



The Facts About Small Towns

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Governor Corzine's budget proposal takes a cruel and unwarranted shot at the smallest of New Jersey's municipalities. Governor Corzine insists that New Jersey, with a population of 8.7 million, has far too many towns. 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 possibly realize. But the economic laws of Wall Street do not readily apply to Main Street.

Along with many of my colleagues, I attended the League's briefing with the Department of Community Affairs for small towns on March 6 at the Trenton War Memorial Building. It was clear that the administration had not invested any research into the decision to cut municipal property tax relief to small towns. Administration representatives readily admitted that. If they had reviewed the most recent local tax data available on the Division of Local Government Service's (DLGS) website they might have drawn different conclusions. Buried in a large spreadsheet is every town's effective local purpose (municipal) tax rate from 2005. That rate represents the percentage that each town taxes the market value of its ratable base. It is adjusted to 100 percent 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

- Seventeen municipalities have NO municipal tax levy. Sixteen 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 (92 percent) have a population less than 10,000.
- Of the municipalities with the 200 lowest effective municipal tax rates, 136 (68 percent) have a population less than 10,000.
- Of the 50 municipalities with the HIGHEST effective municipal tax rates, 28 (56 percent) have a population over 10,000.
- EVERY municipality with a population above 100,000 has an effective municipal tax rate that exceeds the state median.
- Small towns with a population below 10,000 represent 56 percent of New Jersey municipalities. These data are clear: Small towns have lower tax rates than their larger counterparts.

The reasons for this are many. 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. Because vendors have to bid for this business there is an inherent market efficiency that small towns realize. Towns that undertake delivery of those same services internally cannot realize competitive market benefits. Often the employees of the contractors and vendors providing those services are not receiving any benefits or pensions, further reducing their cost. As a Mayor for sixteen years, I have consistently found that using the private sector is often more efficient than using in-house labor or an inter-government shared service. For recognizing and exploiting free market efficiencies, small towns receive no recognition other than lower tax rates. With respect to privatization, Wall Street beats both State Street and Main Street. Our Governor ignores this powerful cost saver that many towns employ to cut costs and deliver higher quality services.

On examining the salaries for various positions across Camden County it is clear that many of the smaller towns have lower salary structures. In part this is due to the fact that they have a smaller span of control. Also, employees of small towns are less likely to be organized. Many small towns use part time employees to fill positions that do not require full time staff. Part timers often receive no fringe benefits and only work when needed. We often hire retired employees that supplement their pensions (private or public) with part time work. Everyone wins. My town also uses volunteers to staff many of our public events.

Many municipalities, big and small, are using shared services to reduce costs. For many, shared services predated the state's big push for consolidation and shared services. The remaining services that are not shared face barriers such as union contracts or civil service considerations that are non-trivial to resolve. When small towns consider consolidating human services (labor) with larger towns, the salary structure of the larger town prevails. Those salary differences are striking and drive a significant increase in cost to the smaller town. For this reason many shared services are non-starters between towns that have substantial inequities in wage bases.

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 counterparts that use volunteers. Replace volunteers with paid fire fighters and save money?

While advocating for small towns, I recognize that 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.

Lastly, the Governor asserts that we have too many municipalities. But compare New Jersey with neighboring Pennsylvania:

	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%

Pennsylvania has more towns and more small towns than New Jersey!

Our property tax crisis is clearly not caused by small towns or large towns. The local purpose component of our property tax levy accounts for the smallest portion of the average property taxpayer's bill. Schools account for the lion's share of the property tax burden. The Governor and our legislature should not attack the small

AS A MAYOR FOR SIXTEEN YEARS,
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EFFICIENT THAN USING IN-HOUSE LABOR OR
AN INTER-GOVERNMENT SHARED SERVICE.

towns that are the backbone of our great state or seek to pit small town against large town in a funding struggle. They should act responsibly to fully restore municipal property tax relief to the levels statutorily required. We need a reliable funding source and less regulation!

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. There, peering into a large mirror, they will find the leaders of New Jersey's largest "municipality," the epitome of inefficiency, waste, unfunded mandates, and big government. ▲

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