

**STATEMENT OF M. JAMES MALEY, JR.**  
**MAYOR**  
**BOROUGH OF COLLINGSWOOD**  
**ASSEMBLY BUDGET COMMITTEE MARCH 26, 2008**

The governor has dropped a house on municipal operations. Problem is he missed the witch.

The Governor's 2008 -2009 budget proposal slashing municipal funding has serious unintended consequences. It is not well thought out. The Governor's recent town hall meetings on the toll plan and the budget have shown him what every Mayor faces each morning when he stops for coffee. Property taxes are an increasingly unfair burden on our citizens.

The intentions are dead on: we should work to consolidate services for some economies and for better service, but the method leaves something to be desired. It reminds me of a student who has known a big test is coming but decides to cram at the last minute. If 2008 was to be the D-Day for municipal funding, then the State should have led all municipalities during the past years in planning a way to realize consolidation of services without threatening the level of local services. In short, where've you been?

The speech goes like this: We are in a fiscal crisis. Everybody must share in the remedy. Cutting aid most severely the smaller the town will help our budget crisis and will provide incentive to small towns to merge.

The actions have gone like this: In 2005, we headed toward a solution to rising property taxes by a school consolidation plan. "Super" County superintendents would lead a long process ending with a vote where towns would give up their local school districts to save money. Problem is the Governor has only appointed 11 of the 21 Superintendents so we are nowhere on school consolidation. Schools represent over 50% of the property tax bill.

In 2006, LURAC was created to lead us to municipal consolidation. Problem is the Governor and Legislature can't agree over who should serve on the Commission. So we are nowhere on developing a plan for efficient municipal consolidation of services.

So in 2008, we drop a house.

A 20% reduction in the municipal portion of a property tax bill will mean a 5% reduction in a person's property tax bill. You've heard of the phrase "going for the jugular", well the Governor's proposal goes for the capillaries.

Here in Collingswood, we have been working hard on sharing services. We have taken over police service for our neighbor, Woodlynne, who disbanded their 10 person force. We have also consolidated municipal courts, and building and fire inspection services. Unfortunately, your budget proposals will end those shared services. Woodlynne's loss of State funding will mean they cannot bring anything to the table to pay for services.

Over the last few years, there have been some nice speeches about consolidation followed by horribly ineffective policies. I'd like to offer some thoughts from my 20 years in local government:

**1. Trenton has failed to provide meaningful tools or direction to consolidate.**

The best example of this is the law meant to lead to school consolidation. The State's two-year old school consolidation plan is nowhere: only 11 of the 22 "super" County Superintendents have been appointed by your office. Even after they are all appointed, and they go through the long process of evaluating the elimination of districts, the law requires voters in each affected town to approve the merger. No elected or appointed municipal or school official I have ever spoken with expects this process will lead to consolidation. With school budgets making up over 50% of a property tax bill, the delayed implementation of a doomed process is lousy leadership on the issue. Trenton adopted a process knowing it would take years and never work. But the speeches sound great.

**2. Sharing services between two or three small towns will not result in any real property tax savings.** Our police merger was done to provide better service for both towns. It does not save money to any extent that brings real property tax relief to our citizens. Municipal budgets represent less than 25 percent of the average property tax bill. Cutting the municipal budget by 10 percent will have a minimal effect on property tax bills. For any real savings larger regional governing has to be established.

**3. The State's SHARE program, set up to financially assist towns in sharing services, has not succeeded because it does not fund the biggest expenses of consolidation.** Your budget proposal calls for increasing this fund by \$10 million and reusing the \$7 million that went unspent in the program last year. Why do we need to increase funding for a program that towns aren't using? Wouldn't it make sense to examine the program to see why half the money went unused in 2007? One glaring hole in the program is the refusal to pay for severance benefits for employees that are laid-off as a result of a merger.

When Collingswood and Woodlynne combined their police, Woodlynne laid off one half of its force, creating a severance liability of over \$250,000. This was not an eligible expense under the SHARE program. That's why half the fund went unused – we weren't allowed to use it. This leaves towns considering consolidation left to grapple with these expenses. Without assistance, consolidation means short-term increases in property taxes. A focused grant program can change that.

**4. Eliminating small towns' aid does not encourage shared services, it creates destitute towns.** In our shared service, Woodlynne pays Collingswood to provide police service. The amount they pay is almost a third less than what it cost to run their own Department. With the new service, they receive a detective bureau and school officers – all programs they never had. But as a town of less than 5,000 people, your proposal is to eliminate their aid. With that cut, Woodlynne will not be able to pay for the shared service. The shared service will end. To encourage towns to share services, it is not enough to penalize small towns to encourage them to share - there must be an incentive

for larger towns to work with the smaller towns. By making small towns destitute, there is no reason for larger towns to work out a consolidation deal.

**5. Tie funding reductions to regulation reduction.** Passing a law that property taxes can only go up four percent makes for a nice speech but is completely unrealistic. If this were an effective mechanism, the State should pass a law placing a four percent cap on gasoline prices and healthcare costs. Exceptions to the “cap” were carved out even before it was finally adopted and more exceptions will surely come. They have to. Help reduce municipal costs by reducing the State regulation of our every breath.

For example, State law prevents towns from any real renegotiation of labor contracts because State law requires an equivalent economic benefit be granted for any benefit taken away. State law has made more and more employees “certified” requiring extensive classes and training that costs money. Do we really need a “certified” purchasing person? State law requires that if three towns want to merge police forces and any one of them is civil service, then the new force *must* be civil service. Our volunteer fire departments have been depleted largely because every fireman/EMT now has to go through days and days of training mandated by the State. The list goes on. All of these “necessary” regulations come with a cost.

Every company in America has moved from defined benefit pension programs to defined contribution retirement programs. State law demands we continue to provide a defined benefit pension to all staff. The recent changes to this requirement mean maybe 1 or 2 employees in town hall will have defined contribution plans. Trenton demands the defined benefit plan stays in place for police, fire, and all other employees. While well-intentioned, this adds substantial cost to municipal operations. Towns should be able to negotiate changes in retirement plans for new hires and to offer other retirement options for all employees.

But my personal favorite is that the State forces Collingswood to get State approval *to give money back to our residents*. Two years ago, the Borough completed a 10 year, \$45 million redevelopment project where we made a \$4 million profit. We decided to give two-thirds of that back to our residents and spend one-third on capital projects. But, because State law prohibits municipalities from giving their residents rebates (only the State can give rebates), we had to devise a home improvement grant

program to give \$600 to every property owner over four years. So once we overcame the legal prohibition, the State requires us to have our auditors and attorneys prepare applications and supporting documentation, and they have to go to a hearing in Trenton, to get approval to give the money back to residents. This process costs our taxpayers between \$10,000 and \$15,000 to get the State's permission to give money back to our residents. Crazy.

Property taxes are high because municipal costs are high. Some savings can be achieved by delivering services on a more regional basis. The proposed budget does *nothing* to increase municipal ability to control their costs, whether by sharing services or by any other mechanism.

If Trenton is serious about helping reduce property taxes, let's take some meaningful steps:

**1. Give real incentives.** For towns that put together a plan to serve 25,000 people or more, give substantial grants to cover start-up expenses. Buy a fire truck for new service areas that serve large populations. Or cover capital expenses for other merger plans – make higher levels of funding available for the greater number of people served. Reduce future aid unless such service agreements are put in place. Give us time and real leadership.

**2. Make different taxing powers available to local governments.** The real travesty of property taxation is that it is unfair. Year after year, there are more people moving because they cannot afford taxes that rise with the value of their home and without any relation to their ability to pay. Leave it to local officials to use tools that fit their town to raise the revenue to support their governments. Grant towns the option to substitute wage taxes or sales and use taxes or other revenue tools rather than limiting them to the property tax.

**3. Enlist County government in the regionalization of services.** Change State law and give the County government the authority to create a county-wide police department or fire department or trash collection service. A regional government is already in place but has limited powers and is handcuffed by the

same reliance on property taxes as local government. The already existing regional government has been largely left out of the discussion. Provide real financial incentives to cover the start-up costs that will come with any real movement to consolidation.

**4. Change the relationship with local officials.** Trenton acts like property taxes are high because local officials won't stop increasing them; that somehow local officials just can't control their need to spend. Most local officials I know got involved because they care about their town. As a group, they are not career politicians. They are plumbers and office workers and teachers and work full-time at a different livelihood. In the last few years, they are besieged with escalating healthcare, utility and State pension costs causing large property tax increases – all as part of their part-time public service. Yet Trenton seems to pass laws as though every one of these local officials is dumb or crooked or both.

Certainly there has been an outbreak of public corruption cases, but it still represents a very small percentage of those serving in office. Instead of Trenton responding by tying officials hands with more regulation, empower local government so good people are attracted to run. Local government has gotten very hard – and many times we must solve these hard issues with very limited powers. Give local officials real ability to explore consolidation in the face of obstacles presented by State civil service rules, State labor negotiation rules, and State budgeting rules that prohibit new methods to save. We're not the enemy. None of us enjoys raising taxes.

**5. Complete a comprehensive review of State regulations and eliminate those not essential for public safety and health.** Beyond the personal suffering for the 5,000 State employees who would lose their jobs under your proposal, 5,000 fewer State employees enforcing the same number of regulations will slow down all of government. Even with these employees, there are constant complaints about how long it takes to get an answer from State regulators. With 5,000 fewer people enforcing the same regulations, the delays will be longer and

more frequent. If you're going to cut the number of State personnel, cut the regulations they are supposed to enforce.

We're ready to help. We have to take dramatic steps to control costs that drive municipal property taxes. Help us control the costs and we'll be happy to control property taxes. It will make both our visits to the local coffee shop much more enjoyable.