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# *Committee Meeting*

of

## JOINT LEGISLATIVE COMMITTEE ON GOVERNMENT CONSOLIDATION AND SHARED SERVICES

*"The Committee will meet to organize and receive a presentation by the Office of Legislative Services; and will hear presentations by invited speakers on service sharing"*

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**LOCATION:** Committee Room 4  
State House Annex  
Trenton, New Jersey

**DATE:** August 8, 2006  
10:00 a.m.

**MEMBERS OF JOINT COMMITTEE PRESENT:**

Senator Bob Smith, Co-Chair  
Assemblyman John S. Wisniewski, Co-Chair  
Senator Joseph M. Kyrillos Jr.  
Assemblyman Robert M. Gordon  
Assemblyman Joseph R. Malone III



**ALSO PRESENT:**

Joseph J. Blaney  
Brian J. McCord  
*Office of Legislative Services  
Committee Aides*

Hannah Shostack  
Assembly Majority  
*Committee Aide*

Rosemary Pramuk  
Nicole DeCostello  
*Senate Republican*  
Thea M. Sheridan  
Marianne L. Ingrao  
*Assembly Republican  
Committee Aides*

***Meeting Recorded and Transcribed by  
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Hearing Unit, State House Annex, PO 068, Trenton, New Jersey***

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**SENATOR BOB SMITH (Co-Chair):** Would everyone take a seat, please.

On behalf of Co-Chairman John Wisniewski and myself, we want to welcome everyone to the organizational meeting of the Joint Legislative Committee on Governmental Consolidation and Shared Services.

I'd like to congratulate Senate President Richard Codey and Speaker Joe Roberts for their leadership in convening this special session to address property taxes.

I'm very pleased to serve as Co-Chair of this Committee with Assemblyman John Wisniewski, and I look forward to working with my Senate and Assembly colleagues on both sides of the aisle.

I also want to thank everyone who assisted the Committee with preparations for today's hearing, and in particular the Office of Legislative Services for working so hard to prepare today's presentation, which is, basically, a very informative one.

The Committee has been charged principally to evaluate the allocation of responsibility for providing services among municipalities, counties, and school districts, and to formulate proposals that would promote consolidation and service sharing among those entities. Let me emphasize: Absolutely everything is on the table.

Our current governmental structure has evolved over several centuries. The organizing principles that led to the creation of 567 municipalities and 616 school districts are outdated and inefficient. Home rule was a great 19th century concept. In the 21st century, it has led to the highest property taxes in America. We have been given a great

opportunity to challenge the existing structure, but it will not be easy. We will encounter governmental, institutional, and cultural impediments to our success. And we have all heard the skeptics who dispute the suggestion that there are significant savings to be obtained through consolidation and shared services. It is obvious, however, that no single arrangement is going to yield huge savings.

We will not see meaningful reduction in property taxes if this initiative is limited to just a few towns scattered among a few counties throughout the state. We need a bigger vision. New Jersey's system of 616 independent school districts, each with its own administrative, transportation, labor, health care, and insurance costs is the most inefficient system in the country.

According to the Education Commission of the States, 11 (*sic*) states of this country -- Alabama, Florida, Georgia, Kentucky, Louisiana, Maryland, Nevada, South Carolina, Tennessee, Utah, Virginia, and West Virginia -- have some form of county-based school systems, either apart from or in conjunction with additional school districts for their larger urban centers. Each of these states spends thousands of dollars less per student than we do here in New Jersey. They are able to spend less because their systems are more efficient in scope and in structure, allowing them to do a better job of delivering educational services to students. I believe that maintaining our current system of 616 autonomous districts is inefficient and wasteful, and it only promotes duplication and inequality.

Consolidating New Jersey's school districts would put our public schools on a rational path to better management. Consolidation would dramatically reduce costs by eliminating duplication of services,

including transportation, maintenance, and purchasing. The savings from consolidated transportation services alone justifies regional or county-based school districts. A thorough examination of our educational system in New Jersey and a serious consideration of consolidation of our 616 public school districts is long overdue. We need to have this serious debate on the cost and delivery of education for our children if there's ever to be a stabilization or reduction in property taxes.

As we will see from the presentation that OLS will present shortly, efforts to promote consolidation or shared services has been extremely haphazard in New Jersey. One of our goals must be to create a framework for a sustained effort at developing and implementing consolidation and shared service arrangements. But immediate savings should not be the only measure of whether these arrangement are worthwhile. Our charge is to propose reforms that will not only reduce costs, but also improve services and restrain property tax growth on an ongoing basis.

So let's begin today with an open mind and a strong commitment to recommend meaningful and lasting change -- not for the sake of change alone, but because change in New Jersey is long overdue. Aside from governmental, institutional, and cultural impediments, there will be real political obstacles to overcome as well. Let us commit ourselves to each other, to put aside partisan, regional interests so that we can face all of these obstacles together.

We will begin today's hearing with a presentation by the Office of Legislative Services. That will be followed by testimony from several individuals who have on the ground experience in developing and

promoting these arrangements. At future hearings, the Committee will hear testimony from experts and address a wide variety of related topics, including Speaker Roberts' CORE proposals of potential consolidation or reorganization of State government functions.

And again, let me emphasize -- *everything is on the table*.

The Committee also understands that the public has much to say on these topics. We plan to have a series of public hearings in locales outside the State House to enable the public to fully participate in this special session. I am confident that this Committee will give these issues the intensive and thorough analysis that they deserve, and will work together to formulate proposals for presentation to the entire Legislature. I hope today's hearing will shed some light on this crucial topic, and we will begin this really important dialogue.

It's my great pleasure to serve with a very distinguished Assemblyman from the 19th Legislative District, and I congratulate Speaker Roberts for making the best possible choice. Let me turn the meeting over to Assemblyman John Wisniewski, my Co-Chair.

**ASSEMBLYMAN JOHN S. WISNIEWSKI (Co-Chair):**

Thank you, Senator Smith.

I'd like to make an opening statement, and afterwards invite the other members of the Committee to make their opening statements, before we enter into hearing the Office of Legislative Services' presentation, which will take approximately a half hour.

Let me just say in the beginning that I look forward to the opportunity to examine this issue thoroughly and to engage in what promises to be a very challenging and, hopefully, productive endeavor. Let

me acknowledge Speaker Joe Roberts for giving me the opportunity to serve on this Committee and to be one of the two Co-Chairs, along with Senator Smith.

I also want to say that it is a privilege to be able to serve alongside, with my fellow Middlesex County legislator and Co-Chair, Senator Bob Smith. He is more than a veteran lawmaker. For more than a decade, Senator Smith has been a leader in the area of school consolidation and government reform.

I also look forward to working with all of my colleagues on this panel -- Assemblyman Gordon, Assemblyman Malone, Senator Kyrillos, and Senator Karcher. Both sides of the aisle, both political parties bring to this debate much-needed expertise, commitment, and concern for the betterment of this State, and the ability to move this issue forward. And I believe that we need to operate in a true spirit of bicameral bipartisanship, and that is the way we'll be able to move this issue forward.

To the ladies and gentlemen who have come to observe today, or who may be listening at home on the Internet, this Committee's challenge is nothing short of daunting. We have been given broad instructions with a very difficult task. First, we are to review and craft legislative proposals that would ease the ability of local governments to achieve cost savings through shared services and regionalization. As the basis for this work, this Committee is to use the CORE reform outline that Speaker Roberts advanced earlier this year. CORE has a variety of elements: Streamlining State laws that currently protect the status quo of excessive local units, removing Civil Service barriers that impede regionalization and service sharing by local governments, and tying local aid

to efficiency. These are all very good ideas and good starting points for this Committee's work.

The CORE reform plan should not be an end game for achieving property tax reform. In fact, I'm sure that every member on this Committee has ideas that could be considered to help our citizens realize tax savings. So the second charge of this Committee, under the enabling resolution, is to consolidate or eliminate State government agencies, commissions, and functions. In essence, we must be willing to subject State government to the same type of belt-tightening efforts that we are asking of local government entities. This is a process that is desperately needed.

New Jersey has 566 municipalities and over 600 school districts, 186 fire districts, 21 counties, and 300 local authorities. Do the math. That's 1,389 different entities that have the ability to levy taxes. This bloated and Byzantine system is the byproduct of our State's love affair with the notion of home rule.

And to echo the comments of Senator Smith, home rule may have been a very popular and timely notion in the 19th century; this Committee needs to reexamine its relevance in the 21st century. And while I concede that the principle of home rule does have its virtues in local identity, the New Jersey brand of it has become unacceptable, indefensible, and unsustainable.

Like all of my colleagues on this panel, I recognize that the defenders of the status quo of home rule are already gearing up to sidetrack this reform effort. But I, for one, want to state from the outset that this Committee was not created for the purpose of winning a popularity contest. It was created for the purpose of initiating and executing change. To

achieve this, I implore all of our Committee members, and most importantly those in the public, to keep open minds, to think outside of the box of home rule and our traditions, and to firmly put the public's interests over special interests.

The need for reform is compelling and mounting. It is evidenced by this year's school elections when New Jersey voters rejected almost half of all school budgets. It is evidenced by statistics that show increasing numbers of families and businesses pulling up roots and moving elsewhere. And it is evidenced by a poll -- the most recent in the *Sunday Bergen Record* -- that showed an increased public acceptance of shared services and regionalization strategies.

This Committee has a big task and has a firm deadline -- November 15 -- to come up with a legislative action plan. Together, we must work to create results that will have a real positive impact on this state. We have been given a unique opportunity to change the history of this state to make this state a better place for ourselves and our children to live in. These results can create real property tax relief and reform for all of our citizens. I look forward to working with all of you to accomplish that.

Thank you.

SENATOR SMITH: Let me ask if Senator Kyrillos has an opening statement to make?

SENATOR KYRILLOS: Very good. Thank you, Mr. Chairmen.

Good morning.

I think we would all agree that traditionally, historically, New Jersey has been a great place to live. A strong economy has offered plenty

of good jobs, fine public schools; easy access to New York, to Philadelphia, to the coast, and the environs. Whether it remains a good place to live in the future years to come hangs in the balance.

Unfortunately, we can no longer ignore the fact that our State has become a bureaucratic nightmare. Government has become the growth industry in New Jersey. State spending has increased 37 percent in the past five years. Spending at the local level has almost matched that pace. During the past five years, government payrolls have swelled, adding nearly 50,000 people, while New Jersey businesses shed nearly 120,000 high-paying business services and manufacturing jobs. The productivity growth in the private sector that has allowed the American economy to remain competitive and prosperous has bypassed our New Jersey government.

We have, as you have very well stated, Mr. Chairman -- both Co-Chairs -- too much government, too many overlapping layers, municipal and county governments, school boards, local and county boards, and authorities. All of this redundancy increases the opportunity for abuse and for corruption, I might add. And of course, it is very, very costly. The past five years has seen 12 billion in higher State taxes, 35 percent higher property taxes. It has made New Jersey an increasingly unaffordable place to live, to raise a family, and to retire. It has made New Jersey an inhospitable place to start or to expand a business.

We're at a tipping point. New Jersey is at a tipping point. Our system of governance, our structure is not sustainable. And many have warned that our state is already, from a private-sector point of view, in an economic death spiral. This session must -- must -- start a revolution that reforms how all levels of government in New Jersey operate and interact.

We've got to come to grips, citizens included, our constituents included, with a basic truth: that we would never invent New Jersey as it is organized today if we were starting from scratch.

We need to look at how services are provided and paid for through a new pair of glasses. We need to let go of old ideas and prejudices and examine ideas that, in the past, have made many of us uncomfortable. Simply put, we can do more with less if, as you have both noted, we rise above local turf battles, rise above partisanship. And I know that I'm committed to make that happen. There are a lot of ideas out there. In the past legislation that I have offered, that has proposed creating a nonpartisan panel, along the lines of the Federal Military Base Closing Commissions of recent years, to compel municipalities -- ultimately compel municipalities, and school districts, and police departments, and other public organizations to merge. The Legislature would get an entire list for an up or down vote. In addition, I'd propose regionalizing school purchases, and basically bifurcating all nonacademic decisions to county-based school districts so that local school districts can take advantage of economies of scale.

I hope both of these ideas are seriously examined during the process. There's no shortage of proposed solutions to our property tax predicament. I hope we can move forward with the proper attention to all of these ideas.

Mr. Chairmen, committees are too often the final resting place for those good ideas. In a parity of political leaders' feudal attempts to solve problems, T.S. Eliot asked, "What shall I cry? The first thing to do is to form the committees: the consultative councils, the standing committees, select committees and subcommittees." This must not be the case for this

Committee. Today marks the start of a change, and nothing we have done or are likely to do as legislators is as important as what we have to accomplish in the next few months. We are here to act. We must face up to a problem that has been decades in the making -- centuries in the making, perhaps. And we can't ignore it any longer. It's time that we must put the common interest ahead of special interests. This Summer session and the months thereafter must be a season of action. It must be a catalyst for the revolution that overhauls New Jersey's government from top to bottom. Anything less will be a failure.

I thank you for your time.

ASSEMBLYMAN WISNIEWSKI: Thank you, Senator.

I'd like to, next, call upon Assemblyman Gordon for opening comments.

ASSEMBLYMAN GORDON: Thank you, Mr. Chairmen.

Co-Chairs Wisniewski and Smith, distinguished colleagues, ladies and gentlemen, good morning.

It's an honor to have this privilege to serve on this Committee, and I want to thank Assembly Speaker Roberts for giving me the opportunity to participate in this special session on property tax reform.

The headline of last Sunday's *Bergen Record* (indicating paper) conveys the urgency of the task before us -- people are "Desperate for a Tax Break." And it's no wonder. In my part of the state, North Jersey, property taxes rose three times faster than personal income over the last five years. Without fundamental reforms, New Jersey will become unaffordable for the middle class. All of us understand that our patchwork of jurisdictions is at the root of the problem. New Jersey is plagued by gross

inefficiency and rampant duplication. From little Wildwood Island in Cape May -- a 4.5-square-mile beach -- with four municipalities, nine firehouses, and more fire trucks than the city of Trenton; to the 70 towns of Bergen County which, according to published reports, have more fire equipment than the five boroughs of New York -- a city with almost 10 times more people.

Government has been a growth industry in New Jersey for too long. It's time we took steps to get this spending under control. Our patchwork of more than 1,300 government entities drives up costs and leads to duplication, inefficiency, and public disenchantment. And the State has not helped the situation. Previous Legislatures and governors of both parties have created a system of confusing, contradictory, and ultimately counterproductive laws that are compounding the property tax problem.

For example, we currently have over 200 laws that are supposed to promote service sharing, regionalization, and efficiency. But instead of producing positive results, all these laws give us -- it's more of the same. In the last 30 years, there has only been one municipal merger, and that took an entirely separate act of the Legislature.

As I interpret our mandate, this Committee is to provide our residents and local officials with new tools and strategies to cut this waste and to foster efficiency. We already have several worthy strategies to consider. As Speaker Roberts advocates in his CORE reform plan, we can remove the many statutory and regulatory barriers to resource sharing. Similarly, we could provide substantial financial incentives to promote new

government partnerships through mergers and sharing agreements. And we could overhaul counterproductive Civil Service rules.

While I am supportive of the CORE plan, I want to assure everyone that I am not operating from a preconceived set of outcomes. Nobody has cornered the market on new ideas. Indeed, my own experience as a management consultant, with nearly 30 years in the shared services field, has taught me that significant creativity can be found among local officials around the state. Our goal should be to unleash this creativity.

My only prejudgment in this ambitious endeavor is that change is needed. The status quo must give way to reform. Today is the beginning of what promises to be a constructive process. To this end, I look forward to moving deliberately, not destructively, and changing the way government operates in New Jersey. We undeniably will face some daunting challenges in this undertaking -- from confronting home rule to reducing State government. But given the increasingly daunting property tax burdens our citizens face, this Committee has an unshakeable mission to overcome the challenges and the obstacles. I pledge to work as hard as possible with all of you in accomplishing this objective. There is no substitute for action. The status quo is not an option.

Thank you very much.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

I'd like to now call upon Assemblyman Malone.

ASSEMBLYMAN MALONE: Thank you very much, Co-Chair Wisniewski, and I'd like to congratulate, also, Senator Bob Smith, who will be co-chairing this. This is, I think, the opportunity of a lifetime

for all of us, and I am extremely proud to be selected by Leader DeCroce to be on this Committee with the rest of you.

I think that, also, we ought to congratulate Governor Corzine, Senate President Codey, and Speaker Roberts for really bringing this thing to fruition. I think that this is a long time in coming, and I think it's absolutely necessary that we, basically, come to a conclusion in this process that makes the people in the State of New Jersey proud of us.

Look, I'd be remiss if I didn't say what the real backdrop of most of this is. It really is a concern that individuals may have -- that they may end their political career by coming up with some decisive decisions to cure the ills of the State of New Jersey. I think we all know that, and I think if you've, in some way or shape or form, asked to be on one of these committees, I think you fully realize that this could be career altering. I think it takes courage, and it takes our courage to move forward. Because if we do not move forward, surely the people in the State of New Jersey are going to do it for us. I think the sword over our heads is to perform the way we've been elected and, I think, to form a process in which we can interact with the public, get good solid input, and make some very sound recommendations, without regard for the unrealistic boundaries that we currently have in the State of New Jersey and the extremely parochial attitudes that we have in our local entities.

Serving 24 years in local government, I was probably guilty of that as much as anyone else. So I fully understand the thought process of small government. But that doesn't mean we can't move forward as we go through this process. It's going to mean people's thought processes are

going to have to change. Because if we don't change, we will not be able to afford to live in the State of New Jersey.

I don't think it's about paper. I think most of us in this room know what we have to do. It really is about courage to do the right thing. The truth is before us. I just sincerely hope that we take the opportunity to seize that truth and do what is right for the taxpayers in the State of New Jersey, and give them something that they can be proud of. Because if we don't, the agony of the first week of July will be nothing compared to the agony of the next six months if we don't perform the way the public expects us to.

Thank you very much, Mr. Co-Chair.

SENATOR SMITH: Thank you, Assemblyman Malone.

We've asked the Office of Legislative Services to put together some basic information for -- both for the public's information and for our information as well. Mr. Robert Levin of OLS has a presentation to make.

Mr. Levin, if you'd take it away.

**R O B E R T H. L E V I N:** Good morning, Co-Chairmen Smith and Wisniewski, distinguished members of the Joint Committee, Committee Aides, and members of the public. I am Robert Levin, Section Chief of the Local Government Section of the Office of Legislative Services, the nonpartisan agency of the Legislature. I am here today at the request of the leadership of all four partisan offices to present factual information concerning consolidation, and regionalization, and shared services.

This presentation starts with the assumption that consolidation, regionalization, and shared services are activities that the Legislature wants to encourage. We next list the pros and cons of the three

traditional methods to increase their use. Finally, we examine consolidation, regionalization, and shared services in detail, describing the various laws available today that enable units of government to merge or to work together cooperatively.

Also included are some examples, but we've tried to keep those to a minimum and can, of course, provide more detailed information later, or direct this Joint Committee to various experts in areas into which you want to delve more deeply.

(begins PowerPoint presentation)

My first slide contains an overview of information that several of the speakers, several of the Joint Committee members have already given. We have 21 counties; 566 municipalities; 616 school districts, of which 23 are currently non-operating; some 300 local authorities; 186 fire districts. The taxing districts -- which does not include local authorities -- add up to 1,389 different possible taxing districts.

We've had many studies that basically conclude that shared services, regionalization, and consolidation are good ideas to reduce local property taxes, by reducing costs that are funded through the property tax. Many of these studies have recommended that shared services and regionalization be more aggressively promoted. We've come up with three approaches to increasing shared services, regionalization, and consolidation. They are education and promotion; incentives, which are also known as carrots; and mandates, which are sticks.

The challenges presented by the education and promotion approach are: it's very difficult to overcome local inertia to get moving on something; also, it requires a large amount of technical assistance to the

municipalities or the other local units wanting to do these activities -- they have to know who they can merge with, who's doing what, who has expertise, what assistance is available.

The carrot approach provides rewards and incentives that ultimately may be very expensive to the State. It also encourages dependency on State aid. Once you award a local unit money for something, it's very difficult to take that money away without them having to increase property taxes to fill in the budget gap.

The stick approach is politically unpopular as an affront to the notion of home rule. We now have a State Mandate, State Pay provision in the Constitution, so the Legislature cannot require schools, municipalities, and counties to do things that are not paid for except out of property taxes, except under certain limited situations. Also, a legislative mandate may be too broad. It may not be the best option for every local unit. So when we're thinking about these things, we may have to think about creating opt-outs so that the local units that are already operating efficiently don't have to participate in something that will make them operate more inefficiently.

Consolidation is the merging of two or more local units into a single local unit. The most recent example, in the '90s, was Pahaquarry and Hardwick, up in Warren County.

So why would local units, school districts, want to consolidate? You have the economies of scale and increased efficiencies: fewer government employees per person to perform services. That intuitively makes sense. It will save money. Also, you have lower per unit costs, decreasing costs to supply certain services. So, at a gut level, this seems to make sense, and most political leaders would want to do this.

There are barriers to consolidation though: First of all, there's a sense of community that many people don't want to part with -- the notion that their home rule rights are being violated if Trenton comes down with a mandate telling them to merge with someone they don't want to merge with. There's a fear of a loss of local political power, the loss of municipal offices and jobs. There's the difficulty of the consolidation process. One of the big hurdles there are Civil Service issues. One municipality may be Civil Service, the other may not be. Well, you have to do something to get those employees on the same page. There are potential cost increases. Usually there's going to be a winner and a loser. Well, the taxpayers who are losers have a right to fear property tax increases. And there may be increased public employee salary obligations. Also, with respect to the loss of municipal offices and jobs, there's the whole issue of: What do you do with the displaced workers? Finally, there's adverse perceptions of the neighboring municipality -- those other people on the other side of the tracks. Communities have grown up with some anonymity towards each other, and that would have to be overcome in some instances of consolidation.

The consolidation laws are the Municipal Consolidation Act, the Sparsely Populated Municipalities Consolidation Act, and Regional School District Law. The Municipal Consolidation Act is a 1977 law that provides very detailed procedures to consolidate two or more contiguous municipalities. When these municipalities join together, there are provisions in that law for consolidating the school districts. It's a fairly cumbersome process due to elected consolidation commissions, multiple

studies that have to be performed, and voter referenda that have to be carried out.

The Sparsely Populated Municipalities Consolidation Act is a 1995 law that was enacted to address the situation of Pahaquarry into Hardwick. Pahaquarry, I believe, had seven residents at the time it was consolidated. And that was not enough to run an efficient municipal government. The law has very limited applicability -- one municipality certainly has to be sparsely populated. And also, both municipalities have to share the same form of government. Generally, when you're consolidating municipalities, you won't find municipalities next to each other, all the time, operating under the same form of government.

This next slide lists selected attempts at consolidation -- the ones that we did trace. In 1952, you had Vineland Borough and Landis Township, and that was a successful consolidation. These others, I believe, are attempts at consolidation that were unsuccessful -- at Princeton, East Windsor, Oldmans Township, Manalapan, Chester, Hardyston, and Franklin.

Regionalization is when local units within a geographic region join to create a separate entity to provide a selected service. Some examples of regionalization are regional health services, regional planning boards, municipal utilities authorities, joint meetings, and regional school districts.

Regional health commissions stem from a 1938 law to permit two or more municipalities to form a regional health commission. We have seven regional health commissions serving 51 municipalities. The seven are Mid-Bergen, Northwest Bergen, Essex, Hudson, Monmouth, Princeton, and Middle Brook.

The Princeton Regional Health Commission was established in 1976. It serves as the joint Health Department to Princeton Borough and Princeton Township. It's administered by both the borough and the township. The officials there have estimated that they save \$200,000 a year, and I imagine that's across both the township and the borough.

Regional planning boards are a planning board established and appointed by two or more municipalities. The 1976 statute that authorizes regional planning boards also permits regional board of adjustment, joint building official, joint zoning officer, or other officials responsible for performance of administrative duties in connection with any power exercised pursuant to the Municipal Land Use Law.

They began using Princeton as an example, especially since it's the only regional planning board in the state. It covers the borough and the township, and it develops and adopts the master plan, it reviews land use applications, and recommends revisions to land use ordinances.

Municipal utility authorities provide regional water and sewer services, and they also provide hydroelectric services. There are currently 53 operating in the state. An example is the Camden County Municipal Utilities Authority. The Camden County Authority was established in 1972. It replaced old and obsolete municipal treatment plants throughout the county. It constructed a regional collection system and modern treatment facilities. Pollution of local waterways was reduced by 95 percent.

We next have an animal known as joint meetings. They were enacted in 1952 -- the most recent version was enacted in 1952 -- as part of a Consolidated Municipal Services Act. It's any combination of two or

more municipalities and counties contracting for joint operation of public services, public improvements, works, facilities, or undertakings for up to 40 years. The joint meeting is underutilized but useful, because of oversight by all participating entities. In a sense, it's a partnership between these municipalities. There are only a handful currently operating -- we have the joint meeting of Essex and Union County. That was the original one, 1898, and it was-- It's a tribute to Mr. Sinclair of South Orange, who wrote a letter to the surrounding municipalities saying he would like a joint meeting to handle the sewage in the area. So that's where the term comes from. We have Madison and Chatham joint meeting, the Wildwoods Code Enforcement joint meeting, Ridgewood 911, and the North Hudson Fire and Rescue Agency.

This is a list of eligible activities of the joint meetings -- can participate in: General government administration; health, police and fire protection; code enforcement; assessment and collection of taxes; financial administration; environmental services; joint municipal courts; youth, senior citizen, welfare, social service programs.

The North Hudson Regional Fire and Rescue Agency started as centralized communications/dispatch system, and then evolved into centralized fire and rescue in 1999. It incorporates five towns: North Bergen, Union City, Weehawken, West New York, and Guttenberg. Together they are the fifth largest fire agency in the state, and the first to cover multiple towns. For Fiscal Year '06-'07, their Regional Efficiency Aid Program award, which will be discussed in a few slides, was nearly \$9 million, and that aid goes to the taxpayers of the participating municipalities. When this agency was put together, there were many initial

problems, but the most salient were with regard to the rank of the official of the firefighters and the Civil Service grade issues. I believe they were mixing Civil Service, non-Civil Service municipalities, and that required extensive negotiations between those municipalities.

Regional School District Law was originally enacted in 1931. Regional school districts are governed like Type II school districts. That means that there's an annual budget that's submitted to the voters of all of the participating municipalities in the regional district, and there's an elected board of education. It usually consists of nine members, and those members are apportioned by the county superintendent on the basis of the number of inhabitants in each municipality. There are currently 70 regional school districts operating in the state.

Of the regional school districts, there are two basic types. You have your all-purpose regional school district. An example is the Bordentown Regional School District. All-purpose means they run all of the schools for the municipalities. Then you have your limited-purpose regional school district, such as the Freehold Regional High School District. That provides services to a particular -- or particular grade levels. For instance, the municipalities may have school districts that run their own K through 8, K through 9, and then after that the students are sent to the regional high school.

To establish a regional school district or to withdraw from one, you need an advisability study, you need a report submitted to and approved by the Department of Education, and you also need voter approval.

We have had several instances of school districts that want to deregionalize: In 2001, Lower Camden Regional; in 1996, Union County Regional District. Currently, Seaside Park is seeking to withdraw from the Ocean County Central Regional School District or to have it dissolved. And generally, the reasons why they want to deregionalize is that one municipality thinks it's carrying a disproportionate share of the tax burden to run the district.

Paying for a district -- the cost apportionment methods: 68 of the 70 districts operate using the equalized valuation of taxable property. That means we equalize the value of the property throughout all the municipalities that are part of the district and apportion taxes on that basis. The more recent districts -- Great Meadows Regional in Warren County and the Somerset Hills Regional in Somerset County -- have used slightly different methods. You have a proportional number of pupils enrolled in the district. In other words, you're assessed a portion of the cost based on the number of students enrolled, or, as in Somerset Hills, a combination of the equalized value and the number of students.

There are studies suggesting that regionalization of schools may reduce costs and may reduce educational disparities between districts. Other studies say it doesn't produce that much in savings and may compromise the quality of education, and will certainly result in a loss of local control.

The current disincentives to regionalization are: The process is expensive and cumbersome. It may reduce State aid under the State educational funding structure, and this is particularly a concern to the lower-income districts. Also, there's little incentive for districts to

regionalize with neighbors that have different characteristics, in terms of the property wealth of the district and the demographics of the people living in those districts.

Moving on to shared services, which is cooperation between units of government to provide services to reduce costs. Shared services makes the efficient use of specialization and expertise, and that helps achieve economies of scale also. One unit may serve as the lead agency with the others as clients. Alternatively, the units may pool their resources to work jointly or cooperatively.

We handed out, today, an article that was in *The Star-Ledger* this morning concerning West Orange -- West Orange weighs sharing of fire services with Orange and Montclair. One of the points of the article -- which I won't summarize the whole thing -- but it indicates that Orange is suffering from an inability to adequately staff its fire department. So shared services is a solution for that particular problem. You can't find local staff? Then regionalize and pool your resources, and then there are enough qualified people to go around to perform the service.

Shared services also are known as interlocal services, cooperative purchasing, shared administration. With regard to shared administration, we share the administration of local officials. We have group insurance contracts and we have joint insurance funds. Currently in the state, we have 28 JIFs operating, and we have another six health insurance funds, known as HIFs. One interesting facet of the joint insurance funds is nonprofit housing entities may also be included in them. An example of a joint insurance fund is the Garden State Municipal Joint

Insurance Fund. It's one of the largest in the state. It has nine member towns. It serves 325,000 taxpayers.

The principal shared services laws on the books now are the Consolidated Municipal Services Act, of which, as I said, joint meeting was a part of. The Interlocal Services Act. The REDI program -- Regional Efficiency Development Incentive, it's now called SHARE -- SHaring Available Resources Efficiently. The REAP program -- Regional Efficiency Aid Program. That's the one that I mentioned, that the fire department was receiving tax credits for -- or I should say, the taxpayers in the districts were receiving tax credits for. And we also have laws for shared superintendents and business administrators of the schools.

This is a list of 12 common shared services -- animal control down to tax assessors.

The REDI, or SHARE, program was recommended by the Governor's Property Tax Commission Report of 1998. It currently provides three types of grants: The Implementation Assistance Grants, to help cover start-up, transition, and implementation of new or expanded shared or consolidated services; Feasibility Study Grants, to fund a portion of research, planning, and development costs to assess shared services opportunities; and the Regional Coordination Grants, to assist groups of five or more local units to research, develop, and coordinate shared services. Obviously, this is a special incentive to get larger groups together to participate in shared services.

The REAP program was enacted in 1999 to provide incentives to local units of government to enter into regional service agreements. A point system was used to award aid that was applied directly as a credit to

the property tax bill. Currently, it's only funded in the budget to pay hold-harmless aid to 14 municipalities. So there are no new REAP grants, and of course, that's because of budget decisions that have been made.

Shared administrators -- the top (indicating PowerPoint presentation) is a site to the laws for shared school superintendents and business administrators. And we also have shared municipal assessors, which are a supplement to the municipal consolidation laws. There are 290 assessors functioning in the 566 municipalities. Some part-time assessors serve up to eight different municipalities.

Cooperative purchasing is administered primarily through regulations. It's available to all local units, and generally one local unit will act as a lead agency. There is over 100 cooperative purchasing groups operating in the state right now, ranging from groups with two to three members for individual services, to some with hundreds of members that may have more general purchasing. Some current programs are the regional cooperative pricing systems, energy aggregation, cooperative purchasing of energy, county cooperative contract purchasing, and the State Cooperative Purchasing Program. This information is available on the Department of Community Affairs Web site.

The next slide is some information that's available from the Department of Treasury Web site about the State Cooperative Purchasing Program. I recopied their initial paragraph that gives their statement of purpose. With regard to the State program, many, many types of entities can participate: Municipalities, school districts, counties, authorities, utilities, quasi-State agencies, county and State colleges, fire departments,

volunteer fire departments, volunteer first aid and rescue squads, and even the independent institutions of higher education.

The benefits of the State Cooperative Purchasing program, as detailed on Treasury's Web Site: Cost reductions, convenience, new technology, communication/outreach. They have a dedicated professional staff. They leverage many units participating -- the buying power of all those units. Their staff gives individual attention to their members. It provides flexibility and variety. The vendors that use this are qualified according to their standards and the proven products. And there's consistency in the products that are purchased.

Part of the CORE proposal that this Committee is going to be dealing with is A-51, of 2006. This was the Uniform Shared Services and Consolidation Act. When this bill was put together, it attempted to simplify municipal consolidation and shared service agreements, give residents a direct means to initiate consolidation, unify procedures for shared services and consolidated service agreements, reallocate and update principal laws to be more easily located and understood. So it's an attempt to bring all the tentacles of the octopus that we know as shared services into one bundle.

I believe this Joint Committee is also going to be dealing with the concept of taking over certain functions at the regional or State level. We have examples of that. In 1992, by voter approval of a ballot question, the county court system was taken over by the State. In 1989, by legislation, county welfare equalization programs were taken over by the State. And there's currently pending legislation to transfer funding for county prosecutors from the county to the State.

Within your binders there is a section on pending legislation dealing with the issues that this Joint Committee is dealing with. We have 39 bills in the local government arena and 15 in the school arena. Synopses of those bills are in the binder. It's at the end of the binder.

My next slides are just listings of some of the significant government reports that have been done over the past several decades on these issues. The reports are in the binder. And you'll be hearing from experts from some of these departments, at later meetings, who can describe more specifically what's in the reports and how they apply today.

The binders before you contain a lot of other useful information relevant to the subject matter of the Joint Committee. And as always, the Office of Legislative Services remains ready to assist you with any specific inquiries.

I would, at this time, like to take an opportunity to thank the OLS Committee Aides, Brian McCord and Joe Blaney, and also Adrian Crook of the Education Section, for their assistance in the preparation of this presentation. And, also, Cindy Hespe of the Local Government Section deserves recognition for her work in supervising the compilation of the binders before you.

At this point, are there any questions?

SENATOR SMITH: Let me ask Committee members, are there any questions for Mr. Levin?

Yes, sir, Assemblyman.

ASSEMBLYMAN MALONE: What I noticed when you talked about the school districts, you didn't mention how many sending school

districts we have. Is that something that you could readily get your hands on?

MR. LEVIN: We could provide information on sending/receiving.

Just as a matter of background, the sending/receiving concept is an alternative to regionalization. And, in fact, there is an example -- historical example of a regional school district that deregionalized -- or a member pulled out because it was more advantageous, in terms of per-pupil payment, to enter into a sending/receiving relationship, where you pay an amount for your student to go to another district. And it was less of a tax burden to do that than to be a member of the regional district.

Mr. Blaney.

MR. BLANEY (OLS Committee Aide): So do you want the number of sending/receiving districts?

ASSEMBLYMAN MALONE: Yes, I'd be interested.

And I'd also like to know the rate of their payment to the school for that sending relationship.

MR. BLANEY: Okay.

ASSEMBLYMAN MALONE: If that's possible.

MR. BLANEY: Sure.

ASSEMBLYMAN MALONE: Thank you.

SENATOR SMITH: Any other questions?

Yes, sir, Senator.

SENATOR KYRILLOS: Thank you, Mr. Chairman.

Perhaps now is the time to ask this question -- or perhaps another time.

I think, in your testimony -- opening remarks -- you pointed out that we ought to look at other states and other localities around America for advice to see how others have been better organized.

This was a helpful presentation. And I'm sure it took a lot of time to pull it together. And it's very concise and, I think, helpful for the public at large to get their hands around this issue. But more telling, and perhaps more beneficial to this group, I think, would be to have this kind of summary for other state governments, or the local governments within various jurisdictions and states, to see what kind of efficiencies and economies of scale are being produced and reproduced around the country.

SENATOR SMITH: Absolutely. And as a matter--

SENATOR KYRILLOS: And it's an enormous research task.

SENATOR SMITH: Yes.

SENATOR KYRILLOS: It's embarrassing, probably to each and every one of us, that, individually, we have not gone out there to look, with specificity, at what we intuitively believe to be true in other places.

But how can-- What is the right methodology to go out there and survey the landscape?

SENATOR SMITH: Well, one of the things we hope-- Actually there are two approaches to that, that we -- hopefully we'll undertake both. First is, we're going to ask representatives of those governments to testify before this Committee. It may end up being telecommuting or teletestimony. But we'd like the -- every member of the Committee to be able to ask questions about how their systems work, what are the pitfalls, what are the advantages, etc. And then we can also ask our staff to be in contact with the leaders of these systems to get -- ask a series

of questions that would be helpful to the Committee so we can get some of that baseline information. So hopefully we'll use both methods.

SENATOR KYRILLOS: Well, I think it's excellent to have people from other places communicate with us. So I applaud you for that.

In the meantime, and thereafter, I think we ought to ask the Office of Legislative Services to go out there and get in the weeds to see how Maryland organizes their schools, for example.

SENATOR SMITH: Yes.

SENATOR KYRILLOS: Use the resources of the National Conference of State Legislatures -- a fine group. Many of us are members and affiliated with it. And we send New Jersey resources there to aid in their ongoing research efforts, and to provide for us this kind of a presentation -- and even more detailed than a PowerPoint, obviously -- so we can make informed choices and informed -- develop informed opinions as we march forward.

SENATOR SMITH: Great suggestion.

ASSEMBLYMAN GORDON: Mr. Chairman, just to follow up on that comment, I think it would be particularly helpful if we could get some benchmarking data, either through those organizations or by calculating them ourselves through OLS.

I mean, see the number of fire trucks per thousand population. There may be national or regional standards on these things, as well. I think that data is out there. And it would be very helpful just to compare our situation with what exists in places where the best practices are in place.

SENATOR SMITH: Great idea.

Chairman.

ASSEMBLYMAN WISNIEWSKI: Senator, thank you very much.

Just one follow-up question: I couldn't help but be struck by the number of different legislative enactments that exist for both consolidation and shared services. But then you provided a list, in particular where municipalities have consolidated. And consolidation appears to be the exception rather than the rule. And there was quite a long list of municipalities that have flirted with the idea but, ultimately, decided against it.

What I would be interested in seeing -- and for the Committee's benefit-- Is there any background data that OLS can provide as to why, for instance, Vineland and Landis were able to successfully consolidate, whereas these other municipalities that you cited were not able to successfully consolidate? Was it about taxes? Was it about municipal services? That, I think, would be instructive to this Committee, because, clearly, the framework already exists, theoretically, for consolidation and shared services. But it's not utilized to the degree that may be necessary to provide the tax savings. Why is that?

MR. LEVIN: I do believe that the Committee, in later meetings, will be hearing from some experts that have looked at those issues and do have that information for you. They can render opinions about those issues.

ASSEMBLYMAN WISNIEWSKI: In particular, why Landis and Vineland was successful?

MR. LEVIN: Correct.

ASSEMBLYMAN WISNIEWSKI: Okay, great.

Thank you.

Any other members? (no response)

Thank you, Mr. Levin.

MR. LEVIN: You're welcome.

ASSEMBLYMAN WISNIEWSKI: I would, next, like to call up Thomas Sharpe, the Vice President of the Somerset County Business Partnership; Jeff Horn and Gregory Bonin, chairmen of the Somerset County Municipal Managers Association. If you gentlemen would take a seat at the desk.

If, when you begin your testimony, you could identify yourself for the benefit of the members of the Committee.

**J E F F R E Y A. H O R N:** Surely, Mr. Chairman.

First of all, Chairman Smith, Chairman Wisniewski, Senators Kyrillos and Karcher -- you're here -- Assemblyman Gordon, and Assemblyman Malone, my name is Jeffrey Horn. I'm President of the Somerset County Business Partnership.

First of all, it's an honor for the Somerset County Business Partnership to appear before you at this, the inaugural meeting of the Joint Legislative Committee on Government Consolidation and Shared Services.

Accompanying me today are Thomas D. Sharpe, the Business Partnership's Vice President of Public Affairs; and Gregory J. Bonin, a key member of the Partnership's Shared Services Coordinating Council, and the Township Administrator for Branchburg, and the Borough Clerk for the borough of Millstone.

The Somerset County Business Partnership is a coalition of business, government, and nonprofit organizations organized to promote

the county's economic vitality and preserve its quality of life. The Business Partnership addresses issues involving economic and community development, small business, tourism and cultural arts, and public affairs, as well as the networking and educational needs of its members.

The organization provides a number of diverse services including: working with Somerset County municipal governments and Somerset County government, as well as area school boards and educational institutions to promote and facilitate shared services. We serve as the County's economic development agency. We further coordinate actions by County and local governments and regional organizations in seeking Federal funding for the County's highest infrastructure project (*sic*), which is Route 22 in the county; promoting Somerset County as a destination for visitors and tourists. And we also serve the needs of our 650 member organizations, ranging in size from the 7,000 employees of the Johnson&Johnson Somerset County companies, to single employee start-up businesses.

The Somerset County Business Partnership plays a unique role in facilitating shared services in the Somerset County region. We have a 10-year-plus history in promoting shared services. The program has grown from a modest beginning, with the buy-in of Somerset County and most of its 21 municipalities and educational institutions. Participating Somerset County jurisdictions saved a total of \$13.7 million through shared services in 2005 alone. Key components of our success are: cooperative communities and educational institutions; a strong steering committee of dedicated public servants, elected and appointed County and local officials and their staffs, all of whom are willing to help on all fronts. Further

leveraging this effort are foundations and corporations willing to assist the effort.

The Business Partnership houses and services the Somerset County Shared Services Coordinating Council, consisting of officials of participating jurisdictions. The Business Partnership's role involves coordinating and facilitating the oversight function of the Coordinating Council, providing research to determine common needs, developing mutual agreements to fund feasibility studies, initiating dialogue to create and fund local -- interlocal agreements for new shared services initiatives, following up with each participant to ensure that they are providing the necessary official actions required to move projects forward, educating new officials within participating jurisdictions to keep them current and keep the momentum moving forward; and facilitate successful implementation.

In addition, we monitor shared services efforts to ensure that problems between jurisdictions are resolved before they become major problems. The successes of our shared services program would not occur without a dispassionate neutral party fulfilling the role I just described. By design, the Shared Services Coordinating Council does not elect a chair, but relies on the Business Partnership to play the role of facilitator to ensure progress.

Our purpose in appearing here today is to briefly discuss our successes -- and there have been many -- and some of our failed efforts in sharing services among Somerset County government, many of our 21 municipalities, 20 school districts -- including the Somerset County Educational Services Commission and the Somerset County Vocational-Technical School, and Raritan Valley Community College. The successes

that we will highlight are largely attributable to a dedicated group of county and municipal elected officials, appointed County and municipal officials, and education administrators and officials. Yet, the success of our program could be significantly greater but for the existing barriers to shared services.

Mr. Sharpe will present you with more detailed information and background on the Somerset County Business Partnership's Shared Services Program. And Mr. Bonin will follow with a review of the barriers to shared services that we've encountered in our experience.

Following our testimony, we'll be pleased to answer any questions that you may have.

ASSEMBLYMAN WISNIEWSKI: Thank you.

**T H O M A S D. S H A R P E:** As Mr. Horn introduced me earlier, I am Tom Sharpe, Somerset County Business Partnership's Vice President, working with Public Affairs, which does include our shared services operations as a major part of my function.

Good morning, Senators, Assemblymen, Assemblywomen, members of the audience.

I've been invited today to provide an overview of the impact of shared services on a countywide level.

Somerset County has a long history of shared services initiatives between the County, its municipalities, and its school districts. In 1993, the Somerset Alliance for the Future, SAF, formed the Somerset Shared Services Neighborhood Group to encourage local government agencies and school districts to share services, for greater efficiency and taxpayer savings.

With strong support from the Somerset County's State legislators and the Somerset County Board of Chosen Freeholders, meetings were held with mayors, administrators, and school officials. To support the program, Somerset County government facilitated a County Challenge Grant funded by the New Jersey Department of Community Affairs. And, later on, SAF received a direct Regional Efficiency Development Incentive, or REDI, grant funding for shared services feasibility studies.

To represent the County, and member towns, and schools, the Somerset Shared Services Coordinating Council of County, municipal, and education officials was formed to administer the program.

Specific objectives were set: number one, identify the most promising services to share among municipalities, between towns and the County, and among towns and school districts; number two, bring about dozens of specific new shared services agreements; number three, remove legislative barriers to shared services; four, expand communication among towns, schools, and the County; and five, begin to serve as a state model for expanding shared services.

In April 2000, the Shared Services Coordinating Council recruited and hired a part-time shared services administrator. Now called Somerset County Business Partnership Shared Services, that part-time position has expanded into a full-time Business Partnership position, which is my position, to coordinate shared services initiatives for the County, Raritan Valley Community College, Somerset County Vo-Tech, the Somerset County Educational Services Commission, the municipalities, and the school districts.

The challenge until now has been to effectively quantify success of our shared services initiatives. The Business Partnership released a 2005 Taxpayer Savings Report -- which each of you has a copy, I believe -- documenting nearly \$13.7 million in annual savings to Somerset County's taxpayers. The importance of tracking, quantifying, and documenting real dollar savings as a benchmark for raising the bar cannot be overstated. Since its December 2005 release, the Report has been circulated statewide to promote Somerset County's shared services as a strong model for effective tax stabilization and government efficiency.

Another essential key to well over a decade of shared services success in Somerset County is the continuing support from our Somerset County Business Partnership investors and business members, who have really come to know the value of local government shared services: Johnson&Johnson, Sanofi-Aventis, Pfizer, Verizon, PNC New Jersey, PSE&G, MetLife Foundation, and other member businesses of all sizes. They have bought into the program, and it's become a very successful buy-in.

In order to help raise the bar for shared services statewide, the Somerset County Business Partnership has been coordinating efforts with other counties and organizations to provide resources and assistance: Bergen County Shared Services Forum, in March 2006. Freeholder Peter Palmer and myself were invited to that forum. Governor Corzine made an appearance and a presentation, indicating his strong support for shared services as a measure to reduce taxpayer burdens.

We've been meeting with the Hunterdon County Chamber of Commerce and local governing officials. They have a Blue Ribbon

Commission underway in Hunterdon County, now, to utilize some of our successes, but to tailor it to their own needs to work for Hunterdon County.

I met recently with the Morris County Chamber Board of Directors, who is looking to utilize the role of the Business Partnership as a facilitator to help bring together more shared services in Morris County.

We recently received a call from the Gloucester County Council to talk about a possible joint public safety proposal. And we have a very successful model in Somerset County, the Somerset Ambulance Shared Services Agency, in which the two lead towns, Manville, and Bridgewater, and Raritan -- Manville and Raritan were the two big lead towns who have each saved over \$80,000 annually in providing effective daytime ambulance service, saving lives and saving a lot of money.

Recently, Burlington and Cape May counties have indicated the hiring of a full-time shared services administrator. I know that a part of Speaker Roberts' CORE reform program is the establishment of a full-time shared services facilitator or coordinator position in each of the 21 counties. Of course I am biased, but I feel that that would be a very good move on all of their parts. The main point being that many of the smaller towns and municipalities do not have the time, efforts, staff, or resources to do interlocal programs to look into shared services and get things done. A countywide facilitator can help bring the smaller towns together, the ones who really need it, and make things happen.

Finally, we've had excellent coordination with the New Jersey Association of Counties, the League of Municipalities, the New Jersey Chamber of Commerce, NJBIA, and, most importantly, our legislative leadership on both sides of the aisle. They have come to us in Somerset

County, asked us to try to identify what some of the barriers are -- and Mr. Bonin is going to go into a little more detail of that later on -- but, more importantly, what some of our successes have been.

In concluding, the June 2006 Somerset County Business Partnership/Somerset County Municipal Managers Association white paper report, *Removing the Barriers to Shared Services*, further outlines the Somerset County formula for success. I believe you each have a copy in front of you. More importantly, it identifies some of the clear and present roadblocks that inhibit or prevent our counties, towns, and schools from sharing.

For the audience, copies of the white paper are available on our Business Partnership Web site, along with copies of the \$13.7 million report, and also a transcript of our presentations today. That Web site is [www.scbp.org](http://www.scbp.org). We encourage you to go on the Web site, check into some of the things that we're doing. And we are willing to share our resources with you at any time.

The Somerset County Business Partnership will continue to offer ideas and resources to enable others in the State of New Jersey to create highly productive, cost-saving shared services programs.

Speaker Roberts and I have spoken and discussed the idea with the hope that -- to multiply the \$13.7 million in annual savings by all 21 counties. You do the math. It could approach \$300 million. It's a small amount of money, but every little bit helps.

I'd like to thank you for the opportunity to speak to this kick-off session. And I would like to stay to offer any -- answer any questions -- any resources that anybody would like to have after the session.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Mr. Bonin.

**G R E G O R Y J. B O N I N:** Senator Smith, Assemblyman Wisniewski, esteemed members of the Joint Legislative Committee, thank you for having me here today.

My name is Gregory Bonin. And for the past seven years I've been the administrator for Branchburg Township, in Somerset County, a town of over 15,000 residents. As was mentioned, I also serve in a part-time capacity as the Municipal Clerk for the borough of Millstone, in Somerset County, a town with fewer than 450 residents. During my tenure in government, I've worked for seven municipalities, each with its own unique character and issues. As President of the Somerset County Municipal Managers Association, I represent the appointed chief executive officers of the 21 municipalities in our Association. It is with this background that I appear before you today, and offer my thoughts and comments on shared services and municipal consolidation.

As has been mentioned, the concept of shared services dates well back into the '70s, and probably before, when they were called *interlocal agreements*. For the past 12 years, Somerset County has set the standard in the area of shared services, from our initial efforts wherein we hired a facilitator to promote shared services amongst our municipalities, to a recent publication produced by the Somerset County Business Partnership that shows Somerset County towns saving over \$13 million.

We are proud of our accomplishments, and we look to expand shared services even more. But we also are realistic. We know that there are obstacles that stand in our way of achieving new levels of savings. And

we know that shared services alone are not the panacea to solving the tax burden in this state. Shared services is a means to hold back the deluge. It is a patch on a broken system.

In June of 2006, the Somerset County Municipal Managers and the Somerset County Business Partnership presented DCA Commissioner Susan Bass Levin with a white paper entitled *Removing the Barriers to Shared Services*. This paper was intended to not only highlight the efforts of municipalities to reduce costs through shared services, but also to bring to light some of the legislative barriers and hurdles that stand in the way of advanced shared services and true savings to the taxpayers of New Jersey. This paper was in no way intended to be a blueprint for solving our issues, but a first step to open the discussions that might lead to some tax relief.

I'd like to share with you some of our successes, but also, more importantly, some of our failures. Like many towns, Branchburg and our local board of education have extensive shared services, including lawn and field maintenance, facility use, and snow removal. We have taken this even further by operating a joint fueling facility, and providing the board of education's transportation department free office space in our public works garage.

In 2004, Branchburg Township and the Raritan Valley Community College, which is located within the Township, entered into an agreement that has the potential to save millions of dollars. In exchange for having access to the local community cable channel, wherein the College can promote its offerings and showcase its students, the Township receives full access to the College facilities: ball fields, the pool, the theater, etc. This is open to our residents and community groups. This agreement has

provided the College with access to the public. And, by not having to build new facilities, the Township has saved millions of dollars.

Recently, Branchburg, Franklin Township, and Montgomery Township entered into an agreement where construction subcode officials can be shared amongst each town when there is a need. One of the townships involved needs only to call the other towns and request assistance when it has a spike in services. This arrangement allows the municipalities to address higher volumes of work without the additional cost of hiring new employees. It also prevents the township from having to consider layoffs when there is a short-term downturn in construction activity.

Branchburg Township does all it can to ease the burden on our residents. We continue to look to ways to reduce the property taxes, via shared services and other cost-saving techniques. We are reluctant participants in a ratables chase. Despite all our best efforts, we are not always successful at stemming the tide. Property taxes continue to escalate beyond the ability for the average citizen to handle the burden, let alone retire on it. Too many obstacles are in the way for there to be a true tax-reducing impact on the resident.

A few years ago, Branchburg Township attempted to enter into a shared service arrangement with the county of Somerset for health services. We began discussions with the County, hoping they could take over the functions of our health department. The goal was simple: reduce our costs and provide a similar level of service to our residents.

As we entered this process, we thought this would be a no-brainer. The work performed by local health agencies are almost identical.

Of the 566 municipalities in 21 counties in the state, there are approximately 118 health officer positions. This certainly means that there are quite a number of regional health offices -- I think we heard that earlier -- many of which are run by county government.

In the end, what we found out was that the County wanted more money to run our health department than it would have cost the Township. There are laws in the books that mandate, when such a plan is enacted, the county must hire the local health officer at their current salary. Given that the County already employs a credentialed health officer, this seems to fly in the face of our tax-saving efforts.

As I stated, Branchburg is a town of 15,000 residents in 22 square miles -- not large, an average town -- yet the Township is serviced by four volunteer fire companies and one rescue squad. Last year, the Township hired a consulting firm from Virginia to evaluate the Township's demographics, existing fire stations, and apparatus with the goal of receiving a report that would recommend what is provided -- what is required to provide fire protection for the residents.

The consultant spent a fair amount of time visiting the fire companies, gathering data, and meeting with community leaders. When all was said and done, the report recommended that the Township dismiss one volunteer fire company and reallocate the existing equipment, the equipment that we, the Township, bought for the fire companies.

With the reductions in annual contribution and savings obtained without having to purchase redundant equipment, the Township could have saved in excess of \$100,000 a year, simply by following the recommendation of the consultant. We haven't taken that

recommendation. Why? Because in the political world we live in, it's difficult for a governing body to stand up and dismiss a group of volunteers. I suspect that, so long as elected and appointed officials desire to retain their seats, a change as radical as this may not happen.

Shared services is not the cure. It is not the silver bullet that will solve the problems of our state. We need a drastic overhaul on all levels of government. There are so many other issues that force rising taxes, most of which are out of the control of local government.

A few examples being: Binding arbitration -- settlements are exceeding 4 percent. And these costs occupy a very large percent of municipal budgets. How can I stay within cap? How can I keep my property taxes down when salaries of that nature are going up higher than the normal rate?

Unfunded mandates: Unfunded mandates are nothing more than additional tax on our residents. New Jersey is one of the most regulated states in the country. Every new rule and regulation handed down by State and Federal governments, and each new law that the municipalities must adhere to, are paid for by the residents of our communities. The new stormwater regulations alone will cost Branchburg Township over \$100,000 this year. The money to pay for these mandates must come from somewhere. I either have to reduce services or raise taxes.

Deer carcass removal: It costs the State approximately \$750,000 per year -- I believe in the current contract -- to remove deer carcasses from all New Jersey roads. With the expiration of that contract on October 1, 2006, that cost is now being placed upon the municipalities and counties. Branchburg Township, being an average size town, will pay

somewhere in the vicinity of \$15,000 in the next year for deer removal. Assuming an average cost of \$10,000 per municipality, the cost to New Jersey residents will be over \$5 million next year, compared to the \$750,000.

Health benefits: We all know the costs are rising there. Despite being in the same county -- state, county, and township, my municipality cannot join with our board of education to purchase health benefits as a larger group and enjoy the economies of scale. State law prohibits this.

Call them *shared services* or *interlocal agreements*, the concept of shared resources is not new. Through its 30-plus years of history, shared services has done nothing to stop unfair rising property taxes. It has been the proverbial finger in the dam. The dam is cracking, and we don't have enough fingers.

True tax relief will only come when all levels of government are willing to change to better serve the residents of the state, when personal interests are put aside so that people who have worked all their lives in the state can retire in the state. We must take a holistic approach and examine all facets of government: State, county, and local.

On behalf of the Somerset County Municipal Managers Association, and as a resident of this state, I offer the following for your consideration. Changing how the local governments do business is only one piece of the overall puzzle, and we will not provide full cost savings that the taxpayers of this state should expect. The State and county must also change how they do business.

We must consider reducing the units of government, even if that means reducing levels of service. I expect most residents would accept a reduced level of service if there was a substantial reduction in their property taxes.

There has to be pension reform that takes care of the full-time employees who have devoted their careers to government in New Jersey.

There has to be a review of State and Federal unfunded mandates on municipalities.

There must be a more fair distribution of State aid to municipalities and school districts.

As was mentioned, the State must create an incentive program and reward municipalities that are active in shared services. You must not reward those municipalities who resist or do not achieve a satisfactory level of shared services.

The State must impose upon itself stringent budget restraints in the same manner it imposes on municipalities. Only the State Legislature can force all levels of government to make radical changes in our operations.

Municipality consolidation, in my opinion, can be a successful tool to reduce the tax burden, and it can be done while, at the same time, honoring the concepts of home rule.

Proper legislation can and will force all levels of government to find creative solutions to achieving their goals.

Many of the items I have discussed are not new. And certainly what I have put forth is not a complete list of areas that should be explored or problems that exist. You already know many of the items I touched on.

You probably know more than I do. But they bear repeating over and over again until something is done.

I thank you for your time, and I stand ready to assist you if I can.

ASSEMBLYMAN WISNIEWSKI: Mr. Bonin, I just-- Two things I wanted to ask a question about: One was something you just finished your marks with, which, I think -- I'm paraphrasing -- is to respect the notion of home rule -- you made, as part of your remarks.

Let me play devil's advocate here. Why is it important to respect the notion of home rule?

MR. BONIN: I think because the municipalities have come to design themselves by themselves. They've created their niche. They've created a sense of community. I think that is the essence of home rule. And I think that can be maintained through proper legislation and through a proper solution.

ASSEMBLYMAN WISNIEWSKI: But doesn't that home rule also, then, add cost? There's a cost to home rule.

MR. BONIN: There will always be a cost to home rule, absolutely. But there can be a countersavings.

ASSEMBLYMAN WISNIEWSKI: The other question I had was -- I think everybody has mentioned it, so whoever is appropriate in responding-- The Somerset County Business Partnership released its 2005 Shared Service Savings Report, documenting \$13.6 million in savings. I don't see it outlined here -- and I'm sure it might be. This binder is voluminous. Can you give the Committee an example of where that \$13

million comes from? That's a big number. First of all, was that one year's savings?

MR. SHARPE: Yes, that was a savings for 2005. And the biggest -- one of the biggest ones I've already mentioned is the Somerset Ambulance Shared Services Agency, which -- now that I have the town in my mind-- Raritan and Manville are the two lead agencies, working with three other towns. And, very efficiently, we're able to save at least \$80,000 each, per year. And that figure is going up each year.

As you know, it's more difficult all the time to be -- to have daytime coverage, because you have so many volunteers working, and people working at other jobs. So that's a good answer to both save money and provide better efficiency.

Some of the other areas: The Somerset County Improvement Authority offers co-op purchasing opportunities. They worked with Franklin Township to set up a trunk radio system with the County, which serves as the County's backup system. And Franklin Township saved hundreds of thousands of dollars in that process. Franklin Township also uses the purchasing of the improvement authority to purchase vehicles with the County, thereby creating significant savings.

The Educational Services Commission was a big piece of those savings, with agreements for fueling of buses, agreements with several boards of ed for maintenance and servicing of buses.

So through a fairly detailed survey, with each one of our entities who are participating in our shared services effort, we were able to document specific areas of sharing. And those added up to \$13.7 million at the end of the year.

ASSEMBLYMAN WISNIEWSKI: And just one follow-up question--

And I'm going to ask the members of the Committee if they have any questions.

There are a lot of shared service agreements in what you've detailed. Is there a danger of creating the bureaucracy of shared services in our attempt to reduce costs -- create costs by all of the agreements and the process that has to be engaged in to accomplish that?

MR. SHARPE: Well, I think once you have a prototype -- and in Somerset County's case, it's a master interlocal agreement, with Somerset County serving as the lead agency with all of the towns for department of public works sharing. It's a very successful agreement. We use that as a model for all of our interlocal agreements. I think the important thing here is that you should, and you must, have an interlocal agreement in place to really specify what the terms of the sharing is, and also to cover any liability or legal aspects. Particularly, the more towns you have involved, the more importance there is to have an interlocal agreement in place. And, in most cases, you need -- you should have a lead town who can take the lead and make sure that everything is getting done as it should be.

And, again, that's the importance, too, of having a county facilitator -- someone in my role, in Somerset County, in each of the 21 counties -- to help the smaller towns and the larger towns to put together the interlocal agreements, the resolutions, to put together the feasibility studies to determine needs assessments. So that role becomes a very, very good one at being cohesive and bringing things together. And then, as Greg and Jeff will agree, to have a strong steering committee in the form of our

coordinating council -- representatives of the school districts, towns, and the county departments to be the steering committee, to make sure that you continue this process and don't let it lose any momentum.

ASSEMBLYMAN WISNIEWSKI: Thank you.

I believe Senator Kyrillos has a question, and then Assemblyman Gordon.

SENATOR KYRILLOS: Mr. Chairman, thank you. I wanted to follow up on your question, I think, to the Administrator of Branchburg, regarding home rule.

I think I heard you say that you can achieve consolidation and maintain home rule at the same time. Did you say that?

MR. BRONIN: I believe home rule, as far as I can tell, is based in the concept of trying to chart your own future, trying to plan, yourself, in having a certain look in the community, and maintaining what you want your community to be. I believe if we get creative, we can maintain that. Municipalities can maintain their look, can maintain their own little planning areas and planning design.

But, yet, you can eliminate, for example, my position in two towns. You can eliminate the layers of government and the employees that manage both those towns. I think you can maintain the basic elements of home rule but, yet, eliminate the redundancies that happen between municipalities.

SENATOR KYRILLOS: I think that's a very good statement. To summarize, you think people can determine their destiny, their future, have confidence that their tax dollars are being spent as efficiently as

possible in ways that they want, and services that they desire, and achieve better economies of scale.

MR. BONIN: In Branchburg Township, I have two historic districts. I have a central area that's all new residential. We have different planning designs for each historic district, for the residential, for the industrial area. I think that can be done on a grander scale, even if you combine municipalities.

SENATOR KYRILLOS: I appreciate those comments.

And yours, too, Chairman.

I think somehow we were all brought up in New Jersey to think that this notion of home rule is a religion here in our state. Perhaps it is. I think that most of my constituents -- I suspect most of the people that we represent -- would rather just see things done more productively, more efficiently, more inexpensively, to lower the tax burden, provide better opportunities as a result of cooperation and efficiencies. That's the kind of home that they want to see ruled. And so we're starting to chip away at these myths, if you will.

Thank you, sir.

ASSEMBLYMAN WISNIEWSKI: Thank you, Senator.

Assemblyman Gordon.

ASSEMBLYMAN GORDON: Thank you.

I direct this to any member at the table. I don't mean to put you on the spot, but in the course of putting my comments together for today, I read a story that appeared in the *New York Times* yesterday about -- comparing the increase in personal incomes with the increase in property taxes in the New York suburbs, between 2000 and 2004. And it points out

in that article that the sharpest increase in the region was in Somerset County, an increase of 41 percent.

Given the apparent success of your shared services program, what does that tell us? We understand that shared services is not the panacea for property tax increases. Would your property taxes have risen even more had the shared services program not been in place? How do you-- There's a disconnect here I hope you could address.

MR. HORN: Well, Assemblyman, you're absolutely correct. Property taxes would have gone up that much more had the shared services program not been in place. Somerset County is going through tremendous growth.

Mr. Bonin, in Branchburg Township, I think, can attest to the growth that's taking place -- in Branchburg Township. Franklin Township, which is in, I believe, Senator Smith's district, has grown by leaps and bounds. We are facing growth pressures in the northern part of the county, as well. We are very fortunate that our tax base has expanded. Our commercial tax base has expanded, as well, which keeps the county tax base stable. Unfortunately, it places a burden on local taxation, as we're all well aware. If we did not have shared services in place, that increase would have been even greater.

MR. BONIN: Assemblyman, there's not a day that goes by, literally -- especially in the past month with the new tax bills -- that I don't have residents at the counter asking why. And the only answer I can give them is, "That's just the system. It's the system we have, and it's the system we have to work with." I encourage them to check their assessments with the assessor. I encourage them to review everything they can. And

half those people -- more than half -- are senior citizens on a fixed income. And we've all heard this before. But I see it on a daily basis -- saying they can't afford to live in the state anymore. And I think that's the biggest crime.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Gordon, are you finished?

ASSEMBLYMAN GORDON: Thank you.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Malone.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

In your experiences, what has been the real reason some of the towns-- Let's say-- What town is adjacent to Branchburg?

MR. BONIN: Readington Township, Bridgewater, Somerville.

ASSEMBLYMAN MALONE: Okay. Let's take Readington Township. What's the significant difference between Readington Township and Branchburg?

MR. BONIN: Well, different counties.

MR. SHARPE: Different counties, for one thing.

ASSEMBLYMAN MALONE: Just forget--

MR. BONIN: For example, they have a regional health department. The county services all their health needs.

ASSEMBLYMAN MALONE: Are the demographics basically pretty much the same?

MR. BONIN: The demographics are very similar in Branchburg and Readington.

ASSEMBLYMAN MALONE: I guess the point I'm trying to get at-- I think we all know why many towns-- For example, my own town of Bordentown Township-- The kids go to school together. Everybody goes to church together. We all go to the doctors together. We all do all these things. Except for one group, and that's the elected officials -- whether it's Princeton, Princeton Township, Burlington, Burlington Township, Bordentown, Bordentown Township. In essence, almost an artificial delineation is made by elected officials to keep people, sort of, I guess, apart, and not really concentrating on the fact that we have so many things that are similar and very few things that are different.

I just hope that -- and your comments -- I think many of them were very good, and Tom's were very good. I just hope we can just put aside some of these artificial parochial attitudes. Because I don't know where we go if we don't do that. And I know the League of Municipalities has their sort of issues. I know the Council of Mayors have their issues. Lawyers have their issues. Planners have their issues. Engineers have their issues. Every group is going to have their issues as we go through this process. But I just hope that we can just dismiss those as really not the main focus of what we're trying to do. If we're going to go save tax dollars, it's going to mean that some of those individuals are going to have to be sort of set aside and -- for the real, true purpose of what we're here for.

So I would hope that we would aggressively look at the reasons that keep us apart, and minimize those issues, and really focus in on what really binds us together. And, in most cases, there's a lot more that binds us together in a regional and a consolidation mode than keeps us apart.

Thank you very much.

MR. BONIN: I think if we're not willing to do that, we shouldn't even bother.

MR. HORN: Assemblyman, that is a very apropos comment. And without naming towns, we're well aware of an example, locally, in Somerset County, where a local fire company is pressing the town for a piece of equipment to service a new development -- a redevelopment that is taking place in that community. Yet, less than a mile away, in the adjacent municipality, in the adjacent fire district, that piece of equipment is sitting in a garage.

ASSEMBLYMAN MALONE: It's like Bound Brook and South Bound Brook. I mean, really, what is the significant difference between those two towns?

MR. HORN: Two sides of the river.

ASSEMBLYMAN MALONE: That's all.

SENATOR SMITH: Thank you, Assemblyman.

Gentlemen, thank you very much for coming in and sharing with us some of your success in Somerset County.

Our last witness for the day is Reagan Burkholder, who is a Principal with Summit Collaborative Advisors. Mr. Burkholder served as an administrator or manager in New Jersey municipalities from 1974 until 2002, most recently for the city of Summit, and has done extensive work to promote service sharing, and is working on a benchmark study of municipal service delivery in nine municipalities.

When Mr. Burkholder is completed, and any questions are answered to the Committee's satisfaction, we're then going to adjourn. We're going to ask Committee members to stick around. We need to set

the meeting schedule for the next two months. So if you'd stay afterwards, we'd be most appreciative.

Mr. Burkholder.

**REAGAN BURKHOLDER:** The Honorable Chairs, Senators, members of the Assembly, ladies and gentlemen, good morning. And thank you for the opportunity to address you today.

Over the course of 32 years, serving four local governments in Connecticut and New Jersey, I've had the opportunity to deal with issues of consolidation and shared services. I've also been involved, as the Chair mentioned, in performance measurement at the local government level. And I hope my experiences and observations will prove useful to you as you consider this subject.

For the past couple of years, I've been working with a group of nine New Jersey municipalities in an effort to measure municipal performance and to establish benchmarks for improvement. The project gathers and analyzes data in order to promote better decisions about costs, resources, methods, and effectiveness.

The municipal managers and administrators in the group, and their governing bodies, believe that measuring performance is a basic function of well-run municipalities. However, either at the national level or in New Jersey, only a miniscule fraction of local governments take the concrete steps to measure their own performance. And I'll return to this performance measurement issue after a few words about my experience with consolidation and shared services.

There's not a lot of useful history of consolidation in New Jersey, as you've heard already this morning. So it's useful to look

elsewhere. My own government career began in Norwich, Connecticut -- a consolidated city and town of 29 square miles and 40,000 residents. Settled in 1659, Norwich's zenith came during the heyday of the giant mills, which, even to this day, line its three rivers.

The community still has not fully recovered from the abrupt closing of those mills 50 years ago. Had the city and town not consolidated, however, I'm sure that the old core city would have become virtually unlivable as the surrounding town prospered. The key with the consolidation is joint responsibility, joint concern, and joint problem solving.

To get a more recent view of consolidation, we can look across the oceans. In 1988, New Zealand's 4 million residents were served by 678 units of local government, which sounds like an almost familiar number. A year later, they had 86 local governments, a reduction of 87 percent. Consolidation reduced the number of local government employees by 20 percent, from 44,000 to approximately 35,000.

Now, clearly, New Zealand is not New Jersey. In a parliamentary nation with British traditions, local government exists by the grace of parliament. In 1988, the central government dissolved all local governments and told a commission to work it all out; coercion in its ultimate form.

So I mentioned New Zealand's experience to make this point. Significant consolidation among New Jersey municipalities would probably require more coercion than anyone in this room is likely to endorse. In another way, the Federal Highway Administration coerces states to adopt

various standards by threatening to withhold aid. If New Jersey wants its aid, it must comply.

I doubt, based on my experience, that positive incentives, additional grant funds, will be enough to foster consolidation unless those grants are huge. If the two Princetons, with joint schools, joint library, joint planning, joint health services, joint recreation, invisible borders, and the same name-- If they can't work it out, how can the rest of us?

In shared services, I think my experience has run the gamut. I've been involved in public safety, public works, health and social services, recreation, technology, code administration, library, and the court. Some have worked very well, but few have yielded massive savings.

I count myself an advocate of shared services. But I have seen as many failures as successes, especially when the big-buck services are included. Few have seen the successes that you've heard about in Somerset County. And with municipal budgets in the tens of millions of dollars, you've got to address the big-buck issues if you want to make a dent. Overcoming obstacles and challenges to shared services is a high-effort endeavor, sometimes with low return on investment.

In the early '90s, Summit's mayor and I met monthly with officials from nearby municipalities to discuss and plan for shared services. Six meetings, and six months later, we established some services, and Summit saved about \$9,000 -- six months of work to save three one-hundredths of 1 percent of the city budget.

Until there are incentives to deal with the big-buck items like police and schools, and perhaps disincentives not to consolidate them, shared services are likely to lead -- to yield, excuse me -- few major budget

reductions. How many towns have discussed, let alone implemented, shared services that yield half-million or million-dollar savings?

And even with the high effort to create shared services, they fall apart pretty easily. Some remind me of sandcastles: lots of work undone in a moment. A couple of examples: One collapsed when a town decided that it was not saving enough money. The town actually preferred to spend more money on its own to revert from the shared services rather than to feel that its partner was saving too much.

I once held a couple of very informal, very preliminary talks with a neighboring town's mayor who wanted to explore joint fire services. When the mayor's elected colleagues found out about the conversations, they ran him out of town on a political rail.

It's not just a New Jersey issue. A nationwide study identified 10 significant obstacles to shared services. And, in New Jersey, I would add another, and this one imposed by the State. And that is the issue of Civil Service. I was recently involved with a shared services study for two municipalities. Although the study forecasted a combined savings of \$200,000, the consolidation is not proceeding. The resulting joint meeting would have been under Civil Service jurisdiction. And the non-Civil Service partner does not want to get involved with the bureaucracy.

Returning to the joint performance measurement study in the nine towns, we can construct an illustration of the limited affect of even massive shared services. The average 2004 budget in the nine towns was almost \$30 million. Let's imagine that we can use shared services to reduce that budget by 10 percent, \$3 million. The \$3 million savings reduces the average local property -- local purpose property tax level from \$17 million to

\$14 million, 21 percent -- a huge amount. But when you take county and school taxes into account, the total tax levy is reduced by less than 4 percent. The reason: In the nine towns, the local purpose taxes are only 20 percent of the total tax burden.

So in this wildly optimistic example, the local government has found a way to cut its budget by 10 percent, but the net savings to the taxpayer is about equal to the typical annual increase in school and county taxes.

Now, why do I call it *wildly optimistic*? Because among the nine towns in the study, the \$3 million represents -- and these are choices, not a total -- on average, 55 percent of the police budget, two times the library budget, or three times the roads maintenance budget, or almost four times the garbage collection budget among the towns that collect garbage themselves.

If I'm sounding pessimistic, negative, or defeatist, I am actually hoping to sound practical. While analyzing solutions, I like to do that math -- as one of you mentioned before. And the math suggests that meaningful savings -- savings of 5 percent or 10 percent of the municipal budget -- are not likely to come from shared services.

Even sharing most towns most expensive service, police, does not yield meaningful tax relief. The math is just not promising. For instance, among the nine towns in the study group, 23 percent of the police force is brass, sergeants and up. Let's suppose two of the departments consolidate, and that they are able to eliminate half the resulting brass, a questionable supposition. Two departments, each with a \$5.5 million budget, combine into one department with a \$9.3 million budget. They

save \$1.7 million. The most difficult of all mergers, the police department, reduces the workforce by 15 sergeants, lieutenants, captains, and deputies, and one chief. If the savings -- the \$1.7 million savings -- are shared equally between the two towns, each town's total tax levy shrinks by 1 percent.

I don't want to end on a negative note, because I'm depressing even myself. (laughter) So let me offer some thoughts on how to foster consolidation and shared services. Take away the disincentives that are within your power, such as submission to Civil Service rules. Let the entities decide.

Give local government the greatest possible flexibility to establish management structures for joint operations, including corporations, trusts, partnerships, general business arrangements.

Give them maximum flexibility to structure cost sharing. At the same time, require comprehensive audits.

Permit different levels of taxation in different parts of a consolidated municipality. Norwich, Connecticut, where I started my career, had different tax rates in two different parts of town: the old city and the old town. Allowing different tax rates would eliminate one argument against consolidating towns where there are different debt levels or different service levels.

I believe the State should take full management and financial responsibility for a number of current county functions. And in this mix I include the prosecutor, the sheriff, the court, the jail, the surrogate, the county clerk, the county superintendent. Supporting these functions and offices with the State's broad tax base would eliminate some of the gross inequities we now see, where taxpayers in more affluent counties pay much,

much less for county services than those in less fortunate counties. It might also foster consolidation among the counties.

Even if you end up rejecting them, think seriously about coercive measures. It's important to consider whether the property tax issue is big enough, and important enough, and ugly enough for the State to force municipalities to take action. Personally, I don't think coercion is ultimately the way to go. But it is worth a serious discussion of the issue of coercion versus home rule.

And with that, I conclude.

I want to thank you again for the opportunity to address you. I hope the observations are useful. Some of the facts in here are footnoted in the printed version, which I'll make available to your staff.

And I will be happy to try to answer any questions you may have.

SENATOR SMITH: Are there questions from members of the Committee?

Yes, sir, Senator.

SENATOR KYRILLOS: Do we have a copy of this testimony? Did you-- Or could we have a copy of your testimony?

MR. BURKHOLDER: Yes, sir. I have a copy that I'll make available to the staff.

SENATOR KYRILLOS: Mr. Chairmen, if we could, through the two of you, get a copy. Obviously, there--

SENATOR SMITH: Absolutely. We'll share it with everyone.

SENATOR KYRILLOS: --kind of sobering, down report.

I know you wanted it to be seen and portrayed as a practical one. And we need to look at your footnotes, and have it verified, and see if we agree with your relatively downbeat assessment.

But I think one big point you made is that -- and I don't like the term *coercion*. But there's a lot of money that comes from State government to the localities, and rightly so. It's the people's money. But would that may mean an enhanced sense of responsibility and obligation. And I think that's what you're alluding to. And I think that's a road we're going to have to look at very seriously.

SENATOR SMITH: Any other questions? (no response)

Just-- I want to agree with you. I thought your testimony was extremely depressing. (laughter)

However, that being said, there was some very interesting parts. The -- and I will follow up on Senator Kyrillos's comment about coercion. Coercion is not coercion if it's the will of the people. We may run into resistance from either municipal officials, school board officials, fire district officials, because they may not necessarily agree with what this Committee comes up with.

The question is: What is it that the citizens and taxpayers of the State of New Jersey want? We're not coercing them, who are, ultimately, our bosses, if this is their will. So the coercion may be just with the officials who disagree. And, again, you might be surprised. Some of the local officials may not disagree and may actually welcome the opportunity for some consolidation.

But we'll see. We have many months of work ahead of us. And you made a contribution today by putting a little perspective on how

difficult it is to get any of this done, which we knew. But you're right, you did strike kind of a negative note there.

MR. BURKHOLDER: Senator, may I add one comment that came up as a result of something that the folks from Somerset County said in response to a question? And that is on the issue of home rule.

My sense is that home -- that community character is not established by police departments, and fire departments, and tax collectors, and finance directors, or administrators or managers. It's established by planning and zoning boards, it's established by recreation programs, it's established by schools.

SENATOR SMITH: Right.

MR. BURKHOLDER: That's where the character comes from. And if you think, even of a city like Newark -- people identify with Vailsburg, and they identify with the Ironbound, and Forrest Hill, and other places like that. But they're not separate municipalities.

SENATOR SMITH: Right.

And there may be ways where you can consolidate services. For example, if you're talking about school boards, maybe you need to have all of the central administration doing the purchasing, the transportation, the insurance contracts, providing legal services; but still have some local identity, such that the people of Dunellen still have a Dunellen School District, or the people of Middletown still have a Middletown School District. But get the savings associated with consolidating the administrative functions. All right? There are ways to do that.

And I think you're also right about your comment with regard to municipalities. The things that make a municipality a municipality are

the planning and zoning, the recreation, and the local public works, and the local -- I think the local police to a large extent, as well. But tell me about tax collectors, tax assessors, and health departments. Do they necessarily provide the identity to township residents?

So there's a lot of things we're going to look at.

We do appreciate you giving us a little perspective on how tough it is.

Thank you for coming in.

MR. BURKHOLDER: My pleasure.

SENATOR SMITH: Mr. Chairman, I think-- Is it appropriate to adjourn?

ASSEMBLYMAN WISNIEWSKI: I think so.

SENATOR SMITH: All right then. Motion to adjourn. And then let's go back and get a calendar for the next several months.

ASSEMBLYMAN WISNIEWSKI: So moved.

ASSEMBLYMAN GORDON: Second.

SENATOR SMITH: So moved, second.

All in favor, say aye. (affirmative responses)

It's adjourned.

**(MEETING CONCLUDED)**