Public Hearing

before

JOINT LEGISLATIVE COMMITTEE ON CONSTITUTIONAL REFORM AND CITIZENS PROPERTY TAX CONSTITUTIONAL CONVENTION

"Members of the public are invited to testify before the Committee regarding proposals to amend the New Jersey State Constitution in order to achieve property tax reform"

LOCATION: Livingston Student Center
Rutgers, The State University of New Jersey

DATE: September 21, 2006
12:00 p.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Bernard F. Kenny Jr., Co-Chair
Assemblyman John J. Burzichelli, Co-Chair
Senator Fred H. Madden Jr.
Senator Leonard Lance
Assemblyman Louis M. Manzo
Assemblyman Richard A. Merkt

ALSO PRESENT:

Catherine Z. Brennan
Philip N. Liloia
Office of Legislative Services
Committee Aides

Timothy P. Lydon
Linda Schwimmer
Senate Majority
Kay Walcott-Henderson
Assembly Majority
Committee Aides

John Hutchison
Senate Republican
Mary C. Beaumont
Joseph Glover
Assembly Republican
Committee Aides

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SENATOR BERNARD F. KENNY JR. (Co-Chair): Okay. We're going to get started. It's 12:05.

My Co-Chairman, John Burzichelli, is sitting next to me, to my left; and Assemblyman Manzo--

ASSEMBLYMAN JOHN J. BURZICHELLI (Co-Chair): Somewhere.

SENATOR KENNY: --from Hudson County. Assemblyman Richard Merkt is here.

And we're waiting for a few others. But I want to start. I'd like to set--

Senator Lance is arriving.

I'd like to establish some ground rules. We have another public hearing next week in South Jersey, which Chairman Burzichelli will be presiding over that event.

UNIDENTIFIED PERSON FROM AUDIENCE: Can't hear a word you say.

SENATOR KENNY: You can't hear?

UNIDENTIFIED PERSON FROM AUDIENCE: Turn up the speaker.

SENATOR KENNY: Am I on? Which am I speaking into, this or this?

ASSEMBLYMAN BURZICHELLI: This one.

SENATOR KENNY: Oh, this? Okay.

ASSEMBLYMAN BURZICHELLI: The larger one.

SENATOR KENNY: Is that better?

UNIDENTIFIED PERSON FROM AUDIENCE: Yes.

SENATOR KENNY: Okay. I'll have to sit closer to the microphone. (referring to PA microphone)

ASSEMBLYMAN BURZICHELLI: Or just hold the microphone.

SENATOR KENNY: We have, roughly, 30 people who are signed up to testify. And I'd like to set some ground rules that I would ask that you observe. It's not necessary to read statements. Submit your statements to us, and our staff -- both OLS and partisan staff -- will collect them, and they will be read by us and taken into account. So we're looking for, roughly, five minutes to make your statement. And it should be to the point, because we have 30 people, and we want to hear everyone and give everybody an adequate opportunity. And you can make your point in five minutes.

Secondly, this is the Constitutional Reform Committee regarding property taxes. We'd like you to confine your comments to the New Jersey Constitution and its relationship with State property taxes. For your information, we've had four hearings to date, and we've identified a number of areas that the Constitution bears directly on property taxes. One of them is the Uniformity Clause, which the Constitution says that "all property has to be assessed at true market value, and that different property should not be held to different classifications." For example, residential property should be assessed at true market value, as well as industrial property and business property, commercial property.

Different states around the country handle this issue differently, obviously. And some states, such as Maryland, classifies its property according to its use. Residential property taxpayers are assessed at less than true market value in that state. That's not the case in New Jersey. So that's one issue.

The second issue we identified is that the Constitution states that local property assessors in municipalities will do the assessing. So in New Jersey, our 500-plus municipalities assess property. In other states, they have countywide assessments, or regional assessments, and the like. But in our state, each town does its own assessments. So that's another constitutional issue. So you have the Uniformity Clause and you have local property tax assessment. So those are two constitutional issues that impact directly on how we establish property taxes in the state.

And the third issue is the issue of exemptions. We have many properties that are exempt from full taxation in the State of New Jersey. And we do not allow for partial exemptions. We only allow for full exemptions. Exemptions can come about in one of three ways: One is in the Constitution that was drafted and written in 1870s, and then reaffirmed in 1947. We have four categories of property that are tax exempt in the Constitution, and we would have to undo that by a constitutional amendment. And those basically are educational; charitable organizations, various not-for-profits; cemeteries. And they are fully exempt from property taxes. Those are four categories, but they're major categories. And religious -- religious organizations.

We also have, I believe, eight constitutional amendments that give different property taxpayers different status, such as senior citizens, tax abated property, and various other treatments that affect the Uniformity Clause, in that these people are not taxed or these entities are not taxed the same way as everyone else is.

And then the third category of exemptions are legislative exemptions, which number in excess of 100, maybe a few hundred. OLS has done some work on this, where the Legislature, over the course of the last 100 years or so, has exempted properties from taxation.

Those are the three categories that we've identified as constitutional issues that affect local property taxes. And we'd like you to address those issues. Others that come to mind are most likely under the jurisdiction of the other Committees that have been formed by legislative leadership, such as consolidations, school funding, and pensions and benefits. That's not within our jurisdiction. So the Uniformity Clause, assessments, and exemptions are constitutional issues that we have been taking testimony on over the past month. And so we'd like you to focus on that. There are other areas that affect property taxes, but that's not what we're charged to do. Three other Committees have jurisdiction over those issues.

We have another public hearing next week, and we have a few more hearings in Trenton going into October, and perhaps November. And the Co-Chairman and I will be discussing those. At some point in time within the next month, we're going to issue some recommendations; hopefully that they'll be unanimous by this Committee. And we'll submit those recommendations to the Senate President and the Speaker for their consideration.

So that's basically where we are today. This is our first public hearing. So I'm going to ask each legislator to just introduce themselves to you, starting with Senator Lance.

Senator.

SENATOR LANCE: I'm Leonard Lance, the Minority Leader in the State Senate. Good morning.

SENATOR MADDEN: I'm Senator Fred Madden, from District 4, in southern New Jersey.

SENATOR KENNY: And I'm Senator Bernard Kenny, from District 33, in Hudson County. I'm the Co-Chair.

And my Co-Chairman.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

Assemblyman Burzichelli, Deputy Speaker, 3rd Legislative District.

ASSEMBLYMAN MANZO: Assemblyman Louis Manzo, 31st Legislative District, Hudson County.

ASSEMBLYMAN MERKT: Assemblyman Richard Merkt, from the 25th Legislative District, in Morris County.

SENATOR KENNY: Okay. We've been working very closely together, thanks to Chairman Burzichelli and the leadership of Senator Lance, and then the Assembly as well. Our staffs have been working on these issues for the last six weeks. We've been working on them in a bipartisan way, and hopefully our recommendations will be bipartisan. And I want to thank OLS and the partisan staffs for their support of the work of this Committee.

So, unless anybody has any comments--

Yes. Okay. I believe Senator Barbara Buono is here. Senator, thank you for joining us -- from Middlesex County.

And so we're going to start. So I'm asking you to keep your five minutes to your point, express yourselves. And it's fair to everybody that we try to limit testimony to the concise statements that you have to make on the constitutional issues that I just described to you.

So we'll start with Professor Hughes and Professor Seneca from Rutgers University.

And I want to remind everybody up here that your microphones are on at all times, and they're live, so-- Not that that in any way changes your conduct, but the microphones are live.

Okay, do you want to start?

J A M E S W. H U G H E S, Ph.D.: Thank you.

Do you all have the handout of the set of economic tables?

SENATOR KENNY: Yes.

DR. HUGHES: Thank you, Mr. Chair and members of the Committee.

What we would like to do in very brief fashion is to look at the fragility of our current economic expansion and how it could be impacted by potential constitutional changes. I should point out, we don't represent--

SENATOR KENNY: Would you introduce yourselves, please?

DR. HUGHES: Yes. I'm Jim Hughes, Professor and Dean at Rutgers University.

J O S E P H J. S E N E C A, Ph.D.: I'm Joe Seneca, University Professor at Rutgers University.

ASSEMBLYMAN BURZICHELLI: Professor, you've got to talk into the larger microphone -- yes. (referring to PA microphone) Directly into it.

DR. SENECA: Thank you.

Joe Seneca, University Professor of Economics at Rutgers University.

DR. HUGHES: We should point out we are representing only our concerns as academics and scholars of the economy, and not that of any specific group or client. And our perspective comes from analyzing and dissecting the New Jersey economy for a combined total of more than 70 years.

UNIDENTIFIED PERSON FROM AUDIENCE: Turn up the voice.

SENATOR KENNY: You have to lean into that mike. (referring to PA microphone)

ASSEMBLYMAN BURZICHELLI: Yes, there.

DR. HUGHES: Okay. Let's get right into it.

The handout: Figure 1 -- New Jersey's economic roller coaster. I think you can see from the exhibit that the current expansion -- on the far right -- between 2002 and 2006, is far below the magnitude of previous expansions. Put in perspective, in the '82 to '89, '92 to 2000 expansions, we had an average growth of about 77,000 jobs per year. The current expansion is 28,000, roughly only one-third of the previous ones.

Table 2 translates Figure 1 into annual employment change. The point here is, during the current expansion it looks like we have a major retreat during 2006. We're on schedule to add only 24,000 jobs, a little bit more than half of the job growth that we had in 2005. So it looks as if the economy this year is growing the wrong way.

Table 1 is the rate of private-sector employment growth in 2006, measured from December '05 to August 2006, for all 50 states, ranked in order. New Jersey ranks 43rd in the rate of growth of private-sector employment. So far this year, we're below such economic powerhouses as Alabama and West Virginia and Kentucky. (laughter) And our rate of growth -- 0.4 percent -- is less than half of the national rate of 0.9 percent.

Now, of equal, current concern to the slow rate of growth is the quality of growth. And this is shown in Table 2. And this compares the growth that took place during the 1992 to 2000 expansion as against the December 2000 to August 2006 period, essentially the new millennium.

During the '92 to 2000 expansion, we added 551,000 private-sector jobs. During the 2000 and 2006 expansion, we added 4,100 private-sector jobs. So since 2000, of the 56,700 jobs added, only 4,100 were private-sector jobs.

In the earlier period, we lost over 50,000 high-paying manufacturing jobs, but we also added 250,000 high-paying advanced services jobs. And those are outlined in the box -- those are the high paying. And the salaries -- average annual salaries are indicated in the far-right column.

So, during the previous decade, we were adding very, very large numbers of high-paying, advanced office jobs. During the current period, that sector combined has been negative. And most of the job growth has been in the low-paying, population-serving services, such as education and health services, leisure and hospitality, and other services. And if you look at the far-right side of the exhibit, all those are relatively below-average, low-paying jobs.

The other concern in this regard is in Table 3, and it's our relative performance in the very high-paying science and technology employment sectors. These are defined as high-tech employment -- very, very consistent with the definition of high-tech employment used by the National Science Foundation. Our basic conclusion is evident in the data: During the 1990 to 2005 period, the nation added almost 1.4 million high-tech jobs. New Jersey lost 8,400. One-point-four million gained for the nation; New Jersey lost 8,400. In contrast, Texas added 166,000; Virginia, 130; California, 122,000; Georgia, 75,000; North Carolina, 53,000. Those are our key competitor states in the high-technology arena, and we're not doing very well.

Our basic conclusion is, in the current decade New Jersey's economy has not been performing very well. Make no mistake about it, we still have a strong, powerful core. However, that core is starting to erode, and we believe New Jersey has gotten a reputation as a hostile and high-cost place of doing business. And we also see that corporate America is directing its high-end, leading-edge investment and employment largely outside of New Jersey.

Joe.

DR. SENECA: Thank you, Jim.

And thank you, Mr. Chairmen, and members of the Committee.

Given the concern that Jim has expressed about both the rate and the composition of job growth, we believe it is important to be attentive to the cost competitiveness of New Jersey -- a key determinate in business decisions to locate, invest, and expand. As your work on property tax reform proceeds, New Jersey needs to be sensitive to the impact of any changes in the State's tax structure on its economy.

The specific proposal that we addressed, as instructed by the Chair, is the uniformity issue. And that, among others, is being considered as a possible change in New Jersey's tax structure. The possibility of taxing commercial property at a differential rate than residential property -- we recommend caution in making such a change. Such a differential would increase business costs and possibly significantly so, depending how it is done, above the current uniform protocol for the taxation of property.

This we believe would affect the competitiveness of New Jersey businesses in several key ways: First, consider those businesses in New Jersey that are closely dependent on local -- that is, New Jersey -- consumer markets, and the high income base of New Jersey households. These are such businesses as big-box retailers, national hotel chains, national restaurant chains, direct health care, and the housing sector. These businesses rely primarily on the New Jersey income base, and their sales consist almost entirely of income spent by New Jersey consumers on their products and services. As a result of a possible property tax differential, these businesses would experience an increase in costs, and their likely response would be to pass these costs on to consumers in the form of higher prices. But because they depend on New Jersey incomes for almost all of their sales, they are not likely to relocate out of New Jersey. However, consider, next, those businesses that Jim and I term *externally supported businesses* located in New Jersey. That is, businesses whose sales consist of a large share of out-of-state buyers and, hence, businesses that export their products or services out of state, and thereby take in large amounts of out-of-state or out-of-country revenues. Pharmaceuticals and telecom would be examples of such businesses. These are the businesses that are at competitive risk to relocate or locate to other states and countries. And these are the businesses that are objects of intense interstate and international competition. Any specific increase in their New Jersey-specific business costs due to, for example, a property tax differential, makes New Jersey a less competitive place for their location and expansion. The risk of relocation of these businesses, or the risk of new investments by these businesses in other states or countries and not in New Jersey, would be, in our opinion, significantly increased.

Another business sector at risk is small businesses throughout New Jersey. These businesses typically have thinner operating margins, less access to capital and credit, and lack the pricing power of the big national chains, retailers, hotels, and other businesses previously discussed -- the ability to pass on costs into higher prices. These small businesses would be exposed to increased costs and the loss of competitive position. This would decrease, in our opinion, their ability to survive, grow, and thrive in New Jersey.

Thus, our basic caveat, from the perspective of the overall New Jersey economy concerning your important but difficult work, is that the Committee and the process needs to be sensitive to the effects of tax structure changes on the cost competitiveness of the New Jersey economy. Without a healthy and growing private-business sector, all the noble goals of the effort to more equitably generate State and local revenues, and to more efficiently operate government at all levels will be that much harder to achieve.

Thank you.

SENATOR KENNY: Thank you very much.

Any questions from the Committee? (no response)

Seeing none, then, thank you, gentlemen.

DR. HUGHES: Thank you.

MR. SENECA: Thank you.

SENATOR KENNY: We have one former Senator and a current Senator here.

Senator Buono, would you like to address us?

S E N A T O R B A R B A R A B U O N O: (speaking from audience) I'm really just here to listen. As you know, we've been having discussions throughout this process. We have, thankfully--

You want me to come up there?

SENATOR KENNY: Yes, why don't you do that. That way you can be on the record.

SENATOR BUONO: Thank you all for agreeing to serve on this very laudable Committee with laudable goals.

I'm here taking notes and listening. I'm really here just to gain valuable input. As you know, we've been having discussions throughout this special session process. I'm very happy, and I'm sure the public is aware, that the transcripts of this Committee, in addition to all of the testimony, is online; and it's available to everyone, including legislators. And I know that we're all following that.

But the reason I came out personally today was because it was the first public hearing in Middlesex County. And I thought, perhaps, I would have the opportunity to interact with some of the folks who had questions to ask and input to offer. So I'm really here to gain input, and don't really want to take up any more of the public's time.

But thank you all for asking for my comments.

SENATOR KENNY: Thank you, Senator.

And the Senator also serves on the Senate Budget and Appropriations Committee, where she performs very honorably over the years, and we're happy to have her here.

Senator Schluter, would you like to come forward?

Senator William Schluter, former State Senator -- a very esteemed colleague -- has been a voice on this issue for a number of years.

Senator, please take a seat and take the opportunity to address the Committee.

Thank you, sir.

SENATOR WILLIAM E. SCHLUTER: Thank you very much, Senator and other legislators.

I will be brief. You have my testimony; I will not read it. I will just, more or less, paraphrase it.

Thank you for coming here.

By way of identification, I am here in three capacities: First, as a former legislator, and as sponsor of the first Constitutional Convention bill back in October of 2000. Next, I am Co-Chair of Citizens for the Public Good, which has adopted, as its number one policy, fundamental property tax reform in New Jersey, and through our nonprofit arm has had a number of citizen tax assemblies held around the state, which has opened up this issue and has been very good in spreading the word about the property taxes problem. The final hat that I'm wearing is as part of the

Citizens Convention Coalition, which is a consortium of 13 organizations; and you have a copy of who those organizations are -- the League of Municipalities, AARP, Black Ministers Council, League of Women Voters, and others. And this group has a position statement with respect to what the ingredients of property tax reform should look like, and that is a part of the materials which you have.

This group has followed the work, not only legislatively, but also the Task Force of Carl Van Horn, as well as many other forms held around the state.

Now, there are several major considerations with respect to a convention which I would like to just get on the table and have you be totally aware of. First of all, to authorize a convention, it must be done by public referendum and it must be done at a general election.

Second, the subject matter of such a convention can be limited. You can have a convention that doesn't get into reproduction rights or gun control. You can limit it strictly to property tax by putting that in the legislation.

Third, from the beginning, the ability to act on statute has always been part of the convention process. In other words, the convention would not just be considering constitutional changes, but would be considering statutory changes. And this is unique, and it's different than most constitutional conventions. And that is because of the fact that you don't want to have the inflexibility of just doing constitutional changes. You have to also have the flexibility of doing statutory changes.

This means that the legislation has to have two components: The basic bill, number one, and also an amendment to allow the convention to do statute; otherwise it couldn't do it. And then, of course, a convention with its recommendations has to be approved at a general election by all of the people.

These particular issues have been resolved, and we've been getting advice from Robert Williams of Rutgers-Camden.

Now, the statute feature is absolutely essential in the minds of many, and there are organizations who would not support a convention if it did not consider a statute. You don't want to constitutionalize the tax code. This is what they did in California with Proposition 13, and the results have been disastrous. On the other hand, the public is entitled to some degree of permanence in major parts of tax policy. And this can only be achieved through constitutional strictures. You're talking about the circuit breaker and things like that, which are some of these kinds of guarantees. And of course, even with those constitutional strictures, you could provide ways to override them by supermajorities and by other contingency methods.

Once a convention is authorized at a general election, delegates have to be selected. The deliberations will begin. And one very distinct advantage and difference about a convention rather than a legislative process, which is important to keep in mind -- and that is that all the recommendations agreed to by consensus of convention delegates will be put before the public at a referendum in a single up-or-down vote. And that is different than doing it the legislative way, where you will have, perhaps, a multiplicity of initiatives, some requiring approval by the public as constitutional amendments and some requiring legislative action. But by having a single up-or-down vote, the tough issues have to be accepted with the easier issues. And that's a very important concept in the convention proposal.

Now, the opportunities for constitutional change are limited only by your imaginations. You have totally an open field tonight to suggest constitutional changes. I'm going to mention a few, which have resulted from my work with Assembly Speaker Roberts on the sustainability clause, which he has put in the convention bill. And this is by no means a limit on the number of those issues.

First of all, as a constitutional matter, whether you do it by convention or you do it by your own activity and by the Legislature, you could limit property taxes to a certain percentage of all State and local revenue. The Cahill Commission, back in 1972, recommended a 30 percent limit. That's very hard and very fast, but you can do that. You could limit the amount of property tax to a percent of the household's income, as I think has been suggested -- an idea which has been floated -- and it would be a circuit-breaker feature. You can also, if property taxes are reduced, you can limit the rate of increase of property taxes in the taxing districts, as was suggested by the SLERP Commission back in 1988, to consumer price index or the increase in population, school population, and so on.

Now, property taxes, in the opinion of many, could be limited to owner-occupied residences, and it could be a certain amount of their true value. This was a feature in the Republican Assembly proposal. You could establish a homestead exemption, which many, many states do, which is-- Okay, the first $100,000 of your evaluation is not subject to property taxes. Everything over that is. And there's a lot of literature on this, and there's a lot of examples in other states which you might want to consider.

There's another proposition, which is sort of an esoteric one, which is the rainy day fund. You're all aware of what a rainy day fund -- and you could put some constitutional provisions about a rainy day fund. The income tax in New Jersey, as in other states, is very volatile. You have spikes -- when you have good years, where it goes up, and you get a tremendous amount of excess revenue, excess; and in bad years, you get a negative amount. Now, if you have the rainy day fund and establish a certain percentage above which you would put into -- excuse me, you establish a certain percentage of income tax receipts above which you would put in the excess. When you have good years, you could use that excess to draw down when you have bad years. Other states do this, and this is part of the record.

Another, of course, option is to give local taxing districts the power to raise revenues from other sources. In New Jersey, the local taxing districts raise 98 percent of their costs from the property taxes. Nationwide, it's about 73 percent. And the difference is the other taxing powers that they have.

There's been much discussion about the Uniformity Clause, and you heard it today from the distinguished economists from the Bloustein School. And your group has heard objections by many groups. But remember that Governor Corzine, in his charge to this mission that we're all involved in, said that there should be no sacred cows in the work you are doing. A number of groups, our Citizens Convention Coalition emphasizes that the property taxes should really be targeted to owner-occupied residences, because that's where the pain is. It's not with the commercial and it's not with the owners of second homes or out-of-state owners of homes in New Jersey.

Now -- and of course, Robert Williams told you about other states that have this classified system, where you would change the Uniformity Clause. I think that this should be on the table. I think it would only be fair if it is on the table.

Now, in the debate on the property tax reform, many have said that the spending side of the ledger must be addressed. The original bill only covered the revenue side. Because the question was, how do we tax ourselves in New Jersey? I think what is being done, not so much by your task force, as by the other three, is to address the spending side of the equation. And this is good. This gets it out there, and everybody can see what amount of savings you could have from these spending reductions, and savings, and that. But I hope that their recommendations are implementable and quantifiable, not just to say that we want consolidation. You have to say how much are you going to save, so the taxpayers know this from that.

And I'm reminded of what Governor Corzine said on that day to the Joint Session of the Legislature, on July 28: "We are kidding ourselves if we pretend we can fundamentally alter the property tax equation entirely on the spending side."

So, in summary, we all know that New Jersey's property taxes are oppressive and unfair. But fundamental to this issue is how we tax ourselves in New Jersey. I agree with Governor Corzine. We can't achieve, in my opinion, true tax reform by cuts in spending alone. There must be a shift in the revenue sources.

Thank you very much.

SENATOR KENNY: Thank you, Senator.

Yes, sir.

ASSEMBLYMAN MANZO: Senator, I just want to salute all the work you've done outside of office on the convention attributes and goals.

I have a question. Following the convention portfolio: The scope, and considerations, and recommendations that that group had made was basically to eliminate inequities in our current system, especially as they affect low- or moderate-income residents; reducing property taxes as a share of all the public revenue; and most importantly, and right in your scope, you said provide alternatives that reduce the dependence of local governments on property taxes, including possible increases, revenue neutral and other taxes of funding local government services. My question is, if there are legislative solutions to accomplish things that the convention would have addressed, how come the group that would support a convention cannot support those legislative aims? And where have they been? Because it does give credence, then, to those who are detractors of the convention, to say there's an ulterior motive for the convention -- to do other things outside of property taxes in the convention -- when they don't line up before legislative bills that support the ends to that. Could you address that?

SENATOR SCHLUTER: Yes.

Assemblyman Manzo, let me first commend you, and Mr. Meyerle, and the people who have worked so hard on your--

ASSEMBLYMAN BURZICHELLI: The other mike. (referring to PA microphone)

SENATOR SCHLUTER: I'm sorry.

I'll repeat that. I commend you and Mr. Meyerle for you work on your bill, which addresses the issue and takes the honest approach that maybe we have to change the revenue stream in order to get fundamental tax reform.

Now, Assemblyman, we have never said that we'd reject what a special session of the Legislature would do. I could give you more to our position statement, which says we support property tax reform, first and foremost. If a special session does it, this is fine. But we have our doubts, based on past history, that the special session will come up with meaningful reform. And that's why we have to have the convention as a stopgap if it doesn't. But if this group-- And we put in, as one of our standards, that we would like to see property taxes reduced, because nationally the average property tax from all the state and local revenues in all the states is 30 percent. We in New Jersey are 44 percent. And if you translate that into a reduction in property tax, that's $6.5 billion. Now, that's a big chunk.

My feeling is that if you nibble around the edges and you do a few things, and you don't get fundamental property tax reform, we're going to have the same crisis in a couple of years and won't be able-- So, no, we agreed that if the fundamental reform is done by the Legislature, we'd be behind it 100 percent.

SENATOR KENNY: Senator Madden.

SENATOR MADDEN: Senator, my question of yourself is regarding the constitutional convention itself and the number of the different bills that have been floating through. As you know, I picked up and ran with the Constitutional Convention bill you initially started. It's revenue neutral. With that in mind, it's pretty much almost a very simple answer here. Should the constitutional convention, outside of the task force committees that have been formed, if we were to have a convention, should it be revenue neutral or should the convention address spending also?

SENATOR SCHLUTER: Senator, I think you could have it both ways. Revenue neutral means if you reduce property taxes by *X* amount, you're not going to raise other taxes to replace them by that same *X* amount. But if you change that formula and say that we are going to reduce property taxes by *X* amount, and we do one-third of it through spending reductions and two-thirds of it through other revenue, that's, in my opinion, revenue neutral.

Now, I think -- excuse me-- The bill, as it's written, was written to be on the revenue side. And it would have to be changed. And some of the amendments that Senator Adler put in at the time, for not touching thorough and efficient education, was a major, major concern. Even though, in the opinion of Peter Kelly, the counsel for OLS -- said that that would not come up in the convention, that was written. It was put in there by Senator Adler to allay the fears of those who are concerned. But I think you would have to be very specific and say that maybe the convention should do *this list* of spending issues.

SENATOR MADDEN: Okay.

Thank you, Senator.

SENATOR KENNY: Okay.

Senator Lance.

I'd like to try to keep the questions on the limited side, because we have so many people to hear from, but--

Senator Lance.

SENATOR LANCE: Thank you, Mr. Chairman.

And thank you, Senator, for your excellent testimony.

My view is that any convention, to be successful, has to address spending as well as revenue, and I would confine that discussion to Article VIII of the Constitution, which deals with the taxation section of our most fundamental document. My views are well-known, since I was a member of the Property Tax Convention Task Force. And specifically, Senator, there has been a convention proposal that has passed the General Assembly and it has not passed the Senate. And as I understand the proposal that has passed the General Assembly, it would authorize a convention to address not only constitutional issues, but statutory issues, as you favor and as I favor, but it would amend the Constitution to permit a discussion at the convention of statutory issues ex post facto. There would not be an amendment to the Constitution permitting the convention to address statutory issues until after the convention had already met. Is that an accurate description, Senator, of your understanding of what has passed the General Assembly?

SENATOR SCHLUTER: That is my understanding of what is in the most recent bill.

SENATOR LANCE: Yes.

And let me say that I would oppose that with all my vigor. I do not believe you can have a convention whose mandate is approved by the people after the fact. And that has never occurred anywhere, of which I am familiar, anywhere in the United States. And does your group -- the Coalition for the Public Good or the citizens group that is part of that, as well -- does your group have a position on this specific issue of amending the Constitution ex post facto, after the convention has met, to address statutory issues?

SENATOR SCHLUTER: It has not come up, because it hasn't advanced that far, but I would agree with you totally. Because you need public support, and I don't think the public would be fooled or would buy into a system where they see something happening at a convention and they don't know if it's going to be carried forth later on.

SENATOR LANCE: Thank you.

And I think it would undermine the convention, and might undermine it fatally.

Is it your understanding, Senator, that if we had only one question -- and I certainly understand that there is great efficacy in that one question, following the deliberations of the convention -- that one question would include both constitutional and statutory parts to it? Would you have one question for the statutory issues and one question for constitutional issues, or would you have one question for everything in its totality?

SENATOR SCHLUTER: As it's written now, it would be -- or as it's conceived now, it would be one question for its totality. And incidentally, for you legislators, when a convention does statute, that would mean that it would take affect then. The Legislature could still then have the ability to fine-tune that statute, or to change it or amend it at a later date. They would, of course, be flying in the face of a public mandate if they did, but this is where you get your flexibility.

SENATOR LANCE: Thank you, Senator, you've been very helpful.

Thank you, Mr. Chairman.

SENATOR KENNY: Thank you.

Thank you, Senator Schluter.

SENATOR SCHLUTER: Can I add one very short point, Mr. Chairman?

I omitted to say this when I talked about the Uniformity Clause. The people who are advancing property tax reform for an owner-occupied homes are not saying that property taxes should increase for the commercial sector, by no means. And to say that if you reduce property taxes only on a classified section of residences does not mean that you automatically lift it on the commercial side. And I think the comments of Tom Bracken and others, in saying that this should be leveled off, are very, very valid. But I think it can be done. And of course you can, I think, help the situation with respect to commercial and industrial taxpayers by perhaps modifying some of the assessment system and going statewide or regional on that.

SENATOR KENNY: Okay.

ASSEMBLYMAN MERKT: Mr. Chairman, may I ask a question?

SENATOR KENNY: Yes. Yes, sir.

ASSEMBLYMAN MERKT: Senator, thank you very much for your testimony today.

I have one question for you that I put to a number of witnesses, and I believe it is an important question. The governor has convened a special session. The Legislature has now impaneled these Joint Legislative Committees to look at various aspects of the property tax. No one has set out a clear goal as to where we should go -- and what I mean is dollars and cents, getting down to specifics, a clear goal as to what is property tax reform. In your opinion, what percentage of a reduction would you deem to be meaningful property tax reform, and how do we assure that it doesn't get back to the current problem?

SENATOR SCHLUTER: A very, very valid -- and right to the basic issue, Assemblyman.

When we convened a Citizens' Tax Assembly back in 2004 -- and we had delegates from all over the state, randomly selected -- and one of the questions that they addressed was, what do you think is reasonable for property tax reduction? And they said, "Let's get down near the national average," which is about $6 billion. And I said that would be fair, but let's direct it at owner-occupied homes. Let's not do it on the backs of education or do it on the -- hurt our economic growth.

And the *Star-Ledger*, in its model that it published in early 2004, gave a scenario of income tax increases, sales tax spreads -- they didn't go into the savings end -- and elimination of rebates where you can get $4.7 billion. I think that the people who are feeling the pain have to see substantial property tax reduction, and the pain is coming in a lot of the suburban areas where school costs are very high.

ASSEMBLYMAN MERKT: One follow-up, if I may. You mentioned the figure -- I guess $6 billion -- as one potential target figure. If we're not going to put that burden on other property taxpayers, then that burden would have to go, presumably, somewhere else. And one would think that most likely candidate would probably be the income tax. Am I wrong?

SENATOR SCHLUTER: The income tax-- Incidentally, that *Star-Ledger* model had 1.1 billion from income tax of people earning over 300,000, but they had 2.2 billion from extending the sales tax to services and other things that are not covered.

ASSEMBLYMAN MERKT: Well, we've already just extended the sales tax.

SENATOR SCHLUTER: Well, but-- I mean, in a big way, Assemblyman, to architects' fees, accountant fees, and things like that.

ASSEMBLYMAN MERKT: Okay. The reason I'm concerned about that is we have had -- we had Dean Hughes in here before. They've been testifying about the fact that New Jersey is actually experiencing something unprecedented in its history, and that is we have an outflow of people from the State of New Jersey. And I am concerned that, frankly, raising other taxes in order to lower property taxes may simply accelerate that and may make New Jersey even a less attractive place to be. I am concerned about that aspect.

The Governor said -- and it's a true comment -- he said that maybe we can't do everything by spending cuts. But wouldn't the flip side of that be true, that we can't do it all without spending cuts?

SENATOR SCHLUTER: We cannot do it all without spending cuts, is accurate, yes.

ASSEMBLYMAN MERKT: Thank you.

SENATOR SCHLUTER: But also, to answer your question, what about those people who are leaving New Jersey because their property taxes have reached $8, $9, $12, $15,000, and their children are through the school system? And just go over the bridges to Pennsylvania, in Senator Lance's district, and see the number of cars coming in at the morning commute and going out in the evening. That is a drain on New Jersey which is very, very significant. These are middle- and upper-middle management people, and we don't want to lose those people either.

SENATOR KENNY: Okay.

Thank you, Senator.

SENATOR SCHLUTER: Thank you.

SENATOR KENNY: Thank you for your work on this issue over the years.

Senator Schluter testified for about 20-25 minutes, and he deserves that time because of his commitment to these issues over many years. But if everybody does 20-25 minutes, we're not going to be able to get to everybody on this list. So, again, out of respect for the process, I want to allow people to express themselves, but we cannot have testimony that goes on at length.

So far, we've had three people testify. Two spoke to constitutional issues. Professor Seneca opposed classification; and Senator Schluter supported a form of classification. That testimony is what we're here for, and assessments and exemptions. We're not really here to discuss the constitutional convention. That might or might not happen, but that's not what we're here for. We're here to discuss the parameters that I tried to set out about 50 minutes ago.

So, Lori Anne Oliwa -- is it?

LORI ANNE OLIWA: Yes, sir.

SENATOR KENNY: Okay. From--

MS. OLIWA: The New Jersey Association of Women Business Owners.

SENATOR KENNY: Thank you, Lori.

MS. OLIWA: Thank you, Senator.

I actually have a very brief statement. I have not submitted it beforehand, but I will do so before I leave. Again, my name is Lori Anne Oliwa. I am the Vice President of Public Policy for the New Jersey Association of Women Business Owners, and I am also a business owner myself -- a 17-year business owner in the State of New Jersey.

I'd first like to express my gratitude to all of you for engaging the business community in this discussion. It is absolutely crucial that we do so. I'm struggling with the increasing cost of doing business in the State of New Jersey, and operating and maintaining my business. And indeed, every business owner in this state is dealing with out-of-control costs, health care, business taxes and fees that are amongst the highest in the nation, in an environment that has become increasingly hostile toward business.

New Jersey has become a very difficult state to do business in. Other states are courting our most successful businesses and doing a very good job of it. And quite honestly, we are making it too easy. Despite these grim facts, people still desire the ability to become entrepreneurs and to grow and own their own businesses. It is part of the American dream.

Recently, Governor Corzine unveiled his economic growth strategy -- a detailed plan to make New Jersey more business friendly. Part of this strategy includes measures to help small business enterprises, women-owned business enterprises, and minority-owned business enterprises to become more profitable and productive, and to finally obtain their fair share of State government contracts; which I know is an entirely separate issue.

SENATOR KENNY: Excuse me, Lori Anne, for interrupting, but do you have a point to make with respect to the Constitution and the property taxes issue?

MS. OLIWA: Yes, sir. I do.

SENATOR KENNY: Could you make that point for me?

MS. OLIWA: I will get to it immediately.

SENATOR KENNY: Thank you.

MS. OLIWA: I'd like to address the Uniformity Clause. To raise more taxes toward business would be devastating, particularly to very small businesses, to sole proprietorships who are at the stage where they're looking to hire their first employees and to grow. It would be absolutely devastating to put a higher burden on them. Small businesses, particularly businesses that have most of their client base in New Jersey, would be terribly impacted by this. They would have to raise their costs to their customers, because their cost of doing business would be increased.

That really was the major point of my discussion. This would be effectively transferring a burden. It would also be discouraging people from starting their own enterprises. I sit on the Board of Directors of the Women's Business Center of New Jersey and counsel many people on a day-to-day basis. Their biggest concerns in starting their businesses would be the tax burden.

SENATOR KENNY: Okay. So, you're opposed to changing the Uniformity Clause?

MS. OLIWA: Absolutely.

SENATOR KENNY: All right.

MS. OLIWA: Unequivocally.

SENATOR KENNY: Thank you very much.

MS. OLIWA: Thank you, sir, for your time.

SENATOR KENNY: Thank you.

Mayor Lonegan.

MAYOR STEVEN LONEGAN: Gentlemen, thank you.

First of all, in response to what Senator Schluter was talking about, I think as we address property taxes, we need to understand that the driving force behind increasing property taxes has been the State of New Jersey. I'll say, as a mayor for 11 years, that my taxes would be lower this year than they were last year if it wasn't for my required, unfunded mandates by the State, particularly contributions to the State's failing pension system.

With that in mind, I would like to focus the attention about what I think is the biggest financial problem we face as a State, and that is to bring attention to the debt limitation clause of the Constitution, part of Section VIII, that Senator Lance referred to earlier. Vitally important. And as you know, I'm particularly in touch and aware of this issue. I'm the fellow who in December of 2004 filed the lawsuit against Governor Whitman and the State of New Jersey for the practice of bonding without voter approval. This practice had begun earlier -- really initiated with the

$3-billion pension bond issue, which by the time it went to court, as you know, was a moot point.

In 2000, I initiated a lawsuit to stop the use of authority debt and the runaway bonding, when we had the $8.7 billion school construction bond -- the largest bond issue in State history without approval of the voters. The case was bifurcated by the Supreme Court. The first portion was the school construction bonds. The Court ruled that since they had ordered that spending that it would be allowed to be bonded without voter approval. The Court seemed to forget the fact that they had ordered, I believe, 3.1 billion; and the bond issue ended up being 8.7 billion by the time the backroom deals were done being made to push that bond issue through. I lost that case.

We went back with Lonegan II, in which we challenged all other authority debt. That's probably the most important court decision, financially speaking, in State history. Because I lost that argument by a vote of four to three after Judge Gary Stein, who supported my position in his prior dissenting opinion on Lonegan I, retired from the court. He was replaced by Judge Barry Albin, who during the oral arguments on the case told my attorney that if Mayor Lonegan is so concerned with the acts of the State Legislature in bonding, perhaps he should run a slate statewide, rather than rely on Constitution protections.

The decision, the dissenting decision signed by Justices Long, Verniero, and Zazzali, two Democrats and one Republican, basically stated that this decision, in essence, had nullified the debt limitation clause of the Constitution. I stated after that that this was going to open the way to runaway bonding and runaway spending. In the years to come, we would see the art of bonding being taken to a new art form.

Gentlemen, it's Republicans and Democrats that have shared equally in the responsibility for this -- let's make that clear. We all know that. After that, we saw the bonding of the tobacco bond settlement by Governor McGreevey, in order to close a budget deficit. We saw the current deficit bonds, in order to close a budget deficit. We saw the bonding of hundreds of millions -- of billions of dollars. Actually, $16.9 million in one-time tricks and gimmicks, bonded for the purpose of closing budget deficits, to be paid for by my children and my grandchildren, and yours, without their approval. If you'd like to see the chart of those bond issues, on Page 3 of my testimony -- I'd like you to understand that the proof of this-- This chart comes from our own State Treasurer's Web site. I didn't make it up. This is Governor Corzine's own chart of unconstitutional debt, that I submit to you has expanded the size of state government and increased our debt portion of our annual budget to almost 20 percent. This is the most unconscionable thing we as a people and as legislators -- that you have allowed to happen.

We need to put an end to this. And I would urge you, as part of your review of the Constitution and the amendments, to reestablish the debt limitation clause in the Constitution by specifically requiring that any debt -- authority debt, or any debt whatsoever to be paid by future generations -- be put before the voters. I would submit to you that in the future we're going to see this continue to happen if we don't act on this. And we are going to bankrupt the State of New Jersey.

For example, we now have a proposal -- Professors Hughes and Seneca had an article in the *Record* and other papers on Sunday -- supporting the establishment of something called the *Edison Innovation Institute,* in which some half-a-billion dollars of tax dollars would be used by bureaucrats to subsidize the businesses of their choice, to apparently try to grow our economy.

I just wonder if Thomas Edison had brought his electric light before such a bunch of bureaucrats, back in the 1800s, that -- dominated by the political powerhouse of the gas lamp, union workers, and manufacturers -- he would have gotten a subsidy for the electric light. I submit to you he wouldn't.

I would ask you to place these kinds of initiatives on the ballot where they belong, because I believe the voters will vote them down. And I believe that the Constitution we know is designed to protect individuals from government and from the voracious appetites of politicians. If we do not correct this now, I think the next generation will remember our legacy as being a legacy of placing them in servitude and in a massive amount of debt that they just simply can't afford; and we should not allow to afford to happen. So I urge you to reestablish the debt limitation clause, and to make it very clear that under, no circumstances, without a vote of the public will new debt be levied on future generations.

Thank you.

SENATOR KENNY: Thank you, Mayor. (applause)

Joseph Schilp. I know you had a small child there, so I wanted you to be able to come. I wanted you to come forward earlier.

J O S E P H C. S C H I L P JR.: Thank you.

I live in Piscataway, and I brought my son, John, who will be seven months old tomorrow. I also have a 3-year-old daughter who is in preschool right now, and a 6-year-old daughter in first grade.

I'm here for the same reason that I'm running for Township Council right here in Piscataway. I want my children to have access to the same wonderful things that I grew up with. My children are fourth generation New Jerseyans, and like myself, they're growing up in a state where they have access to beaches and mountains, skiing and sailing. They grow in the shadow of New York City, where they will have access to theater, museums, concerts, and other cultural and historical places, and things that no one else in the world has access to.

But most importantly, they live within 30 miles of my parents and my wife's parents, as well as all seven of their cousins. Like me, my children are part of a close-knit family, and they will grow to value that family as my wife and I did. But our government threatens the family ties that bind us together with this oppressive tax system that penalizes the middle class and has been driving them out of New Jersey by the hundreds of thousands.

In Piscataway, our property taxes have risen by 26.3 percent over the four-year term of my Democratic incumbent opponent -- 26 percent in four years. My salary certainly didn't go up that much. I know most of Piscataway's didn't.

Democrats control all levels of government in New Jersey, and we're all suffering as a result. And municipally, we have a Democratic Mayor, and all seven Democratic council members.

SENATOR KENNY: Okay, listen--

MR. SCHILP: I will get to the point. I have five minutes, don't I?

SENATOR KENNY: Do it now. I mean, this not a forum for partisan politics.

MR. SCHILP: Okay. I'll-- Well--

SENATOR KENNY: So I afforded you, because you have a baby with you -- I afforded you the opportunity to come in much sooner on the list than you are here on the list. So I gave you that opportunity.

MR. SCHILP: I thank you.

SENATOR KENNY: I don't want a political speech. So what is your point on the Constitution and property taxes? If you can articulate that, I would appreciate it.

MR. SCHILP: I'm getting there.

SENATOR KENNY: Well, get there now.

MR. SCHILP: The middle class presently pays property taxes for local schools and State taxes to support inner-city schools. It's too much of a burden on us. It's time for cities to invest more of their own public funds in education. How can the City of Newark be permitted to waste $210 million on a hockey arena? In Hudson County, in the City of Harrison, tens of millions on a soccer stadium for a team that drew barely 3,000 people to Giant Stadium last night? How can the State permit retirees from 10 and 15 part-time jobs to collect pensions of six figures and more?

I'm enrolled in a pension program, but I think we need to limit it to $60,000. If you can't retire on $60,000 a year, you haven't planned right for your retirement. And that needs to be addressed.

Furthermore, consolidation is not the solution to our property tax problem. The smaller suburban townships that the government is looking to consolidate are the most fiscally responsible in the state. If anything, it's time for leaders in municipalities like Newark and Camden to share more responsibility. It's time to hold accountable people like Wayne Bryant and Sharpe James, who have been feeding at the public trough and gorging themselves at a great cost to the state.

My kids want to stay in this state. They won't be able to if this continues. When they go to college, they're going to graduate, like millions of other children right now, and leave this state. And you will not be able to collect taxes on the high incomes that they will produce after they graduate college. And the people who are involved in the pension program now will not be able to retire. You have to stop bonding. We have to be more fiscally responsible and we have to cut spending and roll back Governor Corzine's tax increases. You guys are killing us, honestly. I get a 2 percent raise a year and my taxes go up 10 percent. I cannot afford it, and neither can most of New Jersey.

I thank you for your time. (applause)

SENATOR KENNY: Robert Schwartz.

Mr. Schwartz.

That's the microphone you speak into, the large one. (referring to PA microphone)

R O B E R T S. S C H W A R T Z, ESQ.: Can everyone hear me?

SENATOR KENNY: Yes.

MR. SCHWARTZ: Okay.

Thank you very much for allowing me to come here and speak today. My name is Bob Schwartz, and I'm an attorney. I began my career 25 years ago with the Corporate Tax Division of the IRS in Washington; and for the past 20 years, I've privately practiced taxation law here in New Jersey.

In a metaphorical sense, I've worked behind the moving bus; I've worked on the dark side of the moon.

My comments address Section VIII of the Constitution dealing with taxation, including the Uniformity Clause of the Constitution. It is unrealistic for any New Jersey citizen to believe that New Jersey real property taxes can be constitutionally or legislatively decreased, for any practical length of time, without annual State limitations on spending that will work in practice. The State spending I refer to is the annual State budget; and insofar as their budgets are materially impacted by State legislative and judicial decisions, local government spending at all levels. It is unrealistic for any New Jersey citizen to believe New Jersey will grow its economy so as to have long-run economic success, if decreased New Jersey real property taxes on personal residences are offset by increasing other existing taxes, or creating new kinds of taxes or tax-like imposts of many imaginable kinds on businesses and higher income families, as has been recently done by the former Governor McGreevey administration.

Agreeing or disagreeing with these observations, they are well known to you. For example, Governor Corzine's July speech opening this process, and later public remarks, have suggested as such. But Governor Corzine went beyond these observations and challenged the people and the Legislature by stating, "Second, we have failed...to give the public a meaningful voice in budget decisions." We have failed to give the public a meaningful voice in budget decisions. Governor Corzine seems to have been thinking along the same lines as Alexis de Tocqueville. He wrote, during the 1830s, in his classic study of the American way of life, *Democracy in America*, and I quote: "The most powerful…means which we still possess of interesting men in the welfare of their country is to make them partakers in the government."

I believe New Jersey--

SENATOR KENNY: Excuse me, Mr. Schwartz. We have your statement, and you're reading from it word by word. And it's a four-page statement, and--

MR. SCHWARTZ: It took me seven minutes to read it last night.

SENATOR KENNY: Well, you've gone beyond that.

So, what I've heard -- you're opposed to changing the Uniformity Clause; and you're opposed to higher income taxes, and shifting the tax burden away from residential property taxpayers to income and Uniformity Clause. Those are constitutional issues.

MR. SCHWARTZ: The remainder of my talk deals with what I favor -- a positive development--

SENATOR KENNY: Why don't you just-- I'm trying to give everybody the opportunity to say what they believe in, in a short period of time. You were here, I believe, when I opened by saying not to read the statements. We have your statement. And you can summarize your views in a few minutes; and so that we can get everybody here who follows you, which there are many people, the opportunity to do the same. So would you just summarize your position? I already understand some of what you're saying, but your statement does not have to be read. Just summarize it as to the essence of your position.

MR. SCHWARTZ: Okay.

SENATOR KENNY: And you're capable of doing that.

MR. SCHWARTZ: Thank you.

The summary of my remaining written comments is simply that New Jersey should put on the table, in a constitutional convention approved by the people, what I call in my written testimony a "Common Sense Spending Amendment." This is an amendment to Article VIII of the Constitution, which I have provided to you as an appendix to my written testimony, based, in part, upon a spending amendment, a spending -- I should say, a spending law first enacted in New Jersey during 1976. The Common Sense Spending Amendment is simply to impose an annual spending limitation on New Jersey government. And I propose to include, within this limitation, not only discretionary spending as it comes before you on a constant basis, but also to include educational spending, and also to include bonded spending.

I sincerely believe that the time is right for New Jersey to enact a constitutional amendment to limit State spending without exemption, and put that to the voters of New Jersey for their acceptance or rejection.

Thank you very much for allowing me to testify today. (applause)

SENATOR KENNY: Thank you, Mr. Schwartz.

New Jersey Business and Industry, Arthur Maurice. Do you have people, or are you--

ARTHUR MAURICE: I do, Senator, yes.

SENATOR KENNY: To testify?

MR. MAURICE: Yes.

SENATOR KENNY: And you've been before us before.

MR. MAURICE: I will not be testifying.

SENATOR KENNY: But your position is well-known with respect to the Uniformity Clause. So if that's the essence of your testimony, I think you can articulate that rather briefly, because you've been before us on a number of occasions.

MR. MAURICE: Thank you.

First, we'll have Phil Schepel, ADP Mintax. Describe what you do.

PHIL SCHEPEL: Okay, thank you very much, Chairman, distinguished Committee. I'm here testifying in this hall, my alma mater a long time ago. I'm still here in this state.

Okay. What I do want to testify on is the Uniformity Clause. New Jersey was recently, in a *Forbes* magazine, was rated 46th in business costs throughout the country. So our costs are very high. And as an advisor to corporations, I advise them on tax selection, tax policy, incentives, in which states to relocate or to expand in the United States. And I have some experience with how these corporations think and what they perceive about New Jersey.

Recently, a large employer, a financial institution, was looking to invest in New Jersey -- 1,500 jobs. They were moving out of New York City, or planning to move out of New York City. And what we have found out in the last several years -- last two, three years, compared to 10 years ago -- there's been a substantial change. This corporation was looking at New Jersey as a good place to invest. We looked at the business cost, tax policy, recent changes in tax policy, and we found out that New Jersey's similarities or equalization-- Their costs are becoming very similar to the costs in New York City. And over the last few years and the last 10 years, we have a-- There was a differential, a large differential, and we were retaining these companies, and actually we were able to recruit these companies. Over the last couple of years, you see that distinction has narrowed. It got to the point where the corporation, the company was saying, "Do we move into New Jersey or not? New York City doesn't seem too bad."

If you change the Uniformity Clause in the state and you continue to raise business costs, you will lose these employers. We are in worldwide competition now, not just New Jersey against New York City or Pennsylvania. When a company looks at a state, they look at their tax policy, business conditions, business costs. You change the Uniformity Clause, what's going to happen? Rents are going to go up, leases are going to go up. You're either going to have lower wages or higher costs for the corporations. They will make a decision. They will not sit and have hearings for two, three months. They will make that decision, and quickly. And they will choose the state -- there will be other factors -- but they will choose the state that has a good business climate, good workforce, and good tax policy. The costs have to be low.

Thank you very much.

SENATOR KENNY: We understand NJBIA's opposition to the Uniformity Clause -- changing it, that is. So that's -- the case has been made many times, over the last six weeks. So it doesn't bear a lot of repetition, so we've received your documents, your position papers.

Does anybody else have something to offer other than that, that you can be brief?

PATRICK J. DEO: Yes.

Thank you for the opportunity to speak with you today.

My name is Patrick Deo. I'm a CPA and a certified forensic accountant. I reside in Rockaway. I have a business in Denville. We're a small firm. We have a staff of only 10, so I fall into that category of small businesses. And that's the group that I'd like to speak about this morning.

New Jersey, unfortunately, has right now the distinction of being the third highest per capita state when it comes to taxation. I recall reading about Tennessee as an example of a state that has a disparity treatment of real estate taxes. I'd just like to point out, from a tax standpoint, that Tennessee ranks 47th in terms of per-capita taxes. Also, Tennessee, from a tax standpoint, only taxes interest and dividend income at the rate of 6 percent. So there's quite a difference between Tennessee, from a tax standpoint, and New Jersey, from a tax standpoint.

My firm, as well as 17,000 CPAs in the state, either represent or work for businesses in New Jersey. Most of those businesses are small businesses. They are the bread and butter of New Jersey. In most cases, those small businesses, the owners, for the labor that they put in and the risk of investments -- the fact that they've put their houses up for collateral for financing -- are probably making as much as wage earners. Putting an additional tax on businesses, especially small businesses, is only -- is shifting the burden of responsibility of real estate taxes. It's not fixing the problem.

If a small businessperson has the burden of additional real estate taxes -- and in most cases, small businesses do not own the real estate. In most cases, the small businesses are renting, but here in New Jersey, it's a common practice for the landlords to pass that burden of increased real estate taxes onto the small businesses.

And it would be foolish to think that the small businesses aren't going to be passing that additional cost onto the consumer -- the same people that we are looking to protect from the enormous real estate taxes that we have here in New Jersey. So we're only kidding ourselves by saying, "Let's change the Constitution to allow the possibility of putting more burden of real estate taxes on businesses and less real estate taxes on the individual homeowners."

Thank you.

SENATOR KENNY: Okay, thank you.

Yes, sir. Yes.

What's your name, sir?

ROBERT A. KORTENHAUS: My name is Robert Kortenhaus. I'm with three companies: Bilkays Express, Distribution Warehouse, and the Bobby Corporation. And I want to agree with you, Mr. Chairman, we've got to cut to the chase here.

And I recognize fully that you have my presentation. I have a total misunderstanding of why the group is here, but I'd like to let you know that individually and corporately we do oppose any changes in the taxation between homeowners and businesses.

And the emphasis of my presentation today starts on Page 2, bottom. I know, and I'll tell you emphatically, there's hundreds of millions of dollars that the State of New Jersey can get, and I thought that's why you were here. I would just respectfully suggest that you take from Page 2 to Page 4, and act on that, and you'll have enough money to do a lot of things in the State of New Jersey, and we won't be fighting between property owners.

And I thank you for letting me speak to you.

SENATOR KENNY: Thank you, sir.

Yes, sir.

RALPH J. EVANGELISTA: Okay. My name is Ralph Evangelista. I'm a CPA, and also a college professor. I'll make this short and sweet. I'm going to get right to the point -- and they have my paper.

What we want to do is keep this business climate here in the State of New Jersey a fair climate, a friendly climate. And I wanted to give you two suggestions as far as cutting spending, because we don't agree with the Uniformity Clause change. One would be to combine the school districts. I think you would save yourself a tremendous amount of money. And I think the second area would be to eliminate the Homestead Rebate. Because just the cost of-- If you send it out to 3 million households, which we had in 2004, at 39 cents a stamp it's $1.3 million -- so not counting all the other costs, of employees and everything that's related to getting the Homestead Rebate program underway, and (indiscernible) their money.

That's it.

SENATOR KENNY: Thank you.

The consolidation of school districts is the subject matter of another Committee.

The Homestead Rebate is a constitutional amendment; that does fall within our jurisdiction. And I think we will be looking at that as we proceed. But I appreciate your testimony, it was to the point, on the Constitution.

Thank you very much.

MR. EVANGELISTA: Thank you.

SENATOR KENNY: Okay.

Nathan Rudy, Council President of North Plainfield. Is Councilman Rudy here? (no response) Apparently not.

Frayda Levin -- Frayda's here -- New Jersey Chapter of Americans for Prosperity.

F R A Y D A L E V I N: Correct. Yes, I am Chairman of the Board of New Jersey Chapter's Americans For Prosperity. We formed this organization because we knew there was widespread opposition to the very high taxes in New Jersey. And our opposition is to all high taxes, not just property taxes.

We oppose the increase in the Uniformity Clause, because we fear you will just use it to transfer higher taxes to businesses, that as this gentleman said, will eventually just be passed on to the consumer. So we view the problem not any one tax, but all taxes and the total rate of taxes.

And I won't go into my testimony, but we do believe you can make serious spending cuts and that's how we can achieve tax relief. So I kept my -- got to give me credit, kept it short, didn't I?

SENATOR KENNY: Very good.

We understand your point. Thank you.

John Meyerle. Did I pronounce that correctly?

J O H N A. M E Y E R L E: Yes.

SENATOR KENNY: Okay.

The Chairman of the New Jersey Coalition for Property Tax Reform.

MR. MEYERLE: The honorable Committee Chairmen, Committee members, and fellow citizens, I want to thank you for the opportunity of hearing me out today. It's going to be short. It's going to be much shorter than what I handed you, and that is short.

My name is John Meyerle. And in addition to being an AARP member, I'm the Chairman of the New Jersey Coalition For Property Tax Reform, a statewide grassroots organization dedicated to making property taxes fair and based on the ability to pay.

We support shifting 50 percent of the school tax portion of our regressive property taxes to the State's progressive income tax. We support Assemblyman Lou Manzo's SMART Bill. It's important to note that property tax reform must be revenue neutral, and most importantly, must be amended by the State Constitution to guarantee it.

I come before this Committee today to tell you that after traveling and lecturing and listening to people from all walks of life, from all over our state, that property tax reform (*sic*) in New Jersey is hurting homeowners more than you can imagine. The pain and suffering and the emotional trauma inflicted by unfair property taxes is immeasurable.

I would like to see some organizations bring busloads of people to Committee meetings to get their attention. We don't have the resources or the inclination to address you in such a manner. Instead, we come to you with over 10,000 petitions signed by the people that support the

SMART Bill, and that's what I have, here, right in front of me. I have 10,000 signatures of people that have taken the time to understand the SMART Bill and sign petitions saying that that is what they want.

In addition, we have brought resolutions passed by local governments representing 1.5 million constituents. We promised all petition signers that we would hand deliver the message to you. A copy has already been delivered to the desks of Governor Corzine, Senate President Codey, and Speaker Roberts; and here is your copy, right here, for you to look at. And as you ponder and deliberate property tax reform, we want you to visualize the thousands of hands unable to be present here today, but nonetheless reaching out to you and asking you to do what's right and to ease the pain.

In 2004, the people of New Jersey were promised property tax reform and relief. One-point-three million homeowners were promised between $500 and $800 in property tax relief. In 2006, just two short years later, property taxes are up 15 percent, and the average rebate is only $250. That represents 1.3 million broken promises. And that's why we want the SMART Bill and all of its revenue sources protected by a constitutional convention.

I'd like to just briefly outline what the SMART Bill is. It's important for you to know that the SMART Bill provides the largest net tax cut in New Jersey's history. It is fair; it's based on the ability to pay; it cuts school taxes by 50 percent; it helps keep seniors and young, middle-income families in their homes; it benefits almost 2 million homeowners and 1 million tenants; it is funded by an affordable, dynamic income tax surcharge; helps control spending; and can start cutting your property taxes in January of 2007.

The people of New Jersey urge you to put politics aside and provide us with a legislative solution to our property tax nightmare. The people of New Jersey look forward to watching you debate the SMART Bill.

And with that, I will say that's the end of my testimony. And thank you very much. (applause)

SENATOR KENNY: Thank you very much for your work.

ASSEMBLYMAN MERKT: Mr. Chairman.

SENATOR KENNY: Yes, sir.

ASSEMBLYMAN MERKT: Mr. Meyerle, I have a quick question for you. As I understand it, the State gross income tax currently produces about $11 billion. And as I understand your proposal, if it's 50 percent of the school portion of the current property tax, that is approaching $7 billion.

MR. MEYERLE: That's not correct.

ASSEMBLYMAN MERKT: How much is it, sir?

MR. MEYERLE: It's about $2.4 million (*sic*). And the reason for that is that we have a lot of property that is not owner-occupied, and we have properties of the like.

Now, I have documentation that will show that to you in every detail. So we're not trying to pull the wool over your eyes. But it is a small -- a relatively small amount of money that we really need to do this job and to do it right.

ASSEMBLYMAN MERKT: So you're saying that your proposal is only a $2.4 billion shift?

MR. MEYERLE: That's exactly right.

ASSEMBLYMAN MERKT: Okay. I would like to see the detail on that because, reading your statement, I don't take that away. I take that -- looking at what the actual property tax burden for schools is in New Jersey -- which, by the way, runs around two-thirds of the average property tax bill.

And when I do that math, what scares me is, I look at something that could be a 64 percent increase in the gross income tax. And, frankly, something like that, I think, would have catastrophic effects on New Jersey's economy.

MR. MEYERLE: Well, I want to tell you, I agree with you 100 percent. And if those numbers -- if your numbers are correct, I wouldn't be sitting here.

ASSEMBLYMAN MERKT: Thank you.

MR. MEYERLE: Thank you very much.

SENATOR KENNY: Okay. Thank you.

And we'll have more discussion on the SMART Bill. It's not really the subject of our immediate jurisdiction. I know Assemblyman Manzo has been a proponent of it, worked very hard; as you have over the last year or so. But we'll have more discussion on that.

But thank you very much for your testimony.

MR. MEYERLE: Thank you.

ASSEMBLYMAN BURZICHELLI: Mark Krzykalski. Is that-- Am I pronouncing that correctly? (no response) A councilman from Beverly Township -- Krzykalski.

He's not here.

Marc Molinari, Americans for Prosperity.

Frayda Levin testified for Americans for Prosperity. Are you part of the same organization?

M A R C   M O L I N A R I: Yes, but I'm not an officer. I'm just a member.

SENATOR KENNY: Okay.

MR. MOLINARI: A citizen.

SENATOR KENNY: As I said before, you have a statement in front of you-- If you can--

MR. MOLINARI: It should run roughly three-and-a-half minutes.

SENATOR KENNY: Okay. Go ahead, if you have to read it.

MR. MOLINARI: New Jersey doesn't need higher income taxes, revised property taxes, or higher sales taxes. It needs a trim, fiscally accountable, independent government resolved to break up the labyrinths of political cronyism that exploits government contracts, programs, and employment to the advantage of business profiteers, bureaucratic institutions, or the political entities who support the system through politicians who maintain the patronage machine.

We need a State government that treats all citizens equally and doesn't use the facades of poverty or liberal enlightened causes to justify expropriating the wealth of people who have earned it responsibly, honestly, and honorably through toil, sacrifice, patience, and discipline. Leaders at the State level need to move away from encouraging a culture of envy that passively condones expropriation of other people's income for the purpose of benefiting the fiefdoms of State bureaucracies or business profiteers who exploit wasteful State programs and duplicitous or inept State financial oversight.

New Jersey needs to establish debt limitation laws -- such as Section VIII, Article 8, and reinstitute that -- that explicitly require voter approval for debt spending, bonding, or borrowing at every level of government. State, county, and local government have become too dependent on bonding and other debt vehicles to escape direct accountability for overreaching, wasteful, or inefficient programs; and inept financial management. These infusions, along with a craven dependence on Federal aid, has allowed an inept State system of patronage spending to continue without appropriate censure, criticism, or scrutiny.

The State needs to continue to work closely with, and encourage the work of, the Eastern District of the United States Justice Department to weed out corruption throughout all levels of State government in New Jersey. The State needs an independently elected comptroller general, provided with the means and personnel necessary to thoroughly scrutinize State financial planning, obligations, and oversight.

Before government considers new ways to leverage citizen assets, increase revenue streams, or expand the tax base, leadership needs to recognize its profound lack of credibility among the electorate. Credible downsizing of the bureaucracy, thorough institutional reforms, debt reduction, and the institution of serious ethical requirements must precede any further expropriation of citizen or business earnings.

To restore legitimacy, leadership must ask of its constituent groups that it will be -- what it will be asking of non-affiliated working people: work harder and longer for less money and less benefits. We need a

State government that requires a 40-hour work week from its employees, and even longer hours from salaried employees; retirement at 65 years of age like all other working people; and regular contributions to their very generous health and benefit programs. We need a State government that stops telling citizens what is good for them and contents itself only with statewide, not special, interests. We need a State government that stops pretending to have the instincts, intelligence, and understanding or wisdom to pick economic winners or loser. Instead, the State should minimize burdensome tax rates and regulations on just about every aspect of life in the Garden State.

Entrepreneurs never have and never will need guidance or assistance from bureaucrats. Massive government subsidies to threatened or failing enterprises, tax giveaways to successful corporations, or direct investment in such areas as stem cell research too often leave citizens stuck with decades of debt, characteristic bureaucratic mismanagement of existing funds, and neither positive growth nor the outcomes promised to resolve the challenges that exist. Government should not attempt to play the role of investment banker.

The interrelationships of participants in what has been coined pay-to-play are convoluted, their networks are broad and far-reaching, their quid-pro-quo approach to governance the very essence of an insidious, deceitful corruption of government that denies citizens outside the circles of influence their right to fair, impartial consideration.

It is the major cause of general apathy, distrust, disillusionment, and disgust with State, county, and local government among the electorate. It is the reason people don't vote. It is the reason, as

I learned some years ago in campaigning for a third-party candidate, that too many voters enter the booth believing that they have already been lied to by the very candidate they will be voting for.

I thank you for the opportunity to speak to you. (applause)

SENATOR KENNY: Thank you.

Joseph Inserra.

Joseph Inserra is not here.

Oh, you are here. I'm sorry.

New Jersey Coalition for Property Tax Reform.

J O S E P H J. I N S E R R A: Good afternoon.

Thank you for allowing me the opportunity to speak before this body of the Subcommittee (*sic*) on Constitutional Reform.

I come here today to tell you that having lived in New Jersey for over 50 years -- 51 years, to be exact -- and my wife being a born resident of New Jersey for longer than that, we really like New Jersey. But we're getting to the point where, being retired, it's very difficult to subsis, because of the increase in taxes, primarily -- as I think most people know -- the school tax. However, we're greatly in favor of schools, having three children that did very well in the local high schools and schools in the system that we lived in, and have made good lives for themselves. So we're for schools.

And I know you've heard about the SMART Bill many times.

I want to also say that I am an AARP member, as well as a member of the New Jersey Coalition for Property Tax Reform.

The SMART Bill will cut school property taxes approximately 50 percent. It is funded by an income tax surcharge on taxable incomes that exceed $50,000. The vast majority of seniors will not have to pay a surcharge. Those that pay a slight increase in income tax will be able to write off their increase on the Federal income tax.

It helps to keep seniors and middle-income families in their homes instead of moving out of state, as I have seen some people do. It helps to control school spending. And I believe we should put a cap on expenditures in all forms of government -- whether that be the county, the municipality, the board of ed, or whatever. I think it just goes too high.

Tenants also receive a credit under the SMART Bill. And they are people that live in this state and support this state with their activity, either in their jobs or in their families.

And I point out that the SMART Bill is revenue neutral and is independent of the State's budget. The SMART Bill puts over $2 billion in the pocket of citizens who will spend it on goods and services. This benefits businesses, creates jobs, and increases sales and income tax revenues for the State, from the money they get back from the SMART Bill.

When I was a member of the Senior Legislative Issues Coalition of Union County a couple of years ago-- This was a coalition of many seniors. They voted to support the SMART Bill. And I think that was a testament to the fact that it can help seniors tremendously.

We want to be sure that if the SMART bill is approved by the Legislature, there will be constitutional provisions that will protect the money from being raided for other uses in the State or in other parts of the government. That's one thing that the Constitutional Committee should look at -- is protecting the revenues that would come from an appropriate, fair, and equitable SMART Bill.

One thing I know for sure is, it is important that I state that a constitutional convention, at the present time, can't cut school taxes until 2009, because of the length of time needed to go into it next year, and the prior years required before it can come to a decision. The present effort that I've heard about the constitutional convention has no stated reform objectives, and it can do nothing to control spending. And it may or may not provide any relief for senior citizens.

So with that, I appreciate the fact that I was able to present this to this Committee. And I thank you very much. (applause)

SENATOR KENNY: Okay. Thank you very much.

Everybody knows the income tax is already constitutionally dedicated to property tax relief and raises a fraction of what local education costs statewide. So those numbers are available from OLS. And it does not come near paying for the cost of local education. But it is constitutionally dedicated right now.

Sheldon Presser, from the Association for the Children of New Jersey.

You know, we've been getting a little bit off the topic -- please have a seat, sir -- which is the State Constitution and property taxes.

SHELDON PRESSER: I have one brief issue that deals specifically with your issue.

SENATOR KENNY: Okay. Go ahead.

MR. PRESSER: Thank you, Co-Chairmen Kenny and Burzichelli, and Committee members, for the opportunity to provide testimony.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Lean into the microphone.

MR. PRESSER: Hello? This one or this one? (referring to PA microphone)

Is that better?

ASSEMBLYMAN MANZO: The other one, the big one. There you go. That's it.

ASSEMBLYMAN MERKT: It's the secret mike.

MR. PRESSER: There you go. It's this one.

I'm Sheldon Presser, and I represent the Association for Children of New Jersey.

ACNJ is a statewide, nonpartisan, child advocacy organization dedicated to improving programs and policies for children and working-poor families.

We have to keep in mind that low-income working families in New Jersey pay a lot of State and local taxes. In fact, according to the most recent data issued by the Institute on Taxation and Economic Policy, New Jersey ranks the ninth worst in the nation for taxing its poorest households. And the major contributor to this is the property tax. Because property taxes are not based on income, they result in a large, disproportionate burden on low-income working families who pay either directly as homeowners or indirectly as renters.

In recognition that the majority of these families pay property tax through rent, we are (indiscernible) for recommending that any reforms that result in lower property taxes must ensure that such reductions are passed through by landlords to tenants in the form of reduced rents.

Should property tax reduction be accomplished in whole or in part, through the use of homestead rebates, the maximum benefit should accrue to low-income tenants and homeowners -- those households with incomes below the self-sufficiency standard, which the New Jersey Department of Labor recognizes at 250 percent, which right now is roughly $50,000 for a family of four.

And I just have one other comment to add. We did have testimony before from the CPA that was comparing New Jersey to Tennessee. And I would just like to state that what he said was absolutely true about not having Earned Income Tax. But through our research, we know that many southern states basically make up for this through very, very high sales taxes, because some state governments can levy them. And, in fact, in Memphis-- I was there two years ago, and I actually saw they're paying 9.5 percent sales tax on milk. So it's being made up that way. And it's not uncommon in the South to have double-digit sales tax when you add county and municipal sales taxes to the state sales tax. So I don't think we'd want to go there.

But we do have to keep in mind that even having said that, Tennessee was not one of the 10 worst states with the burden. So the property tax is really burdening our poor families.

Thank you.

SENATOR KENNY: Thank you very much, sir.

William and Irene Brown, Bergen County Senior Citizens.

IRENE BROWN: Irene Brown. I'm a senior citizen advocate, and I've also been a VITA volunteer for over 20 years, helping seniors to do their income taxes and other forms.

My first concern is the fair rebate. People in the southern part of the state have lower property taxes, and they can get as much as 50 percent. The $1,200 represents almost 50 percent. But up-- We live in Glen Rock. And in Glen Rock, the people are receiving 12 percent or less in their rebate of their property taxes. Also in Glen Rock, we receive very little money from the State towards the school tax.

For the rebate-- When it's near the deadline, I go to the office and I check on the older people that I help and make sure that their form has been reported. This year I discovered that last year one of the women didn't receive her check, because there was no death certificate on file for her husband who died 10 years ago, even though it wasn't required at that time. But when these things happen, the State does not inform the people. And then the following year they don't receive the form for the rebate, because they didn't get it the year before. So I sent in the death certificate, and the woman was reinstated. But this method of not notifying people eliminates a lot of people out of the system.

The other one I have concerns about is the reimbursement. A lot of people on this -- are in their 80s and 90s, and they do forget to send the forms in. When they-- If they don't, they're not notified, and then they're dropped. They have to wait two more years, and they're going in on a much higher freeze point.

Now, there's a man in our town who-- His doorbell doesn't work; he doesn't have a telephone. And I checked in the state office, and he wasn't in the system. What I do is, I get the form, I fill it out, I mark all the spots with blue markers, I give it to the tax collector, and she gives it to him when he pays his taxes. That man has received his reimbursement for the last two years because of my effort. But there are a lot of people out there who aren't getting this reimbursement.

There's another woman who called me this year who didn't get hers this year. When I checked at the office, she made a mistake in subtraction. They don't notify you of that. She didn't get her check. And then you're dropped. Next year she would not have received her booklet, because they dropped her out of the system.

There's a lot of people in their 80s and 90s who deserve to get the rebates that are available. And they've got to devise a new method that you do not depend on them making a phone call or filling out forms to get that rebate.

Thank you.

SENATOR KENNY: Thank you.

Yes, sir.

W I L L I A M J. B R O W N: Hello, I'm Bill Brown. And I'm happy that my wife Irene, who just spoke, is concerned about those who are 80 and 90, because I just joined the ranks of octogenarians. (laughter)

ASSEMBLYMAN MERKT: Congratulations.

ASSEMBLYMAN BURZICHELLI: Congratulations.

MR. BROWN: I want to thank you for this opportunity.

I'm William Brown, and I'm a member of the Bergen County Division of Senior Services, Legislative Committee. Like most of the members of the Committee, I'm also a member of AARP. I have been engaged in editing my written report so that you can skip ahead and not hear, again, what you already know.

The Bergen County Legislative Committee voted to support the SMART Bill. And I won't get into the details about the bill. But it is absolutely essential that passage of the SMART Bill be accompanied by a constitutional amendment to assure that the school income tax surcharge, and all other revenues assigned to the 50 percent school tax rebate, cannot be used for any other purpose, regardless of any subsequent State budget crisis.

Let me illustrate why no other proposal than the SMART Bill can provide a significant and immediate decrease in property taxes for the majority of taxpayers, especially in Bergen County.

The Garden State Coalition of Schools prepared a table for 2003-2004, comparing total State aid with the local tax revenue for every municipality and county in New Jersey. The table shows that in Bergen County, the municipalities provided 87 percent of total State and local revenues. Only 13 percent of the revenues were provided by the State. That was the lowest for any county. The State contribution for the 70 municipalities in Bergen County ranged from 4.6 percent in River Vale, to 65.5 percent for Garfield. You'll recognize that as an Abbott district. My town, Glen Rock, received only a 6 percent contribution from the State.

There have been several recent suggestions to reduce property taxes. However, there has been no proposal that could double the State's contribution to Glen Rock from 6 percent to 12 percent. Even that extreme would only result in a 6 percent reduction in the average property tax paid by Glen Rock taxpayers. Based on recent history, such a 6 percent reduction would be more than offset by a typical annual increase in Glen Rock property taxes.

In spite of State formulas, which may be unfair, the SMART Bill is relatively immune to unfair formulas. The bill is not based on town averages but on the ability of individuals to pay. There are pockets of poverty in almost all New Jersey municipalities, including towns generally considered affluent. It is not fair to burden low-income homeowners with taxes that eventually force them to abandon their towns.

I hope that New Jersey legislators will do the right thing for the vast majority of their constituents and demonstrate their courage by passing the SMART Bill, along with the required amendment to the Constitution.

Thank you very much. (applause)

SENATOR KENNY: Thank you.

Lorenzo Corsi.

L A R R Y C O R S I: My name is Larry Corsi. I'm a retired and an AARP member, living on a fixed income in the town of New Providence.

I come before you to plead the case that people on a fixed income who own homes or who are tenants are killed by high property taxes. Let me share with you some of my personal information in connection with property taxes.

I pay $9,370 a year in taxes, 65.5 percent is school taxes. Out of that, 21 percent of my income goes toward property taxes; 12.5 percent of that -- my taxable State income -- goes to school taxes. I ask you, is that fair? How does this compare with other municipalities? Let me give you an example. Mantoloking pays .2 percent of their income to pay school taxes, Saddle River pays .65 percent, Sea Girt pays 1.4 percent. I ask, is this fair considering that we all should share equally in a cost of educating our 1.4 million students?

The amount of property taxes, year-over-year, is causing me strongly to consider moving to another state that has lower property taxes. Let me tell you, there are a lot of us that fall into this category. In fact, I brought a few friends of mine that fall into that same category. They are in the audience.

Saying all of that, I am hopeful that you will do the right thing. By this, I mean you must seriously consider the SMART Bill that is presently in Committee. I have reviewed many plans and have come to the conclusion that this bill makes the most sense. I'm not going to highlight any of the SMART Bill, because you've heard some of it already.

If this passed, I will personally save a grand total of $2,833. In the town of New Providence -- which is where I live -- which, by the way, has passed a resolution supporting the SMART Bill -- the average savings for the people making less than $50,000 of taxable income will be $2,700, and the people making greater than $50,000 of taxable income will be $2,100.

There has been talk about a constitutional convention. I strongly oppose it at this time for the following reasons: It has no reform objectives, it may or may not provide relief for seniors, cannot do anything to control spending, and it cannot start cutting taxes until 2009 at the earliest.

Over the past decade, there's been lots of talk and very little action from Trenton in connection with property tax reform. Why don't you turn this around, and let's have lots of action, less talk, so that us seniors and other middle-income people do not have to leave our homes.

In conclusion, let me state that you must pass meaningful property tax reform now, not three years from now. In my view, the only way this can be done and accomplished is that you must review, and recommend to the legislators, and make it part of the State Constitution to pass the SMART Bill.

Thank you very much for your attention. (applause)

SENATOR KENNY: Thank you.

Wendell Steinhauer, NJEA.

WENDELL STEINHAUER: Good afternoon.

My name is Wendell Steinhauer. I'm the Secretary-Treasurer of the New Jersey Education Association, which represents 196,000 public school employees.

I want to, first, thank you for this special session and forum. We're very pleased to participate in it. It's a good public policy forum to be done.

Your issues -- the constitutional convention.

Senator Kenny, you're keeping good track of all the folks. We're opposed. You can put us right down on that one. We're opposed to the constitutional convention for many of the reasons already stated. Property relief is needed now, not in 2008.

We are concerned about writing tax policy into the Constitution, such as states like Oregon, Arizona, and most notably California. California was in the top three of educational advances until it put in Proposition 13. It is now in the bottom three of the states ranked. The Legislature is the right body to do this work. They have the resources, they have the experiences. And you are entrusted to do just that.

We are in favor of property tax reform, and we have three suggestions on how to do that without jeopardizing the public schools or our seniors, who are the most vulnerable in this state. We recommend increasing the State share for school funding. As of 2003-2004, New Jersey ranks 43 in the percentage of school revenue paid by the State -- in that year at 38 percent, compared to the nation, which is 48 percent. We also endorse the SMART Bill, because it's revenue neutral. And it would shift the burden from the local property taxpayers to the people that can -- have the best ability to pay. And yes, it would go through the income tax. And the third way is for the modernization of the sales tax, which was created 40 years ago, when New Jersey was, indeed, a manufacturing state. But now our economy has shifted to be service-oriented.

The problem -- that property taxes have come to light, is because we are last in Federal funding, the State has flat-funded public schools, and the only place to go is local taxpayers. That is why we urge you to indeed take up this reform now with the three suggestions that I outlined.

Thank you.

SENATOR KENNY: Thank you very much.

John Budzash. (applause)

J O H N L. B U D Z A S H: Good afternoon.

You've got my reports. I'm not going to get much into them. I gave two, because I wasn't really sure what the parameters were going to be here today.

One, “Property Tax Problems,” is just simply stating the obvious, which is what I’ve been seeing at most of the hearings that I have attended. And this is the first time I’ve been in front of you guys.

But everything in New Jersey is obvious. It’s obvious problems. The constitutional problem-- I don’t know. The ones that you mentioned before-- Fine, there are problems. There are areas that can be addressed. But the biggest problem is *Abbott v. Burke*. We know that. School funding has gone berserk, when the Educational Law Center has started suing New Jersey over spending. There’s no guidelines, no parameters on how money has to be spent. They go into the Abbott districts and say, “You’ve got to spend $13,000 or whatever per student.” So what do they do? They get raises, they go on trips, they study education in Mexico. My god, what are you going to learn in Mexico about education for New Jersey? Nothing. It’s a good vacation.

You need spending parameters, spending guidelines. And if we do any kind of constitutional convention, I suggest you do it to clarify the part in the New Jersey Constitution that talks about a thorough and efficient education. To try to take a very safe way out, I suggest just putting in that we guarantee a free 12-year education, and let it go at that. Let the voters in the towns decide, with their boards of education, what they’re going to do. And, again, I do support consolidating boards of education, consolidating all government services that can be consolidated. It is a step in the right direction. And it is definitely a way to bring down costs.

There may be one or two small towns, as I heard someone speak about earlier, that do operate more efficiently than what the masses do, but they're rare. In general, consolidation, regionalization works. It helps, it cuts down costs and expenditures.

The other report that I gave, which is "Unfairness of Property Taxes in Real Estate Assessments"-- I'm a real estate appraiser, and I'll tell you what -- there isn't such a thing as an accurate real estate appraisal. If you look at the back of this, I have a couple examples of a page-- I went back to the oldest book that I had on real estate sales prices. And there's about four pages -- or is it five -- four pages -- no, it is five. The first page shows a house that was-- This is one of my favorites. This is not a sold page. This is just a page where it was listed in the book. The house, as you can see -- it's the top one -- 2330 Highway 9 South, in Howell Township. And, of course, I did Howell, because that's where I live. The house is on the market for $85,000. If you look down-- There's the square with the house in it. And if you look to the left of that, there's another series of squares. And on the bottom it shows assessed value: $572,900, in 1991, for a small Cape Cod house on the highway in Howell.

Well, the assessor, who was an appraiser -- not working for the town, but under contract through the town, working for a separate appraisal company -- came into the town and-- God knows, this guy must just have gotten out of school, because he was an idiot. He walked there, and he looked at this house -- little Cape Cod -- and run down, by the way -- on sloping property, hills; wetlands in the back. And he said, "Well, by law, I just learned, I have to assess it at its highest and best value. What is the highest and best value for this house? Well, it's a shopping center." So, in his fantasy mind, he assessed this house as an actual shopping center with stores, with pavement, and nailed this guy with a $572,900 assessment, which brought his property taxes up from $3,733.75 to $13,623. The house was repossessed. It was foreclosed. It's gone. Who helped this poor guy? No one. He just assumed, "This is an assessment. What can I do?"

The house, after the bank took it-- He had been trying to sell it, by the way, for $69,000 and couldn't get a buyer. The bank foreclosed. They put it on the market, as you can see in this listing, at $85,000. It didn't sell. About a year later it finally sold, back at the $69,000 figure. The new owner that bought the property appealed the assessment in '96. He got it down to $242,000. And then he later appealed it in '98 and got it down to $165,000. A highly flawed assessment, wouldn't you say?

This is one of the problems that I have with the property assessment system that we have here in New Jersey. Assessments are just-- It's a guess. It's just a person's guess. He's going to look at houses in the area and say, "Well, it should probably sell for this amount of money."

These other pages here are out of the same book -- all four. I took the first page and the last page of residential homes, and the first page of commercial real estate sales -- which also included condos -- and the last page of real estate sales for commercial units. The last page, which is number 76 -- the last unit is really a good one.

This property was assessed at $1.25 million. He paid $28,350 a year in real estate taxes. And when he sold the property -- $300,000. Was it an accurate assessment? No.

All of the others-- You can see, if you look at the pages-- One guy -- his property sold for 39 percent over what it was assessed at. The next house, on the same page -- and these houses were all sold within the same area. The next house -- his house sold for less. He paid 10 percent more in taxes than he should have.

On Page 68 -- house assessed at 185, sold at 192; another one, 167, sold at 192; another at 165, sold for 200. So it all-- It seems most of the better, expensive houses, back in the day, were selling for more than they were assessed at.

But then if you go to the first page in the book, and you look at the cheap houses-- This one was assessed at $112,600, sold for $97,000. The one assessed at $114,000 sold for $98,000; the one assessed at $98,500 sold for more. This one sold for $101,000. Another one assessed at $117,000 sold for $103,000. You have errors there of 3 percent, 14 percent, 16 percent, 16 percent, and 16 percent. That translates to a lot of money for most families -- a lot of money -- $600 to $6,000 a year, depending on where you are and what time of the last decade you're looking at.

They're inaccurate. Something has to be done. In my statement that you'll read, I have a proposal for going after houses. And instead of assessing by guesswork, nail it down simple. And this could be-- I don't know how you would want to address it -- if you would want to address it as a constitutional amendment or just by a law -- to establish a method of assessing property by the square footage. It's that simple. It can't be an error. A square foot is a square foot. And if there is an error, it's a simple way to appeal your assessment.

Property is a little bit more complex. I spelled out the ways in my report where I think you could find a much better, easier, and simpler way to assess property -- raw land I'm speaking about. And, also, it would be kept local. The local tax assessor and his crew can do it. They may have to hire a couple of people temporarily to help do it. But when assessments are made, they can be kept local with people more in the loop and better in tune to what the real estate is worth in their town, instead of as it's done now, where you're hiring a massive real estate appraisal company. They temporarily hire hundreds of people to work for them, depending on what their workload is. They go out. Typically, these are people just out of appraisal school. They haven't gotten their feet wet, and they do things like this guy did, and take a little Cape Cod house and make it into a shopping center. He did comply with the law in his mind, because the law says property has to be assessed at its highest and best use. And this man -- his mind said the best use for this is being a shopping center. But in reality, the highest and best use for this is what it is. You can't fantasize and change a building from a Cape Cod house into a shopping center. Its highest and best use has to be based on what it is. It's a house. It's a small, couple-of-bedrooms house.

And this is the basic gist of my testimony here today. And I would like to speak with you any time, place, or whatever, to get more involved in this. If you have any questions, I'd be happy to answer them. And that's about it.

I thank you for your time. (applause)

SENATOR KENNY: Thank you, sir. We appreciate it.

Don Pierce.

We have about seven or eight more people.

DON PIERCE: Thank you, Mr. Chairman, members of the Committee.

I didn't come with a prepared statement, but I do have three points that I would like to make.

Unlike other speakers, I do not represent some organized group. So one might say that I represent myself. On the other hand, one might say that I represent an unorganized group, that is, my neighbors. And I think that my neighbors would make two of the three points that I would want to make here.

Earlier this Summer, I attended a neighborhood picnic. Unlike previous years -- and much to my surprise -- the conversations were not about the kids and the grandkids. But there were many discussions about taxes and the state of affairs in the State of New Jersey.

Point one that I think my neighbors would want me to make is that New Jersey needs a real, constitutionally guaranteed balanced budget, that requires a real and honest balancing of the budget -- not gimmicks, not loans, not bonding, and not one-time sales of State property. That's point one.

Point two-- And I'm trying to be very brief. Point two is that cutting property taxes then implies either shifting the revenue reduction to another tax -- as has been discussed here -- or reducing spending. Reducing property tax is essential. But simply shifting to other revenue sources is unacceptable. Spending must be cut. And that is point two for me and my neighbors.

Point one, real balanced budget; point two, do it by cutting spending.

Finally, my third point -- and my neighbors wouldn't exactly represent this, because this is very personal. I live here in Piscataway.

Since I bought my house, my property taxes have gone up by a factor of five. My salary has not. I've had increases, but my salary is not five times what it was when I bought my house.

I'm approaching an age where I've started thinking about retiring. And as I think about retiring, I could not retire today and continue to live in my house. And as I think about a point in time over the next, perhaps, five years, when I might retire, I am continually thinking about where it is that I will retire to. I have many friends here in New Jersey, and I would like to be able to afford to stay here. But with things the way they are, and if they continue the way they have been continuing, I will not be able to do that. And I will be part of that exodus that will be heading, perhaps, to Tennessee. I don't know. I have to check the numbers and find out more about that. (laughter) But I did hear a recommendation about Tennessee earlier.

So those are my three points. We need a real, honest balancing of the budget. It's got to be done by cutting spending. And if it's not done, the exodus is going to continue.

Thank you. (applause)

SENATOR KENNY: Thank you very much.

Joseph Kelly.

J O E K E L L Y: Hello, and thank you.

SENATOR KENNY: Would you just tell us who-- Just state your name and who you represent, if anyone.

MR. KELLY: Yes. I'm Joe Kelly, and I'm a member of the Leadership Council of the NFIB, which represents over 8,000 small businesses in Jersey. But my family has owned a small business in Jersey for over half a century. My family's lived in New Jersey -- in Bordentown, New Jersey -- for over 180 years. We're long-time Jersyites.

I would like to express my opposition to the proposal to eliminate the State Constitution's Uniformity Clause.

I'm not a very good public speaker. I've stuttered my entire life. But I had to come out here today to tell the Committee how we oppose this -- with me and my family. And we actually take this as an insult.

I'm not going to go over everything that you've heard today and last week about all of the ideas why businesses -- all of the increases in taxes over the last three years that's happening to all of the businesses. It goes on and on. The antibusiness agenda, in recent times, has included endless tax hikes, numerous tax increases, and excessive regulations. The well has run dry.

If you run a small business for half a century, you face a lot of crises. You have to face them, you have to analyze them, and you have to attack and fix the problems. It's so obvious, when you look at the tax bills-- It doesn't take a genius to show that two-thirds of the taxes are because of our school districts. There's over 600 taxing authorities across the state. It's expanding. And until you get control of that, this is just going to spiral out of control.

My main concern, however, is the biased, arbitrary nature of this property tax proposal. The State seems to need more money. So, let's see, "Where can we get the money? Oh, yes, the business community. They have deep pockets." It's sort of like the game on TV, the Wheel of Fortune. Spin the wheel, round and round, where it stops, who knows.

But, apparently, the State of New Jersey isn't calling this the Wheel of Fortune game, it's a new game. It's called the *financial profiling game*. The State has picked -- or profiled -- the business community, a segment of our economy that they have determined should be able to afford an increase in property taxes. This is, indeed, a dangerous precedent. What stops the State, in the future, from expanding this form of financial profiling to other segments of our economy?

For example, maybe property tax -- owners, age 45 to 59, who have a higher income than the other age groups of our society. Why not assess their properties at a higher rate? How about Wall Street executives who are making a lot more money than the average job classification -- why not assess their properties at a higher tax rate? There's also ethnic groups in the State of New Jersey that make a higher income, per capita, than the other ethnic groups. Why not assess their properties at a higher rate? It goes on and on.

One of my favorite historians, Ben Franklin, once said, "Any society that would give up a little liberty to gain a little security will deserve neither and lose both." Contemplating a change in our State's Constitution to satisfy the latest fiscal whim is a dangerous road to travel. I implore you to seek other alternatives.

Thank you. (applause)

SENATOR KENNY: Thank you, Mr. Kelly.

Liz Moritz -- if I'm pronouncing that correctly.

Good afternoon.

If you would just introduce yourself and who you represent.

LIZ MORITZ: Good afternoon.

My name is Liz Moritz, and I'm the Administrator for the New Jersey State League of Master Plumbers. We represent the interests of the 7,000 plumbers that are licensed in the State of New Jersey. Currently we have an active membership of over 1,100. I'm also a member of the Leadership Council of the NFIB.

I'd like to thank the Committee for the opportunity to address them this afternoon.

One additional concern, that I really don't know if anyone has addressed, is whether or not home-based businesses are also going to be affected. If you erode the Uniformity Clause, that does leave an open door for municipalities to decide whether or not they will be taxing the home-based businesses.

A further position that the State League of Master Plumbers is currently taking along with the NFIB is, in New Jersey, the costs of building a simple plumbing shop have been increasing at an alarming rate. These costs include: the acquisition of the real property; engineering of the site plan; application fee for a hearing before the local land use or planning board, and payment to an applicant's attorney and engineer; and payment to the local board professionals, building permit fees, road access application fees -- county or State road applications; and, finally, the actual cost of construction. Couple these costs with the increased costs of building materials, you now have a good deterrent to the small service businessperson.

Add this situation to higher gas prices and insurance cost increases, then top this with increased commercial taxes, and the result will be increased costs and charges to the New Jersey resident for home maintenance and simple services. Plumbing contractors and small businesses have been the recipient of a number of cost increases, especially over the past two to three years. The State has imposed various taxes and registration fees, yet no consumer protection or guarantees have been implemented with these additional charges.

The bottom line is, this is not tax reform; this is just changing the formula. But the answer to the equation is the same: New Jersey State residents are still paying. The cost for services will increase, and New Jersey government, on all levels, will collect more taxes. New Jersey is just beginning to address the poor business practices utilized by past legislators and administrations, which is the reason for our State's situation. Cost-effective approaches to regionalization of services is now just being explored.

We need government to earn back the respect of the business community by demonstrating accountability, making the tough decisions you were elected to make; not add to the burden of doing business in New Jersey by increasing yet another cost. Revocation of the Uniformity Clause will not earn you that respect.

One additional note: The State of New Jersey utilizes Smart Growth for the foundation of implementing the main street of our communities throughout this state. That "Main Street" mentality that we're trying to bring back to our communities is mainly funded by the small businesses that line Main Street. Those small businesses support your regional athletic programs, all the nonprofit groups in your communities, fire and first aid. If you continue to raise commercial taxes on those very entities that support those nonprofits, you will erode the fabric of the small community and the "Main Street" of this state.

Thank you.

Any questions?

SENATOR KENNY: No. Thank you.

MS. MORITZ: Thank you. (applause)

SENATOR KENNY: Thank you very much for your testimony.

Stuart Meck.

STUART MECK: Thank you.

I'm Stuart Meck. I'm the Director of the Center for Government Services in the Edward J. Bloustein School of Planning and Public Policy at Rutgers. I'm a licensed professional planner in the State of New Jersey.

And I'd like to talk just briefly -- within my five minutes here -- about what I think to be a central concern of constitutional reform, which is to eliminate fiscal disparity among municipalities of the state and make sure that the State Constitution doesn't prevent or establish any barriers to doing that.

Last week you heard two or three extensive presentations on tax-based sharing, in both the Twin Cities and here in New Jersey with the Meadowlands. I'm not going to repeat that.

I will say that prior to joining Rutgers, I headed a seven-year study for the American Planning Association of Chicago to develop a new generation of model planning- and zoning-enabling legislation, called Growing Smart. One of the model statutes we developed was a regional tax-base sharing act, which is attached to my testimony, along with the Minnesota Supreme Court's ruling, in 1974, of *Village of Burnsville v. Onischuk*, which upheld the legislation. I'll talk about that in a moment, because that's actually the central part of my testimony. I oversaw the drafting of this model, but actually the work was done by Myron Orfield. We made a number of improvements in the Minnesota statute.

There are three very succinct reasons I think you should think about tax-base sharing here in New Jersey. And I also I have some reservations. I just want to mention those.

First of all, I think that tax-base sharing, over time, will reduce but not eliminate a fiscal disparity, which is the difference in revenue-raising capacity among municipalities.

And secondly, depending on how the tax-base sharing system is structured, it will tend to provide municipalities with additional revenue from a regional growth pool at different points in their life cycles. Cities are like people. They're young, they start growing, they have certain needs, they go into decline; they get young again. And each of those is characterized by a different set of revenue characteristics.

The last reason is that tax-base sharing, in my opinion, would eliminate some of the resistance to affordable housing in this state -- not all of it -- because of the belief that such uses produce relatively lower tax revenues in comparison with the services they provide. So tax-base sharing would remove some of the incentive to zone for high-value uses.

Now, there are three limitations. I wanted to address some of the issues that came up last week. I don't think tax-base sharing will result in lower property taxes, because tax-base sharing actually has no effect on cost. It's a separate issue.

Secondly, I don't think it will eliminate differences among municipalities. It won't eliminate competition.

And, finally-- One of you asked this question last week. The effect of putting a system like this in place during a period of static growth -- which Professors Seneca and Hughes mentioned -- it's not really clear what would happen. Land markets are dynamic. There's always going to be a winner in a region, and a loser.

I've provided you with a model statute. I'm not going to focus on that, because you got a pretty good discussion last week.

I wanted to talk just briefly about the central issue, which is the constitutional issue. I, obviously, favor regional tax-base sharing with some reservations. But you have to make sure that if you want to go down this route, that the Constitution in this State does not present a barrier.

In the case that came down from the Minnesota Supreme Court in 1974, there were two issues. And these two issues, I think, would apply to New Jersey. The first issue was whether or not the creation of the seven-county district -- which Professor Orfield talked about last week -- constituted a separate taxing district. It wasn't really clear, and it wasn't really clear under the constitution. The state supreme court said it wasn't a taxing district, so they dismissed this.

And the second issue was whether or not the whole system violated the uniformity clause of the state constitution, which is very similar to that of New Jersey. Again, it wasn't clear. There was a dispute with the trial court. The state supreme court said there was no problem. I mention this because, if you are going to do it, you need to examine this decision I provided you and make some assessment if you want to go down this route.

You know, you've heard many -- much testimony today and over the past couple weeks about the reasons-- As a professional planner, the most significant one to me is how the race for high property value overwhelms other important land use considerations, like the protection of the natural environment, the need for affordable housing, and the capacities of public infrastructure and services.

Because of the property tax, comprehensive planning cannot occur on a level playing field in this state and many others. The odds are always stacked against it. I think you have the opportunity to change that, and I hope you do it.

Thank you.

SENATOR KENNY: Thank you very much.

Okay. We have four people who were added on to the original list.

Elizabeth Karasmeighan -- I don't know if I'm pronouncing that correctly -- Americans for Tax Reform.

ELIZABETH KARASMEIGHAN: Good afternoon.

Thank you.

My name is Elizabeth Karasmeighan -- very close. I'm State Government Affairs Manager for Americans for Tax Reform. And I just-- I submitted written testimony. And I just wanted to briefly give a recap of what that does include.

As a root problem behind high property taxes is spending, I respectfully urge you to examine limiting local spending constitutionally, as an option for meaningful tax reform.

In the late 1970s, Massachusetts and New Jersey were both at the top of the property-tax burden pile. Massachusetts voters, through the initiative process, instituted local spending limits in the form of Proposition 2½. Conversely, New Jersey amended its Constitution to create an income tax, with all of the revenues used specifically for tax relief.

While New Jersey has raised its income tax three times without one year of property tax reduction, Proposition 2½ -- which limits local spending increases to 2.5 percent -- has brought Massachusetts from the highest to 32nd highest in property tax burden. If New Jersey had imposed local spending limits in the same form in 1993, the average homeowner would have received a bill nearly 24 percent lower than they did in 2004, with a total cumulative savings of $5,427 over this period.

Under the Proposition 2½ model, property taxes are lower, local officials are held accountable for spending, and residents are able to sort themselves among municipalities according to their optimal level of taxation and spending.

As you continue to examine options for a constitutional property tax reform, I encourage you to consider the Proposition 2½ model as an effective, flexible option that lowers property taxes and puts the voter in charge of local decisions.

Thank you for your time. (applause)

SENATOR KENNY: Thank you very much.

Robert Donatello.

ROBERT DONATELLO: I'm just representing myself. I'm from Middlesex County. My name is Bob Donatello.

In all this discussion, hearing everybody saying what they're saying, all I have to say is the town I live in-- I pay 67 percent of my taxes towards school. I'm retired; I'm on a limited income. And you've got to do something about it, because the bills start getting bigger. I don't get a 10 percent raise every year. So somebody's got to do something to amend these programs. I mean, I know I have to pay something. But to pay 67 percent of my taxes towards schools eliminates me from doing what I have to do to pay my bills. So you have to look at this program that you're talking about and find a way. The average school district is getting their money.

I just recently spoke with Corzine, and he said there was not going to be any increase in taxes. That's what he told me just two weeks ago, when he signed a bill for the registration for pharmacy--

And the things are -- on my table, is that -- that has to be on your table, too, is, when are you going to put your minds down and say, "Hey, no more spending. We've got too much money that's coming in the State now." You have so much money coming from the casinos, and lottery, and everything else. You've got to put a stop to this spending. You've got to bring down-- I have to live within my budget. Why aren't you people -- that you were elected -- offices -- instead of letting the judges make decisions for you on the Abbott districts? You've got to do something about this. We didn't vote for them; they were chosen by the Governor.

So you've got to listen to the public. We vote you in. And so if you don't do something, it's going to hurt everybody here -- not only me, as a senior living on a fixed income, but I have a daughter that lives in a house. And she pays tremendous taxes. It's not fair. They don't get the raises that the teachers do.

And on the county basis, everything should be consolidated, as far as buying supplies, for books, and everything else -- and be on the same page. Teachers' contracts should be on a county basis, not on an individual town basis. So if that one town doesn't like it, everybody goes out at the same time.

You've got to do something. And you've got to look at it fast and hard. You can't wait until 2009. Like the people were saying, here and now, 2007 is coming up soon. Make a decision. Get off your seats. We don't have to have a convention. Just go out and make decisions that are right for the people. We voted you into office, now do something right for us. So you can change these amendments.

We're not asking business-- We want business to come in. We don't want to increase the tax for business. But you have enough money; and you should lower your budget.

Human resources -- you have $10 billion going there. Where is it going? You don't even know where it's going. There's a lot of problems here. Somebody's got to look into the spending habits.

Thank you very much for your time. (applause)

SENATOR KENNY: Thank you, sir.

Cal Calish. (phonetic spelling) (no response)

Cal Calish, not here.

And the last speaker who signed up is Frank Coury.

MS. WALCOTT-HENDERSON (Committee Aide): Matt Shapiro also--

SENATOR KENNY: What? There's another one?

Oh, we have one more after Mr. Coury.

F R A N K J. C O U R Y: Honorable Assemblymen and Senators, my name is Frank Coury. I live in East Brunswick, New Jersey.

It's amazing. The year is 2006. I recall in the year 1968, Assembly Bill A-330 was introduced, asking for a constitutional convention to do the very thing we're doing -- you're trying to do right now. I know it's a tremendous effort you're putting into it.

The reason I'm interested in this, actually, is because of myself and my neighbors. I've seen inequity in this property tax. I know a lady who is a widow -- just recently -- who had been paying her taxes, living a good life. Now she is paying 20 percent of her income towards education. I only pay 2 percent of my income towards education. And I have a hard time looking her in the face and saying this is fair. It's not fair. Some people are paying less than 1 percent of their income towards education.

Now, we know costs of education are going to increase. I remember we used to buy Coke for a nickel. You can't do that now. When I started working, I worked for Merkt. I got the grand sum of $285 a month. That same job pays at least $60,000 a year. That goes on over the years.

In 1968, the total income for all residents in the State of New Jersey was $38 billion, and the cost for education was only $1.1 billion. Now the total income for all residents in the State of New Jersey -- as I recall for 2004 -- is $390 billion, and the cost for education was approximately $17.5 billion at that time. And so you see the economy grows, and the cost for education grows.

And so considering that, I would like to recommend that all property taxes be dedicated to only municipal and county costs. If we did that, the county and the municipalities won't suffer at all. They'll be getting the same amount of money. I would also like to see a 5 percent flat State income tax dedicated to education -- primary and secondary education -- to fund the education.

There's more than enough money. In 1968, 5 percent of that $38 billion was enough to take care of education. And 5 percent of the present amount of money is enough to take care of education. And I think something has to be done, really, for so many people -- not only for the seniors. I understand some efforts are being made to give rebates to seniors. There are 40-year-olds, 50-year-olds-- Men are being laid off. Squibb is giving layoffs in our area. There will be 6,000 guys going out of work -- or people. No one says to them, "Because your income is reduced, we're going to reduce your taxes." No. In fact, they may have reduced incomes, and their taxes are going to go up under the present method. It's not fair.

I wrote to 80 legislators of my idea about a year ago. Only seven responded. I was disappointed. I was hoping someone would say, "Your idea isn't worthwhile, or it was, or we'll consider it." Seven responded.

I think, Mr. Manzo, you responded with your SMART Bill. And I appreciate that very much.

But I'm sure that if the legislators came up with an idea, rather than a constitutional convention -- sat in Committee, and talked about it, and debated it, you have the intelligence to come up with the answer; rather than a constitutional convention. And you can implement it right away. As I said before, we tried in 1968, and we're still waiting.

Just an aside, if I may. If you change the method of taxation, removing the need for industry to fund education -- as many communities do at the present time -- you can do better planning. You can locate industries along railroad sites, along industrial highways. Right now, each community is saying, "I need that industry in my backyard," although it's a farm. And when they put the industry in, you have to start building roads, and trucking, etc. I think you can do a lot better if you take that pressure off of funding education through industry, which most communities are trying to do right now.

Thank you very much. (applause)

ASSEMBLYMAN MERKT: Mr. Chairman.

SENATOR KENNY: Yes, sir.

ASSEMBLYMAN MERKT: Mr. Coury, may I ask you just one question?

MR. COURY: Certainly.

ASSEMBLYMAN MERKT: You provide a very interesting alternative. And my question is this: If we were to go to a 5 percent flat income tax, applied across everybody and sent to the State--

MR. COURY: Yes.

ASSEMBLYMAN MERKT: Here's the question: My home district, for example -- my home county currently gets only about 12 percent of every dollar it sends to Trenton.

MR. COURY: Yes.

ASSEMBLYMAN MERKT: Here's my question: How could we be sure that, if the State Department of Education is doing the allocation, that our schools would receive enough back to be able to adequately fund our public schools? And the reason I ask this question is, my experience in life is, what happens yesterday is more likely to be what happens tomorrow than anything else.

And it's an interesting concept. But I think we have to talk about how do we make sure there's a fair division of taxes that go through Trenton. And we have to make sure there's not too big a service charge.

MR. COURY: Yes. Well, I think someone else mentioned that in some areas, the economy may drop. And in other areas-- While they're dropping, it's growing in another area. So with a broad-based tax, you'd be working with $390 billion. And I hope we're working with people in the board of education that we have confidence in; that they will provide a formula that will send back enough money to all schools so you provide an equal and thorough education for all students throughout the state, regardless of where they live.

We have confidence in our legislators that they're trying to do their best. And we hope that no one in the board of education is trying to shortcut or underpay any school system. I'm sure they're able to come up with a formula, to be reviewed every three years to be certain it's sufficient. But I don't know how you're going to guarantee it. I would always hope that intelligent people at the board of the education -- State Board of Education will provide a formula.

Maybe they might say $1,300 -- or $13,000 for every student, no matter how many students you have in your school -- we'll give you

$13,000 a student, or $11,000, or whatever. I don't know how much is required; that's beyond me. All I do know is that the present system isn't working, and it's hurting too many people. And I think if people put their minds to it, you'll come up with an answer. I don't have the answer, but I'm certain the people in office--

I don't know why you would think the board of education wouldn't send you back the appropriate amount of money under a new system.

ASSEMBLYMAN MERKT: The reason I would be concerned about that is because, right now, we're only getting $.12 out of every dollar we send to Trenton sent back to us. And that's a matter of grave concern to the teachers, and to the school children, and to the parents, and taxpayers in my district. The fair distribution of the funds is an important part of the equation. I think you have put forward an interesting idea about how to cover the expenses. But how those funds get fairly distributed by Trenton is-- As they say, the devil is in the details.

MR. COURY: But I think, at the present time-- I don't know what town you're from or what your area is.

ASSEMBLYMAN MERKT: Morris County.

MR. COURY: Is that a high-income town?

ASSEMBLYMAN MERKT: Parts of it are. Parts of it are very high income.

MR. COURY: I come from an area--

ASSEMBLYMAN MERKT: And parts are not.

MR. COURY: So I think what happens at the State level is that they say, the ones that are more-- The wealthier communities are actually giving money to the poorer communities. So you're not going to get as much back as, I guess, Newark will be getting, or New Brunswick. East Brunswick doesn't get as much as the other towns. But I think under the new system I'm suggesting everyone would get the same amount -- the proper amount.

ASSEMBLYMAN MERKT: I'd love to see some proof of that.

Thank you, Mr. Coury.

MR. COURY: Thank you.

SENATOR KENNY: Yes, thank you.

Okay. Our last speaker is Matt Shapiro, from the New Jersey Tenants--

MATT SHAPIRO: My name is Matt Shapiro. I'm President of the New Jersey Tenants Organization. I thank you for the opportunity to speak to you today. I'm sorry for not having signed up earlier.

New Jersey-- I'm speaking on behalf of the 1 million families who pay their property taxes through their rent. And that's approximately one-third of the families in this state. And, very often, those families are not considered to be taxpayers, but they are. Tenants in New Jersey pay probably the highest rents in the country -- if not the highest, then the second highest. And probably the most important reason for that is property taxes. And that's despite the fact that we have almost 120 municipal rent control ordinances. And those ordinances have very high automatic rent increases.

And I've been to so many hearings of local rental boards -- local municipalities. Basically, the reason those increases are so high is because landlords complain that they have very high property taxes. Property taxes increase, rents increase.

You basically have two jobs. Whether it's through a constitutional convention or through legislation, you've got to find the money to pay for property tax relief. And you have to find an equitable way of distributing that relief. Those are the two tasks. The first task -- part of it's been solved already, through the increase in the sales tax -- or half of it being dedicated. The second part has got to be from expense reductions. And the idea of regionalization is an idea that certainly should be adopted. That's not this Committee's responsibility, but it's an important concept.

But in the area of expense reductions, I caution you to be careful not to hurt those who are the neediest in our society by eliminating human services that they need to survive. That's all I'm going to say about that.

And finally, the third area would be other taxes -- shifting the burden from property taxes to other taxes. As far as we're concerned, the only fair way to do that is to choose the other tax which is the only fair tax in New Jersey, and that's the progressive income tax. And that's one reason why we support the SMART Bill, because that's exactly what it does.

Secondly, the way of distributing-- You need to find an equitable way of distributing whatever tax relief you do raise. First, who do you give it to? As far as we're concerned, it should be to residential property taxpayers.

And I have to disagree with what Senator Schluter said earlier, when he said it should be owner-occupied residential property taxpayers. I don't know if he actually meant that, but he may have just meant residential. But it certainly should include the 1 million families who pay property taxes through their rent. And they're not owners.

Now, the current-- There is a current property tax relief program. And, unfortunately-- It's called the Homestead Rebate program, or the FAIR rebate -- the name changes each year. It discriminates against tenants. It does so in several ways. First, there are different income limits for those who get property tax relief. Homeowners get property -- homeowners who earn under $200,000 get property tax relief, whereas tenants only get it if they earn under $100,000. That makes absolutely no sense. It does not relate, in any way, to the amount of tax that's being paid. It's just completely not understandable. It's unfair. There are different minimums and different maximums that apply to tenants and to homeowners, regardless of how much tax is being paid through the tenant's rent. It makes no sense whatsoever.

There are two categories of tenants who pay tax that are not allowed to get any property tax relief at all: those who pay taxes that are called *payments in lieu of tax*, that are basically property taxes that are just being called something else -- they are not allowed to get the Homestead Rebate; and those who get rent-subsidy vouchers -- either from the State or the Federal government -- where, when they pay their portion of the rent that's not paid by the government, a little piece of that is property tax. They may not get a whole lot of property tax relief, but to someone who earns very little, even a small amount is meaningful.

So basically-- Before I go to the next point, there is another category of tenant who we have never talked about before. And those are the tenants who don't pay any property tax at all. They basically live in project-based housing, where there are no taxes whatsoever. We have never asked for them to be given any benefit ever before today. The only reason I raise those people today -- and there's probably in the area of 100,000 units -- is because of the recent increase in the sales tax. Those people are low-income, and they're being forced to pay significantly more money, because everybody pays the sales tax. And they have very little money to start with. Their taxes have just been increased. And something ought to be done to help them. You can't call it a property tax rebate, because they don't pay property taxes; maybe a sales tax rebate. Think about it.

Anyway, you have-- I'm almost done. You've got the opportunity to end the discrimination against renters. You're revising the system. You've got the opportunity to do it now. And I just hope that you do, do it. Please, use the same formula. Whatever formula you come up with -- be it, again, through legislation like the SMART Bill-- Well, the SMART Bill does this. Use a formula that is based -- that is exactly the same for everyone, homeowner or tenant -- that's based on the amount of tax that the person or family pays, and perhaps other factors like income or age. Again, the SMART Bill does this and, in fact, includes the people who were excluded. And that's why we support it.

And, secondly, the delivery system is extremely important. Whereas, for homeowners, the best type of delivery system -- and one that's been talked about -- is one in which whatever relief is given occurs right on their tax bill, so that they actually can see it and react to it. Everybody's talking about that. For tenants, that would be a disaster -- an absolute disaster. Because that would mean that the money is given to the landlords.

And then say to the landlords, "Please give it to the tenants, and here's how you ought to do it." Believe it -- don't believe it, it will never happen. Tenants need the same system that we have now: a rebate that is guaranteed by the government. It's the only system that will work for tenants.

I will say that the same thing is probably true for tenant shareholders in co-ops, of which I am one. Tenant shareholders in co-ops will not necessarily see a tax relief benefit that is given to the co-op as a whole. They may end up benefiting from it, but they won't see it. And if you want them to see it, they need a rebate.

Finally, do we care whether or not it's a constitutional convention versus legislation? We'd prefer legislation. That would happen a lot faster. We don't oppose a constitutional convention, as long as tenants are assured that they'll get their fair share, as long as the relief exists. And I know the bill that passed the Assembly has that assurance in it.

I thank you for your time.

SENATOR KENNY: Thank you, Mr. Shapiro.

That completes the list of people who signed up to speak. So we started right after noontime, and it's almost 3:00, so we took roughly three hours of testimony. And those of you who gave us written statements, we have them.

And I want to thank the public for joining us today and sharing your points of view on this complex issue.

I want to thank Rutgers for allowing us to use their Livingston Campus, and OLS for setting this up so that the public had an opportunity to join with us.

Next week, Chairman Burzichelli is going to be chairing another public meeting, which will take place in Collingswood, which is in Camden County, at a place called the Grand Ballroom. That will be at 5:00 p.m. on Thursday evening, a week from today. It's later than this in order to give the public an opportunity -- who is not available during the day.

Chairman, do you have anything to add to that?

ASSEMBLYMAN BURZICHELLI: Thank you, Mr. Chairman.

Just to extend an invitation to those who are interested that haven't testified today, or are following us on the Internet, that they will be welcome.

I thank you for chairing this meeting today in the fashion you did. We heard a lot of testimony. And I think it's very helpful.

SENATOR KENNY: Okay. So we'll conclude today's hearing. Again, thank you for joining us.

Next week, they'll be another public hearing; followed by Trenton meetings over the next -- the remainder of the month and into October.

So thank you very much again.

Have a good day. (applause)

(HEARING CONCLUDED)