Our Piece of the Pie
The Distribution of State Funds to Municipalities Across N.J. Regions
Executive Summary

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New Jersey Counties by Region

Legend
New Jersey Regions
- North and Central
- South
Summary

Almost 25% of all revenue received by local governments in New Jersey comes from state funding assistance. Much of this assistance serves to lower household property tax bills and to offset the cost of providing local governmental services. It is vital for all policymakers and citizens to be aware of how this state funding is distributed.

In 2016, we reported that from 2002 – 2014 South Jersey counties received significantly less state assistance than counties in Central and North Jersey. Here we report on state assistance to New Jersey’s 563 municipalities over a 9-year period, from 2008-2016.

After accounting for many demographic variables, we discovered that on average, most municipalities in South Jersey receive about the same levels of state assistance as municipalities in North Jersey.

South-North Disparity for New Jersey’s Poorest Residents

However, our analysis revealed a disparity: the poorest municipalities in South Jersey receive much less state assistance than the poorest municipalities in other areas of the state.
Overall, municipalities in South Jersey had high levels of economic distress. In general, the state gives higher rates of assistance to more economically distressed municipalities. However, the state does not increase assistance equally across the state even after controlling for demographic variables such as population and property values. The trend across economic distress levels is for South Jersey municipalities to receive less state assistance.

Economic distress is an index that combines unemployment, child poverty, and educational attainment rates.

This graph shows state assistance to municipalities as a function of economic distress. Each dot represents the average of several municipalities. The lines are statistical fits through the data.
The disparity is worst for the most economically-distressed municipalities. After controlling for demographic factors, the most distressed 10% of South Jersey municipalities receive 33% less state assistance than equivalent municipalities in northern parts of the state. And this gap is only getting worse over time, growing from about 20% in 2009 to over 50% in 2016.

Figure 2. Regional Gap in State Funding to the Most Distressed 10% of Municipalities

Above 90th Percentile

The most distressed 10% of SJ municipalities receive 33% less state assistance

It appears the regional gap is getting larger following FY 2008
Source of the South-North Disparity

State assistance comes from two sources: Energy Tax Receipts (ETR) and Consolidated Municipal Property Tax Relief Act (CMPTRA). Importantly for policymakers, the disparity between South and North arises entirely from one type of state assistance, the CMPTRA.

Figure 3. Regional Gap by State Aid Source

Energy Tax Receipts Only

 CMPTRA Only

The regional gap is almost entirely the result of regional disparities in CMPTRA
Fixing the South-North Disparity

Correcting the South-North disparity in state assistance for the 10% most economically distressed municipalities would cost surprisingly little because these South Jersey municipalities are relatively sparsely populated. Our analysis showed that the 33% gap could be corrected by an increase of only 3% in the overall budget for state assistance to municipalities.

A full version of this report including detailed statistical analyses is available at rand.camden.rutgers.edu. Data are all from publically available data sets, including the NJ Department of Community Affairs, the NJ Department of Labor, the NJ Division of Taxation, and the US Census Bureau and its American Community Survey.
The Senator Walter Rand Institute for Public Affairs, Rutgers University–Camden, addresses public policy issues impacting Southern New Jersey through applied research, community engagement and organizational development.

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