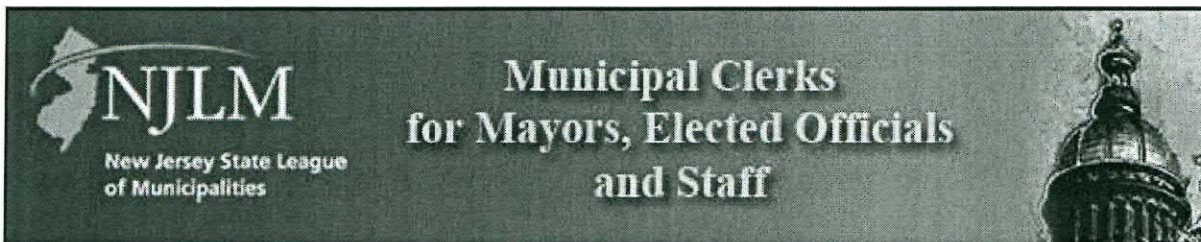


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Lashway, Lisa

From: NJLM - Municipal Clerks [njlm-clerks@cityconnections.com]
Sent: Tuesday, July 06, 2010 12:22 PM
To: Lashway, Lisa
Subject: Christie/Sweeney Cap Agreement



July 6, 2010

Re: Christie/Sweeney Cap Agreement

Dear Mayor:

As you have heard over the 4th of July weekend, Governor Christie and Senate President Sweeney have reached agreement on a new statutory 2% levy cap. The new cap will be shaped as a Conditional Veto of S-29, the statutory 2.9% levy cap, which the Legislature sent to the Governor on June 28.

Both Houses will need to accept the Governor's conditions, by simple majority votes, for the new caps to become law.

The Assembly Budget Committee is scheduled to continue taking testimony tomorrow on property tax reform matters, including a new cap. And the Senate is expected to vote on the Governor's Conditional Veto of S-29 on Thursday.

Based on Press reports and other information we have been able to gather, here are the major components of the cap agreement.

- * Statutory permanent levy cap as oppose to a constitutional cap.
- * Cap reduced from the current 4.0% to 2.0%.
- * ermits the existing cap exemption for health care costs.
- * Permits the existing cap exemption for pension costs.
- * Permits the existing cap exemption for debt service and capital expenditures.
- * Permits the existing adjustments for enrollment increases in school districts.
- * Allows for Cap banking in which spending under cap in one year can be used in following three years for additional spending authority.
- * Provides voters the opportunity to override the cap (or separate

question in the case of education) with a vote of a simple majority, 50 % plus one.

* Spending over cap would be allowed for extraordinary circumstances such as state emergencies or local incidents, which will be defined through regulation.

The following exemptions in the current 4% levy cap will be eliminated.

- * Increases necessary to offset decreases in state aid.
- * Increases in reserve for uncollected taxes greater than the cap rate.
- * Increases in lease payments to county improvement authorities.

The exception for the costs of pre-existing labor contracts, which the Governor mentioned in his July 1 speech to both Houses, would NOT be included in this compromise.

We have contacted key Legislators and Administration officials focusing on six key considerations.

1. We need cap exclusions for increases in the reserve for uncollected taxes, in excess of the cap rate.
2. We need cap exclusions for the costs of preexisting contracts, in excess of the cap rate.
3. We need assurances regarding an end to the diversion of vital municipal revenue replacement funding, such as the Energy Tax, which was never intended for State use.
4. We need assurances that the Local Finance Board will continue to have the authority to grant emergency cap waivers.
5. We need to see action on the toolkit management reforms and on mandates relief initiatives BEFORE the Governor signs any new caps.
6. We need assurances that the provisions of the new local government cap will mirror the provisions of a new State spending cap.

The Governor has said, "New caps without the toolkit are unworkable." He is right.

But now, having reached agreement on unworkable new caps, policy makers will be tempted to declare victory in the ongoing struggle against oppressive, regressive property taxes, just as was done after the 2006 Special Session for Property Tax Reform. As Yogi said, "It's déjà vu all over again."

If the momentum for reform lags in Trenton after passing new caps, but before passing management reforms and mandates relief initiatives, local officials will be forced to operate an unworkable engine. The real losers will be the people of New Jersey who will be forced to choose between higher taxes or a steady and certain deterioration of vital local services. Vital

services will be reduced or eliminated, or taxes will go up, unless cost containment measures are enacted in Trenton, before the Governor signs the new caps into law.

We will keep you posted as events unfold. For the latest postings, please be sure to visit our website at <http://www.njslom.org/2011FY-Budget/special-session.html>.

Very truly yours,

Hon. James Anzaldi,
President, NJLM and
Mayor, Clifton

William G. Dressel, Jr.
Executive Director

New Jersey League of Municipalities
222 West State Street, Trenton, NJ 08608
609-695-3481

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