

STATEMENT BY THE HONORABLE TIMOTHY McDONOUGH,  
MAYOR, HOPE TOWNSHIP AND  
FIRST VICE PRESIDENT,  
NEW JERSEY LEAGUE OF MUNICIPALITIES,  
CONCERNING GOVERNOR CORZINE'S PROPOSED BUDGET  
FOR FY 2008-2009.  
PRESENTED TO THE SENATE BUDGET AND APPROPRIATIONS COMMITTEE  
WEDNESDAY, MARCH 12, 2008  
RUTGERS: THE STATE UNIVERSITY STUDENT CENTER  
NEW BRUNSWICK, NJ.

The State Government of New Jersey did not invent shared services. For decades before it became politically popular in Trenton, New Jersey municipalities have been sharing services. We have often come to the Legislature seeking statutory changes that would remove legal impediments to greater service sharings. Those efforts hit a new high-water mark with the passage of Speaker Roberts' CORE Reform bill by the Special Session for Property Tax Reform. For that, we thank all of you who were involved in the Special Session and those who supported the CORE reforms.

The point today is that, within the limits of State law, municipalities have been sharing services for decades. This is not a new idea. It is not a great revelation. It is not something that local officials have resisted. And it is not, in and of itself, the final solution to our State's raging property tax crisis.

In most cases, we didn't need encouragement from the State to get involved in service sharings. In most cases, we didn't wait for incentives. We did it when it made sense for our constituents. And we will continue to do so.

But service sharing is not the only, or always the best, way to economize government services.

Small towns are also more likely to contract with private industry for the delivery of services. Contractors have to bid for this business so there is an inherent market efficiency that small towns realize. Towns that undertake delivery of those services internally cannot realize those market benefits. Often the employees of the contractors and vendors providing those services are not receiving benefits or pensions, further reducing their cost. Using the private sector can, therefore, be far more efficient than using a government shared service. For recognizing and exploiting this efficiency, small towns receive no recognition other than lower tax rates. In creating a "shared or merged service" the state would actually pay us to get rid of a cheaper delivery mechanism and pay far more in the long run.

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Small towns are also more likely to use part time employees. Part timers receive no benefits and work when needed. If three small towns replaced their three part time employees with a full time employee, added medical and other fringe benefits costs would accrue. When towns consider consolidating other services or even merging with larger towns, the salary structure of the larger town prevails. The salary differences are striking and actually drive additional costs.

Most small towns operate efficiently. So do the vast majority of those over the 10,000 resident threshold. A handful of small towns have unique situations. So do a handful of the larger ones. Broad and unsubstantiated generalizations that judge the effectiveness of government operations based solely on populations are without merit.

We urge everyone to review the most recent local tax data available on the Division of Local Government Service's (DLGS) website. It is from 2005. Buried in a large spreadsheet is every town's effective municipal tax rate. That represents the percentage that each town taxes the market value of its ratable base. It is adjusted to 100% of market value so every town can be compared. That review will reveal the following.

17 municipalities have NO municipal tax levy. 16 of them have a population under 10,000. The 17th has a population of 11,696.

Of the municipalities with the 50 lowest effective municipal tax rates, 46 have a population less than 10,000. (92% - Only 56% of the municipalities have a population under 10,000)

Of the municipalities with the 100 lowest effective municipal tax rates, 81 have a population less than 10,000. (81% - Only 56% of the municipalities have a population under 10,000)

Of the municipalities with the 200 lowest effective municipal tax rates, 136 have a population less than 10,000. (68% - Only 56% of the municipalities have a population under 10,000)

Of the municipalities with the HIGHEST 50 effective municipal tax rates, just 22 have a population less than 10,000. (44% - Only 56% of the municipalities have a population under 10,000)

EVERY municipality with a population above 100,000 has an effective municipal tax rate that exceeds the state median.

The budget proposal before will drastically cut CMPTRA funding for municipalities with a population of less than 10,000, whether or not they are currently sharing all the services that make sense, locally. It will eliminate all CMPTRA funding for those with less than 5,000 residents, whether or not they are currently sharing all the services that make sense, locally. In the aggregate, these cuts will total about \$37 million.

If you are a senior or disabled citizen living on a fixed income or a young family trying to realize the dream of home ownership, and if you happen to live in a town with a population of less than 5,000 or 10,000 that is already sharing or privatizing all the services that make sense locally, and if this proposal is adopted, as is, then property taxes will go up.

If you have a job and pay the income tax, which provides the funding for CMPTRA, and if you reside in a town below the arbitrary population limit, then you will get less property tax relief than your co-worker, earning the same amount and paying the same income taxes, who lives in a bigger town, maybe less than a mile away.

The Governor's proposal would give municipalities under 10,000 precedence for a share of the \$32 million he would set aside for the Consolidation Fund and SHARE grants, whether not they are currently sharing all the services that make sense. Please note that \$22 million of the \$32 million is carried forward from the State's current budget. Municipalities that have been involved

in local and regional service sharings for years couldn't use that money. It is only for NEW arrangements.

For many municipalities, to qualify for this funding, they will need to advance consolidation and regionalization plans that might not make sense.

Believe me, you do not need to offer municipal officials much incentive to save local property tax dollars. There are feasibility study costs and start up costs that this funding can help with. We appreciate the fact that you included it in this year's budget and we appreciate the fact that the Governor plans to continue to do so.

But don't believe for one minute that the availability of this funding will hold the residents of these municipalities harmless for the massive, unprecedented CMPTRA cuts proposed by the Governor.

We remind you that, while municipalities under the arbitrary 10,000 and 5,000 population figures face the biggest percentage cuts in CMPTRA; those above 10,000 will experience many of the biggest cuts in actual dollars.

And the under-funding or elimination of virtually every other source on local property tax relief will adversely affect tax payers all around the State, many in municipalities already facing special demographic- and density-driven service demand challenges and short-term budgetary needs.

One year after the conclusion of the Special Session for Property Tax Reform, mayors all around the State feel that the rug has been pulled out from under them.

But those constituents have to be able to rely on the cooperation of all of their elected officials, at all levels of government, if meaningful and lasting property tax relief is to happen. And this year, with this budget, we need your help.

Please restore the \$190 million in municipal property tax relief that the Governor has proposed for FY 2009.

Thank you.