

New Jersey Taxpayers Agree: We Need a “Tool Kit” to Fix the State’s Finances.

By Jerry Cantrell, John Stephenson, Sal Risalvato, Laurie Ehlbeck, John Holub, Neil Coleman, Jay Williams, David Lorette, Esq., and Henry Levari
Word count: 698

Regardless of their political leanings, just about everyone acknowledges that New Jersey is a high tax state.

Consuming nearly 12 percent of income, New Jersey’s state and local tax burden as a percentage is the highest in the United States – well above the national average of 9.7 percent, according to the non-partisan Tax Foundation. New Jerseyans now pay \$6,610 per capita in state and local taxes. What’s more, the state’s business tax climate is the second-worst in the nation. New Jersey’s sales tax is well above the national median, and as most Garden State homeowners will attest from personal experience, the property tax is heavier here than anywhere else in the country.

Not surprisingly, cold, hard facts like these have led to broad agreement that New Jersey must take bold action to bring the high and growing tax burden under control. Continuing business as usual will rob the state of its quality of life and stifle economic growth.

Perhaps more surprisingly (and refreshingly), New Jersey’s leaders appear to recognize the problem. On July 13, Governor Christie signed into law a cap on property taxes. The measure, which received substantial bipartisan support in the New Jersey General Assembly and State Senate, limits property tax increases to 2 percent annually, but allows exceptions to pay for costs related to pensions, health care, emergencies, and increased school enrollment. Although not as comprehensive as some wanted, this sensible step is welcome news for New Jersey taxpayers.

However, addressing property taxes is only the beginning of the effort to reform New Jersey’s oppressive fiscal climate. The cap, which is due to take effect in January, will not work unless the State Legislature makes a serious effort to restrain the relentless uptick in the cost of government. In less than a decade, local government spending has spiked by a staggering 69 percent, from \$26.5 billion in 2001 to an estimated \$44.7 billion this year.

Fortunately, there is action on this front too. Governor Christie has assembled a “tool kit” for school districts and localities that would address the growing costs of government by changing collective bargaining requirements, civil service dictates, and pensions and benefits.

Current arbitration rules, which govern contract negotiations between municipalities and public sector unions, favor the interests of those unions over taxpayers. Their most glaring defect is that they do not require arbitrators to consider the

effects their awards have on property taxes. As a remedy, the toolkit includes a proposal to cap arbitration awards and instruct arbitrators to account for award impacts.

Arbitration reform is not just about saving money; it is about ensuring government can afford to provide critical services. For example, an arbitrator recently handed Kearny firefighters a 17.25 percent raise over the next five years. Kearny appealed the decision, citing the high costs of pay hikes, but was ultimately unsuccessful. Now the town may have to lay off 16 of its employees to meet these expected higher costs.

Savings can also be found by changing outmoded civil service perks. Currently, municipal and state college administrators are severely limited in their ability to manage employees in a cost-effective manner, such as by furloughing unnecessary workers or hiring temporary employees. The tool kit would grant governments more authority and flexibility in these areas to meet needs as they happen, thereby protecting basic programs as well as taxpayers.

Other implements in the tool kit would reduce the high cost of public employee pensions by eliminating eligibility of non-governmental groups in state retirement plans and capping the future accrual of sick leave. The tool kit would also enable local governments, especially school districts, to share more services to save money. Executive county superintendents will also be required to approve new contracts.

To date, all of the tool kit's proposals have been introduced in the State Legislature. Now, it's up to our elected representatives to schedule votes on these needed reforms. We applaud the bipartisan effort to cap property taxes, but many more items remain on the "to-do" list. The toolkit is just the beginning and one of the reforms necessary to save New Jersey. It's time to get to work, and this is one tool kit that's up to the job.

About the Authors

Jerry Cantrell is President of the New Jersey Taxpayers Alliance (njtaxalliance.org); John Stephenson is State Government Affairs Manager for the National Taxpayers Union (ntu.org), Sal Risalvato is Executive Director of the New Jersey Gasoline-C-Store-Automotive Association (njgca.org), Laurie Ehrbeck is New Jersey State Director for the National Federation of Independent Business (nfib.org), John Holub is President of the New Jersey Retail Merchants Association (njrma.org), Neil Coleman is President of the New Jersey Taxpayers Association (njtaxes.org), Jay Williams is President of the GRAND Institute (grandinstitute.com), David Lorette, Esq. is Vice President for Government Affairs and Communications at the Commerce and Industry Association of New Jersey (cianj.org), Henry Levari is Business Director of Excellent Education for Everyone (nje3.org)