

Governor Corzine's budget proposal takes a cruel and unwarranted shot at the smallest of New Jersey's municipalities. From the perspective of a Wall Street executive I suspect that the Governor thinks that makes perfect sense: Big towns enjoy economies of scale that small towns cannot. But the economic laws of Wall Street do not apply to Main Street.

Small towns are more likely to contract with private industry to delivery a wide range of services including trash and recycling collection, roadway (and grounds and sewer utility) construction and maintenance, vehicle maintenance, professional services, and a host of other goods and 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. I argue that using the private sector is generally 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.

Small towns are also more likely to use part time employees. Part timers receive no benefits and work when needed. If three small towns eliminated their three part time employees, a full time employee with medical and other fringe benefits would result. When small towns consider consolidating other human services or even merging with larger towns the salary structure of the larger town prevails. The salary differences are striking and actually drive an increase in cost. And union and civil service considerations are difficult to resolve.

The Governor would have me replace my police officers with those from our neighboring town being paid twice the salary! We'd replace my Chief of Police with a sergeant or corporal again making more than my Chief. But we could get rid of our police station. That would save just the utility bills as we pay nothing in rent!

And larger towns are more likely to have paid fire fighters and fire districts, yet another tax that is not included in their municipal tax levy when compared to small counter parts that use volunteers. Replace volunteers with paid fire fighters and save money. Even Ronald Reagan could not sell that. My town actually makes more fire company runs in support of our neighboring paid fire fighters than they make for my town.

Not every small town operates efficiently. A handful of small towns have unique situations. But when you look at the big picture and analyze what local governments are charging their residents in property taxes, it is just a fact that bigger government costs more. Just look at the amount we all tax our residents and businesses. And when it comes to the amount of aid that the state provides to local governments, in general bigger governments get more aid per capita too. Consider the amount of CMPTRA per capita given to these cities: \$567 per capita for Camden, \$527 for Trenton, \$430 for Asbury Park, \$265 for Newark, \$311 for East Orange, and \$306 for Hoboken. For Gibbsboro

and 193 other municipalities with a population below 5,000 the CMPTRA will be \$0. When you add in the rest of the aid provided by the state, it is even more profound.

I draw many conclusions from the state's own data which is available on-line, data that the Governor and his staff either have not examined or have chosen to ignore. I 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. The following conclusions can be drawn from that data:

#### COMPARISON OF 2005 EFFECTIVE MUNICIPAL TAX RATES

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.

All conclusions derived from data from DLGS for 2005, the most recent posted on-line.

Lastly, the Governor asserts that there are too many governments for a state of 8.7 million people. But compare New Jersey with neighboring Pennsylvania which has a population of 12.4 million:

	PENNSYLVANIA	NEW JERSEY
POPULATION	12,440,621	8,717,925
MUNICIPALITIES	2,563	566

AVERAGE POULATION	4,854	15,403
NUMBER OF MUNICIPALITIES WITH POPULATION BELOW 5,000	1,999	194
PERCENT WITH POPULATION BELOW 5,000	78%	34%
NUMBER OF MUNICIPALITIES WITH POPULATION BELOW 10,000	2314	330
PERCENT WITH POPULATION BELOW 10,000	90%	56%

So when the Governor and the legislature want to see the cause of our state's property tax crisis they should not look at Main Street or Wall Street, but to State Street. I suggest they assemble in front of a large mirror. There they will find the leaders of New Jersey's largest "municipality", the epitome of inefficiency, waste, and big government. Perhaps that is the first government that should be dissolved?

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