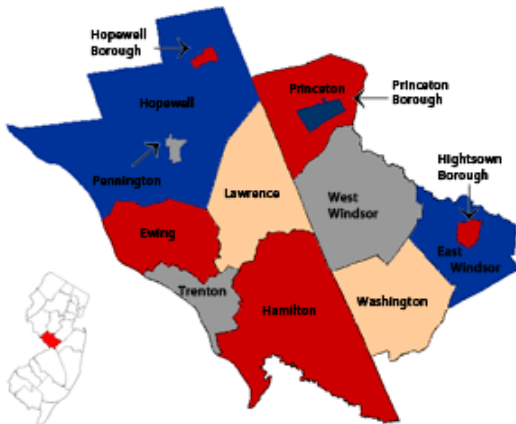


REMAPPING DEBATE

Asking "Why" and "Why Not"

If it's broke, why not fix it?

Original Reporting | By Mike Alberti | State government, Urban policy



One county, 14 jurisdictions. Some New Jersey counties are fragmented into as many as 70 municipalities.

March 30, 2011 — As Remapping Debate recently reported, New Jersey's fiscal problems have given rise to an intense debate between the state and its municipalities about the fairest and most effective way to close the state's budget gap. But while local officials claim to be open to creative ways to deliver services more effectively, most stop short when it comes to one promising but politically difficult option: municipal consolidation.

For several decades, economists and good-government advocates (as well as some state officials) have pointed to New Jersey's frag-

mented system of 566 municipal governments (in addition to separate school districts and county governments) as a key source of the state's fiscal problems and high property taxes, and have identified millions of dollars in potential savings if the number of local governments were reduced. In addition to the fiscal benefits, there may be other advantages, including better service delivery and less economic segregation between towns.

But several efforts over the years by the state to encourage the consolidation of small municipalities have failed to produce significant results, and only one consolidation has taken place in the last 50 years.

In 2007, consolidation advocates were given new hope. The state legislature created the Local Unit Alignment, Reorganization and Consolidation Commission to facilitate consolidations while shielding state and local officials from the political fallout those officials fear might occur, even when such consolidations would serve the interests of both local residents and the state as a whole.

LUARCC was charged with studying and reporting on the ways that municipal governments could operate more efficiently, and on the ways that the state government could facilitate the process of consolidation and shared services. Most notably, LUARCC was given the authority to recommend specific consolidations, proposals that residents would have to vote up or down.

Four years later, many of LUARCC's responsibilities have not been fulfilled, and potential municipal consolidations remain stalled. The reason, commission members say, is lack of funding. Despite Gov. Christie's professed support for consolidation, [even for his own hometown](#), his 2010 budget completely defunded the commission, and no funds have been restored this year.

Given the substantial and permanent cost-savings that could result from numerous consolidations, and the fact that LUARCC's funding comprised only a tiny portion of New Jersey's overall budget, questions have been raised about the wisdom of not allowing LUARCC the opportunity to see if its mechanisms

Home rule: New Jersey's religion? (part 1)

Many advocates of municipal consolidation cite the battle cry of "home rule" as the single, most difficult obstacle to overcome.

Home rule — the insistence that a variety of governing decisions be kept at the most local level possible — is supported both with the rationale that elected officials are more responsive to a smaller group of citizens they know, and with the justification that a community's "identity" can only be maintained if a broader, oftentimes more heterogeneous group is not allowed to dilute or taint that identity.

"The major impediment to [consolidation] is the concept of home rule and the fact that people enjoy living in a community that is unique," said State Senator Robert Gordon. Others have suggested that the discussion of home rule can sometimes serve as a code for exclusion and segregation (see related box on page 3).

New Jersey's affinity for home rule is nothing new. Brendan Byrne, who served as the Governor of New Jersey from 1974 to 1982, once said that "Home rule in New Jersey is a religion."

Kevin Roberts of Gov. Christie's office acknowledged that home rule had led to an inefficient system of governance in New Jersey.

"[Home rule], while long a part of New Jersey's governmental landscape, has ultimately led to layers and layers of government at a significant cost to taxpayers," Roberts wrote in an email. "Given the difficult fiscal circumstances we live in now, it's time to move past the notion that we can have sacred cow issues, including home rule, that come with unsustainable costs."

"There's this idea that people are going to lose their community's identity if they consolidate," Gina Genovese, executive director of Courage to Connect New Jersey, agreed. "I'm trying to show them that that's not the case."

Anton Lahnston from the Princeton consolidation study commission agreed that community identity played a part in residents' fear of change. "People said to me, 'I'm afraid we'll lose the borough-ness,'" he said. "I asked, 'What's the borough-ness?' Sometimes they don't know, but it means something to some people."

could have overcome local resistance to change. And, some advocates say, the decision to defund LU-ARCC obscures municipal consolidation as a viable alternative to a locality that is currently choosing between reducing services or raising property taxes beyond a state-imposed cap.

A complicated process in a highly fragmented state

Though several states, including New York, Pennsylvania, and Iowa, are wrestling with the issue of municipal fragmentation, New Jersey has received the most attention because of its vast number of jurisdictions, and the direct link, [made by many](#), to the state's high property taxes.

New Jersey has more municipalities — both per-person and per-square-mile — than any other state in the country. There are more local governments for New Jersey's 8.8 million residents than for California's 37.3 million. There are several historical reasons for this fragmentation dating back to the

founding of the colony: some municipalities, for example, split off from larger towns to avoid the prohibition of liquor sales there; others were formed in order to facilitate the exclusion of African-Americans.

“It’s widely agreed that New Jersey could save a significant amount of money if we consolidated towns on a large scale. And more than money, we could be delivering better services.” — Gina Genovese, Courage to Connect New Jersey

According to Gina Genovese, executive director of Courage to Connect New Jersey, a recently formed non-profit group that attempts to educate the public about the benefits of consolidation, “efficiency was clearly not on people’s minds when these governments were formed.”

“It’s widely agreed,” said Genovese, who is also the former mayor of Long Hill Township (pop. 8,702), “that New Jersey could save a significant amount of money if we consolidated towns on a large scale. And more than money, we could be delivering better services.”

Though there are no precise estimates on how much money the state as a whole could save through large-scale municipal consolidation, Genovese said that it could easily be hundreds of millions of dollars a year.

The problems of fragmentation stem, in part, from the fact that many of the towns in New Jersey don’t have sufficient population to generate a robust tax base. Additionally, larger towns often benefit from economies of scale — the increase in efficiency in the production of goods or the delivery of services when the volume of goods or services increases. Finally, Genovese said, fragmentation breeds redundancy: “Do we really need five mayors to govern twenty square miles? Do we need five police chiefs?”

Home rule: New Jersey's religion? (part 2)

Gina Genovese uses the example of Woodbridge Township to illustrate her point. Woodbridge, the oldest town in New Jersey, is one of few towns in the state that did not splinter up into several small towns in the 19th and early 20th century. Instead, Woodbridge continues to contain 10 communities within its jurisdiction, all but one of which have a population of more than 10,000. None of the 10 has its own municipal government.

In addition, taxes are relatively low in Woodbridge, while the town can afford to retain a full-time grant writer, and the school district (one of the largest in the state) can afford to put solar panels on its roof (See related box on school district consolidation on page 5).

Genovese is trying to find a group of four or five communities to do a consolidation study, and is using Woodbridge as the model. "I want to show people that the real savings come from merging more than just two towns. When two towns merge, there is usually a winner and a loser," she said, referring to the fact that, sometimes, property taxes in one of two merging municipalities might go up, although there is a net savings. "The more [towns] that consolidate, the more everybody wins."

So far, though, local officials aren't buying the idea that consolidation can help a municipality. Many Mayors continue to cling to their town's identity (and, some say, their jobs).

The southwestern New Jersey Borough of Penns Grove, for example, broke away from the larger Carney's Point in 1894, and now has a population of fewer than 5,000 people. It is surrounded on three sides by Carney's Point and on the fourth by the Delaware River.

Mayor John Washington said he often heard the suggestion that the two towns should consolidate. "I'm not buying that at all," he said. "We're a historic community. Yeah, we're a small donut [hole] town, but we've been a donut [hole] town for 100 years."

Same goes for Mayor Nancy Martin of the Borough of Helmetta (population 1,825). "I guess it's always easy to sit at a desk in Trenton and decide what's best for everyone," she said. "I don't even know the real reason it makes me so angry – it just burns me up that they sit there and say they know what's best for everyone."

But every local official interviewed for this article said that, if they were presented with a study showing that they could save money by consolidating, they would be much more open to the idea.

"It would have to be a professional study," Washington added, "not some back-of-the-envelope thing."

Even William Dressel at the League of Municipalities said that he would be open to the idea of the state incentivizing municipalities to consolidate if comprehensive studies were done. But, he added, "I don't think LUARCC has the staff to do that."

New Jersey state law does provide an avenue for towns that wish to consolidate, but in practice, this process is fraught with complications and delays.

The Borough of Merchantville and the adjacent Township of Cherry Hill, for example, applied for a study commission on consolidation, but the application was denied by the Local Finance Board because one town had approved it through direct petitioning of residents while the other approved it through the Town Council. (New Jersey's Legislature [voted unanimously](#) to change the law this month in order to rectify this apparently unintentional effect, and the measure awaits the Governor's signature.)

On [at least one occasion](#), towns that have asked for funding were told that the Department of Community Affairs didn't have the money.

And local voter resistance remains strong.

For example, Princeton Borough is actually completely surrounded by Princeton Township — in local parlance, the Borough is a “donut hole” town — leading many to question why there are two separate governments, especially as property taxes have risen in both.

The residents of the jurisdictions have considered consolidation three times before, and each time they have voted it down, according to State Assemblyman Reed Gusciora, who represents the district that includes the Princetons. “People are afraid of change,” he said. “They want to hold on to their little fiefdoms.”

A fourth referendum is scheduled to be held this fall.

Municipalities won't do it on their own

According to Jon Shure, Deputy Director of the State Fiscal Project at the Center on Budget and Policy Priorities, a national think-tank, there are so many obstacles to consolidation that it's not surprising that more municipalities haven't taken steps in that direction.

“There are clearly too many towns and too many school districts in New Jersey,” he said, “but people can't seem to think in a larger area than four square miles. If it's ever going to be resolved, it has to be resolved by imposing it from the state level.”

In fact, there have been several past attempts by the state to create stronger incentives to push municipal consolidation, but none of them were successful.

“People just didn't want to,” said State Senator Robert Gordon. “There are political costs to merging your fire departments or police department. People thought the costs were just too high.”

A federal model

The LUARC Commission was modeled on a federal program, the Defense Base Closure and Realignment (BRAC) Commission, which was instituted in 1989 to close unnecessary military bases. Prior to BRAC, Congress had found it very difficult to close military bases, even when they were no longer useful, because a military base can bring millions of dollars to a district, and politicians that represented such districts often objected.

Home rule and exclusion

According to Adam Gordon, a staff attorney at Fair Share Housing Center in Cherry Hill, New Jersey, the attachment to “home rule” can sometimes have another effect: the segregation along economic and racial lines that characterizes much of New Jersey.

“The reality is that in the places where people are talking about it at all, they’re not talking about consolidations that go across racial and economic lines,” he said.

Gordon added that, in some parts of New Jersey, municipal boundaries were designed to segregate people by race and class from the beginning, and today a majority of African-Americans in the state reside in just 16 communities, largely major cities like Newark, Trenton, and Camden.

Matt Lassiter, Associate Professor of History and Urban and Regional Planning at the University of Michigan, added that, historically, the concept of home rule has been intricately connected to the concept of “rational choice” — that is, the idea that if local governments are given more control, individuals will be given more options when deciding where to live.

“The problem with the rational choice argument,” he said, “is that it completely pretends that exclusionary zoning doesn’t exist and that everybody has the same amount of freedom to choose where to live.”

Michan Connor, assistant professor at the University of Texas Arlington’s School of Urban and Public Affairs, said that the suburban composition of much of New Jersey has given rise to an unusually entrenched attachment to home rule.

“Residents of affluent suburbs benefit the most from having political autonomy,” he said. If they were consolidated into cities or towns with lower incomes, he continued, that could effectively redistribute their wealth.

“There is potential for this discussion of consolidation to expand and deepen into why it is that some communities are favored and some are disadvantaged,” Connor said. “I hope that is the route that the discussion goes.”

BRAC circumvented these challenges by creating a list of bases that should be closed and then providing that list to Congress. Congress then had to vote “up or down” — meaning it had to approve the entire list or none of it — which made it easier for individual politicians to close bases in their own districts. To date, the BRAC process has resulted in the closure of nearly 100 bases.

“LUARCC was the same idea,” said Andrew Bruck, research director for Courage to Connect. “Since there are a lot of vested interests in each municipality, you need to insulate politicians from the process.”

LUARCC’s charter (which specifically mentions BRAC as inspiration), empowers the Commission to “study and report on the structure and functions of county and municipal government... and the appropriate allocation of service delivery responsibilities from the standpoint of efficiency.” It is also required to recommend legislative changes at the state level to encourage shared services and consolidation, and then to identify specific municipalities that could benefit from sharing services or consolidating.

“People are afraid of change. They want to hold on to their little fiefdoms.”
— State Assemblyman
Reed Gusciora

LUARCC would then conduct or hire outside contractors to conduct feasibility studies that would demonstrate the particulars of how consolidation would work in specific circumstances, write a detailed consolidation proposal, and submit the proposal to the state legislature. After approval by the state, the proposal would go directly to residents for an up or down vote, a process that eliminates the initial hurdle of requiring local approval even before a study can be conducted.

In the original legislation, proposed by State Senator Joseph Kyrillos, LUARCC would have produced a list of municipalities to consolidate, and then the legislature would vote up or down on its recommendations, exactly like the BRAC Commission. Before the bill was brought to a vote, however, rival legislators modified it by adding a provision that required voter approval of any consolidation plans. The revised bill passed by a large majority. Even if LUARCC’s funding were restored, the added provision, some say, might prove to be a serious impediment to LUARCC’s effectiveness.

Nevertheless, according to State Assemblywoman Pamela Lampitt, LUARCC could play a valuable role in encouraging municipalities to consolidate, effectively changing the dynamic between the state and local governments by singling out municipalities that should consolidate, and then performing the so-called “feasibility studies” for them.

“The problem is that somebody’s got to be the bad guy here,” she said. “Everybody loves their local mayor. So, here’s the bad guy. The challenge will be to make residents understand that [consolidation] can be a seamless process for them.”

That would require giving LUARCC the funding and the staffing to do feasibility studies so that residents

and local officials would see concretely the cost-savings that would result from consolidation, Bruck said. By performing the studies itself, LUARCC would also save the localities the expense normally associated with consolidation studies.

Additionally, Bruck said, LUARCC would make consolidation a more visible alternative for towns now focused on whether to raise property taxes or cut services (and eliminate an excuse for not exploring consolidation as an option).

During its first two years of operation, the Commission produced several [reports and literature reviews](#) on municipal size, efficiency, and tax rates, discharging the first stage of its responsibilities under its charter. The next step, according to Commission Chair John Fisher, was to perform feasibility studies with respect to specific municipalities that appear to be good candidates for consolidation, studies which would then lead to the submission of formal consolidation proposals to the state for approval.

“That was the threshold we got to when funding got cut,” Fisher said.

A backdoor way to erode worker protections? (part 1)

Local officials have repeatedly pointed to New Jersey’s Civil Service system as an impediment to consolidation, calling it antiquated and, sometimes, unnecessary.

Civil service was started in New Jersey in order to protect against patronage in the public sector, said Jeffrey Keefe, a professor at the Rutgers School of Management and Labor Relations. “Once upon a time, if you got elected, you got to appoint everybody that worked the municipality,” he said.

Civil Service regulations protect against that kind of patronage by required all employment to be “merit based.” Thus, potential employees are given a test before they are considered for a job, and state law provides particular mechanisms that local officials have to go through in order to hire, fire, transfer, promote or demote an employee.

The regulations also protect the individual workers by providing a specific range of compensation that must be paid to an employee, depending on his or her job title.

While only about a third of New Jersey’s municipalities are in the civil service system, local officials have complained that the rules make it difficult for them to consolidate or share services. For example, some officials have complained that the strict job titles in the civil service system prevent them from creating the new positions that might result from a shared-service agreement if it required a range of tasks that could be done by a single employee but that did not fit into a specific civil service title.

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The commission has still been meeting at least once a month, Fisher added, but it no longer has the means to perform or contract for feasibility studies in order to test its preliminary hypotheses with data and analysis.

Defunding LUARCC

According to Kevin Roberts, a spokesperson for Gov. Christie, “[t]he decision to defund LUARCC was due to the unprecedented fiscal crisis faced by the state in the last fiscal year, a policy we’ve continued in the proposed [fiscal year 2012] budget.”

A backdoor way to erode worker protections? (part 2)

These complaints, among others, have caused officials at all levels of New Jersey government to link civil service reform with the encouragement of consolidation and shared services.

Rex Reid, the Political Legislative Representative for the American Federation of State, County and Municipal Employees in New Jersey, said that he saw some of the encouragement of consolidation as “a backdoor way to get rid of contracts...and part of the state’s race to the bottom.”

In fact, many of the complaints that have arisen come from municipal leaders in towns that are not in the civil service system, because they pay their employees significantly less and thus see no economic gain to consolidating with a town that is civil service.

While Governor Christie has advocated to allow towns to “opt-out” of the system altogether, and Senate President Stephen Sweeney has proposed legislation that would effectively nullify civil service rules for employees affected by a shared services agreement, LUARCC has actually presented a list of specific changes to civil services law that it believes would remove the obstacles to sharing services.

Jon Shure, of the Center on Budget and Policy Priorities, said that he thinks that it is better to evaluate specific civil service proposals on their merits than to try to link civil service changes to consolidation.

“There are certainly some reforms that can be made without sacrificing worker protections,” he said, “but tying progress on shared services and consolidation to the erosion of that protection raises red flags.”

Shure also said that, in many cases, the savings from consolidation could be used to increase worker protections and compensation, as well as improve service delivery.

“As much as consolidation is needed,” Shure continued, “if it’s being supported only for short-term financial reasons, to make it easier to lay people off, then it’s off the mark. It calls into question whether people see the real value of it in the first place.”

LUARCC's precise budget in 2009 was not immediately available from the Department of Community Affairs. Fisher said, however, that LUARCC had received only \$500,000 in 2009 for "consultancy costs"; additional costs included the salary of an Executive Director and some materials and office supplies, but Fisher said that total was not more than \$1 million. In relation to Gov. Christie's proposed budget for 2011-2012, which included \$29.4 billion in total expenditures, \$1 million would be equivalent to 0.0034% of the total. Even if LUARCC were significantly expanded (Fisher declined to provide cost estimates for an expansion that would include additional duties), the savings that could result from the consolidation of even a small number of towns could easily offset the cost of the commission, said Bruck. Roberts did not respond to a follow-up question about the range of cost efficiencies the Governor believes could result from consolidation on a large scale.

Despite Governor Christie's professed support for consolidation, his 2010 budget completely defunded the LUARC Commission, and no funds have been restored this year.

In an email message, Roberts said that along with raising property taxes or cutting services, consolidation is a "third option" for municipalities to balance their budgets, and that part of the justification of the Governor's two-percent cap on property taxes was to "force some of these decisions concerning municipal consolidation and/or shared services" in a manner he described as being "from the bottom up." But Roberts did not respond to a question asking whether it was Christie's view that municipalities should look first to potential efficiencies that could be achieved via consolidations before either raising property taxes beyond the cap or cutting services.

And, according to Chuck Chiarello, Mayor of Buena Vista Township and current president of the League of Municipalities, the effect of defunding the commission is that, relative to increasing property taxes or cutting services, consolidation has become a less visible alternative to small municipalities.

Roberts cited the "tool-kit" being promoted by Christie — including arbitration caps and changes to civil service law designed to reduce municipal labor costs — as another alternative to raising taxes or cutting services.

Roberts did not explain, however, why promoting the tool-kit and empowering LUARCC were mutually exclusive goals, and likewise did not explain why, in the context of facing the stick of tax increases or service cuts, a funded and functional LUARCC process wouldn't appeal to beleaguered municipalities as a welcome carrot.

In any case, the tool-kit might be beside the point, according to Genovese: "Those [tool-kit] reforms might save municipalities some money," Genovese acknowledged, "but if at the end of it, you still have this system, it's still not going to hold up in the long-term. You're still just feeding into this incredibly inefficient system."

The future of LUARCC

Andrew Bruck characterized LUARCC as a short-term investment that could lead to significant long-term savings and, given that reality, he said that the decision to defund the commission was shortsighted. Roberts did not respond to a follow-up question regarding the argument that the potential benefits that could be yielded from funding LUARCC would do more for the fiscal health of the state than the amount saved by cutting LUARCC's funding.

"We really need to consolidate our consolidation policies," Bruck said. "LUARCC is a great way to start that process. Let's start with what we already have."

LUARCC Chairman Fisher made the same point: "We have an entity that was the result of a thoughtful legislature. Let us be the focal point and be responsible for starting this process."

"It would be unnatural if you didn't look at the education system"

Some advocates and elected officials in New Jersey point out that the bulk of residents' property taxes go to fund the state's education system, where there is also a significant amount of redundancy and inefficiency.

Peter Kasabach, executive director of the non-profit group New Jersey Future, which advocates for sustainable development in New Jersey, said that the issue of school district consolidation warranted at least as much attention as municipal consolidation. "We aren't talking about closing schools," he said. "We're talking about consolidating administrations, so that instead of having eight superintendents, you have one."

There are actually more school districts in New Jersey than there are municipalities, because many towns will have their own K-8 district while sending students to a regional 9-12 district.

Kasabach argues that it is also within LUARCC's mandate to address school district consolidation. "If they're looking into municipal efficiency, why not look into efficiencies in the school system, as well?" he asked.

LUARCC's chair Jack Fisher said that he was open to the idea. "Of course if we can help facilitate any kind of sharing of services, we would do that. It would be unnatural if you didn't look at the education system."

Under its charter, the Commission would also have the power to identify specific school districts that should consolidate, Fisher said, and it could work with the State Department of Education to determine which districts to focus on.

"Again, it's just a question of us getting the financial resources so that we have the worker bees that can go out and do this," Fisher added.

Roberts did not respond to a follow-up question asking when, if at all, Gov. Christie plans to restore LUARCC's funding.

Jon Shure at the Center on Budget and Policies Priorities cautioned that bringing LUARCC back to life would not necessarily be a cure-all, noting that experience has shown that a "carrot-only" approach has not been effective. The case of the Princetons exemplifies how residents can resist consolidation even when the cost-savings are clear.

That resistance has led some to conclude that stronger medicine is needed.

Such an approach was actually proposed a few years ago by then-Governor Jon Corzine.

According to League of Municipalities President Chuck Chiarello, the effect of defunding LUARCC has been that, relative to increasing property taxes or cutting services, consolidation has become a less visible alternative to small municipalities.

In his 2008 budget, Corzine [proposed](#) to drastically cut state property tax relief aid to municipalities with fewer than 10,000 residents. In that proposal, towns with between 5,000 and 10,000 residents would have received half of their usual allotment of state aid, and towns with fewer than 5,000 residents would have received no aid at all. At the same time, Corzine would have offered \$32 million in grants to help towns that did consolidate.

That proposal did not make it into the final budget, according to Bruck, largely because the New Jersey State League of Municipalities lobbied so hard against it.

William Dressel, executive director of the League, confirmed that he had opposed the provision, and added that he would oppose any bill that "penalized municipalities for voting against consolidation." Several local officials echoed that sentiment.

Dressel explained his opposition in terms of the state's alleged failure to offer "carrots," but, like Shure, some state lawmakers, say the approach of just offering carrots has been tried and found wanting: incentives that were offered in the past were not used by many municipalities, and failed to achieve significant results.

Latest proposal

New Jersey State Senate President Stephen Sweeney does think that sticks need to go with carrots. He has recently [proposed a bill](#) that, in addition to refunding LUARCC, would deny the amount of state aid that LUARCC determined might have been saved through a shared-service agreement to a town that subsequently voted it down.

Bruck said that this principle could also be applied to consolidation recommendations.

But Bruck said that even that stick might not be big enough. The proposal that he advocates would put all the state aid to municipalities with populations under 10,000 in escrow. “If they agreed to do a consolidation study, they would get half of it back,” he said. “If they actually consolidated, they would get two or three times the amount of aid back.”

That would have the effect of motivating towns to consolidate quickly to compete for the aid in the fund. “Right now there’s no momentum,” Bruck said. “We have to incentivize towns to go first.”

Bruck acknowledged that that proposal is unlikely to gain the support of the state legislature, not to mention the towns themselves, at least in the immediate future.

In the near-term, however, many agree that it does not make sense to have LUARCC sidelined when potential benefits of consolidation are so much larger than the costs of running the Commission.

“The first step,” Bruck said, “is to reinvigorate it.”

This content originally appeared at <http://remappingdebate.org/article/if-its-broke-why-not-fix-it>