

Why are we here this evening?

This is a meeting of the Borough Council as a Municipal Investigation Committee.

What is the Borough Council investigating?

The short version is that a change in State law, effective near the end of 2010, required the Raritan Library Board to transfer what the law calls “excess funds” to the Borough for property tax relief. Simply put, the Borough Council is concerned that the Library Board has not transferred all of the funds that it should have, and that Borough taxpayers may have been shortchanged on the property tax relief they deserve.

Why was it necessary to form an Investigation Committee?

The Borough Council is disappointed that it became necessary to form an Investigation Committee. Answering the Borough Council’s questions should have been a cooperative process between the Library Board and the Borough Council for the benefit of the Borough taxpayers.

However, after more than a year of seeking the Library Board’s cooperation, without success, the Borough Council felt

that it had no alternative but to exercise the power given to it by the State to require the Library Board to answer its questions. Even though the Borough Council has exercised its lawful power, the Borough Council still seeks and would prefer a cooperative relationship with the Library Board.

The Library Board, however, has responded to the Borough Council's investigation with a lawsuit against the Borough in which the Board asks the court to prevent the Borough Council from exercising its lawful power.

The Borough Council believes that the lawsuit is an entirely unnecessary waste of taxpayer money, but the Borough Council has no alternative but to respond when sued. The Borough Council is confident that the court will reject the Library Board's claims and permit the Borough Council to proceed with its investigation.

What are these "excess funds" and how did they accumulate?

The answer requires us to go back into history more than a century.

In 1905, the State passed "An Act Concerning Free Public Libraries." That Act permitted municipalities to establish their

own free public libraries by referendum. Apparently concerned that libraries, once established, might not receive sufficient funding, that Act also required a municipality with a free public library “to appropriate and raise by taxation a sum equal to one-third of a mill on every dollar of assessable property within such municipality.”

That Act has been amended a number of times since 1905, but the basic structure, including the one-third of a mill assessment, remains in place today.

In the 1960’s, Raritan established a free public library under the 1905 Act. Since then, the Borough Council has appropriated funds for the library, not less than the one-third of a mill formula. This year, the formula required the Borough to raise by taxation and pay to the Library Board \$427,251.

The one-third of a mill formula is inflexible, requiring every municipality with a free public library to tax based on the same formula. The needs of the various libraries, however, can be very different. For example, some libraries own and pay for all of the expenses on their library buildings. In Raritan, the Borough owns and pays for the majority of expenses on the

library building. The Borough provides for all major building expenses, as well as grounds maintenance like mowing and snow plowing. The Borough also provides such services as payroll services without charge.

For many years, the State has been aware that the one-third of a mill formula provided some libraries with more funding than they really needed. After many years of debate, the State amended the 1905 law to require that libraries return “excess funds” to the Borough for property tax relief.

How much money does the Library Board have in its accounts?

According to the Library Board’s own audit, it has \$1,269,883 in various accounts. Some of this should legitimately be retained by the Library Board for library operations. The law requiring the return of “excess funds” says that the Library Board will keep all of the gifts that may have been made to it, plus an amount 20% more than it spent on library operations last year, plus funds restricted for capital projects and grants. Only the money left over after those deductions is called “excess funds” by the law.

How much should the Borough be getting from the Library Board for tax relief?

The Borough Council does not know. That is the purpose of its investigation, the reason that the Borough Council is here tonight, and the reason that the Borough Council asked the Library Board to be here tonight.

Why can't someone just take the library audit and figure out what the law requires the Library Board to return to the Borough for property tax relief?

This brings us to the heart of the matter. The Library Board has done its own calculation, coming up with an amount of \$101,696 from the \$1,269,883 the Library Board has in its accounts. The Borough Council thinks that the proper amount may be much larger, and a larger amount would mean greater tax relief for Borough taxpayers.

The critical issue is the phrase “funds restricted for capital projects and grants” that I mentioned before. According to its yearly audits, the Library Board set aside the following for capital projects:

As you can see, there was a dramatic increase in 2011, the first year when the “excess funds” law applied. The

Borough Council has not heard a good explanation for that dramatic increase.

This is taxpayer money we are talking about, and the Borough Council wants to be sure that the Borough taxpayers are getting all of the tax relief that they deserve.

Where do we go from here?

Since the members of the Library Board have refused to come tonight, obviously we are not going to get any answers from them. They could have come, in a spirit of cooperation with the Borough Council, but they responded instead with a lawsuit.

At some point, and the Borough Council hopes that it will be soon, the court will decide whether the Borough Council is entitled to the answers that it seeks. The Borough Council is confident that the court will rule in its favor and, if so, the Library Board will be required to come and provide answers at the next meeting like this one. Those answers may show that the Borough's taxpayers are entitled to additional tax relief.

Any future investigation meetings will be advertised and open to the public.

