



**STATEMENT BY THE HONORABLE GARY J. PASSANANTE,
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NEW JERSEY LEAGUE OF MUNICIPALITIES,
MEMBER, LOCAL UNIT AND ALIGNMENT, REORGANIZATION AND
CONSOLIDATION COMMISSION
AND MAYOR, BOROUGH OF SOMERDALE, CAMDEN COUNTY
CONCERNING GOVERNOR CORZINE'S PROPOSED BUDGET
FOR FY 2008-2009.
PRESENTED TO THE SENATE BUDGET AND APPROPRIATIONS COMMITTEE
TUESDAY, MARCH 25, 2008
GCIT
DEPTFORD, NJ**

Thank you, Madam Chair and members of the Committee.

In 2004, I was appointed to the Governor's Property Tax Constitutional Convention Tax Force. I, along with numerous other elected officials, professionals, and individuals from many walks of life spent many months studying the options and process by which a Citizens Convention could be held. This was being considered by the Governor and Legislature as a possible means to provide recommendations to the residents of our State for the reform and restructuring of our Property Tax system, a system known by most of us to be broken. While our work as a committee was time consuming and exhausting, I was encouraged and excited at the prospects that finally our leadership in Trenton got it and was prepared to fix it i.e. New Jersey's excessive reliance on Property Taxes and the undue burden it places on our residents, particularly our senior citizens and those on fixed incomes. Unfortunately, my excitement quickly turned to disappointment when I learned that our study and resultant 80 page report was shelved because the Legislature felt that a solution could be reached through a "special session" of the Legislature to address the culprits of New Jersey's highest Property Taxes in the nation.

So, in 2006, an historic "Special Session" of the Legislature was held, forming (4) joint committees to study the Public School Funding Formula, Government Consolidation and Shared Services, Public Employee Benefits Reform and finally Constitutional Reform and a Citizens Constitutional Convention. The results, a plethora of recommendations with few enactments

beyond the increasing of the Property Tax Rebate check amounts. So again, our public awaits (i.e. those who have not opted to relocate to another State with significantly lower taxes) for a true solution to the escalating Property Tax crisis in New Jersey.

In March 2007, the Legislature, together with the support of the Governor, established the Local Unit Alignment, Reorganization and Consolidation Commission based on the popular belief by our leadership in Trenton that consolidation of Municipalities and/or School Districts will save significant tax dollars.

I was honored to be the first of 9 commission members appointed. Finally, over a year later, all 9 members have been appointed and our first meeting is scheduled for April 8th. The commission's assignment, according to the bill and subsequent law is:

- 1) To study and report on the structure and functions of county and municipal government, including local taxing districts, their statutory bases, including the fiscal relationship between local governments and the appropriate allocation of service delivery responsibilities from the standpoint of efficiency.
- 2) To recommend legislative changes which would encourage the more efficient operation of local government? These changes may include the structural and administrative streamlining of county and municipal government functions, including but not limited to, the transfer of functions from one level of government to another and the use or establishment of regional service delivery entities.
- 3) To consider optimal service levels, ratios of employees to population served, cost structures for service delivery, and other best practices and report its findings to the Governor, the President of the Senate, and the Speaker of the General Assembly.
- 4) Based on its findings, the commission shall develop criteria to serve as the basis for recommending the consolidation of specific municipalities, the merger of specific existing autonomous agencies into the parent municipal or county government, or the sharing of services between municipalities or between municipalities and other public entities.

While I am again anxious and excited to participate in such an important commission, I am skeptical of our purpose and value given the Governor's proposed budget for the upcoming 2008-2009 fiscal year.

The reduction and/or total loss of CMPTRA funding for communities under 5,000 and 10,000 populations is clearly an attack on smaller Municipalities and the indication that the Governor has already made his mind up that bigger is better. This is putting the cart before the horse given the purpose of our new LUARC Commission is to "study" the structure of county and municipal entities to determine optimal service levels, ratios of employees to populations served, and other best practices. Is it not possible that the commission may determine after extensive study that in some circumstances, consolidation of entire units and/or services may in fact result in inefficiencies and higher costs?

In fact, it has been acknowledged by Henry Coleman, a leading professor of public policy for the Bloustein School of Planning and Public Policy and Ingrid Reed, Director of the New Jersey

Project, Eagleton Institute of Politics, that there is little data to support or refute that greater cooperation among local governments would result in reduced property taxes and improved services.

To the contrary, a comparison of the 2005 Effective Local Purpose Tax Rates, the most recent rates provided by the Division of Local Government Services, reveals the following statistics:

- 16 of the 17 municipalities with NO Local taxes have populations under 10,000
- 46 of the 50 municipalities in the state with the lowest effective local tax rates have populations under 10,000
- 136 (68%) of the 200 municipalities with the lowest local tax rates have populations under 10,000
- Over half (56%) of the 50 municipalities with the highest effective local tax rate have populations over 10,000
- Every municipality with a population above 100,000 has an effective local tax rate exceeding the state median

It is premature for the Governor, through this budget proposal, to penalize small communities based on unproven assumptions.

It is equally irresponsible to ignore the planned work of the LUARC Commission which has been solely created to explore the possibilities of consolidation and make annual recommendations to the Governor and Legislature after developing consolidation criteria and studying local government units across the state.

Property Tax reform is still as important an issue as it was in 2004. The immediate cuts in CMPTRA funding to our smaller communities will surely result in higher local property taxes and the reduction of necessary local services.

Restore this crucial funding and give us, the Local Unit Alignment, Reorganization and Consolidation Commission an opportunity to do their work.

After all these years, the people of this great state deserve a real solution to our property tax conundrum.

Thank You.