

**STATEMENT BY THE HONORABLE TIMOTHY C. McDONOUGH  
PRESIDENT, NEW JERSEY LEAGUE OF MUNICIPALITIES AND**

**MAYOR, HOPE TOWNSHIP**

**ON GOVERNOR JON S. CORZINE'S PROPOSED STATE BUDGET FOR  
2009-2010 STATE FISCAL YEAR**

**PRESENTED TO THE SENATE BUDGET AND APPROPRIATIONS COMMITTEE**

**TUESDAY, MARCH 24, 2009  
MONTCLAIR STATE UNIVERSITY  
1 NORMAL AVENUE  
MONTCLAIR, NJ**

Chairwoman Buono and Members of the Senate Budget and Appropriations Committee, thank you for giving me this opportunity to testify on Governor Corzine's proposed State Budget. At the outset, I want to promise you the assistance of the League of Municipalities, as you struggle, in this most difficult year, to deliver a spending plan that will advance our State along the road to greater Liberty and Prosperity.

The impact of the current recession has dealt a flurry of blows to New Jersey municipalities. As the foreclosure and unemployment rates rise, the tax collection rate falls. And no matter what our collection rate is, remember that the county and the school district will get 100% of the property tax portions they levy. Any declines in the collection rate are borne entirely by the municipality. As the economy stalls, new construction slows with it. We cannot rely on new ratables. As interest rates fall, the rate of return on our reserves falls with them. We cannot rely on our rainy day accounts.

The Governor's proposal includes a 2% cut in total municipal property tax relief funding. Some municipalities face deeper cuts, above the average of 2%.

Next year's budget, as proposed by the Governor, would shave an aggregate of \$31.2 million from this year's diminished municipal revenue replacement funding. The Treasurer lumps CMPTRA funding with the Energy Tax, for his purposes. The proposal calls for cuts totaling \$32.1 million from these two municipal revenue replacement funds. According to the proposal, \$2.9 million would be cut from Special Municipal Aid; \$500,000 from Extraordinary Aid; and \$700,000 from Capital City Aid. On the plus side, the proposal would increase Consolidation/SHARE funding by \$5 million.

Though never welcome, cuts of municipal property tax relief funding are no longer surprising – certainly not at this time. However, they, inevitably, put upward pressure on property taxes. This year, we will again ask you to recognize that fact and to give us the tools we will need to relieve that upward pressure. We hope you will be able to find the means to help us on the revenue side. We also hope that you will give us back the tools that we can use to address the pressures that unfunded mandates put on the expenditure side.

It won't cost the State a penny to relax or eliminate some of the many mandates that have been imposed, legislatively and administratively, over the course of decades. These mandates drive up the costs of local government and force local budget makers to address a laundry list of State priorities, before they can even begin to plan on how best to meet the local need for vital municipal programs and services.

The imposition of the arbitrary and inflexible 4% levy cap is forcing local policy makers to drain the surpluses that have been carefully built over the years, through prudent professional management, to sustain a local government facing unanticipated events. It is forcing local budget makers to deplete the reserve for uncollected taxes, further imperiling sound financial management. And, at a time when our Representatives in Washington are doing all that can be done to put Americans back to work and to prevent an increase in unemployment, the 4% levy cap is forcing layoffs of local workers, the elimination or modification of any variety of municipal services and the cancellation or postponement of vital public works projects. At times like these, a strong case can be made for cap waivers and exceptions.

Local officials want to do all that they can to contribute to our economic recovery. And the State can allow us to help, if it will heed our call for immediate mandates relief. At the outset of the budget discussions, we have identified a few areas in need of fast attention.

First, we call for a dramatic reform of the State's binding arbitration law, which forces local officials to submit police and fire contract disputes to the decision of an independent arbitrator. This process has consistently given the police and fire unions raises exceeding increases in the cost of living. And its ripple effect has led to excessive increases in the salaries of virtually all other local employees. Studies and surveys have consistently identified binding arbitration as the biggest driver of municipal costs. Past efforts at reform have not reversed this trend. Accordingly, we call for immediate and dramatic action.

Second, a whole host of DEP, DOT and other agency mandates force local governments to delay action on necessary improvements. These delays are often the result of State reductions-in-force that have asked fewer State workers to deal with a workload that has increased in both volume and complexity. These delays drive up the costs of local projects. They will, most likely, delay the effective use of whatever federal stimulus funding that trickles down to local governments. Accordingly, we ask that any permit application not denied for specific reason within 90 days of submission be deemed approved. And we further ask that a municipal engineer's certification of the subsequent remedy of defects be sufficient for permit approval.

Third, there are various training and certification requirements, which have been put in place by assorted State offices and agencies, over the course of decades, for a range of local officers and employees,. These include four hours of automatic weapons/carbines training for all police officers, four times a year; training for police officers and dispatchers on the use of Automatic Electronic Defibrillators; and bi-annual gas mask

fit testing for officers and dispatchers. These are all important things. But we believe that, in these trying fiscal times, it would be appropriate to allow local policy makers to determine who needs to be trained in what area, how often and in what manner. Accordingly, we ask for the elimination of these, and other, training and certification requirements. That, instead, they be issued as advisories and that local officials be directed to perform a risk assessment, and to devise and implement a plan to meet their individual needs in the most cost effective manner possible.

Fourth, regarding a number of land use and environmental regulations, such as the six year cycle for Master Plan review/reexamination and the Stormwater Management programs, we will ask the State to postpone enforcement of these mandates, until such time as the State can meet its statutory responsibility to fully fund the Consolidated Municipal Property Tax Relief Fund and the Energy Tax Receipts Property Tax Relief Program. If circumstances beyond its control prevent the State from honoring its self-imposed statutory mandates, local officials should be excused from compliance with onerous State imposed program requirements.

Fifth, the League seeks relaxation of the inordinate steps and time limits with which municipalities must comply to institute layoffs. If this is the last means of compliance with the tax levy cap and loss of revenues, the State should permit more expeditious actions to effect layoffs.

Finally, for local municipal building improvements and renovations, we ask that the Public Contracts Law be amended to allow “design and build” projects. Such contracts can often save time and money, both directly and by decreasing the need for professional services.

As the budget process unfolds, we will find other mandates that could be lightened or eliminated to help us contain property taxes. We trust the Legislature will seize this opportunity for meaningful and lasting mandates relief. We are eager to work with all interested in delivering on the promise of true property tax relief, as the budget process moves forward.