



**Masser, Michelle**

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**From:** Masser, Michelle  
**Sent:** Thursday, July 15, 2010 8:47 AM  
**To:** Tobey, Phil; Perkins, Ray; Sohl, Bill; Mayor David Scapicchio; Maniscalco, Sherry  
**Subject:** Correspondence - FW: From the NJLM: SHBP costs to climb 11.7%

Please see information below.

*Michelle Masser*

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**From:** Lashway, Lisa  
**Sent:** Thursday, July 15, 2010 8:40 AM  
**To:** Sohl, Bill; Masser, Michelle  
**Subject:** FW: From the NJLM: SHBP costs to climb 11.7%

Lisa Lashway  
Township Clerk  
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**From:** NJLM - Municipal Clerks [<mailto:njlm-clerks@cityconnections.com>]  
**Sent:** Wednesday, July 14, 2010 4:31 PM  
**To:** Lashway, Lisa  
**Subject:** From the NJLM: SHBP costs to climb 11.7%



July 14, 2010

RE: SHBP costs to climb 11.7%

Dear Mayor:

Today in Trenton, the State Health Benefits Commission received the report from AON Consulting detailing the need for rate increases in 2011. The recommended increases in premium rates were 11.7% for local governments.

You can access the full recommendations at:

<http://www.state.nj.us/treasury/pensions/pdf/hb/rate-renewal-local-gov-group-discuss-070810.pdf>

Coming one day after the new 2% cap was signed into law, this is yet another example of why the Legislature and Administration must make the toolkit reforms their top priority. Up against a hard 2% cap with an empty toolkit, towns will not be able to control costs. Unless the Legislature and Administration act immediately to make these reforms, towns will make draconian cuts in staffing and services. These premium rate increases represent yet another mandate upon our towns and cities; another mandate over which they have no control.

For years local leaders have called for reform, including binding arbitration reform, COAH reform, health benefits reform, mandates relief, civil service reform, flexibility to deal with pension costs, utility costs, disaster and emergency response costs and other costs imposed by factors beyond the control of local leaders, and conformity of any new local caps to a new State

spending cap.

True tax reform is not done until municipalities have the means to control costs.

Related to this, we forwarded the enclosed Opinion/Editorial to print media all around the State earlier today. You might want to adapt it for communications with your State Legislators, your constituents and your local press.

Very truly yours,

William G. Dressel, Jr.  
Executive Director

**ONLY REAL REFORMS WILL REDUCE YOUR PROPERTY TAXES**

Facing an unprecedented revenue gap this year, Governor Christie introduced, and the Legislature passed, a budget that cut municipal property tax relief funding by about \$450 million, from last year's already reduced totals. Difficult times demand difficult choices. And New Jersey policy makers had few alternatives.

But let the record be clear. With these cuts, New Jersey has, once again, balanced its budget with municipal revenues. In order to avoid increasing State administered taxes, the Trenton establishment has used municipal property tax relief funding to bridge the gap. In fact, most of the Consolidated Municipal Property Tax Relief Act (CMPTRA) and all of the Energy Tax Property Tax Relief (Energy Tax) funding is revenue replacement funding. It is supposed to replace revenues that were originally collected by municipalities for local use. Those alternative revenues delivered municipal property tax relief for a long time, before various 'reforms' took them away from our cities, towns, townships, boroughs and villages – always accompanied by the statutory vow that local property taxpayers would be 'held harmless.' Further, pursuant to a ten year old State law, which has long been honored more in the breach than in the observance, CMPTRA and the Energy Tax are supposed to be annually adjusted to account for the effects of inflation. Instead, they were cut by \$271 million, in the State's new budget.

Realizing that a 20% cut in revenue replacement funding, instead of a statutorily required increase, would present a serious challenge to local budget makers, Governor Christie intended to provide local officials with meaningful tools to limit the, otherwise devastating, impact of the cuts. The Governor's "Tool Kit to Meet Today's Fiscal Challenges" was supposed to provide "long overdue ... mandate relief and regulatory flexibility for beleaguered towns and schools." It was supposed to include new tools to accomplish six

objectives: collective bargaining reform; pension and benefits reform; civil service reform; management reform; a constitutional cap on increases in spending for direct State government services; and a constitutional cap on property tax increases.

With the cuts assured in the State's new budget and with bi-partisan agreement reached on new property tax caps, New Jersey Mayors - from municipalities, large and small, and from all around our Garden State – still wait for Trenton policy makers to enact meaningful local government cost containment reforms. And little mention is made of a cap on State spending.

The Governor was right when he said, 'New caps without the toolkit are unworkable.' Having put the cuts and caps in place, the Trenton establishment needs to get serious about the struggle against oppressive, regressive property taxes.

Real reform takes more than caps and cuts, neither of which do anything to address New Jersey's worst in the nation property tax burden. The caps will only slow the growth of the burden. They will not reduce it. And the cuts are no help at all. Yet once again, just as happened following the 2006 Special Session for Property Tax Reform, caps and cuts have gained bi-partisan support. But management reforms, mandates relief and a commitment to honor the promise of revenue replacement funding have been deferred, pending further discussion.

No elected official ever wants to raise taxes. But the State sets tax policy for all New Jersey governments. And only State action can provide true local property tax reform.

Local officials need real solutions to real cost drivers, whether they are inside or outside any arbitrary cap. They need to know that the State will honor its promise of property tax relief revenue replacement funding. Absent cost containment initiatives and an end to the diversion of municipal revenue replacement funding, these new caps will only shift the burden of deciding whether to slash vital municipal services or increase property taxes from local elected officials to the citizens who elected them.

Only real reforms can provide immediate and sustainable property tax relief. Only the State can deliver real reforms.

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