
The Times

Christie takes hammer to Capital spending

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TRENTON -- Gov. Chris Christie wants to take a hammer to Trenton's budget next year. In addition to cutting \$7 million in regular state aid -- an amount comparable to what other cities could see -- Christie has proposed eliminating the \$34.9 million Capital City Aid program.

The combined cuts represent almost 20 percent of the city's annual budget.

The budget plan will almost certainly change in the next three months as the governor fights with Democrats in the legislature over whether to boost the income tax on wealthy households and reduce city and school aid cuts.

But the potential elimination of Capital City Aid by the state, which is exempt from paying property taxes on hundreds of buildings it occupies here, has provoked consternation in the city.

Mayor Douglas Palmer has accused Christie of ignoring the city's special status and trying to make residents shoulder the state's costs, and has said that widespread layoffs of city employees -- including previously sacrosanct firefighter and police jobs -- could result.

"Is there any reason why anyone should think that the state should have a reduced obligation to provide special, separate and distinct annual funding to help defray the cost that otherwise must be put on the backs of the people who live here?" Palmer thundered in a speech last month before a packed chamber in City Hall.

Most residents and other city politicians appear to agree that Trenton would indeed be severely shortchanged by Christie's proposed budget.

But Palmer's arguments that the state owes Trenton money because it is the capital city, and because state properties occupy so much land, are not universally accepted principles. The justifications and terms of any state's support for its capital are historically vexed and complicated issues.

"We've decided the way a municipality covers the costs of services for people who are there is based on the value of real estate," said Ingrid Reed, director of the New Jersey Project at Rutgers' Eagleton Institute of Politics.

"Obviously the issue in Trenton is, what should be the best way to share the expenses of an entity that doesn't have an assessed value? You have to come up with some arrangement that's fair to the people who live in the city," said Reed, who also serves as chairman of the Capital City Redevelopment Corporation.

Not only do states have a variety of ways of helping their capitals -- and in some case, give little or no direct funding -- but even when they do provide a payment in lieu of taxes (PILOT) or other aid, it's unclear how much a state should contribute.

"A payment in lieu of taxes is almost always a political compromise that bears little relation to the costs," said Donald Reeb, an emeritus professor at the State University of New York in Albany and an expert on state and municipal finance.

"It's done that way because there is no easy way to calculate the costs of having the state capital. Part of the reason is that there are so many different layers to the complexity," he said.

In Albany, for example, the state used to purchase steam heat for its buildings from the city, but at a "dramatically greater" cost than the service was really worth, Reeb said. Technically it wasn't a PILOT, but the payments effectively served as a subsidy for the city budget.

In Madison, Wisconsin, local officials convinced the state-owned University of Wisconsin to permit the construction of privately owned, tax-paying dormitories, rather than university housing that might be tax-exempt, Reeb said.

"That is another way the local government can derive revenue from some of the ancillary activities of the state," he said.

When Pennsylvania planned new state buildings in Harrisburg decades ago, rather than build its own tax-exempt offices -- as New Jersey did in Trenton -- it created a public-private corporation that built and owns the buildings, collects rent from the state and pays taxes, according to John Clarke, a principal in the Trenton architecture and design firm Clarke Caton Hintz.

Pennsylvania does not give Harrisburg a PILOT, other than a small public safety payment, but under the rental arrangement the legislature cannot simply refuse to pay its landlord. Clarke, who was planning director under Mayor Arthur Holland, said Trenton proposed a similar arrangement but the state declined to take part.

"If you go to any other capital city -- Harrisburg, Albany, other locations -- the state recognizes it has a special responsibility to the capital," he said. "The reality is, Trenton cannot continue to provide the kind of services it does without a lot of participation from the state government."

Palmer has argued for years that the state should pay the city much more than it does. The state has 213 properties that occupy one-third of Trenton's land, and should pay \$155 million a year in property taxes, according to the mayor.

On the other hand, those figures have been contested by the mayor's critics. Some argue the city already receives plenty of state funding, both from aid and other payments. Those include property taxes from some privately-owned buildings where the state leases space, and compensation for state employees' use of a city-owned parking lot.

Developer and management consultant Dan Dodson, who regularly blogs on city issues, said Department of Community Affairs data suggest state properties in Trenton are worth about \$1.2 billion, which he said would translate to a \$36 million payment in property taxes or an equivalent PILOT.

That's roughly the amount of recent Capital City Aid, and far less than the \$340 million in combined city and school aid Trenton receives annually. Arguably, the state has actually been relatively generous, particularly in recent years -- which may have made Christie's proposed cuts all the more shocking.

From 2003 to 2007 the city received \$16.5 million in Capital City Aid every year, city finance director Ron Zilinski said. The payment more than doubled to \$37.5 million in fiscal 2008, was cut to \$32 million in 2009, and came to \$34.9 million for the current fiscal year.

The city has also been the recipient of other forms of state assistance or at least support for development projects, argued Ben Dworkin, director of the Rebovich Institute for New Jersey Politics and adjunct assistant professor of political science at Rider University.

"We've seen tremendous changes in Trenton over the last 20 years," Dworkin said. "Bringing the hotel to Trenton. The arena. Waterfront Park. The elimination of all the parking lots that were along Route 29 and the creation of new park space."

"All of these things were positive and on some level, even if they were more county influenced, they needed backing from state government. Trenton is a different capital city than it was 25 years ago, and most people would say it's much better," he said.

"Obviously something's changed now, and so it's a little bit unclear as to how this will all play out."

The city is now in the familiar situation of fighting in the State House for more aid. Sen. Shirley Turner, D-Lawrence, has written a bill that would require the state to pay local property taxes. Assembly Reed Gusciora, D-Princeton Borough, has proposed the city protest the aid cut by shutting off water and sewer services to state buildings.

Assuming the legislature does come up with new revenue to restore state aid, Clarke, Dworkin, Reed and others said the city has to make an argument for Capital City Aid that will appeal to legislators who have

their own constituencies and aid cuts to worry about.

Clarke noted that, unlike in many other states, legislators in New Jersey typically don't stay in the capital overnight and may have little stake in seeing it flourish.

"In New Jersey, every member of the legislature at the end of the day can drive home. And that's not true in Harrisburg or Albany," he said.

He and Reed said the fiscal crisis at least gives Trenton an opportunity to point out different kinds of help other than aid. For example, the city has been asking the state to give up some of its parking lots and buildings so they can be redeveloped into a mixed use neighborhood, so far with little success.

Even something as simple as ending subsidies for state cafeterias would help by motivating more state employees to go into downtown Trenton for lunch, which could spur restaurant development, help revitalize the area and spur tax revenues, they said. Trenton boosters have been raising that issue for years, too.

"Maybe that's true that there aren't people in power who are as committed to Trenton as they are to other parts of the state. But that gets you back to the main issue, which is that Trenton is the state capital," Reed said. "Everyone ought to be committed to it."

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