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Doughnut hole municipalities: Can they help set the tone for wholesale town mergers?

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As the volume of New Jersey's consolidation chaos continues to grow louder — encouraged by Gov. Chris Christie and others who say reducing government is the surest path to reducing property taxes — the state's nearly two dozen "doughnut hole" towns find themselves easy targets.

These municipalities, called "doughnut holes" because one town completely surrounds another, appear to many to be the most likely to merge.

Often, these towns already share many services: a school district, a library and, in places like Chester (Morris County) and Princeton (Mercer County), they even share a name. But in the spirit of home rule, many of their biggest expenses — police and fire departments, public works and town halls — remain separate.

On a map, the doughnut hole towns would seem to be the likeliest candidates to consolidate and merge: One town simply

absorbs the other and, *voila*, two municipalities become one.

There are more than 20 of them statewide, including Freehold and Freehold Township in Monmouth County, Metuchen and Edison in Middlesex County, Lakehurst and Manchester in Ocean County.

But the doughnut mergers haven't happened and, for a variety of reasons, are unlikely to happen soon. And there are questions about whether — in talks about the value of small government and municipal consolidation — the doughnut towns matter at all.

Assemblyman Reed Guscoria, D-Mercer, grew up in one doughnut (Hopewell and Hopewell Township) and lives in another (Princeton and Princeton Township). He believes towns like those can be used to demonstrate the benefits of merging entire municipalities.

Guscoria has sponsored a bill in each of the past two legislative sessions that would

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force the doughnut towns to merge within 10 years. His current bill (A1904) was introduced in February 2010 and has not moved out of committee. Its predecessor in the previous session fared no better.

He believes his colleagues in the Legislature are unwilling to force the hands of local officials in their districts to consolidate themselves out of jobs. But Gusconia thinks the doughnut towns are the perfect place to start.

"Now, more than ever, people are starting to realize that if you're going to save money, you have to consolidate," he said. "I think (the doughnut towns) are a natural fit where you would get the least resistance."

"Least resistance" does not, however, mean no resistance.

The arguments against municipal mergers are well-known: Public employees fear a loss of jobs when departments are combined, particularly at the higher administrative levels. Elected officials fear the loss of position and influence when only a single governing body is needed. And residents worry about the loss of services, a loss of identity and an uneven tax impact — that property taxes will decrease in one town but rise in the other, meeting somewhere in the middle.

The tax impact argument is at least part of what derailed a once-promising move toward merging the Morris County doughnut towns of Chester and Chester Township.

Last month, the Chester Consolidation Study Commission adopted a resolution to end its three-year effort because state funding — part of which would be used to equalize the tax rates between the merged communities — was no longer available.

Members of the commission said at the time that it was finances, not fear, that halted the merger, which could have saved taxpayers in the combined Chesters as much as \$877,000 a year.

"What impedes our ability to merge is not desire but economics," Chester Township Mayor William Cogger said.

Meanwhile, the Chesters will continue to look for ways to share services — they already share a library, schools, fire department and first aid squad.

Gusconia said that while the benefits of doughnut town mergers may be uneven at first, mergers are a long-term solution.

"If you hang in there, it will be a benefit —

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in the long run — to both communities," he said.

There are some, however, who say that the focus on merging New Jersey's doughnut towns is a waste of time — that, in most cases, the merging towns would be too small to have the significant savings taxpayers are crying out for.

Gina Genovese, executive director of Courage to Connect New Jersey, a nonpartisan organization that encourages government consolidation, believes the focus should be on much larger communities.

The combination of Chester and Chester Township, for example, would create a community of 9,000 people.

"All you're doing is creating another small town," she said.

And two-town mergers between larger municipalities also are setting the bar too low. The long-discussed merger of Hightstown and East Windsor Township in Mercer County, for example, would result in an 18 percent property tax savings according to a 2009 consolidation study.

What is needed, Genovese said, is a willingness from four or five large contiguous towns to go all in and study the creation of a single municipality.

"Two-town mergers are really not going to have an impact on your tax bill," Genovese said. "Usually, the doughnut towns are very

small towns. That's just not enough. It's not a model we need in New Jersey."

"We have serious problems in New Jersey; we can't just keep putting Band-aids on those problems. We have to find a way to be sustainable."

Genovese's opinions were formed during her time as mayor of Long Hill Township in Morris County, on the Somerset County border. Under Genovese, Long Hill was home to 8,000 people in 3,100 households. While the township shared many services with its neighbors, it was still responsible for a public works department, a police force and an administrative bureaucracy. She remembers thinking: "We're just too small. We could do this better if we're bigger."

Big mergers will mean the biggest savings, she said. And while she wouldn't point to any candidates — "At Courage to Connect, we don't tell towns what to do," she said — the best possibilities would be towns that already share borders and, ideally, a

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regional high school district.

The significant tax savings from one large merger, she said, would lead others to do the same.

The situation is dire, she said. New Jersey may be as few as five years from bankruptcy. Indeed, \$150 million is in the current state budget simply to prop up municipalities that are insolvent, she said.

"We need to start doing something," Genovese said. "The people can make history right now. It would be historic if five to seven towns did this right now — saving taxes right now."

"Two towns is not enough."



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