

CHAPTER 54

AN ACT establishing the “Local Unit Alignment, Reorganization, and Consolidation Commission,” performance measures for municipalities, and the Municipal Efficiency Promotion Aid Program, amending P.L.1995, c.247, supplementing chapter 27D of Title 52 of the Revised Statutes, and making an appropriation.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.52:27D-501 Findings, declarations relative to municipal consolidation and efficiency.

1. The Legislature finds and declares:

a. The State of New Jersey currently has 566 municipalities, 616 school districts, and 186 fire districts, each with its own layers of local bureaucracy that contribute to the high property tax burden suffered by New Jersey residents.

b. Consolidating local units, structurally and administratively streamlining county and municipal government, and transferring services to the most appropriate level of government for delivery would help to alleviate the property tax crisis by reducing the administrative costs of local government and making the delivery of local services more efficient due to economies of scale.

c. Due to legal obstacles, conflicting interests, and local concerns about sacrificing community identity, current laws permitting consolidation of municipalities and sharing of services between local units are seldom used.

d. Tough political decisions are often most expeditiously made through the use of bipartisan commissions, as demonstrated by the success of the federal base realignment and closure (BRAC) procedure.

e. Municipalities and other taxing districts are creatures of the Legislature; however, due to the pervasive notion of "home rule" and the political conflicts inherent in mandatory consolidation, it is necessary and proper to establish a bipartisan commission to fairly examine the allocation of responsibilities among local units in order to determine: (1) which level of government is best suited to deliver a given local government service, and (2) when consolidation will reduce the property tax burden for pairs or groups of local units, and to make those recommendations to the Legislature for approval by the affected voters in order to make a serious effort to reduce the number of municipalities and other local units in the State.

f. Consolidation and mandates for increased efficiency in the delivery of services are complementary processes, as the former reduces the administrative costs of local government on an external level and the latter does so on an internal level.

g. Local governments must be trained to use performance measures for decision making, strategic planning, performance improvement, accountability, and communication, and rewarded for increased efficiencies that result from their use.

C.52:27D-502 "Commission," "local unit" defined.

2. For the purposes of this act:

"Commission" means the "Local Unit Alignment, Reorganization, and Consolidation Commission" established pursuant to section 3 of P.L.2007, c.54 (C.52:27D-503).

"Local unit" means a municipality or fire district, and shall not include a school district, regional school district, or county.

C.52:27D-503 "Local Unit Alignment, Reorganization, and Consolidation Commission."

3. a. There is established in but not of the Department of Community Affairs, the "Local

Unit Alignment, Reorganization, and Consolidation Commission."

b. The commission shall consist of nine voting members: the Commissioner of Community Affairs (or a designee) and the State Treasurer (or a designee), who shall both serve ex-officio; and seven public members, and shall be appointed as follows: one member appointed by the President of the Senate, one member appointed by the Minority Leader of the Senate, one member appointed by the Speaker of the General Assembly, one member appointed by the Minority Leader of the General Assembly, and three members, no more than two of whom shall be of the same political party, appointed by the Governor, with the advice and consent of the Senate. Of the three public members appointed by the Governor, one member shall reside in a northern county (Bergen, Essex, Hudson, Morris, Passaic, Union, Sussex, or Warren), one member shall reside in a central county (Hunterdon, Mercer, Middlesex, Monmouth, or Somerset), and one member shall reside in a southern county (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, or Salem). No appointee shall be an elected official of a local unit or county unless that person has significant experience in shared service initiatives and demonstrated success at having implemented such agreements at the local level.

c. Members of the commission shall serve without compensation, but shall be reimbursed for expenses actually incurred in the performance of their duties.

d. The members shall be appointed within 60 days following the effective date of this act. The public members shall serve for terms of five years and until the appointment and qualification of a successor; except that in making the first appointments to the commission, one person shall be appointed to serve for one year, one for two years, one for three years, one for four years, and four for five years. The length of the respective term of each member of the first commission shall be determined by lot at the organization of the first commission. A public member may be reappointed. Any vacancy in the membership of the commission shall be filled in the same manner as the original appointment was made for the unexpired term only.

C.52:27D-504 Organization of commission, executive director and staff, meetings.

4. a. The "Local Unit Alignment, Reorganization, and Consolidation Commission" shall organize as soon as practicable after the appointment of its members and annually shall select a chair from among its members and a secretary, who need not be a member of the commission. The commission shall appoint an executive director, who shall serve at the pleasure of the commission and who shall have expertise in one or more local government subjects, such as planning, local finance, geography, taxation, or other relevant fields. The executive director shall appoint professional staff qualified by training and experience to serve the commission. The executive director and professional staff shall serve at the pleasure of the commission.

b. The commission may meet and hold hearings at the places it designates throughout the State.

C.52:27D-505 Duties of commission.

5. a. (1) The commission shall study and report on the structure and functions of county and municipal government, including local taxing districts, their statutory bases, including the fiscal relationship between local governments, and the appropriate allocation of service delivery responsibilities from the standpoint of efficiency.

(2) The commission shall recommend legislative changes which would encourage the more efficient operation of local government. These changes may include the structural and

administrative streamlining of county and municipal government functions, including but not limited to, the transfer of functions from one level of government to another, and the use or establishment of regional service delivery entities.

(3) The commission shall also consider optimal service levels, ratios of employees to population served, cost structures for service delivery, and other best practices.

Within two years following the effective date of this act, the commission shall report its findings to the Governor, the President of the Senate, and the Speaker of the General Assembly.

b. Based on its findings pursuant to paragraph 3 of subsection a. of this section, the commission shall develop criteria to serve as the basis for recommending the consolidation of specific municipalities, the merger of specific existing autonomous agencies into the parent municipal or county government, or the sharing of services between municipalities or between municipalities and other public entities. Recommendations for sharing services may result from a study focusing exclusively on the sharing of services or may result from a study examining potential consolidation. Municipalities to be considered for consolidation shall be within the same county and shall also be situated within the same legislative district.

The criteria to govern a study to examine consolidation or the sharing of services shall include, but need not be limited to:

(1) a consideration of geographic factors, such as a shared boundary, or in the case of the recommended consolidation of more than two local units, that the consolidated local unit will have a contiguous boundary;

(2) an analysis of the economic costs and benefits of consolidation or the sharing of services, as the case may be, including potential tax savings and reductions in government costs through economies of scale;

(3) measures to ensure that costs and benefits of consolidation or service sharing are distributed equitably across the entire community; and

(4) measures to safeguard the interests of communities in the municipalities for which consolidation is recommended.

The commission shall give priority to local units that volunteer to be studied.

c. When a municipal consolidation is recommended by the commission, the commission shall substitute for a joint municipal consolidation study commission that would be formed pursuant to section 7 of the "Municipal Consolidation Act," P.L.1977, c.435 (C.40:43-66.41) or any other statute governing municipal consolidation, and no voter approval shall be required to create the study commission.

d. When a consolidation or shared service is recommended by the commission, the commission shall recommend for State funding any extraordinary expenses necessitated by the consolidation plan or shared service agreement. The commission shall recommend that this funding be provided either by funds made available to the commission for that purpose or by the Legislature or State Treasurer as part of the annual State budget process.

C.52:27D-506 Local entities to cooperate with commission.

6. a. The "Local Unit Alignment, Reorganization, and Consolidation Commission" shall work in conjunction with the Local Finance Board and the Division of Local Government Services in the Department of Community Affairs. To the extent possible, the commission shall be entitled to the assistance and services of the employees of any State department, board, bureau, commission, or agency, as it may require and as may be available to it for its purposes.

b. The commission shall be entitled to the cooperation of the officials and employees of

every county and municipality as it may require.

c. The commission may incur traveling and other miscellaneous expenses necessary to perform its duties, within the limits of funds available to it for its purposes.

C.52:27D-507 Annual report to Governor, Legislature; consolidation proposals.

7. a. The "Local Unit Alignment, Reorganization, and Consolidation Commission" shall annually, by January 31st, submit to the Governor and the Legislature a report summarizing the commission's activities over the course of the previous calendar year.

b. In the event that the commission proposes consolidation of local units or a shared services agreement, the commission shall submit a consolidation or shared services proposal to the Governor and the Legislature no later than May 1st of the year in which the proposed consolidation is to be put before the voters pursuant to subsection a. of section 8 of P.L.2007, c.54 (C.52:27D-508). A municipal consolidation proposal shall include, but not be limited to, a description of the form of government, the election of officers, the apportionment of debts, and other issues between pairs or groups of municipalities which the commission proposes should consolidate or share services.

c. A consolidation or shared services proposal shall take effect at the end of a period of 30 calendar days after the date on which the proposal is transmitted to the Senate and General Assembly, on a day on which both thereof shall be meeting in the course of a regular or special session, unless, between the date of transmittal and the end of the 30-day period, the Legislature passes a concurrent resolution stating in substance that the Legislature does not favor the consolidation proposal.

C.52:27D-508 Recommendations put before voters; adoption.

8. a. Upon the taking effect of a consolidation or shared services proposal pursuant to subsection b. of section 7 of P.L.2007, c.54 (C.52:27D-507), each recommendation included therein shall be put before the affected voters at the next general election and shall become effective only upon its adoption by a majority of the voters of each affected municipality.

b. In order to effectuate the provisions of subsection a. of this section, the Secretary of State shall forward to the clerk of each county in which the affected local units are located a public question to be included on the ballots at the next general election for the election districts encompassing those affected local units.

(1) The question with respect to consolidation shall read as follows:

"Shall (insert the names of the participating local units) be consolidated into a single local unit to be known as (insert the name proposed for the consolidated local unit)?"

(2) The question with respect to shared services shall read as follows:

"Shall (insert the services to be shared) be jointly undertaken between (insert the names of the entities between which sharing is to occur)?"

c. The consolidation of pairs or groups of local units recommended for consolidation under subsection a. of this section shall be accomplished within 14 months following the voter approval of the consolidation recommendation.

d. The adoption of a form of government, the election of officers, the apportionment of debts, and other issues between pairs or groups of municipalities required to consolidate pursuant to an approved consolidation recommendation under subsection c. of this section shall be determined by the commission, as far as practicable, in accordance with the procedures set forth in the "Municipal Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et al.) or any other statute governing municipal consolidation.

e. For a period of 10 years from the consolidation of a pair or group of municipalities

pursuant to a consolidation recommendation approved under subsection c. of this section, and notwithstanding any law to the contrary, the residents of those municipalities, or portions thereof, shall not have the right to secede to form a new municipality, or to consolidate with, or annex themselves to, any other municipality.

C.52:27D-18.2 Rules, regulations promulgated by Local Finance Board; efficiency benchmarks.

9. a. Within 12 months of the effective date of this act, the Local Finance Board shall promulgate rules and regulations establishing performance measures to promote cost savings in the delivery of services by municipal governments. In developing these measurements, the board shall take into account differing size, demographic, and geographic characteristics of municipalities that may have an impact on the demand for, and delivery of, specific services. In addition, these rules and regulations shall include consideration of the measurement process, identification of performance indicators, and design of data collection forms in order to assure consistency of information. In promulgating efficiency benchmarks, the Local Finance Board shall also include a training module for key municipal staff in order to facilitate the institutionalization of performance measurement.

b. The Commissioner of Community Affairs shall be authorized to finance the development of the performance measures and training modules promulgated pursuant to subsection a. of this section by using funds from the Regional Efficiency Development Incentive Program (REDI) established pursuant to P.L.1999, c.60 (C.40:8B-14 et seq.) and the Regional Efficiency Aid Program (REAP) established pursuant to P.L.1999, c.61 (C.54:4-8.76 et seq.).

c. Following the promulgation of the performance measures and training modules pursuant to subsection a. of this section, every municipality shall submit an annual performance report to the Local Finance Board setting forth an assessment of its performance of local government services. Each report also shall be posted on the municipality's official web site. The board shall provide that reporting of performance measurement data to the board shall be done through electronic submission over the Internet.

Funding for the costs of development of performance measures, training programs, and the implementation of the reporting system shall be appropriated from the "Sharing Available Resources Efficiently" account within the Property Tax Relief Fund.

d. Within two years of adopting rules implementing performance measures, the Local Finance Board shall develop and electronically publish on the Department of Community Affairs website a municipal report card, indicating a municipality's performance relative to efficiency standards, and how its efficiency changes over time.

10. Section 1 of P.L.1995, c.247 (C.52:27D-181.1) is amended to read as follows:

C.52:27D-181.1 Municipal Efficiency Promotion Aid Program.

1. There shall be appropriated annually by the Legislature for each State fiscal year an amount not less than \$34,825,000 for the Municipal Efficiency Promotion Aid Program. Prior to the adoption of rules and regulations by the Local Finance Board pursuant to section 9 of P.L.2007, c.54 (C.52:27D-18.2), the amount appropriated shall be distributed to municipalities on or before September 1 of the State fiscal year in proportion to the number of residents of each municipality as determined pursuant to the most recent federal decennial census. In the second year following the adoption of regulations by the Local Finance Board pursuant to section 9 of P.L.2007, c.54 (C.52:27D-18.2), amounts appropriated to

municipalities shall be distributed as aid to reward those municipalities that meet the performance measures promulgated by the board. The payment of Municipal Efficiency Promotion Aid Program aid shall be used solely and exclusively by each municipality for the purpose of reducing the amount the municipality is required to raise by local property tax levy for municipal purposes. If the amount of the payment exceeds the amount required to be raised by local property tax levy for municipal purposes, the balance of the payment shall be used to reduce the amount the municipality is required to collect for county purposes, notwithstanding the provisions of this or any other law to the contrary. The Local Finance Board shall certify annually that each municipality has complied with the requirements set forth herein.

11. There is appropriated from the General Fund to the Department of the Treasury the sum of \$95,000 to effectuate the purposes of sections 2 through 8 of this act.

12. This act shall take effect immediately.

Approved March 15, 2007.