

820 First Street, NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

Robert Greenstein
Executive Director

T. Scott Bunton
Deputy Director

Board of Directors

David de Ferranti, Chair
*Results for Development
Institute*

Henry J. Aaron
Brookings Institution

Kenneth Apfel
University of Maryland

Jano Cabrera
Burson-Marsteller

Henry A. Coleman
Rutgers University

Marian Wright Edelman
Children's Defense Fund

Beatrix Hamburg, M.D.
Cornell Medical College

Antonia Hernández
*California Community
Foundation*

Frank Mankiewicz
Hill and Knowlton

Lynn McNair
Salzburg Global Seminar

Richard P. Nathan
*Nelson A Rockefeller Institute
of Government*

Marion Pines
Johns Hopkins University

Robert D. Reischauer
Urban Institute

Paul Rudd
Adaptive Analytics, LLC

Susan Sechler
German Marshall Fund

William Julius Wilson
Harvard University

Emeritus

Barbara Blum
Columbia University

James O. Gibson
*Center for the Study of Social
Policy*

CLAIMED BENEFITS OF MASSACHUSETTS-STYLE PROPERTY TAX CAP OVERBLOWN, NEW STUDY SHOWS

Suggestions that Massachusetts' experience under a property tax cap shows New Jersey could impose a similar cap without harming education and other public services are misleading, according to a new analysis by the Center on Budget and Policy Priorities.

A recent Manhattan Institute report pointed to Massachusetts students' strong performance in standardized tests as evidence that the state's tax cap hasn't compromised student achievement. But as the Institute's report itself notes, Massachusetts students' scores reflect in part a series of state-level education reforms that New Jersey Governor Christie (who is urging adoption of a Massachusetts-style property tax cap) is *not* proposing. Prior to those education reforms, Massachusetts schools faced severe performance problems stemming from a lack of funding.

Also, the Manhattan Institute report ignores the host of other problems that Massachusetts' tax cap has caused in towns across the state — from deteriorating roads to poorly lit streets to longer police and fire response times. A property tax cap does little or nothing to produce the kinds of efficiencies needed to reduce the cost of public services without reducing their quality, the Center's analysis explains.

“Capping property tax revenue treats the symptoms but ignores the illness,” stated Iris Lav, senior adviser to the Center and the report's author. “New Jersey has ways to reduce property taxes without causing the problems a cap has created in Massachusetts.”

Massachusetts School Funding “Grossly Inadequate” Under Tax Cap

The Center's analysis shows that in two key areas in which the Manhattan Institute report compares Massachusetts and New Jersey — education spending and standardized tests — the reality is much more complex than the report suggests.

- **Special education.** The Manhattan Institute report notes that New Jersey spends more on special education than Massachusetts does and attributes these differences to disparities in the two states' policies for funding local school districts for special education. But as the Center's analysis explains, a cap would more likely lead local school districts to cut expenditures for *non*-special education students absent state policy changes. If New Jersey wants to reduce expenditures in this area, it can change policies without adopting a cap.

-- more --

- **Test scores.** The Manhattan Institute report also notes that Massachusetts students score higher than New Jersey students on National Assessment of Educational Progress tests. But in reality, the two states have very similar scores. Both are among the top five states in average scores for 4th and 8th grade reading and math tests and are well above the national average.

Moreover, Massachusetts schools suffered between the 1980 adoption of the property tax cap and the 1993 enactment of state-level education reforms. In 1991, the state’s Board of Education warned that there was “...a state of emergency created by grossly inadequate financial support of the public schools...” and that “[c]ertain classrooms simply warehouse children at this time, with no effective education being provided.”

New Jersey Is Not a High-Tax State

While New Jersey has the nation’s third-highest property taxes, the Center’s analysis explains, that reflects its choice to rely heavily on property tax revenues instead of broad-based state taxes or other local taxes to fund schools and local services. Overall, New Jersey has an average level of taxes.

- New Jersey ranks 24th among the states in the amount of revenues that local governments collect to support services (excluding state and federal aid) as a percent of residents’ incomes.
- New Jersey ranks 31st in the country in the amount of revenues the state and local governments collect as a percent of residents’ incomes.

New Jersey Has Better Alternatives to Property Tax Cap

A property tax cap not only doesn’t make government more efficient but can stand in the way of reforms that have short-term costs but save money over the longer term, the Center’s analysis notes. The analysis outlines three approaches to lowering property taxes that do not involve a tax cap:

- **Identify and fix problems causing high property taxes.** New Jersey has an extremely high number of school districts and municipalities, which leads to duplication of personnel and services. Consolidation may require short-term costs, but in the longer run it is likely to save money. In addition to local government consolidation, New Jersey may want to explore changes in school administration and operations and maintenance, two areas where its costs are relatively high, and changes in special education policy.
- **Provide substantial *individual* property tax relief.** A tax cap can’t guarantee relief to any individual property owner. Some states accomplish this through a “circuit breaker,” or tax credit that prevents property taxes from exceeding a certain share of a household’s income.
- **Shift from property tax to other sources of revenue.** Allowing localities to levy income taxes or sales taxes, as several other states have done, would relieve the pressure on the property tax and could create a more popularly acceptable revenue system.

#

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.