

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1**

STATE OF NEW JERSEY

DATED: FEBRUARY 11, 2021

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill No. 1.

This committee substitute would modify the "Uniform Shared Services and Consolidation Act," sections 1 through 35 of P.L.2007, c.63 (C.40A:65-1 through C.40A:65-35), and the law governing the Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC), P.L.2007, c.54 (C.52:27D-501 et seq.) to encourage and facilitate the provision of local and regional services through shared service agreements and joint contracts.

With respect to the "Uniform Shared Services and Consolidation Act" modifications, the bill would change or add requirements related to: personnel, tenure, and terminal leave payments; review of employment reconciliation plans; the transfer of employees between local units; local unit decision making; alternative dispute resolution processes, including mediation and arbitration; State oversight; and employment termination.

With respect to the law governing LUARCC, the bill would change or add requirements related to: the membership of the LUARCC commission; the conduct of LUARCC studies; consolidation consultation requirements; substantive and procedural requirements applicable to consolidation and shared services proposals; potential reductions to State aid; and appropriations for operational expenses and to cover extraordinary expenses of local units needed to implement a LUARCC-proposed consolidation plan or shared service agreement.

Changes to the "Uniform Shared Services and Consolidation Act":

The bill makes the following changes to the "Uniform Shared Services and Consolidation Act":

Clarifies certain matters affecting personnel with respect to shared service agreements or joint contracts when one or more of the local units have adopted the provisions of Title 11A, Civil Service, of the New Jersey Statutes;

Clarifies the application of the bill to local units that are party to a shared service agreement or joint contract and that have adopted the provisions of Title 11A, Civil Service. Specifically, if employment

decisions are made by the local units about which employees, if any, are to be transferred to the providing local unit or joint meeting, retained by the recipient local unit, or terminated from employment for reasons of economy or efficiency, those decisions would be subject to the provisions of any existing collective bargaining agreements within the affected local units that would be applicable specifically to the employees being transferred, retained, or terminated, as appropriate. In the event of any conflict in the operation of collective bargaining agreements of the affected local units as it pertains to such employment decisions, the dispute would be settled by the parties using mediation or, if that is unsuccessful, by binding arbitration. Both mediation and arbitration would be conducted by the Public Employment Relations Commission;

Requires that a consolidation or shared service study for fire or police services evaluate and assess potential health and safety impacts of the consolidation or shared service;

Clarifies the term “same or substantially similar hours of work” with respect to employees placed on a special reemployment list for any civil service employer because they have been terminated for reasons of economy or efficiency at any time by either local unit. The bill defines “same or substantially similar hours of work” to mean that the reemployment opportunity has the same starting and ending times of work, and at least the same numbers of hours per work week as the job from which the employee was terminated;

Clarifies that when an employee of a local unit that has not adopted civil service is transferred and given a civil service title pursuant to a shared service agreement or joint contract, then upon the termination of the agreement or contract, that employee will remain an employee of the jurisdiction to which the employee was transferred and subject to the provisions of Civil Service;

Clarifies that any layoff or termination of personnel for reasons of economy or efficiency to effectuate a shared service agreement would be made after the local unit that is providing the shared service determines which employees to transfer from a recipient local unit to the providing local unit; and any layoff or termination of personnel for reasons of economy or efficiency to effectuate a joint contract would be made after the management committee for the joint meeting determines which employees to transfer from a contracting local unit to the joint meeting;

Clarifies that employee transfers to a local unit providing the service will be subject to the provisions of any collective bargaining agreements within the local unit affecting any position into which any employee would be transferred;

Clarifies the status of certain employees. If the local unit that will provide the service is not subject to the provisions of Title 11A, Civil Service, of the New Jersey Statutes, but the local unit that will receive the service is subject to that Title, and some or all

employees of the recipient local unit are to be transferred to the providing local unit, the bill clarifies that such an employee will become a permanent employee of the providing local unit. The bill also clarifies that in the case of a shared service agreement only, an employee who has permanent status pursuant to Title 11A, Civil Service, of the New Jersey Statutes would have a right to appeal the good faith of such layoff by the current employer to the Civil Service Commission, and require that the commission establish by regulation the grounds for appealing a layoff; and

Provides that, in the event of any conflict in the operation of collective bargaining agreements of the affected local units as it pertains to employment decisions relating to the transfer of employees to the new employer, mediation or arbitration to settle the dispute would be conducted by the Public Employment Relations Commission.

Changes to the “Local Unit Alignment, Reorganization, and Consolidation Commission” (“LUARCC”) statutes:

The bill makes the following changes to the body of law that established the LUARCC Commission:

Redefines “commission” in order to permit a similar entity created or designated by an act of the Legislature to perform those same functions and responsibilities as LUARCC. The bill also replaces references to “LUARCC” with “commission” in several statutes;

Adds two members to the current 9-member LUARCC Commission. One of the members is required to be a member of either the New Jersey State Policemen’s Benevolent Association (PBA), the New Jersey State Firefighters’ Mutual Benevolent Association (FMBA), the Communication Workers of America (CWA), or the American Federation of State, County, and Municipal Employees (AFSCME), representing State or local public employees, and the second is required to be a municipal administrator, municipal manager, or chief financial officer of a municipality;

Reduces, from five to one, the number of on-site consultation sessions the commission is required to conduct in each local unit being studied, and also require the governing body of a municipality to hold one public hearing in each municipality affected by a recommendation of the commission, rather than two;

Requires that LUARCC cannot study and make recommendations concerning any municipality that on the bill’s effective date is engaged in at least one shared service;

Requires that every shared service agreement must be filed with the Division of Local Government Services together with an estimate of the cost savings anticipated to be received the local units that are the parties to the agreement;

Requires LUARCC to study and recommend legislative changes concerning the delivery of some municipal services and functions by counties;

Increase from 30 days to 90 days certain actions required to be taken by municipalities after LUARCC completes an economic analysis for the consolidation of municipalities or the sharing of services;

Requires that at least one member of LUARCC attend a public hearing on LUARCC sharing of services recommendation;

Requires local units to approve the sharing of services by ordinance and a consolidation by ordinance after two public hearings, on after the first and the second readings of the ordinance; and

Provides that the State would be required to reduce both Energy Tax Receipts Property Tax Relief Fund Aid (ETR) and Consolidated Municipal Property Tax Relief Aid (CMPTRA) to a municipality if the municipality does not approve a recommendation for the sharing of services, or enter into and implement a recommended joint contract or shared service agreement, as required in the bill.

FISCAL IMPACT:

The Office of Legislative Services determines that local government units that will share services as a result of this bill will achieve indeterminate reductions in the annual costs of delivering those services. These units will also incur an indeterminate one-time net impact on their expenditures composed of additional non-recurring costs to implement shared services agreements and reduced non-recurring costs from the repeal of the current requirement that terminal leave payments be awarded to employees whose positions are eliminated because of a shared services agreement. The units may also receive additional non-recurring revenue from the State to cover the extraordinary implementation costs of a shared services agreement.

Conversely, if local government units fail to implement a shared service recommendation made by the Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) within certain timeframes, they will incur a decrease in their formulaic State aid. The municipal revenue loss would be equal to the amount of the estimated savings the municipality would have achieved had it executed the shared services recommendation.

In addition, the bill will have an indeterminate net effect on annual State expenditures. Carrying out the provisions of the bill, including the disbursement of aid to offset local units' extraordinary costs of implementing shared services agreements, will increase annual State expenditures. A decrease in State expenditures will materialize whenever annual formulaic State aid payments are reduced to municipalities that do not implement a shared services recommendation made by the LUARCC.