. I vetoed it because it does not work. Look at the numbers.

In Fiscal Year 2009, the state collected \$10.476 billion from our income tax, with no surcharge on small businesses and the wealthy. In Fiscal Year 2010, with Governor Corzine's surcharge of 10.75% applied to small businesses and individuals, the state collected \$10.243 billion. \$233 million dollars less than the year without the surcharge. Higher taxes will continue to drive citizens and businesses from New Jersey and keep our private sector job growth at zero, which it was for the entire first decade of this new century.

We must change course.

We must cap the property tax increases. We must cap discretionary spending. They go together.

But that's still incomplete, because mayors still have to provide services and education.

If they have to operate under a cap, then they deserve the tools to help control the underlying expenses.

That's why this reform package is not only a cap on property tax increases, not only a cap on discretionary spending—it also contains a toolkit of 33 specific legislative reforms on collective bargaining, civil service, health care, education, and pensions.

Let me take you through these.

The Toolkit: Collective Bargaining Reform

First: Nearly 75 percent of every municipal or county budget is driven by personnel and labor costs. We need to level the playing field on those costs through collective bargaining reform for our public sector unions.

I stand foursquare in favor of arbitration to resolve the disputes with our public employees who do not have the ability to

strike—police, fire, and teachers. Arbitration is there to be sure that these things are fairly resolved—and the key word there is "fair." More often than not these decisions are favorable to labor, but they're not always fair to the taxpayers who have to pay whatever the arbitrator decides.

So under collective bargaining reform, every arbitrator will have to take into account Cap 2.5. They will no longer be allowed to award a benefit that's larger than that. For the first time, arbitrators will have to consider not only who's sitting at the table in front of them, but also who pays the bills.

Municipalities, and mayors, and budgets, and taxpayers... shouldn't be at the mercy of unelected arbitrators who can effectively impose a property tax increase at will. And under this reform, we won't be.

#### The Toolkit: Civil Service Reform

We also need reform of the civil service system. Civil service was set up over a century ago to protect against political patronage, but collective bargaining has procedures to protect against that as well. We should have one system or the other.

Candidly, I think labor is best served by collective bargaining, so we should give mayors the ability to opt out of civil service, and to manage like a business. If someone isn't doing their job, or that job isn't needed anymore, the mayor ought to be able to get rid of it, and save the taxpayers the expense. Civil service reform will give them the tools to do that.

#### The Toolkit: Teachers' Fair Contribution to Health Care Costs

When we're taking into account what we spend and how we give raises, we can't act as if health care expenses and pensions aren't a part of it. This has been my big argument with the teachers union over the last number of months. You may have heard something about that...

Everyone values the hard work teachers do. And teachers should be able to have good medical benefits for themselves and their families. That's just common sense.

So this is not about a fight with individual teachers.

This is about a union that has decided that everyone they represent is entitled to free medical, dental and vision benefits for themselves and their families from the day they're hired until the day they die.

You may think I'm exaggerating.

I'm not.

The union does not pay a penny toward the health care of its own members.

That's a pretty sweet deal. I can't think of any other job where your employer says, Well, don't worry about your health insurance. We'll just throw that in no matter what it costs. Yet that's what the union has right now, and their leaders don't seem to feel any need to pay like the rest of New Jerseyans and join the real world on this.

It's a question of fairness. We don't want them to pick up 100 percent of the premiums. We don't want them to pick up 50 percent. Not 25 percent—which is what I paid when I was a federal employee. Not 10 percent.

You know what we ask for? One-point-five percent of their salary.

One-point-five percent.

It's not unreasonable to ask people in public employment to pay 1.5 percent toward their own medical benefits.

If the average teacher makes \$55,000, we're talking \$825 annually for full family medical, dental and vision coverage. Less than \$69 a month.

Now in the private sector, this is a deal employers would run to line up to get.

But the other side on this says this is an attack on public education. I have to tell you, I don't understand why my child would learn better in school if their teacher was paying nothing toward their health benefits as opposed to paying 1.5 percent of their salary.

Candidly, it's still a great deal, so this idea that we won't attract people to teaching because they have to pay 1.5 percent of their salary towards benefits, as opposed to nothing, is just foolish. It makes a mockery of teachers' commitment to their profession and to their students.

Most people become teachers because they find it so rewarding. Of course they want to make a good living, and have financial security like all the rest of us. But the difference between zero and 1.5 percent is not going to cause a dedicated teacher to leave the profession, or stop somebody who wants to teach from doing it in the first place.

I think when the union makes that argument, they're selling their members short.

They may, but I'm not going to.

Also, we need to get away from this one-size-fits-all straightjacket about coverage. We need to give mayors the ability to negotiate with the private sector to offer a full menu of benefits that can lower the cost for municipalities, and give workers the choice to pick the health plan that best fits their needs.

This is not revolutionary. This is happening in the private sector every day. It is also happening with employees of the federal government. Why should state and local government workers in New Jersey have a better deal?

This is restoring a little common sense to the way we spend our tax money.

#### The Toolkit: Pension Reform

On pensions, I want that pension to be there for every police officer, for every fire fighter, for every teacher who's counting on it.

But our pension system is \$46 billion in deficit.

Don't let anybody tell you that is caused by the failure of the state to stand up to its commitment to fund these pensions. That's part of the problem, but it's not the whole thing.

If the state had contributed every dollar it was supposed to over the last ten years, our pensions would be funded at 74 percent of value, instead of 64 percent, which is where they are today. That's only 10 percent difference.

So what does that tell you?

What it tells you is that the benefits are too high and the contributions being made by many of the public sector unions are too low. We need to buttress the pension back up, make it strong for the folks that are in it now, so that it's there for them when they come to retire.

#### A Real-Life Example of What's at Stake

Now, I'll end with this so you can really understand what's at stake here.

Last week, I had a town hall meeting in Hoboken, and I talked to a family—a husband and wife and three boys—who had a property tax increase last year of \$2000. That's an incredible financial hit for any family to take, especially in one year. It's not as if you can go to your employer and say, Hey, I need another \$2000.

If Cap 2.5 had been in place for Joe and Jennifer and their three boys, their property taxes would have gone up only \$213, not \$2000.

For the first time, Joe and Jennifer's property tax bill rose about the \$10,000 mark.

Instead of paying the mortgage, or a making a down payment on a car, or saving for college, or taking a vacation, or just keeping up with what it costs to live, another \$2000 of their paycheck got sucked up in that ten-year, 70 percent increase in property taxes.

We're long past the point where politicians in Trenton can justify that kind of ever-increasing drain on a family's income.

With Cap 2.5, there's only one out if you want to raise taxes higher than 2.5 percent, and that is to put in on the ballot and let the voters decide. That's what they've done in Massachusetts, and about half the time, the voters say, You know what, it's worth me paying an extra point in taxes this year to have this new program, or to hire more police officers.

The other half of the time, they say no. But the control is in the hands of the people, not the politicians.

#### New Jersey Needs Cap 2.5

Skyrocketing property taxes hurt seniors, they hurt middle-class families trying to make ends meet, and they hurt young families trying to buy their first home.

Cap 2.5 will cap property tax increases at no greater than 2.5 percent a year for everything: municipal tax, county tax, and school tax.

For 30 years, the politicians in Trenton have failed the people of New Jersey. In the last ten years, those politicians have raised property taxes 70 percent.

We can no longer afford it, and the politicians in Trenton have refused to solve the problem.

Cap 2.5 will allow the people of New Jersey to control property taxes and keep them at no more than 2.5 percent a year, unless the people vote differently.

To fully address the problem, I've matched Cap 2.5 with a toolkit of 33 specific legislative reforms to reform collective bargaining, civil service, health care, education, and pensions.

After three decades of passing the buck, we'll cap increases in property taxes that are wrecking people's lives and

driving people out of our state, and we'll give local leaders the tools they need to help control the underlying expenses.

We're going to build a solid fiscal foundation for our state. We're going to say "No" to those who refuse to understand that the days of something for nothing are over and the days of shared sacrifice are here. We're going to stand up to the entrenched, special interests that are unused to having the truth told to them without regard to the political consequences. We're going to stand up for the future of our children and grandchildren—a future in New Jersey that is hopeful, optimistic and full of opportunity and prosperity in a private sector that is growing and a public sector that stops the annual grab for the taxpayers wallets.

The legislature needs to put Cap 2.5 on the ballot this November as a constitutional amendment, and let the people do what the politicians in Trenton have refused to do for 30 years: get out-of-control property taxes under control and, at long last, fix this perpetual fiscal crisis, once and for all.

Thank you.

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