Affordability in New Jersey

STEVEN
Fulop 2025
DEMOCRAT FOR GOVERNOR

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AS MAYOR OF JERSEY CITY:

Notable Accomplishments in Tax Stability and Financial Practices

Over the past decade, Mayor Steve Fulop has implemented numerous strategies to stabilize taxes and innovate financial practices in Jersey City. These efforts aimed to foster a sustainable economic environment, encouraging investment and stabilizing taxes. The results are clear — in the past eleven years, seven municipal budgets have had a flat or reduced municipal tax rate[1], positively impacting Jersey City's credit rating, reducing dependence on tax abatements, and creating healthy financial management policies.

Reduction in Reliance on Tax Abatements

When Mayor Fulop was first elected, he outlined a comprehensive plan to phase out developer subsidies, and once elected, he worked to do just that. In the last seven years, Jersey City has granted only one market rate tax abatement. Since 2018, 68 PILOT agreements (Payment in Lieu of Taxes) have expired, and the properties have reverted to conventional taxes, further funding Jersey City's public schools by tens of millions of dollars.

1. Flat: 2014, 2015, 2016, 2017, 2018, 202; Reduced: 2021

Culture Change in City Hall

Changing the culture of City Hall was priority number one for Fulop. Once sworn in, he needed to tackle several interconnected issues. First, there was a lack of comfort in the professionalism of City Hall. In the year prior to Mayor Fulop's election, the city experienced the largest corruption bust in the history of New Jersey. Further, investment was only in one part of the city —the waterfront.

In the last 11 years, the narrative surrounding Jersey City has entirely changed. Fulop implemented hiring practices to recruit highly qualified and competent professionals in leadership roles, strong discipline around employee practices, and stable policies that created long-term clarity for investment.

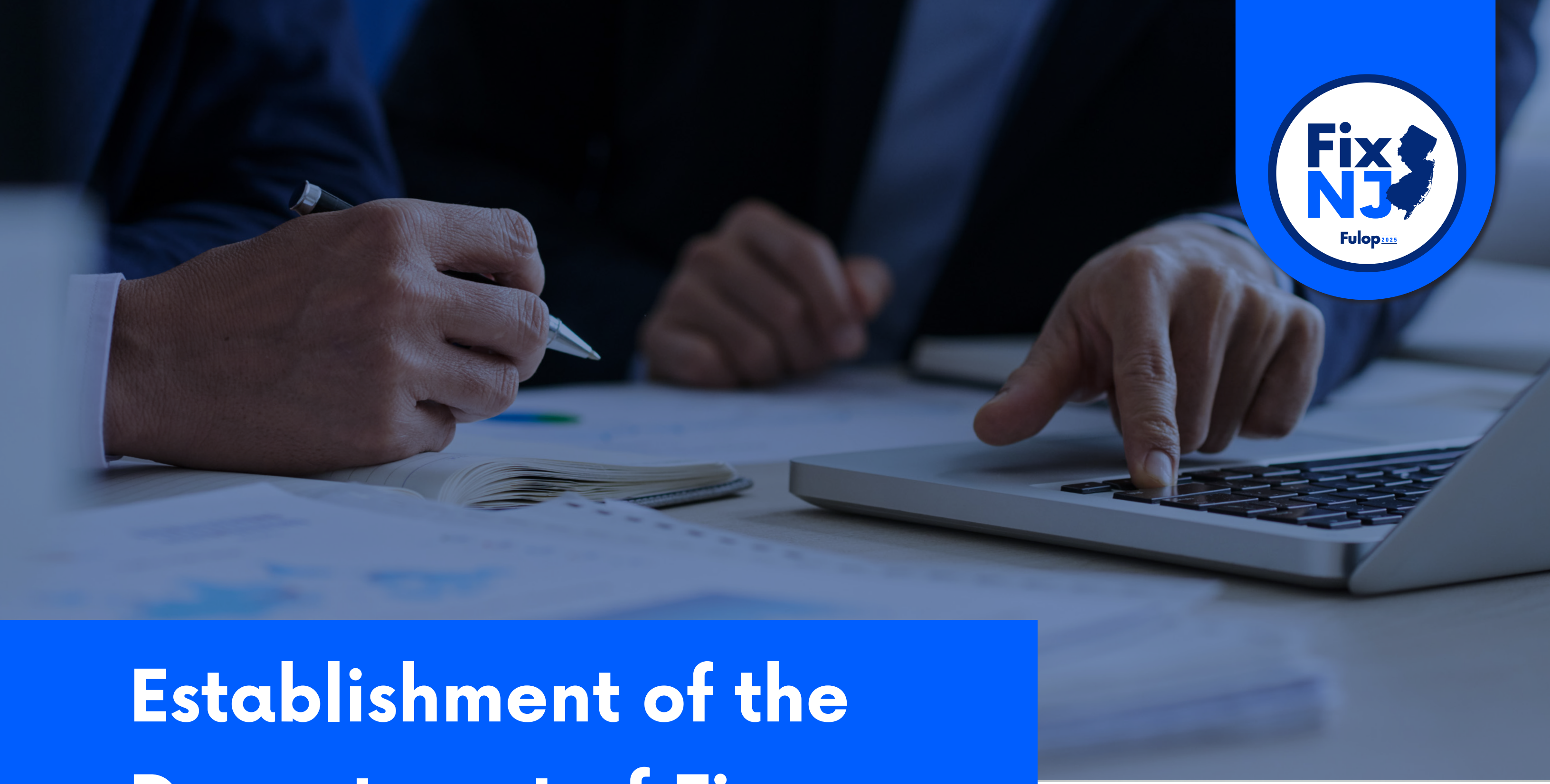
The results are clear — in every metric Jersey City has become the state's economic backbone and has been the state leader on housing policy, attracting investment throughout the city's six wards.

Executive Policy: Tax Stabilization Fiscal Management Program

Mayor Fulop established a Tax Stabilization Fiscal Management Program to mitigate future financial risks:

- Three-year economic forecasts to anticipate and prepare for fluctuations.
- A Budget Oversight Committee comprising executive and legislative leadership for continuous financial monitoring.
- One-time revenues are structured over three budgets, eliminating budget gimmicks.
- Stricter reserve balances and debt issuance limitations are self-imposed beyond what the law requires.

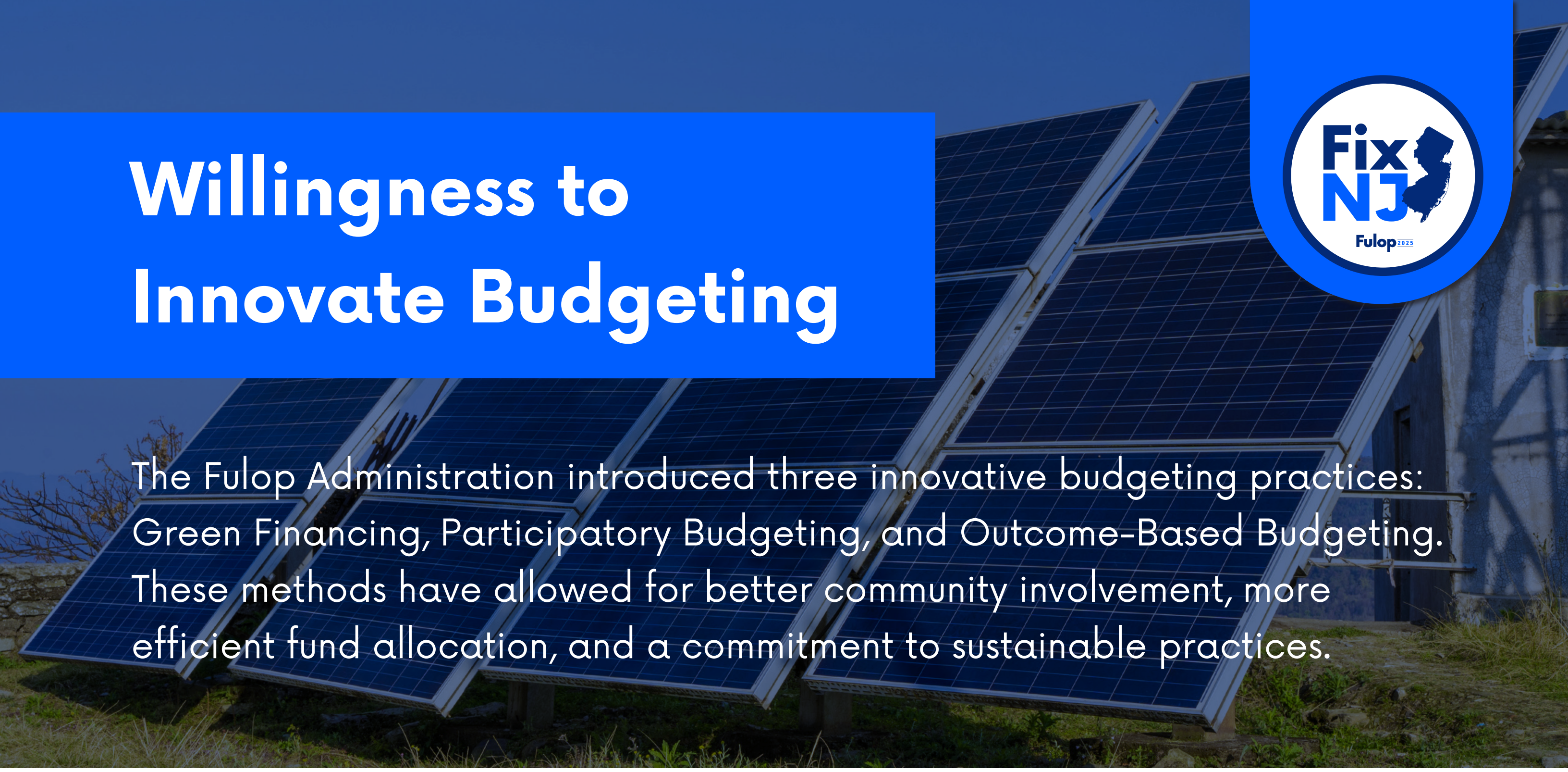
Moody's Investors Service applauded these efforts, citing Mayor Fulop's leadership in creating management policies and fiscal goals and emphasizing greater transparency and accountability.



Establishment of the Department of Finance

In 2019, the Fulop Administration established a Department of Finance to centralize fiscal responsibilities and better manage resources. This department is tasked with enhancing transparency, ensuring financial stability, and promoting sustainability. The resulting benefits include:

- Increased department financial accountability
- Improved budget management
- More efficient revenue collection
- Comprehensive debt management
- Procurement
- Contract oversight
- Performance measurement
- Economic forecasting
- Innovation in financial practices



Willingness to Innovate Budgeting

The Fulop Administration introduced three innovative budgeting practices: Green Financing, Participatory Budgeting, and Outcome-Based Budgeting. These methods have allowed for better community involvement, more efficient fund allocation, and a commitment to sustainable practices.

Green Financing

The Fulop Administration developed initiatives to fund environmentally friendly projects and practices, investing in renewable energy or energy-efficient infrastructure, and incentivizing sustainable practices in the local community. The Jersey City Energy Savings Improvement Program (ESIP) will save Jersey City taxpayers $21 million in energy and operational costs over 20 years while funding over $19 million in urgent capital needs by maximizing funding from outside sources, such as utility rebates and incentives. Third-party energy audits verify these savings.

Participatory Budgeting

This innovative practice involves residents in the budgeting process, allowing them to propose and vote on projects to be funded. The Administration allocates $750,000 annually to projects submitted and voted on by community members.

Outcome-Based Budgeting

Rather than simply allocating funds based on past budgets, outcome-based budgeting involves setting clear goals for each department or project and allocating funds based on these desired outcomes. This approach ensures money is spent effectively and holds government departments accountable for their performance. This allowed the Fulop Administration to expand public-facing programming, funding new mandates like the $20 per hour cost of living initiative.

AS GOVERNOR:

Areas of Focus in Affordability

As a father to three young children, the son of retirees, and the mayor of New Jersey's second largest city, Steve Fulop knows that as Governor, his job is to make sure that New Jersey is more affordable for young families, seniors, and low and middle-income residents. He is committed to tackling the affordability crisis without sacrificing services and safety nets.

Affordability for Seniors

At first glance, Stay NJ sounds like a great way to help seniors stay in New Jersey – it cuts property taxes in half (up to $10,000) for senior homeowners, regardless of income. But a closer look immediately shows that this tax relief program benefits the state's wealthiest homeowners, does nothing for senior renters, and fails to prioritize those most in need of assistance.

New Jersey already has a confusing and administratively challenging array of state-funded property-tax relief programs: the Senior Citizen Real Estate Tax Deduction, the Veteran's Deduction, the Property Tax Deduction/Property Tax Credit, and the Property Tax Reimbursement ("Senior Freeze"), and the Affordable New Jersey Communities for Homeowners and Renters ("ANCHOR") program, and now the $1.2 billion Stay NJ program.[1]

1. In 2023, these programs have cost taxpayers $2.7 billion. nj.gov/treasury/taxation/pdf/taxexpenditurereport2023.pdf

How Stay New Jersey Works

By the end of this fiscal year, the state treasury will have made a total of $1.2 billion in payments to the Stay NJ Fund. Those funds are held in escrow and cannot be used for any other purpose.

In early 2025, the state opened a unified application for all three senior property tax programs (Senior Freeze, ANCHOR, and Stay NJ). Based upon an assessment of the application, Stay NJ will begin to provide direct credits to qualified filers in their 2026 quarterly property tax bill.

However, **Stay NJ may not make payments** unless the state first:

- Meets its constitutional obligations on school funding
- Makes full pension payments
- Maintains a budgetary surplus target of no less than 12% of annual appropriations
- Maintains the $250 property tax deduction programs for veterans, senior citizens, and disabled persons

The budgetary surplus requirement is an extremely important caveat, especially since the state did not reach the 12% target for FY2025.[2] If the state maintains its current surplus level for the FY2026 budget, there will be no inaugural Stay NJ benefits.

Furthermore, even after Stay NJ is implemented, if the state budget ever falls below a 12% surplus, then Stay NJ benefits must be halted by law. This could have devastating consequences for beneficiaries. For instance, if there is a recession that tanks state revenues and the surplus falls below 12%, seniors will be hit with a secondary shock and lose all Stay NJ tax relief.

2. In FY2025, the state had a surplus of 10.8%. The state would have needed an additional $700 million in surplus in order to meet a 12% target in FY2025.

Stay NJ: Two Paths Forward

Option 1: Governor Murphy **meets** his obligations for 2025

If the Governor reaches his obligations in the 2025 budget, then a Fulop Administration will honor the Stay NJ program with the following changes:

1. Make the credit a flat amount with step-downs at different income levels rather than a percentage of property tax paid. The current structure will increase home prices throughout NJ as buyers factor in taxes within a mortgage payment.

2. Include senior renters who tend to have lower incomes and lower wealth than senior homeowners.

3. Reduce the income cap to $150,000 to avoid subsidizing already wealthy homeowners.

Option 2: Governor Murphy **fails to meet** his obligations for 2025

If the state fails to meet the 2025 obligations and therefore fails to distribute any tax credits under the program, the Fulop Administration will completely reform the Stay NJ program into a circuit breaker program.[3]

As Governor, Fulop would align New Jersey with 29 other states and the District of Columbia by creating a circuit breaker tax credit program. Fulop would replace some of the existing property tax relief programs with a single, simple program limiting a homeowner's property taxes to an affordable percentage of their income.

For example, assuming a 4% ceiling, a New Jersey household with $175,000 in income and a tax bill of $9,500 would be eligible for a credit of $2,500 ($9,500 tax paid minus 4% of $175,000 or $7,000). Any amount of the credit that exceeds the taxpayer's income tax liability would be returned to the taxpayer as a refund, much like existing refundable credits such as the Earned Income Tax Credit.[4]

New Jersey residents pay some of the highest property taxes in the country. As Governor, Fulop will find real solutions, not gimmicks, to ensure that seniors who need tax relief get it.

The True Cost of Stay NJ

- New Jersey taxpayers must continue to pay high income taxes. To keep paying for property tax breaks, income taxes have to keep increasing. The state could cut income taxes by billions of dollars today by reducing or eliminating property tax relief programs like Stay NJ
.
- The $1.2 billion held in escrow cannot be spent on other programs or relief. The 12% surplus requirement significantly constrains the state budget and forces Trenton to deprioritize other programs to continue the Stay NJ property tax subsidies.

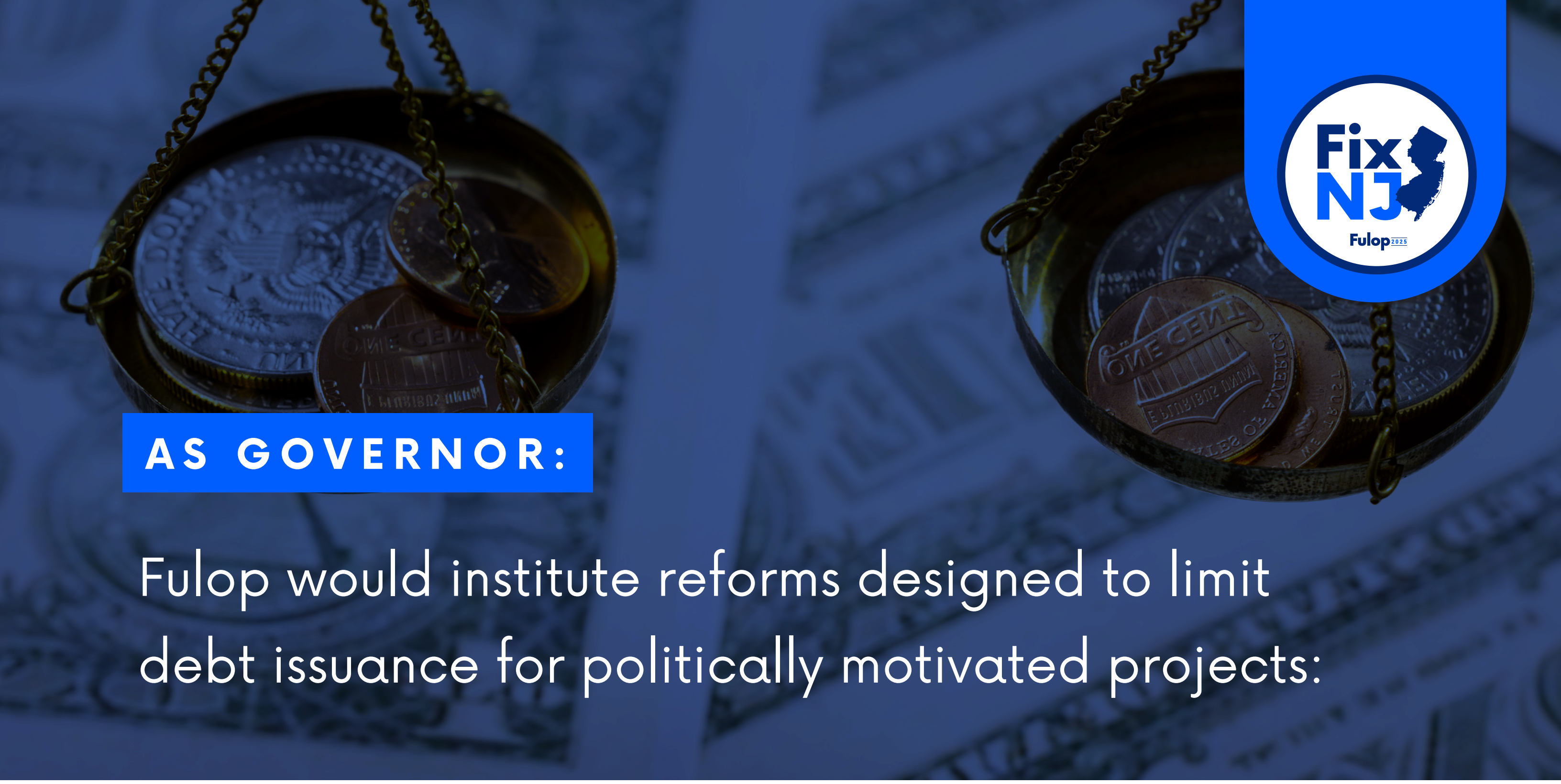
3. A circuit breaker is a tax credit calculated based on a filer's income and property tax payment (or in the case of renters, their rent payment).
4. njspotlightnews.org/2023/06/try-this-better-way-to-deliver-property-tax-relief-in-new-jersey/

Corruption Tax

New Jersey's political structure is based on the power of County Chairs who install legislators and commissioners who answer to them. Many of these County Chairs are lobbyists whose clients have businesses that are counter to the interests of NJ residents. It's the reason that we see massive subsidies to several large employees of the lobbyists from PSE&G to Horizon, and the consolidation of hospitals. As a result, NJ has created a corruption tax that every resident pays as a cost of business in NJ. This needs to change. As Governor, Fulop will enact stricter ethics reforms, which will inevitably drive down costs. You can find it at: stevenfulop.com/governmentreform

Municipal Finance Reform

NJ's overall debt burden is compounded by high debt at the local level. This is because NJ's Local Finance Law is overly permissive compared to other states. In NJ a municipality can easily issue general obligation (GO) bonds without a voter referendum and for projects that might not be widely supported by residents.



AS GOVERNOR:

Fulop would institute reforms designed to limit debt issuance for politically motivated projects:

- Municipalities would be required to submit an annual Capital Plan before issuing new debt – currently, it is required by the budget process, but is not enforced before debt issuance
- Bond Anticipation Notes (BANs) will only be rolled for 5 years – currently, BANs can be rolled for 10 years and making them, in effect, long-term bonds
- Municipalities will be limited in their ability to issue upfront for 10 years of cost of issuance in initial BAN transaction. Currently, municipalities are permitted to borrow for 10 years of BAN rollovers upfront, and then the accounting for that money becomes untenable.
- Municipalities will be required to pass a local referendum prior to the issuance of GO debt, which is backed by the full faith and credit of tax-payer property values. Currently, municipalities can issue GO debt within 30-40 days after introducing an ordinance and holding a hearing 2 weeks later. The municipal council members can vote to approve the bond deal despite objections raised at the hearing. Requiring an affirmative referendum or a more cumbersome approval process will alleviate debt issued for politicians' pet projects and will reduce the corruption tax paid by NJ residents.

Income Tax

New Jersey's revenues have not kept pace with existing obligations, draining the state's budget surplus and resulting in cuts in public services, such as New Jersey Transit. Furthermore, federal aid to New Jersey is likely to continue to decline under the Trump Administration, bringing the state to a fiscal cliff. Meanwhile, the 2017 federal tax law cuts taxes for the wealthiest individuals and corporations. To address the issues of income disparity, tax fairness, and fiscal responsibility, as Governor, Fulop would revise the state income tax to add brackets for higher-income residents, including new rates on earners over $2 million, $5 million, and $10 million in income. These new tax brackets will provide much needed revenue for public investments - including New Jersey Transit - and make New Jersey more affordable.[5]

Graduated Mansion Tax

New Jersey's 1% "mansion tax" is a transfer tax paid on real estate purchases over $1 million.[6] To help make New Jersey more affordable for low-income and middle-class residents and increase funding for public schools, Fulop would graduate the "mansion tax" upwards.[7]

Service Worker Reform Tax

The realty is that the service industry is the largest employer in the state and can act as catalyst to stimulate circulation of money in the local economy. We need to raise their minimum wage and replicate clear tax policies similar to federal government proposals that waive taxes on tips.

5. New Jersey Policy Perspective
njpp.org/publications/report/fair-and-square-changing-new-jerseys-tax-code-to-promote-equity-and-fiscal-responsibility/

6. Properties that are subject to the mansion tax are residential property, farm property, cooperative units, and commercial property (through the Controlling Interest Transfer Tax)

7. New Jersey Policy Perspective
njpp.org/publications/blog-category/taxing-super-luxury-home-sales-could-make-new-jersey-affordable-for-more-residents/

Housing Supply

There is a direct correlation between housing supply in the region and affordability. Steven Fulop is the ONLY candidate with a detailed housing plan. You can find it at stevenfulop.com/housing

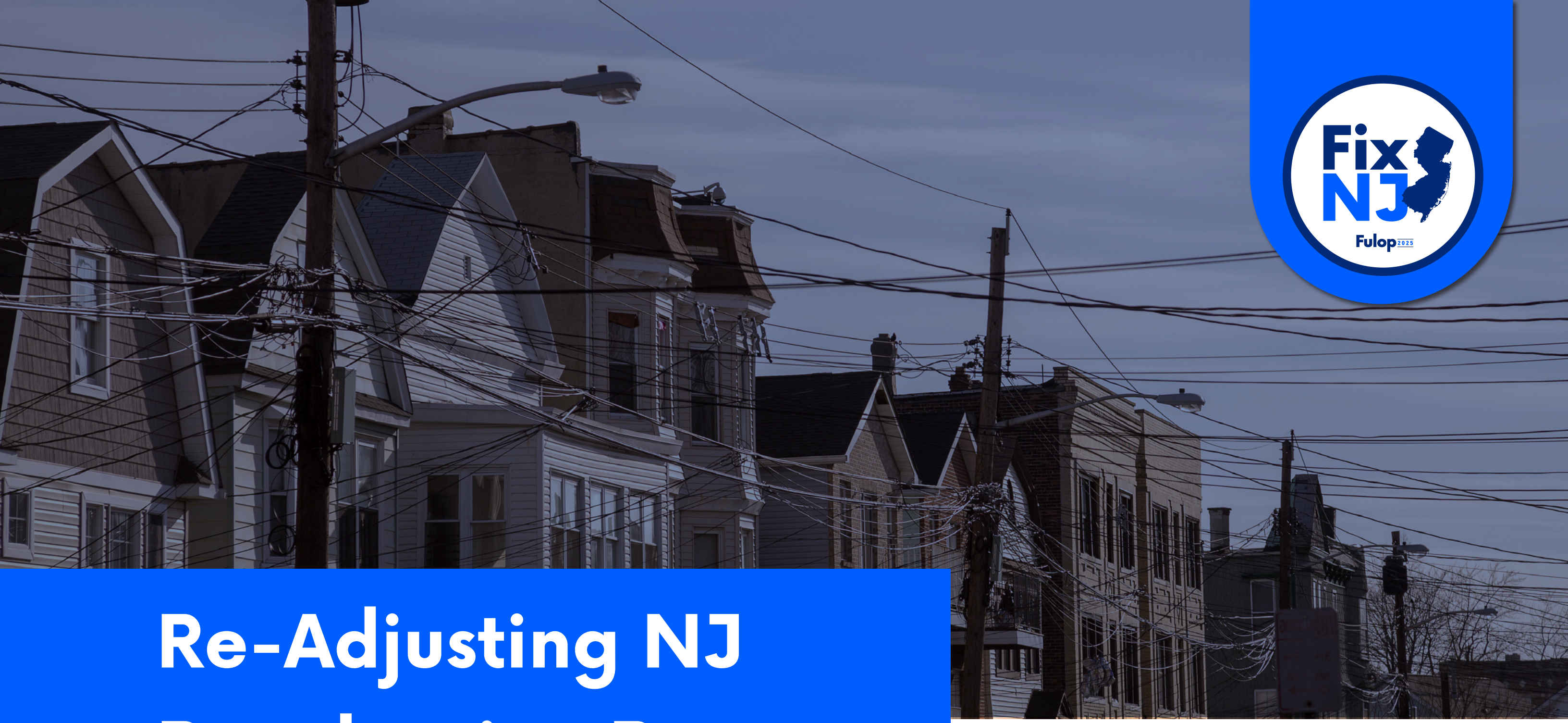
Regionalizing Redundant Services + Consolidation of Government

New Jersey has more layers of government than any other state and the reality is to drive down costs we need consolidation. Streamlining service delivery to lower costs without destroying the unique identities of municipalities is essential to reducing taxes. Trenton must do more than pay lip service to this concept. Where there are overlapping layers of government in smaller school districts and municipalities, Fulop will use a carrot-and-stick method to reduce redundancy and force consolidation. Senator Vin Gopal has started this conversation, and as Governor, Fulop will be proactive in making this a reality.

Maximizing Efficiency + Reducing Costs for Tax Payers

New Jersey's affordability problem is driven by innumerable local entities that all issue property taxes to provide needed services. Time and again, Trenton has paid lip service to consolidation and shared services, but without any real plan or push from the Governor, there has been no significant movement.

As governor, Steve Fulop would look to drive efficiency at the local level by creating a list of preferred providers from which municipalities could choose to procure services. Under the leadership of Lieutenant Governor Sheena Collum, the Department of Community Affairs (DCA) would screen the most common service providers - banking, fuel service, vehicle purchasing and repair, etc.- to develop a preferred provider list. Municipalities could then choose from these providers to get the best pricing on needed services rather than individually negotiating their needs.



Re-Adjusting NJ Revaluation Process

The current revaluation rules in New Jersey require a large-scale revaluation of property values, which can suddenly raise taxes for those least able to afford it and force displacement. This practice can be dire for community stability and residents as they age and has a huge negative impact on housing. As Governor, Steve Fulop will move the state to a point-of-sale process that will more accurately reflect the market and can be implemented with protections to keep stability amongst the tax base. This is already done in California, Florida, Michigan and Oregon.

New Jersey Must Pursue Litigation Against New York's Convenience of the Employer Rule

New York taxes income as if it were earned within the state if the work could be done in the state but is performed remotely for the employee's convenience (not the employer's necessity). This applies even if you work from New Jersey. In a world with increasing work-from-home flexibility as part of a job offer coupled with corporations having more of a global presence, this New York law is outdated and should be challenged. Senator Oroho has suggested similar action in the past and Governor Fulop will pursue it.

Unfunded Mandate Reform

As a mayor, Steven Fulop knows firsthand the challenges Trenton places on municipalities with new, well-intentioned programs but no funding to support them. As Governor, Fulop will implement a strong and clear policy that any new local obligations will be accompanied by resources from Trenton. Fulop knows this is the only reasonable way for New Jersey to control spending. A 1995 law banned state unfunded mandates and created the Council on Local Mandates for cities to appeal to for new legislation. While it's cleaned up some of the unfunded mandates, many still remain. And while these policies are well-intentioned and often necessary, Trenton needs to do more to help cash-strapped municipalities:

1. **Payroll Taxes:** Municipalities must hire employees to collect and enforce collection, but there is no ability to offset the administrative fee.

2. **Law enforcement licensing, training, and equipment:** The Attorney General issues guidelines requiring the enactment of new training and the purchase of new equipment with time-sensitive implementation deadlines. These are all important, but the timelines do not consider the budget calendar. And crime reporting requirements require allocation of officers' time – all of which is very expensive for a municipality.

3. **Mutual aid:** Municipal fire departments that provide mutual aid provide manpower and equipment and are not reimbursed, burdening taxpayers in these municipalities.

4. **New anti-bullying measures in schools:** While school districts are required to implement these policies, there are no state resources to fund them.

5. **Lead inspections:** The state rightfully is requiring municipalities to remediate lead pipes, but they also are requiring them to hire lead inspectors.

6. **Other unfunded mandates that tax municpalities' resources:**
   - Animal Control
   - Health Education and Inspections, including communicable disease reporting and STD outreach

While all of these are important municipal responsibilities, they are expensive, resulting in additional municipal taxes. The state needs to do a better job of encouraging consolidation of services and providing financial assistance.

CONCLUSION:

Making New Jersey more affordable for young families, working people, and seniors is going to be a top responsibility for the next Governor. Leadership and having an executive who has navigated these waters before will be important.

As the Mayor of Jersey City, Steven Fulop understands the challenges and has the experience necessary to deliver opportunities for New Jersey, and as Governor he will deliver much needed leadership and vision.

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