

Relief from state mandates can ease fiscal burdens

BY WILLIAM G. DRESSEL JR.

STATE ACTION to relax unfunded mandates would make a dramatic difference in our ongoing efforts to reduce the costs of local government and thereby reduce property taxes.

An unfunded mandate is a statute or regulation that requires local government to spend money to perform certain actions without providing financial assistance. When state government imposes a law or regulation without necessary funding, it becomes the responsibility of the municipality to pay for the implementation of the law. In the end, local taxpayers end up footing the bill.

In the past 12 months, municipal officials have struggled to combat the current recession. As the foreclosure and unemployment rates rise, the tax collection rate falls. As the economy stalls, new construction and business expansion slows. We cannot rely on new ratables. As the market and interest rates fall, the rate of return on our reserves falls with them.

On top of these challenges, the state has cut municipal property tax relief funding by more than \$200 million (more than 10 percent) from its 2008 budget. Meeting this summer, the state Health Benefits Commission had no choice but to approve a 16 percent premium cost increase for active and retired employees of local governments. This increase will need to be absorbed in next year's budgets.

Absent state action, it will inevitably lead to tax increases and/or service cuts and layoffs. Also, over the summer, local budget makers learned that their contributions for public safety worker pensions are going up 19.5 percent next year, and their contributions for the pensions of all other employees will increase by 12.7 percent.

Dramatic reform

In the face of these pressures, the League's Mandates Relief Committee has asked the legislature to consider action on a handful of mandates. A dramatic reform of the state's binding arbitration law, which forces local officials to submit police and fire contract disputes to the decision of an independent arbitrator, is our top priority.

Labor costs are the main component of local government spending. This is especially the case in police and fire services. These costs continue to rise faster than costs for other goods and services. Mandatory binding interest arbitration for police and fire employees is the primary reason for this never-ending rise in the cost of government.

Arbitration awards routinely exceed the rate of inflation. The effects of these awards then ripple through local budgets, as public safety employees in neighboring jurisdictions, and

other employees of the same municipality, push for greater wage increases. The ripples then gain in strength as pension liabilities expand. As public employee wage and benefit packages go up, they are inevitably accompanied by property tax rates.

For years now, the New Jersey League of Municipalities has asked the governor and legislature to modify the binding arbitration requirements. We now reemphasize the need for immediate relief from this unfunded mandate.

Another mandate involves waiting for state approval of local permit applications. An expedited process for the evaluation of these applications would reduce local costs, as would relaxation of certain local training and certification requirements.

While we appreciate the training officials received, in these trying fiscal times, it is vital to allow local policymakers to determine who needs to be trained in what area, how often and in what manner.

Moratorium on enforcement

We have also asked for a moratorium on state enforcement of various land-use and environmental regulations until such time as the state can meet its statutory responsibility to fully fund municipal property tax-relief programs.

As municipalities and the state struggle to deal with the economic crisis, our property taxpayers, who are facing the same challenges, deserve cooperation among all elected officials at all levels of government.

In this economy, the state doesn't have to spend a penny to give our taxpayers real relief. All that we need is a relaxation of some of the many mandates that past legislatures and administrations have laid on local government.

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