



NEWS

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Two Models of School Finance Reform – One Successful, One a Failure

Poorly constructed reform will only lead to higher tax burdens.

WASHINGTON, D.C. – In the late 1970's, Massachusetts had the highest property tax burden in the nation, and New Jersey had the second highest. Both states passed reform that instituted new statewide taxes to fund property tax relief. In New Jersey, an income tax was introduced for the first time, *and was mandated in the state constitution to fund property tax relief only.*

After a quarter century, Massachusetts and New Jersey have experienced opposite results: Massachusetts property tax burden has fallen from highest in the nation to below the national average; 38 states have a higher state and local tax burden than Massachusetts' 9.5% of income. But New Jersey's property tax burden has increased from #2 to #1, and its tax burden is ranked 31st, with a burden of 10.4% if income (Taxpayer Network, 2001 numbers).

“Massachusetts and New Jersey offer the perfect example of good and bad reform,” said Grover Norquist, president of Americans for Tax Reform. **“Tax ‘reform’ and property tax relief often lead to higher taxes on income, sales, tobacco, AND property. Bad reform can muddy the waters and hide an even bigger money grab by the big-spending interests. ”**

One thing that set apart the Massachusetts plan was a firm limit on spending growth at the local level. Thus, local property tax revenue fell, and was replaced by state aid, but spending was not allowed to increase. In New Jersey, on the other hand, Paul Mulshine of the Newark Star-Ledger reports that education spending is \$6.2 billion higher in inflation-adjusted dollars today – roughly the same amount as the income tax brings in.

“Spending restraint is the key to the budget difficulties faced by schools,” Norquist continued. **“That is why Gov. Perry’s proposal to limit spending growth at the local level is so vital to success. Without a spending limit, all the proposed state aid will be soaked up by an expanding education bureaucracy, and in a few years the pressure will return to raise other taxes.”**

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by email at jcollegio@atr.org.