

CAP WATCH

Holding local and county government accountable

How a few hours can save taxpayers millions

Background – Two key laws passed in 2010

- 1) 2% Property Tax Cap-** Applies to all municipal, school, county tax rates, with 4 exceptions: pensions, health care benefits, capital expenditures, and emergencies. Schools also have an exemption for increased enrollment. Gov. Christie originally proposed a 2.5% constitutional amendment (as a law can be repealed) with 1 exception for capital expenditures. Democrats had proposed a 2.9% cap with 12 exceptions.
- 2) 2% Wage Cap-** Applies to police and firefighters for municipal and county government. Covers salary related items, base salary and longevity; does not cover health/pension benefits. Expires April 1, 2014. A commission is setup to report on the cap. Gov. Christie originally wanted a hard cap of 2% that would have included pension/benefits.

CAP Watch goal: *PREVENT contracts with loopholes and tax increases above 2%.*

What to watch out for

2% Wage Cap- What to look out for:

While granting 2% salary increases to meet the letter of the law, watch for tactics that increase costs such as:

- Length of contract- The cap expires April 1, 2014. Watch out for a 3.5 or 4 year agreement with a significant boost in the part of the contract after the cap expiration.
- 2% midyear raise- The agreement calls for a 2% increase in pay as of July 1. While sounding like it meets the cap it would really be a 4% salary increase. So the first year is 2%, then thereafter it would be an effective 4% raise.
- Health Benefits & Sick/Vacation Days - As health benefits are not covered by the cap there could be concessions to lower co-pays, or otherwise increase health plan benefits. Also, add sick, holiday, or vacation days.
- Steps & Promotions- Reducing the time intervals or otherwise accelerating when these automatic raises take place. Promotions- Move people to corporal, sergeant, or other ranks/designations that increase pay.

NOTE: COMPARE CONTRACTS, BE ALERT, THERE WILL BE A GREAT DEAL OF CREATIVITY IN COMING UP WITH TERMS THAT GET AROUND THE CAP.

2% Property Tax Cap- What to look out for:

Remember, this law applies to all levels of government, schools, local, and county.

- The two main exemptions, health benefits and pensions, allow for greater than 2% total tax increase.
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- Example: \$15M budget with \$10M funded by property taxes. Two percent cap would mean a \$200,000 tax increase. \$2M of budget goes for health care and pension payments which increase 12% or \$240,000. So, \$200,000 of the increase can be added on because it exceeded the 2% “cap”. Total tax increase: 4% or \$400,000.

What you can do to help enforce the cap laws

Attend, Ask, Accountability

By simply showing our elected officials that an informed citizenry is watching, you will have a major impact on spending/taxes. You will be welcomed by officials who support the caps.

Attend

1. Find out when your town/school board/county holds meetings.
2. Each meeting has an agenda. You can ask questions during the “public” part of the meeting. Do not hesitate, the person running the meeting can sometimes quickly close it to the public.
3. Come prepared (see below) and ready to act in a firm and polite manner.

Ask

1. All government documents are public, except if there is a reason for confidentiality such as personnel matters, contract negotiations, etc. Budget documents and signed contracts are public documents as well as salary information.
2. Each town will be different in how cooperative they are in providing materials. Some publish electronic documents on their website; others will request a freedom of information act request for material and charge for copies.
3. Attend a public meeting, brings friends and family if you can. The more people in attendance, the greater the impact.
4. Ask the governing body what contracts they negotiate, when those contracts expire, and how you can obtain a copy of the latest contract. Ask them if they are currently in contract negotiations.
5. Bring a copy of your tax bill. Ask, “Will you hold the tax rate to 2%, meaning will my property taxes in total only go up by 2%?” BE ALERT for “weasel” words like “we will meet the tax cap law” or “we are reviewing the impact of the law on our town”.

Accountability

1. Write the Mayor/School Board President, etc., thank them for their time and summarize what they said and how you look forward to future meetings.
2. Write letters to the papers on what the governing body said.
3. Track what actually happens, compare contracts, tax rates for changes, and...

**You can email me (John Krickus) with your questions and results at:
njcapwatch@gmail.com.**