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Small Towns Are Not the Problem

We all know that the New Jersey state government has structural financial problems. Selling assets and raiding the pension system were quick fix gimmicks used by previous administrations to solve budget deficits. These are 'fixes' for which all residents of New Jersey are now paying an extremely high price. The selling of assets and raiding the pension fund are not available to, nor recommended by Governor Corzine. In an effort to install fiscal discipline he has proposed eliminating departments and reducing expenditures.

But as part of his expenditure reductions, Governor Corzine is unfairly asking small towns, those with populations under 10,000 to bear the lion's share of very large reductions in state municipal aid. It is his contention that small towns are fiscally inefficient solely based on their population and this is the primary cause of the high property taxes in New Jersey. His state aid reduction to municipalities is designed to force small towns to increase their shared service agreements or merge altogether. This is a misguided concept which is not borne out by the facts.

Using 2005 per capita spending from the Department of Community Affairs, the 15 towns with the lowest per capital spending are all towns of less than 10,000 people. Of the 100 lowest per capita spending towns 72 are towns under 10,000 in population. Towns with populations between 5,000 and 10,000 spend on average \$1143 per person about \$80 less than the state average of \$1221. Towns over 30,000 people spend \$1264 or about \$40 MORE than the state average. Population is not a measure of anything that has to do with fiscal responsibility or inefficiency.

I am not saying all small towns are fiscally responsible or all big towns are not. What I am saying is that there is no justification for aid cuts to be based on population. Fiscally responsible towns should not be punished for not having enough people live within their borders while fiscally irresponsible towns, regardless of size, should not be rewarded for carelessly spending tax payer's money.

The Governor's vision for shared services is not forward thinking but just promoting what is already happening all across the state. For years small towns have used shared services, part time employees and volunteers as standard tools for keeping expenditures low. Small town shared services agreements are not limited to adjoining or nearby towns. Most of the towns in Burlington County use countywide services like emergency services dispatch, recycling collection, welfare department and libraries. About four years ago, 11 Burlington County towns formed a consortium for the collection of trash from condominiums and apartments. The result is very significant cost savings beyond what a two or three town shared service could have negotiated. The savings are so significant that the consortium is discussing adding residential trash collection. This agreement is at least 18 months away mostly due to the timing of the expiration of the various trash collection contracts.

IN THE END, FISCAL RESPONSIBILITY ALWAYS COMES DOWN TO SPENDING WITHIN YOUR MEANS. THIS IS SOMETHING SMALL TOWNS HAVE ALWAYS DONE. SMALL TOWNS ARE NOT, HAVE NOT BEEN AND NEVER WILL BE THE PROBLEM WITH NEW JERSEY.

My town, Eastampton, is a full service community with a 24/7 full time police department and yet spends only about \$642 per capita, about \$580 below the state average. Eastampton is not resting on our laurels and is always trying to find ways to reduce expenditures. Eastampton is part of discussions with four other towns for a regional shared services agreement for Tax Collector, Tax Assessor, Court, Construction and Land Use, exactly as the Governor is encouraging. But this agreement will

take time to negotiate and implement and will not be in place before budgets need to be adopted.

Even relatively simple shared service agreements take time to negotiate and most can not be in place to offset the current year's aid reduction. Each negotiation involves modifying office hours in each town, determining which employees have increased hours and responsibilities, and which will be laid off.

Most small towns have had shared services in place long before Governor Corzine took office and many towns have exhausted all the shared service options that are cost and service effective. So finding new partners for new shared services in the next couple of months is highly unlikely. Given some time, small town mayors, and managers will continue to innovate and find ways to reduce the cost of local government services but these innovations will not be in time for this year's budget.

What can small towns with already lean budgets do in order to make up for the state aid reductions? Given

that more shared service agreements can not be in place for the current budget year, small fiscally responsible towns will have little choice but to exercise the Add-on Exclusion noted in DCA Local Finance Notice

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LFN-2007-20 dated August 31, 2007 which allows for "increases in the amount to be raised to replace State formula aid due to a reduction in State formula aid from the previous local budget year." In essence, towns can raise property taxes in the amount equal to the aid reduction. In an effort to reduce property taxes, the Governor's aid cuts may actually be raising them.

So where can towns, both small and large, look to reduce costs? The solution could come from a source

that the Governor and Legislature probably never considered – themselves. The solution is not in the form of sending more money to towns. The answer lies in eliminating state unfunded mandates. Costs for unfunded mandates are being borne by municipalities instead of being paid for by legislative appropriations. Worse yet is the state's use of department rules and regulations to circumvent the legislative mandate payment requirement altogether. Each year the burden on towns of all sizes gets worse. With the state budget running at a deficit, it is easy for the legislature and state departments to enact regulations without having the financial resources to pay for them. Requiring towns to provide and pay for services that the town does not want or need is at the core of high property taxes.

In the end, fiscal responsibility always comes down to spending within your means. This is something small towns have always done. Small towns are not, have not been and never will be the problem with New Jersey. ▲



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