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To: Chairman Fisher and the Local Unit Alignment, Reorganization & Consolidation Commission (LUARCC)

From: Christopher Emigholz – NJBIA Government Affairs Director

Date: August 19, 2008

Re: **NJBIA's Strong Support of Consolidation, Regionalization & Shared Services to Reduce Property Taxes and Improve Service Delivery**

Good morning, and thank you for considering NJBIA's perspective on this important issue. My name is Christopher Emigholz, a Government Affairs Director for the New Jersey Business & Industry Association (NJBIA), and I am testifying on behalf of our 23,000 members. NJBIA is committed to consolidation, shared services and regionalization as a means to control New Jersey's ever-escalating property taxes and to improve the quality of services that governments provide, and towards those goals, we ask this commission to be bold in the tasks that lay before it. This Commission should not be about looking at what is and asking how we can improve it. It should be thinking about what could be and asking how we can get there. We supported the enabling legislation and only wish that it had given this commission even more authority, and now we look forward to supporting this commission's work to improve New Jersey's local government structure and efficiency.

Local Government Problem:

New Jersey is the most "governmented" State in the nation, with 1,689 local governmental entities. The State's residents are subject to almost 1,400 taxing districts: 21 counties, 566 municipalities, 616 school districts and 186 fire districts. New Jerseyans are typically represented by four, five, six or more of these governments, many within a geographical area less than two square miles.

To pay for this multitude of local governments, New Jersey has the highest per capita property taxes in the nation, more than twice the national average. Beyond that, the property tax in New Jersey is also growing at rates far outstripping income growth. With property taxes accounting for almost as much state and local government revenue as income, sales and business taxes combined, a simple shift to other taxes cannot adequately address the property tax problem in New Jersey. Local government spending must be controlled.

Why Business Cares:

A just-released New Jersey Policy Research Organization (NJPRO) study, "Economic Policies and Solutions: Making NJ a Better Place for Business", pointed to the State's high taxes and difficult regulatory environment as two of the most pressing problems that prevent businesses from succeeding in New Jersey. Based on surveys, focus discussions and interviews with business

leaders and secondary research about other states, the report cited the need to reduce taxes as well as the red-tape and layers of bureaucracy within our regulatory system. Both of those issues could be addressed by reducing and/or streamlining local government in New Jersey.

The exorbitant property taxes that stem from our fragmented local government system in New Jersey are a double problem for the businesses of the State – paying the highest-in-the-nation taxes and attracting and retaining employees who have to pay them also. Over the past 10 years in NJBIA's Business Outlook Surveys, our members have consistently ranked the increasing cost of commercial and industrial property taxes as one of their top business concerns. Approximately one-quarter of New Jersey's property tax burden falls on businesses, yet these businesses do not receive property tax relief such as rebates that residents do and do not utilize expensive local government services such as schools that residents do.

Beyond property taxes, the many layers and fragments of government with which businesses must deal leads to a more onerous regulatory environment with varying levels of capacity and service. Less local government entities and/or more efficient government entities would make it easier for business to operate in the State and could actually lead to a higher level of services for the business community.

Need for Benchmarking:

One of the more promising aspects of this commission's enabling statute is the mandate to create performance measures for local governments. There is a lack of data on local government efficiency, and more information would be one of the easiest and most beneficial methods to promote it. It would lead to greater accountability and could yield the opportunity to create best practices to serve as a clear model for which local governments can strive. NJBIA asks you to please focus on this important task, as it is one of the most critical things that could come out of this commission.

NJBIA would also ask this commission to go beyond the performance measures required of this commission by statute, because the State of New Jersey would benefit from more concrete data on the impact of consolidation, shared services and regionalization. It has been asserted by some that it will fix the State's property tax problem, and it has been posited by others that there is no evidence that it will save any money for anyone. I think this commission could greatly assist the State's policymakers by presenting the facts about regionalization and what it could and could not do. It would be very helpful if this commission could shed any light on the optimal size and characteristics of a local government entity to help identify some local governments as too small or even too large.

For this commission's information and so that this commission could see examples of what kind of data could be utilized, NJBIA has created a rudimentary table reviewing the property tax rates and per capita levies for municipalities with differing characteristics. NJBIA did a preliminary review of the possible impact of population, density, land area, municipal levy size, county and form of government on municipal property tax rates and per capita property taxes. To truly determine these impacts many more variables could be examined such as specific expenditures on debt and police and significantly more in-depth statistics could be utilized, but hopefully this could trigger a larger analysis with which NJBIA

would be happy to help. Even from this introductory examination some trends appear such as very small towns having the highest property tax burdens. Other patterns are less discernable such as the overall impact of population on property taxes.

Strategies to Push Consolidation, Shared Services and/or Efficiency:

NJBIA sees four methods to promote consolidation, shared services and/or regionalization – guidelines, incentives, punishments and mandates. While NJBIA is not opposed to education and incentives, it believes it is time for greater use of punishments and mandates. NJBIA would hope that after the lengthy research that will be performed by this commission to ascertain the optimal size and efficiency levels of government, standards and performance measures will be put in place, recommendations will be made and either punishments and/or mandates will follow to ensure that local governments and New Jersey residents benefit from this commission’s hard work.

NJBIA also believes that this commission should focus some of your work not just where consolidation, shared services and/or regionalization should happen, but how it should happen and specifically how labor and staffing is addressed. NJBIA hopes that recommendations could emerge from this commission that could help local governments and taxpayers control the ever-escalating labor costs that lead to New Jersey’s ever-escalating property taxes. Some of the onerous aspects of labor contracts that do not favor consolidation and the taxpayer could be examined and advice could be given to local governments on how to handle them.

NJBIA also hopes that this commission works with the newly created executive county superintendents to identify ways that all local governments could cooperate not just municipalities. The major property tax driver in New Jersey is education costs, and the executive county superintendent has the potential to address these costs, but more could be done when municipalities and school districts work together.

NJBIA would also hope that the roles of counties and municipalities could be examined and best practices from throughout the State on their relationships could be presented for all local governments to follow.

Lastly, NJBIA would like to note that we support Speaker Roberts’ current plan to strengthen this commission. We believe that only good can come from this commission’s work, and the more authority that you have, the better it will be for the taxpayers.

Thank you again for your consideration of NJBIA’s perspective this morning, and please consider us as a resource to this commission. As NJBIA’s representative on this issue, I would be happy to do all that I could to help, and you could contact me at 609-393-7707 x201 or cemigholz@njbias.org for assistance. NJBIA believes in this commission and hopes it accomplishes all that it could.