

**A JOURNALIST'S GUIDE
TO COVERING
MUNICIPAL & SCHOOL BUDGETS
IN
NEW JERSEY**

(Second Edition)

**A Project of the
Journalism Resources Institute
School of Communication, Information &
Library Studies**

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ABOUT THIS GUIDE

More than 12,500 print and broadcast journalists have participated in seminars and workshops organized by the Rutgers Journalism Resources Institute since its beginnings in 1979. JRI is a unit in the School of Communication, Information and Library Studies (SCILS) and serves as the outreach arm of the Department of Journalism and Media Studies.

One major focus of JRI is on the needs of newspaper, magazine, television and radio professionals in New Jersey and the tri-state region, which led the institute to develop a seminar on local budget reporting starting in 1995

The first edition of this guide to local budget coverage was developed in 1996 by Robert Comstock, a veteran New Jersey journalist who served as assistant director of JRI for more than a decade, in cooperation with the volunteer team of journalists and government officials who helped create what has become an annual event cosponsored with the New Jersey Press Association.

This second edition you have in your hands is the result of revisions and additions suggested by some of those same journalists and officials, as well as some new ones who have joined as presenters in more recent seminars. Guy T. Baehr, another veteran New Jersey journalist, who succeeded Comstock in 2002, has overseen this new edition's editing and production.

As with the first edition, this practical guide will be of assistance to journalists already in the field, and to students who are preparing to join them in the print and broadcast media.

We also think it will provide the citizens of New Jersey with insights into how budgets come together at the local level and how they are translated into informative news stories.

Like the first edition, this edition is a work in progress. Please send us any corrections or suggestions for additions or improvements.

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INTRODUCTION

This brief guide is designed to assist reporters assigned to cover municipal or school district budgets. Their primary task is to make sense of the blizzard of numbers and technical jargon to inform the public what will be done with its property tax dollars and what will be left undone.

But that's only the beginning. It is often even more difficult to find ways of writing budget stories so they will interest anyone other than addicted government buffs.

And sometimes reporters face a challenge in persuading their editors to allocate the time or newshole needed to get beyond the obligatory, bare-bones introduction/adoption stories and let the reader/voter know what's really behind budgetary decisions and what the result may well be.

Relatively few young reporters would opt to cover municipal or school budgets if they had a choice. But they don't. And it is important work and a significant responsibility.

Many decisions of municipal governing bodies and school boards have direct impacts — large and small — on people's lives. And the only way people find out in time to have a say in such decisions is, in most instances, through the work of the local reporter.

Coherent accounts of what happens at official meetings are a good start, but it is not enough. The reporter cannot count on informed citizens turning out to ask pertinent questions that produce useful answers. The reporter must know what questions to ask and ask them.

The explanations and advice presented here were drawn from annual budget workshops conducted by the Journalism Resources Institute at Rutgers University in association with the New Jersey Press Association.

We are indebted to the journalists and government officials who have generously shared their experience and expertise as leaders of these workshops:

Claude Deltieure, News Editor, *The Record*

Art Weissman, Trenton Bureau Chief, *Asbury Park Press*

Kathleen Casey, Middlesex County Editor, *Star-Ledger*

Marc Pfeiffer, Deputy Director, NJ Division of Local Government Services

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Robert Casey, Executive Director, New Jersey Municipal Management Association

Tara Kane, former reporter, *The Record*

Henry A. Coleman, Director, Center for Government Services, Rutgers University

It has been said that the nervous public official lives in the greatest fear of a) the reporter who knows too much and b) the reporter who knows too little. An important goal of the budget seminars and this guide is to reduce the number of reporters in the second category and increase the number in the first.

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SOURCES, HUMAN AND OTHERWISE

Key sources on the budget beat should include:

- The finance chairs of the governing body and the school board;
- The municipal administrator by whatever title, where there is one;
- The municipal clerk;
- The school business administrator or superintendent.

These officials can make a complex reporting job much easier to handle. Or they can prove to be serious roadblocks in the pursuit of information.

The budget process begins in October for most units on a calendar year and shortly after March for those on a fiscal year. That's when to ask for a look at preliminary budget figures, and year to date spending, but not at a meeting of the board or council. Make a date to meet key officials to look over these figures.

When looking at year-to-date spending, recognize that shortfalls in one area of the budget are routinely "covered" by excesses in others. If funds are not available due to unexpected circumstances, "emergency appropriations" are permitted to ensure the total budget remains balanced. Of interest however, would be obvious shortages or repeated under-budgeting in the same area each year, or on the case of school boards, transfers that take place soon after the start of the year. These areas should be explored further with finance officials.

The work sessions at which department heads present their wish lists to the finance committee may be open to the public if the committee is a majority of the governing body. They seldom turn out to be Page One news, but they provide a broad, insider view of hopes and plans; a basic education in how things work. Try and fit them into your schedule.

Some officials will give you copies of their worksheet, although they are usually not public documents, but it never hurts to ask. Reporters should strive to know as much about the numbers as the average council or school board member who is not on the finance committee. That's not setting too high a goal.

When the budget is officially introduced, most finance chairs or administrators will give reporters copies of the summary that must be run in the local paper. Ask in addition for a copy of the full budget. This contains much more detail and is printed in larger type. By state statute you and any other member of the public are entitled to a copy at no cost. Some governments are even posting it to their web site.

Other public documents that should prove helpful include:

- The annual auditor's report, a document in which the astute reader begins with the footnotes, where auditors express, in ever so gentle terms, any reservations they have about the manner in which finances have been handled. The audit report (known in schools as the Comprehensive Annual Financial Report, or

CAFR) also contains a good deal of statistical and other operating information.

- The official statement published in connection with the town or district's most recent bond issue. This contains a treasure trove of data about the community, its people, and its finances.

* The Table of Aggregates, published annually and available from the County Board of Taxation. This provides tax rates, assessment ratios, total ratables, and rambles in various categories for each municipality in the county. This information on all municipalities is posted every January on the State's Division of Local Government Services web site. (www.nj.gov/dca/lgs)

USING NEW JERSEY'S OPEN RECORDS LAW

The State's Open Public Records Act (OPRA) provides a wealth of opportunities for enterprising reporters to dig into the operations of all government agencies and schools. A wide range of financial and operational information is available for inspection or copying.

Under the law, public agencies are required to provide immediate access to key financial information that you may need in covering budget issues. Here's the relevant passage from the law: *"Immediate access ordinarily shall be granted to budgets, bills, vouchers, contracts, including collective negotiations agreements and individual employment contracts, and public employee salary and overtime information."*

Under OPRA, a formal request must be made in writing to the agency's designated custodian of records. Other than for the above documents, the custodian has up to seven business days to respond. Most agencies provide request forms similar to the model form found on pages 22 & 23 of this guide. You must file your request using the agency's form unless it does not have one. As an alternative, you may use the state's model form. Copies of the model form are available on the website of the state's Government Records Council (see below).

Carefully consider the information you want to view. Some requests might tax the ability of the staff to provide the information and could result in a service charge or denial. Feel free to negotiate with the records custodian on how to deal with detailed requests or to narrow down your request to the most useful information. To avoid significant copying charges, ask to inspect the records first and then ask for copies only of those you need.

While OPRA is a useful tool for getting information that might otherwise be denied, it can also be cumbersome. Pick carefully the battles you want to fight using OPRA. If you can get documents with an informal without filing a written OPRA request, you'll probably get them more quickly – and at no cost. By contrast, some officials take the filing of an OPRA request as an unfriendly act and retaliate by taking the full seven days to respond, even when the documents are readily available. So pick your battles carefully. While governments are obligated to provide you information, maintaining goodwill with local officials is a useful element of a good beat reporter's job.

At the same time, know your rights and write stories about questionable denials of requests for financial documents. Use the GRC's web site (www.nj.gov/grc) for more

information on the law, including a full copy of the law and the model request form. Check with the New Jersey Foundation for Open Government (www.njfog.org) for advice and quotable comments on possible violations of OPRA. If your paper is a member of the New Jersey Press Association (www.njpa.org), you can get advice and assistance through the association's legal hotline by calling 201- 896-4100 between 9 a.m. to 5 p.m. (Monday-Friday) or leaving a recorded message at any time on the dedicated voice-mail line. Hotline attorneys return all calls as soon as possible. You can also email questions to tcafferty@njlegalink.com, fax them to 201-896-8660 or write to NJPA Legal Hotline, c/o Scarinci & Hollenbeck, 1100 Valleybrook Avenue, Lyndhurst, NJ 07071

BUDGET BASICS

New Jersey's governmental landscape is unusual in at least two respects:

1. Every square inch of its area is part of an incorporated municipality; there are no unincorporated rural areas.
2. Every one of the 566 municipalities encompasses at least one school district. The school district and municipality have separate sets of officials deciding how to spend their resources, but they have identical geographical boundaries.

Other school districts operate regional high schools, vocational high schools and special education schools for children with physical or learning disabilities, raising the total number of school districts to about 618. Some school districts do not operate any schools at all – they administer “sending district” contracts with neighboring districts.

All school districts operate on academic- or fiscal-year budgets; July 1 to June 30. So do 50 of the municipalities. But the vast majority of municipalities; cities, towns, boroughs, villages, and townships budget for calendar- years; Jan. 1 to Dec. 31. Practically speaking, there are few differences between these different types of municipalities; they mostly have the same powers, but differ by the way the governing bodies and mayors are chosen, their powers, and how the government is structured.

The local property tax constitutes the principal source of revenue for most municipalities and school districts. (The exceptions are the mostly urban districts that receive extra funding from the state under a state Supreme Court decision designed to ensure a “thorough and efficient” education to all children in the state.) And it is the municipal tax collector who collects this tax and the municipal assessor who assesses the value of the property upon which it is levied.

Property taxes finance operations of the municipality that collects them, of course. But they also finance:

- Operations of the local school district
- The municipality's share of the costs of county government
- Its share of the costs of any regional school districts, fire districts or open space taxes
- Fire and other special districts

Consequently, the mayor generally gets the blame when taxes rise, even though he or she may have little to say about how most of the tax dollars are spent by these other government agencies. (However, note that in some cases the mayor appoints members of the local or regional school board and so may exert influence on these appointees.)

Tax rates in New Jersey are expressed in terms of the levy on each \$100 of assessed valuation. (In Hudson County, for some reason lost to history, the rates are set in terms of each \$1,000 of valuation.)

The general tax rate is the sum of:

- The municipal tax rate, set by the mayor and governing body;
- The school tax rate, set by local and regional boards of education; and
- The county tax rate, set by the county boards of freeholders.

TAXABLE PROPERTY

New Jersey law says that all taxable property shall be assessed at 100 percent of market value, but this is only rarely the case. (In practice, assessments can be off by up to 10 percent either way without sanction.) Assessors almost always assess at somewhat less than market value, although there is widespread public misunderstanding about this. Many counties and municipalities now use computerized systems to update assessed value annually to better reflect market values.

Property owners can appeal their assessments to the county tax board. And assessors who allow their assessments to fall too far (usually less than 85%) below market value will be called to task by the tax board, which can order a revaluation of the municipality.

Revaluation are complicated and can inspire anxiety

Carrying out a revaluation means hiring an outside firm to set new assessed values on all taxable property in town. It usually creates turmoil among taxpayers who fear that a higher assessed value will automatically mean a higher tax bill. That should not necessarily be the case. At least in theory, a revaluation should lower the tax bills of some taxpayers by a composite amount equal to the hike it causes in the tax bills of others. Some tax bills may even stay the same.

In recent decades, however, housing costs have rocketed while the value of commercial properties has been relatively stable and that of industrial property has gone down in many areas. As a result, revaluations generally cause homeowners to bear a greater share of the total tax burden.

Little wonder that officials often delay revaluation programs as long as they can. It is small compensation that the cost of a revaluation need not be paid in the current budget but can be stretched over five years.

The computerization of the assessment process now permits annual "re-assessments" where property sale transactions are analyzed and mathematical formulas then make changes to property values. That keeps properties closer to the goal of 100% of market

value, without the expense of a revaluation. Not all municipalities and counties have the capability to do this, but the practice is spreading.

Fiscal operations of local governments are closely monitored by the state. Keeping an eye on municipalities is the Division of Local Government Services in the NJ Department of Community Affairs. School districts fall under the watch of County Superintendents, who are state officials reporting to the Commissioner of Education. Tax assessment practices of local assessors and the County Boards of Taxation that supervise them, are overseen by the State Division of Taxation's Property Administration unit. Web sites are also listed in the appendix.

THE BUDGET CYCLE

Municipalities begin planning their calendar-year budgets (county government track the same calendar year schedule) in October (March for state fiscal year). Department heads draw up preliminary plans and present them to the mayor or business administrator. In some forms of government, these are hearings open to the public but are seldom covered by the press.

The municipality begins the new year operating on a temporary 90-day budget that can be extended month-to-month until the final budget is adopted. A proposed budget is "introduced", ideally by March and sent to Trenton for review. Officials there confirm that expenditures do not exceed the spending cap, that all else is in compliance with the law, and that revenue estimates are reasonable, not just a wild hope.

The governing body introduces the budget with a public vote and advertises it in full or at least a summary in a legal ad, and holds an official public hearing on it at least 10 days later.

The rules call for adoption by the end of March, but slippage often occurs. Aware that they will be held primarily accountable for the tax rate, the mayor and governing body may delay to learn how school and county tax rates are shaping up and whether state aid may change when the state budget is finally adopted.

Throughout this process, all the careful reporter's references to next year's taxes will call them "estimated" or "proposed" rates or levies until final adoption of the municipal budget.

State officials do not attempt to enforce rigid deadlines. They are primarily concerned that the municipality is making progress toward budget decisions. They can, however, impose penalties of up to \$25 a day on each member of a governing body that fails to act on a budget starting April 1. As a last resort, the state has the power to adopt a budget or set a tax levy for the municipality to live with.

Tax bills are supposed to be mailed in June, but sometimes do not appear until late July or even August. They show a change (usually an increase) every six months in the amount of the taxpayer must pay because the first and second quarter levies are estimates while the third and fourth quarter levies are actual.

Municipalities operating on fiscal-year budgets start the process in the spring and more frequently miss the summer deadlines. Municipalities may continue to operate on temporary budget extensions until as late as January or February of the following year.

STATE AID TO MUNICIPALITIES

The second largest source of revenue for most municipalities is state aid. Consolidated Municipal Property Tax Relief (CMPTRA) is the largest of five categories. The legislature tinkers with these programs almost every year so not much can be specified in advance.

The Energy Tax Receipts program (formerly, the gross receipts and franchise tax) is a fixed amount, subject to annual inflationary increases authorized by the legislature. The current amount was based on the value of public utilities (electric, gas, water, cable television) which operated in the municipality. For those that have electric generating stations, water-treatment plants or other major installations, the ETR may be a major fiscal factor.

The other municipal aid programs are the Legislative Initiative Municipal Block Grant, a fixed amount of aid distributed by population, and the Extraordinary Aid program. This latter program is to blunt the impact of unanticipated increases in the municipal property tax rate. Municipalities must apply to the Division of Local Government Services who makes decisions after a hard look at the municipality's finances and actions taken to blunt the increases.

SCHOOL BUDGETS ARE DIFFERENT

A major difference between schools and municipalities is that the public gets to vote on school budgets in all but 24 of the 611 districts. The election is held on the third Tuesday of April, unless the legislature postpones it to allow more time for its adjustment of state aid formulas. The other 24 have school boards appointed by the mayor. These budgets are not subject to public vote.

Schools start their planning process in January, leading to a public vote on the budget in April. Schools follow a rigorous schedule set forth by the Department of Education; because of the public referendum on the budget, late budgets are not an issue. A conscientious reporter will cultivate the chair of the Board's Finance Committee and School Business Administrator as sources and background on school budget issues.

The public does not vote on the total budget. It is asked to approve the amount to be raised from property taxes, the school tax levy. The district may spend twice as much or more with revenues from state aid, tuition, rentals, and a variety of other fees and fundraisers. Debt service is not voted on annually. Reporters should make this distinction clear to the voter/reader.

WHEN SCHOOL BUDGETS ARE DEFEATED

If voters reject a school budget, the decision to set a school tax levy passes to the governing body of the municipality. The governing body usually cuts the amount of taxes

to be raised for schools, but it cannot cut specific programs. The school board can spend the reduced revenue as it sees fit.

When a school budget is defeated by the voters, the school board is required to provide a great deal of information to the governing body, and the alert reporter will gain valuable insights from this exchange.

The information, called "Defeated Budget Information" must be sent to the municipality within two days of the certification of election results. In practice, districts usually send the information to the municipality and to the County Superintendent within two days of the school election.

The information is extensive and includes:

- A complete line item budget, including actual expenditures for the previous school year, current year budget and proposed year budget submitted to the voters
- Copies of additional spending proposals
- A copy of the district's annual report submitted to the Commissioner
- A copy of the district's most recent audit
- The narrative explanation and documentation provided to the public for spending in excess of the minimum required under the state "Thorough & Efficient" (T&E) rules
- An explanation of any actions to reallocate or direct additional expenditures
- Number of current staff and projected staff for the next school year
- Pupil enrollment by grade as of June 30 of the past school year, October 15 of the current school year and projected for October of the next school year
- Salary schedules for all employees
- Number of schools and classrooms in each, with pupil capacity of each room
- Tuition received and paid for current and future year
- Advertised budget for next school year
- A substantiation of need for any proposed capital projects
- Applicable portions of the Comparative Spending Guide and School Report Card
- Rationale for any new positions, new programs, new equipment or major line item increases

The school district administration and municipality must meet to review the Defeated Budget Information in order to reach a decision on the tax levy. If the tax levy certified by the municipality is less than the amount proposed by the board of education, the municipal body identifies specific line-item reductions, however the board of education is not bound to them, but only to the total amount.

The municipal governing body must certify that the revised budget is sufficient to provide a thorough and efficient education. In instances where a budget is at or reduced to an amount below the minimum T&E level, the governing body must also include a specific written explanation as to why each reduction made will not adversely affect T&E or stability. All such budgets are subject to automatic review by the Commissioner of Education.

In instances where the board of education has placed separate proposals for additional spending before the voters, if the questions are approved, the municipality must certify the additional amounts as part of the general fund tax levy, even if the base budget is defeated.

If the questions are defeated, the rejected questions must be submitted to the municipality for determination of the amount, if any, that should be certified as part of the tax levy. Actions taken by the governing body with regard to defeated separate questions are not eligible for restoration through application to the commissioner.

STATE CAPS ON LOCAL BUDGETS

The growth of both municipal and school district budgets is limited by state-imposed caps. The 2004 cap for municipalities limits increases to no more than 2.5 percent or the percentage increase in the Consumer Price Index (CPI), which ever is smaller. However, some items are immune from this restriction; they are "outside the cap."

Municipal exceptions include: debt service, capital improvements, grant matches, costs associated with municipal courts, 911 emergency telephone systems or library contributions. Recently the legislature placed costs for all forms of insurance and domestic security costs outside the cap.

A governing body can seek voters' approval to exceed the cap for specific purposes if it dares. Or it can increase to 5 percent by enacting an index-rate ordinance. Municipalities with tax rates of 10 cents or less are exempt from caps. And municipalities whose budgets reflect an increase of less than the 5 percent limit can bank the difference for use in future years.

AGAIN, SCHOOLS ARE DIFFERENT

School budget caps are more complex. A school district's maximum permitted net budget before adjustments is limited to an increase over the prior year's net budget of 2.5 percent or the percentage increase of the Consumer Price Index (CPI), which ever is larger. However, districts can ask voters to raise the cap in a special election, or apply to the Commissioner of Education for Spending Growth Limitation Adjustments, also called "cap waivers," under five eligible criteria: changes in enrollment; certain capital outlay expenditures; expenditures for pupil transportation services; special education costs per pupil in excess of \$40,000 or expenditures for opening a new school facility in the budget year.

School districts may also apply for Commissioner Growth Limitation Adjustments under three eligible criteria: use of early childhood program aid; use of demonstrably effective program aid or increase in tuition

School budgets and municipal budgets are different in other ways. A board of education can transfer funds from one account to another at any time; municipal governing bodies cannot do so until Nov. 1, if on a calendar-year budget, or April 1, if on a fiscal-year. And municipalities can never transfer funds that are outside the cap. But, if left unspent, these funds can lapse into surplus and be available to help balance the next year's budget.

The same is true of all unspent funds; they become part of the surplus with which the budget makers begin their task. The same is true in reverse. When a sudden, unanticipated expense arises, it can be covered by passing an emergency resolution, but the cost must be made up by including it in next year's budget. Some deferred expenses may be paid off over five years.

The budgetary debates are waged over discretionary spending, a relatively small portion of the total budget. Most of next year's expenses are set in stone. This is the case with debt service expenses and with salaries covered by union contracts. Buildings must be heated. Electricity is not optional. State law requires busing students under certain conditions. And there are many other expenses that cannot be avoided or reduced, such as health insurance. This is a harsh reality that will come as news to most readers.

There sometimes appears to be an inverse relationship between the time spent on a budget item and the size of the expense involved.

ESSENTIAL ELEMENTS OF BUDGET STORIES

Heads-up budget coverage will take many forms, with separate stories exploring proposed projects, bookkeeping tricks, potential results of specific programs, track records of others, and hot topics of disagreement.

But certain essential elements must be presented, not in every story, but prominently and clearly in any responsible coverage of the budget process. Leading the coverage should be **explanations of changes** from the previous year's budget for each item.

These include:

- **Total general appropriations**, every dollar that the governmental unit plans to spend in the year ahead, including funds left over from the previous year..
- **Amount to be raised by taxation**, that portion of the total that will come from property taxes, how much and why it is more or less than the current budget provides, and what effect it will have on the property tax rate. It's worth calculating how much the average residential taxpayer will pay and how much more or less the amount will be than it was last year.
- **Anticipated revenues**, the money expected to come from state and federal aid, license fees, fines, parking meters, tuition, and all other sources, together with a look at the data on which these estimates are based.
- **Anticipated surplus**, the cash balance expected at the end of the current year and available for anticipation in the new budget and the difference from the previous year.
- **Capital budget**, usually a 6-year-plan for land acquisition, construction, and purchase of motor vehicles and other major equipment, including plans for how to pay for it. Looking at the previous year's plan and assessing what was done (or not done) during the year, and comparing it with the current plan can be a good source of stories.
- **Salaries and wages**, plus associated fringe benefits, to be paid to all staffers next year.

- **Other expenses**, which includes such items as utilities, supplies, insurance, professional services and debt service.
- **Effect on the tax rate**, the increase or, rarely, decrease in the tax rate that would result from adoption of the particular budget under discussion.

Make it clear to readers that the school tax rate, by itself, or the municipal tax rate, by itself, does not constitute the entire local tax rate. Each is a part of the whole.

The total tax rate is computed by the county board of taxation only after adoption of:

- The local school budget
- The municipal budget
- The county budget
- The regional school budget, where applicable
- The fire or other special district budget, where applicable

Until that happens, stories about individual budgets should specify:

- The proposed school budget would add 28 cents to the current tax rate of \$3.84 for every \$100 of assessed valuation. School taxes would increase \$420 on a house assessed at \$150,000.
- or
- Taxes for municipal purposes would increase \$180 on a house assessed at \$150,000 under the \$17.4-million municipal budget introduced last night. It would cause a 12-cent hike in the tax rate.

A tax rate of \$3.84 means that a property owner will pay \$3.84 for each \$100 of assessed valuation. This is figured by dropping the last two zeros from the assessed value and multiplying by the tax rate. So, the calculation to find the amount of taxes to be paid on a house assessed at \$150,000 would be figured this way, with the answer being \$5,760.

$$1,500 \times 3.84 = 5,760$$

To compute the increase in taxes that would result from adoption of a proposed school budget, multiply the proposed hike in the school tax rate by the assessed value of a typical home, expressed in hundreds. So, if the proposed tax rate is \$0.28 higher than the current tax rate, the calculation to find the amount of additional taxes to be paid on a house assessed at \$150,000 would be figured this way, with the answer being \$420.

$$0.28 \times 1,500 = 420$$

Proposed expenditures should be compared, not to the amounts appropriated for the previous year, but to the amounts that were actually paid or charged to a specific account. If you are writing before the new budget year begins, compare proposed expenditures to the current estimate of what will be spent in each portion of the budget. If there are significant differences, explain why.

Similarly, anticipated revenues should be compared to revenues actually realized in the previous year, not to the amounts anticipated in that previous year's budget. If there are significant differences, explain why.

Municipal utilities (i.e., water or sewer systems, swimming pool) must be self-liquidating; that is, have self-generating revenues equal to budget revenues. They may even realize a profit, thereby easing the burden on taxpayers. If the utility serves more than one municipality with more than 1,000 customers, it falls under jurisdiction of the state Board of Utility Regulation. If a utility is operating in the red and officials refuse to raise the rates, the difference must be made up out of property taxes.

When a school district or municipality borrows money by issuing bonds, it must begin paying off those bonds under a specified schedule. This requires an annual line item in the budget for debt service.

Some other questions that can be a part of budget stories:

- What is the status of labor agreements? Are any union negotiations under way or planned during the budget year? This is important because salaries and benefits are the largest single item in most local budgets.
- Is the school district or municipality negotiating with its neighbors to provide shared services, or does it plan to explore the advantages of shared services? What are the anticipated savings?
- Is there a plan to lease equipment on it's own or through a county improvement authority?

EIGHTEEN WAYS TO MAKE IT INTERESTING

Many budget stories contain all the essential numbers, but don't include an angle that grabs the average reader's attention. Those stories may well be read by a select audience of government buffs — many of whom knew details of the budget before the reporter did — and by a few conscientious citizens who start reading out of sense of civic duty but soon doze off.

To avoid this cruel fate, reporters should pick through details of the budget. While the numbers themselves may prove of little general interest, they may lead to questions that can produce stories of great interest.

Here, in random order, are some questions that may lead to stories of interest. Of course, not every question will be pertinent to every school or municipal budget. Again, looking at the change in the item from the previous year becomes a useful starting point.

1. How much will the proposed budget cost the owner of the average home in the community? The county tax board will tell you the assessed value of the average home. Or, better yet, ask the financial officer of the municipality or school district

what it uses as the average home. The Department of Community Affairs provides an online chart showing the tax rates for each community in the state.

2. How much will each penny increase in the tax rate bring in? Simply divide the total assessed value from the Abstract of Ratables of the town or district by 10,000, or just drop the last four zeros. This figure is what a tax point is worth in that town or school district. This way you can tell readers how many pennies that new deputy mayor position will add to the tax rate.
3. What portion of each tax dollar goes where? For instance, 44 cents to school, 22 cents to the municipality, and 34 cents to the county. How much to public safety? Parks and recreation? Debt service? Any significant changes over time?
4. How does the proposed budget compare with the budget of 5 or 10 years ago? In per capita cost of government? In the percentage of the budget devoted to police or public works? Get an official explanation for significant increases or decreases.
5. What do increases in the capital fund represent? Are they including funds for down payments on a \$500,000 fire truck or a \$200,000 computer lab in the middle school?
6. How much flowed into surplus because last year's mild winter saved costs of snow plowing or pothole repair? Will that saving be spent this year, and on what? Or are they building up the surplus in order to cut taxes in an election year?
7. How will that \$1,700 cut in the utilities account affect people's lives? No more lights for night games? A cut in library hours?
8. What about that cut in the school maintenance account? Will fewer custodians mean less use of gymnasiums, auditoriums or other school facilities by community organizations? And if not, how come?
9. Why an increase in the legal fee item? How much is left over from the previous year? Are they planning to sue or be sued? If so, there will certainly be legal fees. On what basis did they estimate how much?
10. What does it cost to fill the average pothole? To remove graffiti from school lockers or classroom desks?
11. Is the school board providing health benefits for its attorney or for the members of the board? Same question applies to the municipal governing body.
12. What portion of the total tax bill is paid by single-family homes? Multifamily housing? Industry? Commercial properties? How has this changed over time?
13. How does the increase in operating expenses compare to the inflation rate over the past year? Or five years? And why?
14. How much of the budget is truly discretionary spending? The answer varies significantly, but the average is only 18 percent. The rest is firmly committed:

salary contracts, debt service, mandatory busing, insurance, solid waste disposal, tuition to specialized schools, heat, light and other utilities.

15. Are there any union contracts coming up for negotiation in the new year? Are they making provision for an increase and on what basis?
16. How does the cost per pupil compare from year to year and, adjusted for inflation, to a decade ago? What accounts for the change? But it is not valid to compare per-pupil costs with other districts. The difference in the school systems and the populations they serve make such comparisons misleading or meaningless.
17. How much of that telephone appropriation goes for cell phones? And who gets them at public expense? Assistant superintendents? Councilmembers? Department heads? Ask for a record of calls made from the taxpayers' cell phones last year. They don't have to provide all details of each call, but the public is entitled to know the total cost.
18. Do they have any regional or inter-local services? Are their neighbors cutting costs? If so, why not participate?

FIFTEEN WAYS TO GET A STORY YOUR COMPETITION WON'T HAVE

Here are some suggestions of places to look. Of course, not every idea will lead to a good story on every beat.

1. There's always lots of talk about downsizing in government ("doing more with less"), but is it actually taking place? Has new technology resulted in payroll savings in the schools or town hall? Or are the technicians needed to run automated processes paid higher salaries than the people they displaced? Or is there a higher level of service provided through things like web sites?
2. Automation is not the only way to downsize. Is anyone reinventing government around here? Contracting out, sharing services with the municipality or school board or other governments in the area, or partnerships with non-profit groups are all ways to improve services or lower costs.
3. Have tougher drug and DWI laws affected the municipal court? Increasing costs? Increasing fines and court costs collected? Clogging the calendar? How are they coping?
4. When it's time to bargain with unionized employees, compare the proposed new contract with the existing contract. And there may be more than salaries involved. Check for shift changes, additional days off. More and more police are seeking schedules of 4 or 5 days on, 2 days off. And if it goes to arbitration, remember that the arbitrator is no longer required to pick either the management proposal or the union proposal, but may steer a middle course.

5. When they advertise for bids on motor vehicles or other major equipment, check the specifications carefully. Are they tailored to a particular vendor or supplier? How many bells and whistles, how much chrome is specified for the fire truck and what will that add to the costs? Fire equipment specifications are often determined by the volunteers, not by the governing body.
6. When a \$5- or \$6-million bond issue is proposed, get some help in figuring how much it will actually cost the taxpayers. How much in interest? How much in commissions? How much are the professionals paid? And did they make contributions to the mayor's election committee.
7. When a school budget goes down to defeat, try to ascertain why. If it passed 3-1 in one election district and failed 5-2 in another, look for demographic differences between the districts. Then check your assumptions with a few voters in each district.
8. Political scientists have long urged regionalization of services among New Jersey's 566 municipalities and 618 school districts. Would it make sense in your towns? How much could the towns you cover actually save by having one police chief, one municipal court judge, one school superintendent instead of three of each? Would more assistants be required? And at what cost in quality or public confidence?
9. When bonds finally mature and the debt is retired, there's a good-news mortgage burning story to be written. And, of course, it should include the actual cost of the school, firehouse, or municipal annex, including debt service.
10. There are winners and losers in every municipal revaluation, but we seldom hear from the winners. The assessor can help you identify some of each, perhaps even the individual property owners whose taxes dropped or went up the most due to the revaluation. Interview them.
11. Police, firefighter and teacher contract negotiations are always a good subject for coverage, though because of the secretive nature of negotiations, good information is hard to come by. But, when they are over, what's the impact? How does it compare to neighboring jurisdictions. Are there new benefits? What do they cost? Are their productivity improvements or "give backs"?
12. Which banks do the school district and municipality favor with their accounts? Check to see who's on the banks' boards of directors. Any of those names also appear on the Election Law Enforcement Commission's list of contributors to the local majority party? These can be accessed online on ELEC's website (www.elec.nj.gov).
13. Any thought of joining nearby school districts or municipalities in a joint Insurance Fund (HF) to provide liability and property coverage. It often costs less than paying premiums to an insurance company, and JIF members collect interest on their reserve funds.

14. When is the next tax sale coming up? Municipalities are empowered to sell, usually at auction, properties whose owners are delinquent in tax payments. Municipalities must have a tax sale every year. Some do an "accelerated sale" before the end of their fiscal year.
15. Are major repairs required because the school board has repeatedly postponed routine maintenance in order to prevent or minimize tax hikes? Is this a false economy? The buildings and grounds director may have some interesting thoughts about this. Check budgets and spending records to see if there is hidden information.

FINALLY: The third Saturday of February each year is an election day that escapes the notice of most news media. That's when fire companies that constitute special election districts elect their officers. All voters in the district can take part, but few turn out other than the volunteer firefighters and their families. What's at stake? What is the tax money spent for? Are they buying any new apparatus or buildings? And how much does it cost the owner of the house assessed at \$250,000?

Some Practical Tips and Real-Life Examples

"Don't Wait Until the Night of the Meeting."

Tara Kane's Tips on Preparing for the Introduction of a Budget

- Early in the year, call the tax assessor's office and get your municipality's current ratables (that's the total taxable worth of land in the community). Also ask the assessor what the "average" home in town is assessed at. Both are basic components of the formula used to determine a municipal or school tax rate. Bring these figures with you the night a budget will be introduced.
- Get your hands on the prior year's budget (so you can compare expenses) and if possible, a news story about the adoption of that budget. You want the news story because it provides a quick summary of the information you need and you can carry it with you the night the budget is introduced. But first, you want to be sure the numbers in that news story are accurate. If you have time in January or February, (before introduction) check the numbers in the news story against the budget. It's a way to ensure your information is correct, and it's good practice for calculating the average tax impact later in the year.
- In January, start asking town and school officials what date they expect to introduce the budget. Municipalities and schools often introduce between February and March. But don't wait until then, ask questions early on and get an idea of what problems officials are facing.

The day the budget is introduced

- You learn that officials will introduce a budget at tonight's meeting. That afternoon (or before the meeting), call a council member or school trustee that you are friendly with and talk about the budget. If you are writing a story for the next day's paper, the phone call can be a good

opportunity to get some quotes and the key budget figures. That way, you're prepared for the night meeting, and you'll save time if you're writing for the next day's paper.

- Some municipalities and school districts will provide you with the budget the night of introduction IF you call the administrator ahead of time and request a copy. If you do not call, and they don't have any extras at the meeting, they might just tell you to stop by the office the following day. And if you're writing on deadline, that's too late. Be sure to ask officials for the two key figures —the general fund (or the grand total) and the tax levy (the amount to be raised in taxes) —in your notebook, remember to write the numbers clear and accurately.
- Bring a calculator, and the calculation formula provided in this packet. Even if the Town Council or the school district distribute figures at the meeting which outline the tax impact on the "average" home, you'll want to compare what numbers the tax assessor gave you ahead of time to what officials are passing off as a tax point and the assessment of an average home. Don't be surprised if the figures don't match, some officials will unknowingly be using last year's information.

"How many stories can you write about a budget?"

Below are the dates and the top portions of seven stories written by Tara Kane of *The Record* concerning West Milford Township's 2003 municipal budget.

Published February 21, 2003 (concerns discussion at a preliminary budget workshop meeting)

WEST MILFORD - Without state aid, employee layoffs will be necessary to keep taxes stable under a proposed 2003-04 municipal spending plan, township officials said.

They are largely depending on receiving \$1 million in extraordinary state aid to keep taxes stable under a proposed \$27 million budget, which includes garbage and recycling costs. As it stands now, the budget is up \$1.3 million from the 2002-03 fiscal year spending plan.

Without state aid, the township may be forced to let some employees go or raise property taxes, Township Manager Kenneth Hetrick said Thursday.

"It is a possibility," Hetrick said, referring to layoffs. "It really depends on the loss of state aid."

Discussion of layoffs came up at the Feb. 8 budget workshop. Township Council members questioned the need for planners Bill Drew and Linda Lutz, and geographic information systems specialist Rob Sparkes, when other municipalities have one person filling all of those duties.

Published February 28, 2003 (discussion of a bus trip to Trenton to lobby for state aid, offset anticipated tax increase)

WEST MILFORD - It worked last year, so Councilman Andrew Gargano felt another bus trip to Trenton this year would persuade state legislators to again offer the township compensation for the loss of watershed aid.

This time, though, an additional problem sprang up: the need to convince everyone at home that the effort is a rewarding one. And so, that bus trip, originally set

for Thursday, was canceled when almost no one showed up.

Last spring, Gargano and other township officials led a modest group of 25 up the stairs of the State House, dressed in T-shirts that boldly read: "Restore Moratorium Aid."

West Milford lost \$1.1 million in aid last year when the state chose not to fund the program. The program compensated watershed communities for potential property taxes lost because of the state ban on development of watersheds that feed the region's reservoirs.

"We got a lot of attention," Gargano said. "A lot of the senators were willing to listen to us."

A few weeks after the bus trip, the township learned it would receive \$1 million in extraordinary aid to help replace the loss of watershed moratorium aid.

Gargano said that last year's bus trip should be "the beginning of something we do on a yearly basis until the state realizes that the watershed communities need to be compensated."

Meanwhile, the Township Council is expected to introduce a 2003-04 municipal budget Wednesday. As it stands, the preliminary municipal plan is \$27 million, up \$1.3 million from the 2002-03 budget that ends June 30.

Published March 7, 2003 (following introduction of the budget)

WEST MILFORD — Property taxes for municipal services could rise sharply for the first time in nearly a decade under a proposed 2003 budget, and discussion of employee layoffs continues.

The Township Council at Wednesday night's meeting introduced a \$26.8 million municipal spending plan, which includes garbage costs and open space tax.

That is only a \$1.1 million spending increase over 2002's budget. But the tax levy for the proposed budget is an estimated \$2.2 million more than the one that supported last year's \$25.7 million plan, chiefly because officials cannot be assured that the state will again provide \$1.1 million in extra aid to the watershed community.

"I don't like any part of this budget," Mayor Robert Moshman said. "We've maintained a municipal budget that hasn't increased taxes for a good eight or 10 years. Here we're facing something like a 14-point tax increase."

Published April 15, 2003 (following public hearing on budget)

WEST MILFORD - Officials have postponed adoption of the 2003 municipal budget until July, leaving it to the next council to face the hard choices, including layoffs of municipal employees or saddling property owners with the biggest municipal tax increase in years.

The Township Council voted this month to postpone adoption of the \$26.7 million spending plan as it waits to hear if the state will offer the community \$1.1 million in extraordinary aid to help offset taxes. If the state doesn't come through, the township will be forced to either lay off employees or raise municipal taxes 7.5 percent for property owners.

As it stands, the proposed budget is \$1 million more than last year's \$25.7 million spending plan. Without state aid, the township would need to raise \$16.7 million in property taxes. That figure is \$2.2 million more than last year.

Published June 4, 2003 (the council votes against a proposed skate park complex)

WEST MILFORD - In a year that township employees could be fired to help close a \$1 million gap in the municipal budget, Councilman Robert Szuskowski can't justify spending \$350,000 on a skate park complex.

But three other council members can, which is why a second vote on a proposed skate complex is scheduled for tonight's council meeting.

Szuskowski's lone opposition to the proposed skate complex - which includes an inline roller hockey rink and an adjacent skateboard park for Westbrook Park - was enough to spoil its chances of being accepted at the May 21 meeting.

To adopt a bond ordinance, four votes on the five-member council are necessary, and that night, ailing Councilwoman Maria Harkey was absent.

Prior to voting, Szuskowski criticized the council for having enough money for the skate complex when the 2003 municipal budget is so strained. "We're talking about laying people off in town hall," he said.

Published June 6, 2003 (the council votes in favor of the skating complex)

WEST MILFORD - Skateboarding and in-line skating enthusiasts will get their \$350,000 skate park, but it's taken some creative financing by the Township Council.

Wednesday night, the council unanimously moved to fund the park after realizing it could use a source of recreation money that would not burden the already-pinched 2003 budget.

Officials were spurred on by residents, including teenagers, who packed the room and hallway to demand that council members approve the proposed roller rink/skateboard park complex for Westbrook Park. The council had voted it down last month.

Published July 18, 2003 (budget gets adopted, town received some state aid)

WEST MILFORD - Property owners will pay 3.7 percent more for municipal services, but no township employees will lose their jobs under a 2003 municipal budget unanimously adopted by the Township Council on Wednesday.

Township officials had postponed adoption of the \$26.7 million spending plan, which includes garbage collection and open space, until learning whether the Highlands community would receive state extraordinary aid.

They had requested \$1.1 million of such aid to compensate for the lack of watershed moratorium aid. That program was discontinued amid the state budget crisis this year.

It had compensated communities for the effects of the state ban on development of watershed land that drains into major reservoirs.

Because the council doubted it would receive the compensating aid, it had discussed scenarios of employee layoffs and the biggest tax increase that property owners would have faced in many years.

Last week, township officials received word that West Milford would receive \$400,000 in state extraordinary aid.

Local Budget and Tax Data on the Web

Jan Barry notes that a large amount of useful fiscal data for each municipality in New Jersey is available on the Web from the Department of Community Affairs.

Here is the web page: <http://www.nj.gov/dca/lgs/taxes/taxmenu.shtml>

Just some of the figures available at a click of your mouse:

Previous Year Net Valuation Taxable

General Tax Rate Per \$100

Value Net Valuation on Which County Taxes are Apportioned

Municipal Budget State Aid

County Library Tax

County Open Space Tax

District School Budget

Previous Year Local Municipal School Budget

Previous Year Local Municipal Purpose

Previous Year Local Open Space Tax

Total Tax Levy for Tax Rate Computation

Senior Citizen Property Tax Deduction

Veterans Deduction

Total County Levy

Total School Levy

Total Municipal Levy



State of New Jersey
Agency Name Here
GOVERNMENT RECORDS REQUEST FORM



Important Notice

The reverse side of this form contains important information related to your rights concerning government records. Please read it carefully.

Requestor Information – Please Print

First Name _____ MI _____ Last Name _____
 Company _____
 Mailing Address _____
 City _____ State _____ Zip _____ Email _____
 Business Hours Telephone: Area Code _____ Number _____ Extension _____
 Preferred Delivery: Pick Up _____ US Mail _____ On Site Inspect _____
Circle One: Under penalty of N.J.S.A. 2C:28-3, I certify that I **HAVE / HAVE NOT** been convicted of any indictable offense under the laws of New Jersey, any other state, or the United States.
 Signature _____ Date _____

Payment Information

Maximum Authorization Cost \$ _____
 Select Payment Method
 Cash _____ Check _____ Money Order _____
 Fees: Pages 1-10 @\$0.75
 Pages 11-20 @\$0.50
 Pages 21 - @\$0.25
 Delivery: Delivery / postage fees additional depending upon delivery type.
 Extras: Extraordinary service fees dependent upon request.

Record Request Information: To expedite the request, be as specific as possible in describing the records being requested. Also, please include the type of access requested (copying or inspection), and if data, the medium requested.

AGENCY USE ONLY

Est. Document Cost _____
 Est. Delivery Cost _____
 Est. Extras Cost _____
 Total Est. Cost _____
 Deposit Amount _____
 Estimated Balance _____
 Deposit Date _____

AGENCY USE ONLY

Disposition Notes
 Custodian: If any part of request cannot be delivered in seven business days, detail reasons here.

In Progress - Open _____
 Denied - Closed _____
 Filled - Closed _____
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Tracking Information		Final Cost	
Tracking #	_____	Total	_____
Rec'd Date	_____	Deposit	_____
Ready Date	_____	Balance Due	_____
Total Pages	_____	Balance Paid	_____
Records Provided			
Custodian Signature _____		Date _____	

Requesting Access to Government Records Under the New Jersey Open Public Records Act (N.J.S.A. 47:1A-1 et seq.)

1. This form should only be used to submit records requests to the *Name of Agency*.
2. Complete and date this request form and deliver it in person during regular business hours or by mail, fax or electronically to the appropriate custodian of the record requested. Your request is not considered filed until the appropriate custodian of the record requested has received a completed request form. If you submit the request form to any other officer or employee of the *Name of Agency*, that officer or employee may not have the authority to accept your request form on behalf of the *Name of Agency* and your request will be directed to the appropriate division custodian. The seven business day response time will not commence until the proper custodian reviews the request to determine if it is complete.
3. If you submit a request for access to government records to someone other than the appropriate custodian, do not complete the *Name of Agency* request form, or attempt to make a request for access by telephone or fax; the Open Public Records Act and its deadlines, restrictions and remedies will not apply to your request.
4. The fees for duplication of a government record in printed form are listed on the front of this form. We will notify you of any special charges, special service charges or other additional charges authorized by State law or regulation before processing your request. Payment shall be made by check or money order payable to the *Name of Officer, Name of Agency*.
5. If it is necessary for the records custodian to contact you concerning your request, providing identifying information, such as your name, address and telephone number or an e-mail address is required. Where contact is not necessary, anonymous requests are permitted; except that anonymous requests for personal information are not honored.
6. *You may be charged a 50% or other deposit when a request for copies exceeds \$25.* The *Agency* custodian will contact you and advise you of any deposit requirements. Anonymous requests, when permitted, require a deposit of 100% of estimated fees. You agree to pay the balance due upon delivery of the records.
7. Under OPRA, a custodian must deny access to a person who has been convicted of an indictable offense in New Jersey, any other state, or the United States, and who is seeking government records containing personal information pertaining to the person's victim or the victim's family.
8. By law, the *Name of Agency* must notify you that it grants or denies a request for access to government records within seven business days after the custodian of the record requested receives the request, provided that the record is currently available and not in storage. If the record requested is not currently available or is in storage, the custodian will advise you within seven business days when the record can be made available and the estimated cost. You may agree with the custodian to extend the time for making records available, or granting or denying your request.
9. You may be denied access to a government record if your request would substantially disrupt agency operations and the custodian is unable to reach a reasonable solution with you.
10. If the *Name of Agency* is unable to comply with your request for access to a government record, the custodian will indicate the reasons for denial on the request form and send you a signed and dated copy.
11. Except as otherwise provided by law or by agreement with the requester, if the custodian of the record requested fails to respond to you within seven business days of receiving a request form, the failure to respond will be considered a denial of your request.
12. If your request for access to a government record has been denied or unfilled within the time permitted by law, you have a right to challenge the decision by the *Name of Agency* to deny access. At your option, you may either institute a proceeding in the Superior Court of New Jersey or file a complaint in writing with the Government Records Council (GRC). You may contact the GRC by toll-free telephone at 866-850-0511, by mail at PO Box 819, Trenton, NJ, 08625, by e-mail at grc@dca.state.nj.us, or at their web site at www.nj.gov/grc. The Council can also answer other questions about the law.
13. Information provided on this form may be subject to disclosure under the Open Public Records Act.

The Greatest Story Never Told

Here's how to write a city council budget story.

By **ROY PETER CLARK**
The Poynter Institute

People remember exactly where they were on those special historical days, the Kennedy assassination, the Challenger explosion, the attacks of 9/11.

But me? I remember where I was the morning I read the best city council budget story ever written. The date was Wednesday, August 21, 2002.

I was sitting at the breakfast table eating my Cheerios.

The story was stripped across the bottom of the local section of the St. Pete Times with this thin headline cutting across four columns: City has \$548 million to spend: What do you want?

I'm guessing now that it was the question mark that caught my attention, along with the unusual appearance of the second person "you."

Then came the lead in the form of a seven-paragraph introduction:

ST. PETERSBURG – Do you live in St. Petersburg? Want to help spend \$548-million?

It's money you paid in taxes and fees to the government.

You elected the City Council to office, and as your representatives, they're ready to listen to your ideas on how to spend it.

Mayor Rick Baker and his staff have figured out how they'd like to spend the money. At 7 p.m. Thursday, Baker will ask the City Council to agree with him. And council members will talk about their ideas.

You have the right to speak at the meeting, too. Each resident gets three minutes to tell the mayor and council members what he or she thinks.

But why would you stand up?

Because how the city spends its money affects lots of things you care about.

It's the difference between whether the Walter Fuller Pool is open and heated in the winter or not. It determines whether there will be a new basketball court in North Shore Park.

It determines whether the beloved volunteer coordinator at the Office on Aging for senior citizens gets laid off.

At this point the story jumps inside, where there are quotes from city council members about their

willingness to listen to the public.

The story then dedicates a few paragraphs each to three different budget issues: the Boyd Hill Nature Park, the Western St. Petersburg library plan, and parking meters.

Accompanying this story are three informational graphics, two on the section front, one inside. One highlights the three key budget issues on the table, using photo icons.

Another is a bullet list on how to influence city spending, with an e-mail address for council members, directions to city council, and advice if you plan to speak at the meeting:

"Plan to wind up your comments before your three minutes expire, or you will be cut off."

The final graphic is a budget summary and explanation that helps the reader distinguish between two broad categories of city spending: operating spending and capital spending.

Wow, I thought. This was remarkable. Perhaps even groundbreaking. I then did something I rarely do with such stories: I read it to the end. And then, because I could not believe my eyes, I read it a second time.

This was a story I had been waiting 20 years to read.

To those of you who detect irony in my words, please keep an open mind. I am dead serious.

Let me explain: It was about 1982 that I addressed a group of journalists gathered in St. Louis about the new movement to improve writing in American newspapers. I was about five years into this effort.

One editor raised her hand: "When you talk about good writing, you always use long narrative stories for your examples, stories about earthquakes and wars, volcanoes and refugee camps. What about those of us who have to write about city budgets?"

Ouch. Her rapier was pointed, and she hit her mark.

Her question got me thinking and working, gathering examples of clear stories on civic matters, talking to the journalists who wrote them.

The result was a long essay titled "Making Hard Facts Easy Reading," a piece that I've re-written in various forms and presented to various audiences.

The essay makes these points: that journalists must take responsibility for what readers know and understand about the world, that civic clarity is more important than literary grace, and that we need to experiment with the way we tell the bread and butter stories of community journalism -- including the dreaded city council budget story.

Innovation, in other words, must attach itself to basic reports, not just surprising stories.

As I travel around the country, speaking with journalists and reading their newspapers, I've been disappointed to discover that the task of innovation, when it comes to basic civic stories, is mostly unaccomplished. Newspapers with excellent features and gripping narratives -- Lord, we need those! -- too often write their basic reports using a language that nobody speaks, a dense jargon likely to be cluttered with acronyms, statistics, and bureaucratic titles.

"The Calusa City Council voted 4-3 Thursday to apply for federal monies that could be utilized in the construction of a regional sewage recycling plant, which some members of the Water Management district think could improve conservation of water during periods of continued drought."

The solution to such writing is not a trick of language, but what E.B. White called an act of faith, a re-thinking of what such stories are for, and who they are for. It is inspired by questions from coaching editors who wonder aloud: "Who will be affected by this? What is the impact? Give me an example of how this might work."

Wouldn't we be better off if the revised lead read: "If the City Council gets its way, you may be watering your lawn and washing your car -- even during a drought -- with treated sewage water."

In the two decades since I wrote my essay, I have encountered many examples of newspaper reports written with clarity and the readers' interests in mind.

But never a city budget story, and, most certainly, never a city budget preview. It is as if this was the unwriteable genre, an inscrutable algorithm for poetry majors.

Then something happened one steamy summer day in a tiny village on the west coast of Florida. A reporter named Bryan Gilmer was covering the St. Pete City Council. Hear what he has to say:

"The thought of advancing the St. Petersburg city budget hearing bored me," Gilmer wrote in response to my questions. "I was, in fact, dreading it. It seemed like we wrote the same

thing every year. Then I thought, 'Readers must really hate these stories if I don't even enjoy doing them.'"

Salvation appeared to Bryan in the unlikely form of Howard Troxler, the crusading metro columnist for the Times, who happened to be a summer fill-in on the metro desk.

Gilmer wrote: Howard and I are fishing buddies, so I felt liberated to tell him frankly how I felt. He said we should find a way to have some fun with the piece, maybe even turn it into a Metro centerpiece.

So we started chatting. I told him it annoys me that stupid issues in the hundreds of thousands of dollars often dominate the deliberations over a budget of nearly half a billion dollars. Some of these are just red herrings; other are tiny appropriations that have well-organized lobbying efforts behind them. Large items -- especially ones not changing much from what was spent last year -- usually slide right through.

The City Council generally assumes that huge changes won't be made year to year. And the public figures the decisions are already made and that they can't influence them.

They're sort of right. At this point in the "budget process," the mayor and council have all but agreed what the budget will look like. Hearing from the public is mostly a formality required by state law.

But shouldn't regular folks genuinely drive this plan to spend a half-billion dollars forcibly collected from them? I'd plowed through the whole proposed budget myself, of course, and had written some about what was proposed. But what about what wasn't in there?

We agreed to fashion a story around the truth: People should know that the city's money was their money and that they could tell their representatives what to do with it. Howard said to write it like a column, and that he'd rein me in if I went too far.

Then Howard and I agreed on a couple of the items we would highlight and he took the lead in working with the page designer to round up pictures. I wrote some snappy chatter to accompany those.

Newspapers often assume their readers know much more about how government works than they really do. And newspapers are really bad at interacting with their readers, especially compared with other media like Internet publications.

Who says we can't just talk to them sometimes, especially to explain complicated stuff?

So I wrote this piece in the second person. I used short sentences to make it an easy read for the government novices we pulled in with the

graphics. And due largely to my strong feelings about the issue, it ended up ... conversational, but with a point of view and a certain urgency. Embedded in Gilmer's explanation are the strategies of civic clarity:

1. Writing with a sense of the audience as citizens who, armed with information, can take action.
2. Writing in a conversational voice, including the occasional use of the second person.
3. Writing at a slow enough pace to promote comprehensibility and learning.
4. Use of simple, but effective, informational graphics.

If this story did, indeed, represent a new direction, how was the reform received by various stakeholders?

More testimony from Gilmer: When this story ran, colleagues at the newspaper loved it. Readers loved it and told us so by the dozen. Twice the normal number of people showed up at the budget hearing, and many asked for offbeat things they might not have otherwise.

Public officials privately expressed a little irritation: "You make it sound like we can just spend \$548-million on anything people want. Some of that money is spoken for!"

To which I replied, "You had decided how you wanted to spend it, but if enough people come in here and tell you to change it, you can change it." To which they grudgingly agreed. It was a good reminder for them.

Sure, the story took a point of view and didn't fit any of our story templates, two things that sometimes keep a story out of the paper. But in the end, it served core journalistic values: It kept officials in check, taught people about their government and empowered them to influence it.

Howard Troxler offers his own, modest version of how this story came into being: "No big deal," he wrote in answer to my questions. "I was filling in as an assistant metro editor, and there had been several mini-issues kicking around

related to the upcoming city budget.

Bryan and I decided to tie them together and advance the public hearing with the 'it's your money' angle, approaching a routine event with fresh eyes. The use of second person in addressing the reader just occurred naturally, no big policy discussion over it.

Look, it IS the readers' money. They're entitled to have a say in how it's spent. They're entitled to run the whole dangd government, for that matter -- anything we can do with words, art, or headline to make it accessible to them is what we ought to be doing."

By now, I've shown this story to hundreds of journalists at Poynter and around the country. The response has been overwhelmingly enthusiastic, appreciative of the risks it took to write it, and the effect it has on readers.

A strong minority opposes it based upon these objections:

1. The questions, the second person, the pace -- all have a condescending, civics-lesson tone that intelligent readers would find patronizing and off-putting.

2. This report is not neutral. It advocates a level of civic participation that is unseemly for a newspaper. Moreover, it presents a naïve picture of people's ability to affect their government.

To the first objection I respond that, as an intelligent reader, I learned more from this story about my city's budget process than anything else I've ever read -- and I've lived in the city since 1977.

To the second, I argue that it would have been wrong for the budget preview story to advocate how St. Pete should spend its discretionary resources, say, spinning the story in favor of the nature park over the library. But there is no need for a newspaper to be neutral about participatory democracy or the ideal of responsible government.

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DON'T FORGET THE BIG PICTURE

(It hasn't changed much since 2002)

FOREWORD By Jon Shure, NJPP President

Stereotypes, whether they deal with people, places or problems, are dangerous and misleading. They divert attention away from real needs and real solutions. So it is with the issue covered by this report. Too often when we think of places where quality of life is threatened by the spiral of rising taxes and declining services, cities come to mind - aging, rundown, unappealing cities.

It is important to know that many other places in New Jersey - including some that on the surface appear to be thriving - face the same conditions that have been so brutal for the cities. Those conditions, as the report points out, include in large measure over-reliance on property taxes as a system to pay for local government. By seeing this bigger picture we can understand more clearly that no one in New Jersey is immune from the situation outlined below. This is "our" problem, not "their" problem. The sooner we see this, the sooner we can start to debate and develop solutions for ridding New Jersey of the ticking time bomb of fiscal stress.

While other work by NJPP on property tax issues has dealt with how best to provide relief for overburdened individual homeowners and renters, this report focuses more on the impact that municipalities - of all sizes and complexions - feel from the system. NJPP is indebted to **Henry A. Coleman** for an analysis that helps to advance the day when New Jersey comes together to face up to what needs to be done.

FISCAL STRESS

IT'S NOT JUST A BIG CITY PROBLEM

By Henry Coleman

THE NATURAL COURSE...OR NOT?

To many observers it is simply the natural course of things: cities go from being vibrant to growing old and tired; they become less viable - no longer able to make it on their own. But in New Jersey, there is no question that the process of decay has as one of its major causes the structure of the tax system we, as a state choose, to live with. Furthermore, it must be emphatically stated that the problems that will be discussed here are not found only in the major cities of New Jersey, the ones that fit the stereotype of decline.

Far from it. Today in 2002, municipalities of all sizes are threatened by the current situation. Indeed, well over 100 of the state's 566 municipalities - big and small, urban and suburban - are experiencing problems. Moreover, many of the others may be staving off short-term trouble by acting against the long-term interest of their region and the state as a whole. They do so in hopes of finding a way out of the dilemma thrust upon them by state policy.

This need not be the case. Changes in the state's tax structure that could reduce or eliminate these pernicious impacts are possible. They would require, however, greater understanding and more political leadership than has existed to date. If undertaken, these changes would make the decline of the state's municipalities something far from the inevitability that is today's conventional wisdom. The longer it takes to develop and implement effective solutions, the more difficult it becomes to deal with problems of fiscal stress that threaten this state's quality of life in ways ranging from the education of our workforce to suburban sprawl.

WHY NEW JERSEY IS DIFFERENT

New Jersey is the richest state in the nation, with a median household income of \$54,226, more than 31 percent above the national average. Clearly, there are significant resources available in the state. However, the distribution of those resources among local jurisdictions is highly skewed. So it is that New Jersey is home to some of the nation's richest municipalities, and also to several of the poorest. According to a 1993 report by the Greater Washington Research Center, Camden ranked fifth and Newark ranked thirtieth among the poorest municipalities in the country.

One reason why the state's high per capita income is of little help to municipalities is that, compared to other states, New Jersey relies excessively on local governments and local financing through the property tax. There are almost 1,600 local units of government in New Jersey, including 21 counties, 566 municipalities, 611 school districts, and more than 400 local authorities, fire districts and other special-purpose local governmental entities. These local units rely almost exclusively on property taxes to pay for a range of activities and services that elsewhere in the United States are funded to a greater extent by state dollars. In 1998, the most recent year for which figures are available, New Jersey was first among all states in terms of property taxes per capita at \$1,744.

The measure of a government's ability to pay for services demanded by its citizens is called "fiscal capacity." This refers to the relationship between spending needs and available resources in a jurisdiction. Where resources are inadequate to provide the amount of spending needed in a community, a structural imbalance called "fiscal stress" is said to exist.

Usually, fiscal stress is a chronic, rather than a periodic, condition for a local community. High and rising local taxes coupled with poor and declining quality of local services are characteristics of local fiscal stress. Moreover, fiscal stress is a dynamic condition - it produces a vicious downward spiraling cycle. High and rising local taxes plus declining local services lead to a deteriorating tax base and further increases in taxes and reductions in services. In other words, the worse it gets, the less desirable a place the municipality becomes; then as more people and businesses depart, the capacity only lessens and the results get worse. Any cyclical downswings in the state, regional, or national economy, which raise local spending pressures while reducing the flow of revenues to the local jurisdictions, exacerbate these structural imbalances.

WHY SHOULD WE CARE?

Fiscal stress presents a problem for several reasons. First, it contributes directly to the economic decline of many local jurisdictions, especially the state's largest cities. Many households and businesses are economically mobile, and when they move they often are not replaced. This brings about a decline in local property tax revenue and means that remaining residents and firms face fewer and poorer quality services. Test scores in local schools decline, streets are dirtier and less-well maintained, crime rates increase - the quality of life in general deteriorates. Because public service costs do not decline in proportion to the loss of population and businesses, the remaining taxpayers face higher tax bills for reduced services. Since taxes accrue as costs of doing business in an area, these higher taxes reduce the value of property and the incentive for companies to locate or expand their operations in these cities and older suburbs.

Second, developing suburbs suffer directly or indirectly, under powerful pressures to constantly seek to avoid fiscal stress by expanding their property tax base in hopes of maintaining low tax rates. So they open the municipality to commercial establishments, offices, houses and other development. This so-called "ratables chase" results in unwise planning and land-use decisions, guided by the need to expand the revenue base instead of to preserve quality of life. Congestion, pollution, costly and duplicative infrastructure investment and loss of valued open space result from the ratables chase. It is important to note that the ratables chase does not give rise to a long-term sustainable solution to the problem of fiscal stress. Municipalities that rely on new ratables to absorb budget increases approach the threshold of fiscal stress when their developable land is exhausted. State efforts to protect the environment through state planning have not been strong enough to contend with the development pressures from the ratable chase. Indeed, the state's purchase of open space might accelerate the reduction in the amount of developable land available, and while that is

desirable from an environmental standpoint, under our current tax structure it further contributes to property tax pressures and fiscal stress.

Third, and perhaps most distressing, is the self-perpetuating cycle set in motion by the fear of fiscal stress. Taxpayers - individuals and businesses - leave cities and older suburbs because they believe taxes will increase and services will decline. Where do they go? Into developing suburbs, further contributing to congestion, loss of open space and unwarranted public investments in those places. The net result is higher-than-necessary public spending, higher and less fairly distributed tax burdens and reduced quality of life for all.

HOW BAD IS IT?

To get a clearer sense of just how pervasive the problems of structural imbalances and fiscal stress are among local governments in New Jersey, it is helpful to review how property taxes are determined. In New Jersey, there is not a single property tax, but rather a separate property tax for each jurisdiction that is authorized to impose the tax. The municipality is the property tax collection agent for all local government in the state, collecting from homeowners and businesses not only what is needed for municipal services, but also those imposed by school districts, counties and such other special-purpose local entities as fire departments.

How much a jurisdiction needs to get from property taxes is the difference between how much it will spend and how much it can get from other, non-property tax sources such as federal and state aid, fees, charges and so on. It is, then, a residual tax. That is:

$$\text{Property tax levy} = \text{local spending minus revenues available from other sources}$$

Each jurisdiction, every year, comes up with a property tax rate, in other words the percentage of a home or business's full property value that will go for taxes. The amount of money needed and the total property value in the local jurisdiction determine the tax rate in that jurisdiction, or:

$$\text{Property tax rate} = \frac{\text{Property tax levy}}{\text{Property value}}$$

The property tax burden in a given place relates directly to:

- The level and rate of growth of local spending
- The amount and distribution of state aid and other alternative revenue sources
- Property values, which reflect both real and inflation-induced growth

Any change that increases local spending and/or decreases non-property tax revenues will increase the property tax levy, all else being the same. If state aid or some other component of non-property tax revenues declines or simply fails to keep pace with the growth in local spending, upward pressures on local property taxes will result. Likewise, any decrease in property values, due to a reduction in the number of households and businesses or to an increase in the amount of property that is exempt from taxation, will reduce the size of the tax base and put upward pressure on local tax rates. As a result, property taxes in a jurisdiction are a good measure of the degree of fiscal stress.

Methods for measuring property tax burdens in a state or community include:

- Overall size of the tax levy
- Property taxes per capita
- General/equalized tax rate
- Property taxes as a percent of all state and local taxes
- Property taxes as a percent of personal income

- Change in property taxes over time.

No matter how the property tax burden is measured, in New Jersey the same pattern emerges. For example, the state average equalized property tax rate (ETR) in 1985 was \$2.47 per \$100 of property value. This was more than double the national average rate of \$1.21.

And while ETRs have been declining across the country, that decline was very modest and short lived in New Jersey. Despite a huge growth in the value of property over the years, the ETR for the state in 2000 was \$2.32, down somewhat from the level in 1985 and from 1966, when it was \$2.57. Two groups set up to examine property taxes in New Jersey - the Property Tax Assessment Study Commission, which issued its final report in 1986, and the State and Local Expenditure and Revenue Policy Commission, which reported in 1988 - suggested a target ETR of \$3.00 or less as desirable. Above that level, they said, is a trouble zone, where the situation cannot be sustained indefinitely and fiscal stress may be near even if local officials do not yet realize it. In 2000, 129 municipalities had an ETR of \$3.00 or more, up from 119 in 1998, with at least one such municipality within each county (see table).

The problem of fiscal stress is pervasive, and not limited to the large cities in New Jersey. Moreover, fiscal stress does not appear to be abating over time.

WHAT CAUSES LOCAL FISCAL STRESS?

Many of New Jersey's local units are experiencing a structural imbalance and some degree of fiscal stress. In general, this structural imbalance results from two factors:

- The way the responsibilities to provide and pay for services are allocated between the state and local governments does not always match up.
- Spending needs and resources available among local governments vary greatly.

The Constitution of the United States provides for the sovereignty of the national and state governments. It makes no mention of municipalities. Local governments, then, are considered "creatures" of their parent state. Any local unit presumably can be created or destroyed at the discretion of its state government. A state's authority over its local governments extends to defining which services they can or must provide, and which revenue sources they have at their disposal. Among the states, the allocation of functional responsibilities between the state and its local governments differs significantly. In addition, local access to alternative revenues also varies considerably.

For example, New Jersey has a very efficient tax collection system compared to other states in that, with the exception of the property tax, all of the major taxes (e.g., income, sales, business) are collected centrally by the state. The only significant exceptions are the Atlantic City luxury tax, the Newark payroll tax and parking and hotel taxes imposed by some cities. However, while the collection of these revenues might be very efficient, the same cannot necessarily be said about how they are then used. Indeed, that efficient system works well only if revenues from broad-based state taxes are then shared with localities in proportion to the service costs that they are forced by the state to bear.

Local governments have significant responsibilities for such services as schools, police and fire protection, garbage disposal, public assistance, county colleges, assistance for the mentally ill and disabled and the office of the county prosecutor. In these instances, the service is either a state responsibility devolved to local government or a local responsibility under state law.

For example, the New Jersey Constitution defines the provision of a thorough and efficient primary and secondary education for individuals 5 to 18 years of age as the responsibility of the state government. Indeed, the state sets many of the parameters governing the provision of school services, including curriculum standards, minimum teacher salaries and such. But the state of New Jersey provides only about 40 percent of the total cost of financing local education - well below the

national average of around 50 percent.

Similarly, as a partner in the establishment of the county colleges, state government was to pay approximately 50 percent of the cost of operating that system. In fact, the state's share generally has amounted to only about 25 percent. In addition to these situations where the state government plays a dominant role in so-called joint state-local spending decisions, unfunded federal and state mandated expenditures also add to the state-local mismatch. Although the state plays such a major role in the spending decisions at the local level, the state reserves for itself the authority to impose taxes on broad-based revenue sources, such as the income and sales taxes. The result of these factors is extensive reliance on property taxation by local government because it has nowhere else to turn.

From place to place in New Jersey, needs and resources are unevenly distributed. A major reason is the combination of having such a large number of local jurisdictions, and the reliance on local property tax as the primary source of revenue for local governments. Indeed, spending needs are often greatest where resources - measured in terms of property values - are least. Cities and older suburbs in the state have experienced a loss of households and firms, which move out to developing suburbs in search of cheaper housing, better schools and safer communities. These cities and older suburbs remain home to many economically disadvantaged, often minority, households that might need more services from the public sector, but have very limited resources to help pay for those services. This concentration of poor residents in cities and older suburbs, while better off individuals reside in outlying suburbs, is often referred to as "polarization." As noted earlier, the problem is quite pervasive and far broader than just a handful of older cities. It now describes more than 100 municipalities, with more joining the ranks each year.

The state-local mismatch suggests that local government in general carries a disproportionate burden within the New Jersey public sector. The local disparity mismatch indicates that the resulting fiscal stress is much more severe for some local units than for others. In essence, New Jersey relies excessively on local government to provide and/or finance services within the public sector - and some local jurisdictions are far less able to handle that extra burden than others.

WHAT WOULD IT TAKE TO FIX THIS?

Since high property taxes are a signal of the extent of fiscal stress among local governments in New Jersey, the state has devoted considerable effort to trying to sort out the various dimensions of "the property tax problem." Policy and programmatic responses have followed. Recent efforts to address some aspects of the property tax situation have included: The Property Tax Assessment Study Commission (1986); The State and Local Expenditure and Revenue Policy Commission (1988); The Quality Education Commission (1990); The Education Funding Review Commission (1994); The Governor's Property Tax Commission (1998); The Senior Tax Freeze (1998); and NJ SAVER program (1999).

These efforts focused on issues ranging from improving property tax administration to reducing individual taxpayer burdens (especially for senior citizens) to changing the structure (i.e., number and extent of cooperative efforts) of local government to alternative means of financing schools, currently the largest use of property tax revenues.

Each has met with, at best, only limited success. They have in large measure not been comprehensive, in many cases only addressing pieces of the problem and often avoiding politically delicate issues. Comprehensive reform would address each aspect of the property tax - and, therefore, fiscal stress-problem, including:

1. Over reliance on local/property taxes

Approximately \$15 billion in property taxes are currently collected in New Jersey. To place this figure in context, it is about equal to the combined yield from the income, general sales and corporate business taxes, the three largest state-government revenue sources. Property taxes in New Jersey account for over 45 percent of all state and local taxes, well above the national average of about 31 percent.

2. Changes in property taxes

Over the last 8-10 years, property tax levies (reflecting both increased taxes on existing properties and taxes on new properties) have increased on average about \$400-500 million a year. Property tax relief to local governments or to individuals would have to equal that amount just to keep the current situation from getting any worse.

3. Fiscal controls on local access to revenues

Local governments in the state are largely limited to the property tax in raising revenues. More than 98 percent of all local own-source tax revenues in New Jersey come from property taxes, compared to about 75 percent on average for other states

4. Disparities among municipalities

Effective tax rates in the state vary significantly, with extremes ranging from lows of \$0.77 in Rockleigh Borough (Bergen County) and \$0.87 in Avalon Borough (Cape May County) to highs of \$11.85 in Winfield Township (Union County) and \$6.15 in East Orange City (Essex County). As noted earlier, over 22 percent of the state's municipalities, including most of the large cities, are significantly above the \$3.00 standard, with the resulting adverse implications for economic development in those communities.

5. Who pays

In other words, how should the burden be shared fairly? The property tax is widely held to be a regressive tax, in that middle- and low- income households end up paying a larger share of their yearly income in property tax than do the wealthiest residents.

6. Administration of the property tax

This has two parts: assessment and collection. Assessment concerns center on large disparities between market value and what a property is assessed at within a municipality, long delays in revaluation/reassessment of property (property is supposed to be uniformly assessed yearly, but about 15 percent of all municipalities have not revalued in a decade or more) and the concentration of much of the state's tax-exempt and tax-abated property in many of the poorest jurisdictions. In terms of property tax collection, while the statewide average is for collection of more than 95 percent of what is owed, the rate is almost ten percentage points lower in several of the state's largest local jurisdictions.

7. The ratables chase

The extensive and almost exclusive reliance on property taxes by local jurisdictions produces unwise and uncoordinated land-use and planning decisions, which result in under use of the state's urban areas and an over use of the state's open spaces and environmentally sensitive areas.

WHY DID PREVIOUS REFORMS FAIL?

As noted above, the state has made several attempts to address the problems of local fiscal stress and property taxes before. Several factors likely contributed to the relative lack of success of the previous efforts.

First, the reforms were implemented at an inadequate scale. Billion-dollar problems do not generally lend themselves to million-dollar solutions. NJ SAVER might be a good case in point. This is a program that was designed to be phased in over a five-year period, beginning at \$200 million in individual property tax relief and increasing until a total of \$1 billion in relief is provided. Note that these rebates are given to homeowners regardless of whether they live in high-tax or low-tax municipalities. Moreover, they do nothing to provide municipalities with the resources they need to function. And, business owners who also pay high property taxes get no benefit at all from this program.

Second, New Jersey has a confusing conglomeration of property tax relief programs. In the Fiscal Year 2002-03 state budget, property tax relief programs for individuals alone included the following: NJ SAVER; Homestead Rebate; Senior/Disabled Citizen Property Tax Freeze; Municipal Reimbursement - Veterans' Tax Exemptions; Municipal Reimbursement- Senior/Disabled Citizens'

Tax Exemptions; and Property Tax Deduction Act.

These programs were developed piecemeal over years, often guided more by political considerations than the desire to achieve economic efficiency or overall fairness. With better planning and allocation, resources invested in these programs could provide the basis for a systematic, unified and comprehensive property tax relief program. Such a system would likely prove more effective in producing needed property tax relief, though the level of overall relief would still be inadequate unless additional resources were invested.

Third, the benefits of previous reforms were diffuse, and poorly targeted to individual need, so they did little to address equity concerns raised by the property tax. The Senior Freeze provides a good illustration. Though programs directed to senior citizens are politically popular, this group is not always the one most in need of relief. Low-income residents of cities and older suburbs are generally the groups with the greatest property tax burdens. These groups are often not included as primary beneficiaries in property tax relief programs. Expanding a relief program to include non-needy individuals or communities increases the costs and dilutes the program's effectiveness in reducing inequities in individual tax burdens.

Fourth, out of a total Fiscal Year 2002 budget of about \$23.3 billion, the state government provided about \$1.7 billion in direct aid to municipal governments, and about \$7.4 billion to local schools. The two concerns discussed above about inadequate program scale (relative to the magnitude of the problem being addressed) and poor targeting based on need are also applicable in describing these resources devoted to schools and municipal government assistance. In general, state aid is not designed to reflect local needs or the availability of alternative resources among local government recipients. The amount of state aid reflects neither the level of responsibilities given local government by the state nor the unique fiscal capacity concerns of particular communities.

WHAT ARE THE OPTIONS NOW?

Many reforms have been recommended at various times by policy study commissions, advocacy groups, state and local policymakers, academics, think tanks and other analysts. This section reviews several of the reforms that have been suggested over the years by various study commissions and policy analysts, and tries to indicate which aspect of the structural imbalance would be addressed by the reform.

Change in government structure

This would result in fewer local units of government, and greater cooperation and coordination among the units that remain. This includes local government consolidation and sharing of services, as well as regionalization and/or privatization of local services. If the problem is a mismatch among local units, then fewer local units may be a part of the answer.

State assumption

Reducing reliance on local government and expanding the role of the state in delivering services could include such actions as state takeover of more of the costs of financing a) the office of the county prosecutors, b) public assistance or operating mental facilities, c) local schools, and d) county college operations. Local responsibilities are reduced as the state assumes a greater role in providing and financing "state" services.

Local revenue diversification

Authorizing local government to impose and collect other, non-property taxes, including those that would capture non-resident dollars, would reduce the heavy reliance on local property taxation. It would increase the funding sources available to local jurisdictions through mechanisms such as a) local option income and sales taxes, b) parking, entertainment, and hotel taxes, and c) user fees and charges, perhaps imposed on owners of tax-exempt properties that use local services.

Tax-base sharing

This would mean greater cooperation and coordination among the local units involved, especially in terms of economic development decisions. The Hackensack Meadowlands Development Act is one

of the most-often cited examples of how such a system can work. In the Meadowlands, land-use activities over the last 30 years have been planned in the best interest of the region, without strict regard to the town-by-town distribution of activities. A portion of the benefits of economic development (i.e., ratables and the resulting property tax revenues) are pooled and redistributed among the 13 municipalities in the area according to a pre-determined formula. This reform makes participating local governments partners in sharing the benefits of economic development as well as any costs of development restrictions.

Statewide property taxation/alternative funding for schools

The decision by Michigan to eliminate local property taxes as a source of funding for schools, while implementing an increase in the state sales tax and a modest statewide property tax is an example. It can reduce reliance on local revenues and eliminate disparities in tax burdens among local jurisdictions.

Increased payments in lieu of taxes

Property tax exemptions are granted under the state constitution to religious, charitable, educational, and governmental entities, many of which accrue to organizations and activities that concentrate their operations in urban areas. Currently, many of these non-taxed entities make payments in lieu of taxes (PILOT), but this program could be strengthened, expanded and more adequately funded to do a better job of recouping lost tax revenue.

Targeted circuit breaker

The regressivity of the property tax - its tendency to overburden middle- and lower-income households - could be eased by limiting the level of the tax burden experienced by specific individuals/households. As noted earlier, this would likely involve the elimination of the current complex of individual property tax relief programs in favor of a targeted and fully state-funded circuit breaker which sets a limit on the ratio of property tax payments as a percent of income for means-tested individuals.

Change in assessment/collection administration

Achieving economies of scale in the assessment function by a transfer of all or part of the assessment responsibility to the county or the state would improve the process of establishing the value of taxable property. So would stronger state guidelines for operation and financing the office of the assessor, and spreading the burden of abandoned properties and other non-responsive taxpayers among a larger group of state taxpayers, rather than concentrating the burdens among residents of a single municipality.

Change state aid

Reducing reliance on local financing, and therefore on property taxes could be most effectively accomplished if state aid were to a) increase in proportion to the level of local government responsibilities, b) be targeted to individual jurisdictions based on their fiscal capacity, c) indexed to preserve its real value over time and d) linked to property tax decrease by the recipient local jurisdiction.

Fully fund existing and future state mandates

This would reduce the back-door access to the property tax that the state has used over the years. By dictating certain spending activities or levels for local government, generally without regard to the variations in the current expenditure burdens or ability to pay among localities. The superior revenue-raising ability of the state as a result of more and more diverse revenue sources would be employed to insure that state resources matched state mandates.

Development incentives

Many places, especially urban areas, have infrastructure in place, an available workforce and other advantages, but are perceived as having a low quality of life. Among the incentives proposed to overcome this situation are dual-rate property taxation (where unimproved and improved land are taxed at different rates), Enterprise Zones, subsidies for brownfields remediation, and, most notably, more rigorous adherence to the State Development and Redevelopment Plan's call for directing

development to cities.

A WORD ABOUT BUSINESS

New Jersey's over-reliance on property taxes often is seen as a problem for homeowners and renters. Therefore, property tax reform discussions usually center on residential taxpayers and they have been the beneficiaries of most property tax relief programs. However, the state Constitution mandates uniform taxation among classes of property, a requirement that is sidestepped when all property is taxed at one rate but homeowners and renters get substantial tax rebates. Property tax relief and equity for non-residential taxpayers should also be a priority. For example, it is generally held that property assessments are more current and accurate for non-residential properties, which means that the relative share of taxes paid by non-residential taxpayers may trend upwards over time. Higher property taxes in cities and older suburbs are generally reflected in lower property values for all taxpayers, through the so-called capitalization process, which may have particularly adverse implications for businesses trying to borrow capital to finance operations or new construction.

Finally, higher taxes are generally passed along in the form of higher prices and/or lower wages, both of which would serve to make businesses operating in high-tax communities less competitive. The frequent response to these conditions is to offer property tax abatements. Virtually no private investment has occurred in high-tax urban municipalities except through tax abatement programs. These abatements are often difficult to obtain, especially for smaller investors and homeowners, which creates an uneven playing field among non-residential taxpayers and between residential and non-residential taxpayers. Instead of programs that benefit individual taxpayers who are able to avail themselves of such breaks, we need lower property tax rates. This will allow ordinary capital investment decisions to be made by private decision makers without the market distortions brought about by taxes or subsidies

WHERE DO WE GO FROM HERE?

New Jersey's current tax system produces structural imbalances and the resulting fiscal stress. This, in turn, contributes to significant problems, including the decline of large cities, the loss of farmland and open space, an unfair distribution of tax burdens, unrealized economic development potential and overall reduction in the quality of life experienced by those who reside or work in the state. More generally, this system has led to more balkanization among the state's local governments, and an attitude among these jurisdictions that fails to see the state or even a region as an integrated community. Several things could further magnify these difficulties, including continued economic downturn.

A significant and sustained economic downturn greatly contributes to the structural imbalance and fiscal stress among local governments. Recessions increase spending pressures for services such as public assistance, housing, emergency medical care and police protection. At the same time, revenues from property taxes, fees and charges, and intergovernmental aid are reduced.

Technology has the potential to affect the fiscal stress experienced by local government in several ways. For example, technology reduces the need for much of the face-to-face contact (so-called agglomeration economies) previously thought necessary to conduct business. This type of contact was an important reason for the existence of cities. The skills requirements for many of the high-tech jobs of the new technology-based economy will further marginalize low-skill workers in urban and rural areas. As a consequence, advances in technology may further reduce the attractiveness of cities and older suburbs as a place to do business. The result will be slower growth (if not a decrease) in property values, higher property taxes and a continuation of the downward cycle.

CONCLUSION

Year by year the situation grows more serious. The longer we wait to deal with the problems of New Jersey's tax structure, the harder the job gets. From the largest cities to the most seemingly

successful suburbs, a worsening of conditions is taking place. The fact that it is a slow decline that cannot be easily seen makes it an issue that is easy for the public to miss and the politicians to avoid. But it is a problem nonetheless - one that the state denies at its peril.

Henry A. Coleman is Director of the Center for Government Services at Rutgers University and a member of the NJPP Board of Trustees. He would like to thank members of a special working group convened by the New Jersey Mayors' Association Property Tax Committee, and The Fund For New Jersey for helpful comments on earlier drafts of this report. Special thanks go to Judy Cambria, Jerry Harris, Jon Shure and (especially) Cliff Goldman for their many helpful suggestions.