

# New Jersey Senate

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The Honorable Phil Murphy  
Governor, State of New Jersey  
PO Box 001  
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Dear Governor Murphy:

Yesterday, you announced how you would allocate school funding that is increasing by \$600 million in your proposed budget. You announced increases of more than 10-20% for many districts and that reach as high as 58% in one district. However, there are significant decreases or almost meaningless increases for many other districts struggling to meet pressures associated with COVID 19. First and foremost, we believe that while schools are grappling with virtual education, technology costs, and planning for a safe return to our classrooms, no school should have its aid cut. We will be recommending that change to your proposed budget, and in the course of budget hearings will identify savings to make this possible. Second, we respectfully recommend that you instruct, through proposed budget language, that school districts being promised very large increases set aside at least half of the promised increase into uncommitted reserves to protect against two looming risks: (1) a repeat of last year's fiasco where you directed school districts to pass budgets relying on unsustainable promised increases you later rescinded; and (2) municipal budget instability and residential property tax increases that will result when commercial and retail properties predictably and successfully appeal property values due to COVID 19 impacts.

- Protecting Against a Repeat of Rescinding Unsustainable Promised Aid Increases

Last year, when similar unsustainable increases were announced as part of your proposed budget, your administration ordered school districts to prepare and pass budgets (well into the COVID 19 emergency) anticipating the promised increases. Budgets relying on your promises and order were passed -- even as it became obvious to everyone that the promises were not sustainable. After school budgets were enacted, you effectively pulled the rug out from under these schools by rescinding their promised aid increases. This instability served no one. Contracts, hiring decisions, and

other spending obligations hardened and then promised aid was never delivered to support them.

This year seems likely to be more of the same, only worse. By way of example, last year you promised Plainfield and North Brunswick unsustainable increases of 13% and 26% that you later rescinded. Now you are promising them even bigger and more unsustainable increases of 18% and 36%. And Newark was promised an unsustainable increase of \$53 million that you predictably never delivered and now you are promising them an even more unsustainable increase of more than \$85 million.

The unsustainability of these sorts of increases is obvious. You have proposed a State budget that increases overall spending by 11% -- even as recurring revenues grow at a far less rate. You readily admit that the 11% spending increase and up to 58% school aid increases are built on a one-time borrowing of \$4.3 billion and related one-time use of surplus that will not be available in future years. You have repeatedly stated that you believe the State's finances to be volatile due to COVID 19.

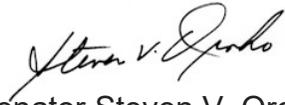
- Protecting Against Municipal Budget Instability and Residential Property Tax Increases

As is obvious to everyone, destructive impacts of COVID 19 will result in vacancies and financial distress for malls, office buildings, and retail centers. In the near future, owners of these properties will be filing appeals, if they are able to pay their taxes at all. Municipal budgets -- despite being only a part of the recipient of property taxes -- will be on the hook for these appeals. The tax burdens once placed on office buildings and retail centers will shift to residential property owners while many of their incomes are stagnating.

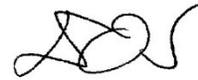
Conditioning the largest increases on a prudent requirement to set aside a portion to share in the effort to address the impact of tax appeals will help stabilize municipal budget that will otherwise be left holding the bag. And it will protect against a shift to residential property taxpayers to pick up the slack.

In the weeks to come, legislators in both parties will be discussing and advocating for proposals to change your school funding proposal so that districts losing aid are made whole during a period of unrest and uncertainty. We will be discussing and advocating for proposals to more fairly allocate any increase in aid by focusing increases toward Extraordinary Special Education demands that remain underfunded. And many legislators will be advocating that more funds be made available to people, small businesses, and nonprofits who continue to be crushed by COVID 19 and unreasonable closures and regulations with little more than lip service of financial help coming from Trenton.

Respectfully,



Senator Steven V. Oroho  
Republican Budget Officer



Senator Declan J. O'Scanlon, Jr.  
Member, Budget Committee



Senator Michael L. Testa, Jr.  
Member, Budget Committee



Senator Samuel D. Thompson  
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Cc: Sheila Oliver, Commissioner, Department of Community Affairs  
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