



by Arthur Maurice  
First Vice President

# At Issue

## Local Spending Must be Cut To Control State Expenditures

**F**aced with a multi-billion dollar state budget deficit and his own pledge of property tax relief and reform, incoming Governor Jon Corzine promises a thorough scrubbing of state spending, an end to fiscal gimmicks, and a property tax convention. We wish the Governor well and would like to offer him the following observations as he confronts the inevitable nay-saying special interest groups, an embedded state bureaucracy, and legions of skeptical local government and school district officials.

- **The state budget problem is largely a local government spending problem:** For years, Governors of both parties have lamented the fact that the majority of state government spending is outside of their control, with local government and school aid representing over 40 cents of every state dollar spent. However, the Governor does have final say over state aid payments and can decide not to subsidize local spending at these levels.
- **Local government and school district spending is out of control and must be reduced:** Local governments and school districts spent over \$34 billion in 2004. Compare that to a state budget (excluding aid to local governments) of around \$16 billion. It's clear that most taxpayer money is spent at the local level! Local elected officials should follow Governor Corzine's lead in demanding smaller, more cost-efficient government. Last year, spending by municipalities, counties and school districts increased by \$1.8 billion or 5.5 percent, following an increase of \$1.9 billion the year before. Meanwhile, New Jersey public schools spend an average of \$13,700 to educate a student, the highest amount not only in the country but also the world. New Jersey taxpayers cannot afford to continue to support this rate of growth in local spending. It's time to cut local spending.
- **"Voluntary" cuts in local spending won't work:** New Jersey is the most "governmented" state in the nation, with over 1,600 local taxing entities. New Jerseyans are typically represented by four, five, six or more of these governments, some within a few blocks of each other. The state has offered local governments incentives to voluntarily reduce spending through consolidation and shared services. This has not worked; they won't consolidate unless forced to. It's too easy for them to blame Trenton for mandates and call on Trenton for more state aid subsidies. This year's state budget should require local governments to reduce spending. This will give local elected officials the political cover they need to make difficult budget cuts.
- **Budget cuts require reductions in personnel costs:** Seventy percent of all government costs relate to personnel, from salaries and health insurance to retirement benefits. We shouldn't balance budgets on the backs of public employees, but public employees must be part of the solution. A state benefits task force found dozens of areas where public employee receive pay and benefits that far exceed private-sector standards. Ideally, changes in these areas would be subject to labor negotiation; however, under current state law much of this is non-negotiable. State law should not limit the ability of government administrators to negotiate and manage these costs.
- **Beware a "citizen's" property tax convention:** The notion that the problem of high property taxes can be resolved through a constitutional convention comprised of citizen delegates is romantic and misguided. As proposed last year, such a convention would be one-sided. Public employees would dominate the convention, and convention delegates would not be allowed to discuss local spending cuts as a solution. No crystal ball is needed to see that such a convention would recommend large increases in income, sales and business taxes with no off-setting spending reforms. That's a prescription for economic disaster in New Jersey. The State Legislature has the expertise and, more importantly, the responsibility to reform property taxes and should solve this problem in a special session.