



**Regional Plan Association Statement**  
**Christopher Jones, Vice President for Research**  
**RE: Budget Agreement in New Jersey**  
**July 7, 2006**

Yesterday's budget agreement between Governor Jon Corzine, Assembly Speaker Joseph Roberts and Senate President Richard Codey is welcome news for New Jersey. However, while the agreement ended the six-day shutdown of nonessential government services and appears to have balanced this year's state budget without fiscal gimmicks, there should be no illusion that the agreement to dedicate half of the sales tax increase to property tax relief provided a long-term solution to the state's complicated property tax problems.

Simply applying sales tax revenue to New Jersey's existing property tax rebate programs would waste an opportunity to implement sorely needed structural reforms. Property taxes would still be among the highest in the nation and would continue to result in inefficient land use, an inequitable distribution of tax burdens, and incentives that conflict with the goals of the State Development and Redevelopment Plan, the Council on Affordable Housing and the Abbott education finance decisions. Property tax reform also needs to be tackled in the context of the state's fiscal challenges. Even with reduced spending and increased revenues in this year's budget, New Jersey can still expect budget shortfalls in future years without additional revenues or spending reductions.

With the resolution of the immediate budget crisis, public officials should quickly focus their attention on long-term reforms. As recommended by Regional Plan Association and the Lincoln Institute of Land Policy in their May 2006 report, "Fundamental Property Tax Reform II: A Guide for Evaluating Proposals," legislators and citizens alike should cast a wide net in looking at potential reform proposals, and should evaluate these proposals with a set of criteria that recognize the wide-ranging impacts of the property tax system and that multiple goals should be part of any reform effort. These criteria should include improved incentives for the "smart growth" principles embodied in the State Plan, the construction of affordable housing, equitable funding for education and greater fiscal discipline to control costs. An upcoming report will more specifically describe ideas that could be part of a comprehensive package of reforms, such as service consolidation to constrain costs, tax rates for new construction that vary by State Plan

area, and pilot programs that encourage municipalities to adopt different tax rates for land and structures.

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