

STATEMENT BY HONORABLE SUZANNE M. WALTERS,
MAYOR, STONE HARBOR BOROUGH AND
PRESIDENT, NEW JERSEY STATE LEAGUE OF MUNICIPALITIES
CONCERNING THE PROPOSED NEW JERSEY STATE 2013-2014 BUDGET
PRESENTED TO THE ASSEMBLY BUDGET COMMITTEE
MEETING IN TRENTON, NEW JERSEY
TUESDAY, MARCH 18, 2014

Thank you, Chairman Schaer and Members of the Committee. My name is Suzanne Walters and, for the last 17 years, it has been my privilege to serve the people of Stone Harbor Borough as their Mayor. This year, it is my honor to serve all of my colleagues in local government as President of the New Jersey State League of Municipalities.

In April, we will mark the 100th Anniversary of Stone Harbor's incorporation. My Borough shares the Seven Mile Island with Avalon, our neighbor to the North. Bordered on the East by the Atlantic Ocean and on the West by the Inter-Coastal Waterway, we offer exceptional opportunities for family vacation fun. Besides our beautiful beaches and our bay, we are home to our nationally recognized Bird Sanctuary and the Wetlands Institute. In concert with our business community, Stone Harbor features small town charm, with a picturesque shopping district and outstanding restaurant options. People who visit tell their friends about Stone Harbor, and they keep coming back. As a result, during the Summer months, our population of 866 swells to over 20,000 people. If you have never visited us before, we hope to see you soon. If you have previously been to Stone Harbor, we hope to have you back.

On behalf of New Jersey's Mayors and local governing bodies, I want to thank you all for your dedication and hard work on behalf of our people, their municipalities and for the future citizens of our State. We appreciate your willingness to accept responsibility for crafting a spending plan that will dedicate scarce resources to better address the needs and honor commitments made to the people of our Garden State. New Jersey local officials recognize the challenges you face. On their behalf, I welcome the opportunity to work with all of you during my time as League President.

We hope you agree that Mayors working with local governing bodies over the past six years deserve credit for making the tough decisions in tough times. We have pruned budgets, pursued savings, engaged in tough negotiations, reduced the workforce, shared services, cut spending, applied best practices, emptied reserve accounts and deferred investments. We did this as

property values declined, tax appeals increased, development and economic activity stalled, employment slumped and property tax relief funding was diverted to the State budget.

In addition to all that, and thanks to the expertise and energy of dedicated municipal government professionals and the selfless service of thousands of volunteers, with critical support from the State and the Federal governments, we have provided vital life-line services to our citizens before, during and after an unprecedented series of natural disasters. From Hurricane Irene and the Halloween Snowstorm in 2011, through the derecho winds and Superstorm Sandy in 2012, and plowing through one of the worst winters in memory, local governments have continued to balance their budgets and deliver essential services, while funding numerous state mandated responsibilities and meeting all their public employee pension funding obligations.

In the face of these challenges, keeping property tax increases down would not have been possible without real bipartisan reforms enacted by the Governor and the Legislature. For things like the 2% cap on arbitration awards and pensions and benefits reforms, the Governor and Legislative leaders deserve our thanks and recognition. It took political courage to advance those reforms.

Looking at the Governor's budget proposal, again, makes the need to continue these policies more obvious than ever. As the first order of business, we call on State policymakers to take action to ensure that the limit on police and fire contract arbitration awards remains in place.

Unless the Legislature acts to extend the April 1 'sunset' of the limitation on arbitrator awards for police and fire personnel salaries, steps and longevity payments to an average of 2 percent annually over the life of a contract, our taxpayers will lose that essential protection. Any awards in excess of that limit would immediately threaten funding for all other municipal services. And, in the not-too-distant future, such awards could force local budget makers to reduce public safety staffing levels, as fewer local employees steadily take home higher percentages of local funds.

I want to thank you, again, for the bipartisan pension reforms that were enacted in 2010 and 2011. Those reforms, coupled with full funding of municipal obligations over a number of years, are starting to produce real savings. In his budget address, the Governor noted that revised pension billings will save local public employers – most, but not all of them, municipal governments – around \$135 million during this calendar year. That is welcome news and we sincerely appreciate the vital part that many of you played in making that possible.

While property tax relief funding would not be reduced with the Governor's proposed plan, New Jersey municipalities would, once again, need to balance their budgets without the benefit of all the property tax relief funding that is their due. And in order to avoid the Energy Tax "poison pill," CMPTRA – the Consolidated Municipal Property Tax Relief Act funding – and Energy Receipts Property Tax Relief will, again, be treated as a functionally unified resource.

For over a century, public utilities have been taxed for their use of municipal rights-of-way. These taxes are meant to assure local property taxpayers compensation for hosting transmission facilities and lines that allow gas and electric energy corporations to serve customers, conduct business and earn profits in our Garden State. For as long as the taxes were paid directly to municipalities, that is exactly what happened.

In the 1980's, however, the State decided to collect the utility taxes, with the promise that the proceeds would be returned to the host municipalities. Almost immediately, however, some of the money was annually diverted to the State's budget.

Municipalities lost \$331 million in combined Energy Tax and Consolidated Municipal Property Tax Relief Aid (CMPTRA) funding in Fiscal Years 2009, 2010, and 2011, while also being denied scheduled incremental funding. That \$331 million has been used in each succeeding year to balance the State's annual spending. The proposal before you would continue this practice for yet another year.

In recent years, legislators on both sides of the aisle have recognized that the decision to redirect municipal revenues for State use has been a major contributor to increases in local property taxes. We are grateful for the past support that members of this committee have given to this effort. Thanks to your leadership, bills that would gradually begin to rededicate funding for local property tax relief have advanced. Respectfully, we ask that you again consider to at least begin to restore the \$331 million, in this budget.

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We are also glad to see the Open Space PILOT funding appropriation, which will provide level relief for towns in 2014. The preservation of Open Space benefits all New Jersey citizens. However, it imposes costs on the citizens of the host municipality; denying them the economic and budgetary benefits of a developed ratable. In recognition of these facts, the State of New Jersey has pledged to provide host municipalities with Payments In Lieu Of Taxes (PILOTs).

These PILOTs serve two crucial public policy purposes. They provide property tax relief and promote environmental protection. In recognition of those dual benefits, and of the lost opportunity costs imposed on the host municipalities, a long line of Governors, Treasurers, Legislatures and Commissioners of Environmental Protection have seen the fairness of consistently making the promised Payments In Lieu of Taxes. Further, these municipalities were forced to absorb PILOT cuts averaging around 30% in 2010. We would welcome an increase in PILOT funding, to get these municipalities back to where they used to be. But in the meantime, we appreciate the level funding included in the Governor's proposed Budget.

The Governor's proposed budget includes a proposed change in Urban Enterprise Zone (UEZ) business-to-business sales tax. Instead of a tax-free transaction, the Governor proposes that the UEZ retail sales tax rate of 3.5% will be applied on business-to-business sales. The Urban Enterprise Zone Program has been the catalyst for billions of dollars in business investments throughout New Jersey. The Program has been used to create and retain jobs, to promote smart growth and investments; while providing tax relief through the financing of infrastructure, sanitation and public safety initiatives; which in many cases would not be fundable solely through municipal budgets.

The Urban Enterprise Zone (UEZ) Program began in 1983. The Program was designed to generate employment opportunities in urban centers and provided (1) a reduced sales tax rate to consumers, (2) elimination of the state sales tax for certified businesses and (3) assistance to local, qualified merchants in the form of low-interest loans and grants.

This is a time when municipalities need to continue fostering economic redevelopment and encouraging job creation through the growth and expansion of private sector opportunities; therefore we respectfully ask you to carefully consider this tax policy change.

As we await the publication of the complete budget proposal, we look forward to working with the Administration and the Legislature over the coming months to try to provide further property tax relief and protection for our local residents and businesses.