Opinion: High taxes, high costs are endemic to NJ. Can Murphy find a cure?

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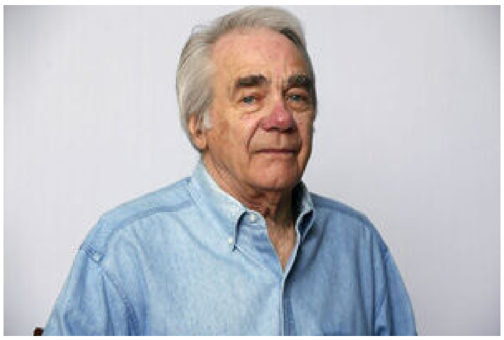
Efforts at consolidation, mergers, shared services and local sales taxes have all foundered. What chance does this second-term governor have at relieving the tax burden?


Carl Golden

Gubernatorial budget messages to the Legislature generally produce few surprises. Selected administration and legislative leaks combined with fairly well-informed speculation drain most of the suspense from the governor's spending proposal, leaving legislators and lobbyists to pore over the fine print in search of nuggets of information affecting their districts and clients.

They're joined in their quest by the media, anxious to determine who benefits and who will walk away angry and disappointed.

Early signs indicate that Gov. Phil Murphy's presentation of the fiscal 2023 budget will differ little from history.

There will be the obligatory, self-congratulatory "the budget is balanced with no new taxes" boast along with a recitation of the administration's record of serving as the ever-vigilant guardian of the taxpayers' money.

In the immediate aftermath of his election victory, Murphy took on the tax-increase chatter with a public promise that his second term would be increase-free, an early pledge that could risk boxing him in in the event of an economic downturn or a violent return of the COVID-19 pandemic.

His repeated references to “affordability,” the political buzzword of 2022, indicate it will be the thrust of his message.

Addressing NJ’s high cost of living

It’s more precise definition and the path toward achieving it are rather vague, but Murphy’s presentation may fill in some of the blanks or, at the very least, provide suggestions to address growing complaints that the high cost of living has led to an exodus while at the same time presenting a major obstacle to those who wish to remain and make their way up the economic ladder.

In a state in which the median household income is slightly more than $85,000, the average cost of a home is $440,000 and the average property tax now at $9,284, affordability appears hopelessly out of reach for many.

Energy costs and auto insurance premiums — particularly with an underage driver in the family — add to the everyday burden of necessary expenses.

It is one of the most expensive states in the nation in which to live and property taxes remain the principal culprit.

In his post-election comments, Murphy credited his administration for holding the average property-tax increase last year to 1.9% although in out-of-pocket dollars it remains the highest in the nation.

In a subsequent burst of election euphoria, he asserted he wasn’t satisfied with merely bragging about slowing the rate of increase but intended to work toward property-tax reductions — a goal that has eluded all his predecessors.

With about 53% of property-tax revenue directed to public education, governors have relied almost exclusively on annual budget increases in state aid as the most direct way to exert some level of control on the local tax levy.

Murphy has followed that pattern, even though local boards of education are free to allocate state aid in any way they choose. There is no requirement to direct the aid to property-tax reduction.

Growing more burdensome

Despite local governments being constrained by a state-imposed 2% cap on tax increases, rates continue to rise year after year and grow more burdensome on homeowners to whom shelling out more tax money every year has become a fact of life.

Against this historical background and in the well-established governing environment, fulfilling Murphy's twin pledges — affordability and reductions in property taxes — will be a steep hill to conquer.

Encouraging school district consolidations, municipal mergers and shared services have all enjoyed official attention in recent years but implementing those measures in a significantly broad fashion to produce major cost savings has not occurred.

Local opposition to possibly losing control and identity is so deeply ingrained in the state's home-rule tradition that mandating merger or consolidation is politically unpalatable. Entering into such an arrangement voluntarily — while acceptable — has not been widespread and is unlikely to become so.

Extending alternative taxing authority to municipalities — a local sales or income tax — to replace or greatly minimize reliance on property taxes has cropped up periodically but is even more politically unpalatable than forced consolidation.

Murphy's legacy

A more global approach involving convening a constitutional convention to examine the state's entire tax structure and recommend revisions has drawn some interest but never sufficient to warrant a serious legislative effort.

In his desire for affordability and easing the property-tax burden, Murphy is in a position to break with past traditions and move decisively toward significant institutional changes.

He is, for instance, in his second term and free from the pressures brought by a reelection on the horizon. His victory last November while too slender to be considered a mandate was nonetheless the first time in 44 years a Democrat has won a second term. He holds some political capital to spend in a Legislature controlled by his party.

He is concerned with building a legacy as all second-term chief executives are and there would be no greater and lasting accomplishment than untangling the knot of the high-cost/high-tax rope that has enveloped the state for so long.

Just as hopes that the COVID-19 virus morphs into an endemic that the population can live with, the state's property-tax system has already achieved that status along with the headaches and fatigue that accompany it.

Murphy has spent two years confronting the former and appears eager to take on the latter.