

Testimony of Hon. Lori Grifa  
Commissioner, Department of Community Affairs  
Senate Budget Committee  
April 27, 2011  
State House Annex, Committee Room 4  
1:30 p.m.

---

Good afternoon, Chairman Sarlo, Vice Chairman Stack, and members of the Senate Budget and Appropriations Committee. I appreciate the opportunity to once again come before you and brief you on the priorities of the Department of Community Affairs.

Last spring, as the new administration took office, I shared our reform agenda for New Jersey. Specifically, I outlined a number of proposals that were designed to protect the taxpayers and give local governments more control over their budgets.

I'm happy to report that over this past year, we have worked diligently to bring greater accountability to local governments, provide for essential services, improve transparency, and most importantly, to put the taxpayer first.

Because of the Governor's reform agenda, the Department of Community Affairs has taken bold and decisive action on a number of key reforms this year, while demanding that government work efficiently and effectively for the people of New Jersey.

To that end, the Department of Community Affairs has continued to serve its core mission of providing guidance and financial support to local governments, community development organizations, and our businesses community, so that we can improve our economy and maintain our quality of life.

At the same time, we have recognized the importance of bringing Common Sense Principles to government.

The Department of Community Affairs has moved forward over this past year with implementing several new measures that demonstrate to New Jersey taxpayers our commitment to fiscal responsibility.

Some of those measures include the elimination of wasteful and ineffective programs, stricter oversight of local government in exchange for state aid dollars, key ethics reforms, and other actions that support the public interest.

Chief among this year's achievements were the passage of several bills in the Governor's tool kit – including property tax relief in the form of a 2 percent cap. These reforms will allow municipalities to control spending, while still providing essential services to residents.

Property Tax Relief:

I would like to take just a few minutes to highlight some specific departmental accomplishments; particularly as they relate to everyone's Number One concern: Property Taxes.

First, we took a monumental leap when the Governor working with this Legislature passed the 2 % budget cap. That measure cut the previous cap in half and reduces exceptions from 14 to only four. Most importantly, any waiver beyond the four exceptions can only be imposed with the approval of the voters.

2010 represented the last of the 4% cap budgets. With the numerous exceptions permitted by that cap law, property taxes grew with reckless abandon, as there were no meaningful reins on local government spending.

Despite significant reduction in municipal aid, most towns have demonstrated that they are willing and capable of making responsible decisions:

- Total local appropriations in 2010 were down to \$190M as compared to the prior year's increase of \$860M;
- 48 municipalities have reported a decrease in their tax bills;
- 116 municipalities report tax increases of 2% or less;
- While approximately 30 towns filed notices of referendum – 535 CY towns are now subject to the Cap – only 14 are seeking voter approval to exceed – a good sign!

The cut in municipal aid *has not* resulted in an automatic and across the board property tax hike. More importantly, taxpayers finally have a say in how their tax dollars are being spent --- by year's end, the success of the cap will be abundantly clear.

Second, as a result of our prudent actions, New Jersey homeowners will see the new property tax credit appear on this May's quarterly tax bill. These are real reductions through credits on tax bills in 2011. In fact, this May, almost one million primary homeowners will see direct credits on their tax bills averaging approximately \$240.

The Governor's FY 2012 budget proposes a doubling of that credit for next year. Senior and disabled homeowners with gross incomes up to \$150,000 could receive benefits averaging \$540, and non-senior homeowners with gross incomes up to \$75,000 will receive benefits averaging \$404.

### *The Tool Kit*

As you know, last spring the Governor put forth a 33-bill package called the "tool kit" which is designed to address the fundamental drivers of property tax increases. The tool kit is absolutely critical to New Jersey's future as these measures give towns and school districts more power to hold down pay increases, find efficiencies and reduce duplicative processes and services.

While we have seen some key parts of the tool kit passed –including reforms to the state's arbitration system - we clearly recognize that the tool kit is critical for our local officials to manage within the 2 % cap. Mayors confirm this to us every day. That's why we need the entire tool kit enacted. These are nearly 3 dozen reforms that will move New Jersey in the right direction.

Also, as part of our reform efforts to improve transparency and strengthen accountability, the DCA implemented the "Best Practices Initiative," designed to encourage municipal governments to reduce costs, operate more efficiently and with greater accountability for how they spend scarce taxpayer dollars.

As noted at the end of last year, the majority of towns not only complied, but fared well on the 88-question survey – indicating their adherence to Best

Practices or a commitment to implement them within the year. Of the 535 towns that submitted the completed lists, 374 will not have any loss of aid.

Let me underscore --- the goal of the Best Practices Initiative is not to be punitive, but to provide standards by which towns can assess their effectiveness in budgeting, management and cost control.

The first year of Best Practices is off to a great start and we plan to continue and strengthen the effort next year.

Shared Services:

We also continue to focus on shared services.

The Governor and I both agree that encouraging more shared services – whether formally or informally – is both advantageous for government and beneficial to the taxpayer.

We are now focusing our efforts on providing municipalities with the resources and tools to move ahead with shared service programs. Although the DCA's Division of Local Government Services has the expertise to help guide a municipality through the process, municipalities have been quite creative in forging these arrangements when the political will exists.

Of the budgets received and reviewed to date, my staff reports more line items reflecting shared service arrangements than ever seen before. These arrangements are becoming more creative.

In Lambertville, all of the entities of the South Hunterdon Renewable Energy met and signed a power purchase agreement that includes net metering, purchase of solar panels and energy audits.

Also you read the encouraging news that Camden County may be the first in New Jersey to consolidate police and fire protection for individual cities and towns in order to save costs.

The Governor, Senate President Sweeney and I met with 35 of Camden County's 37 municipalities to consider consolidating local police and fire departments and we learned that the 2 percent cap on annual property-tax growth forced a change in thinking.

If enacted, Camden County's idea could lead to a statewide trend of regionalized police forces. And, we know that other counties have been studying the idea as well, including Somerset and Essex.

As the Senate President noted, "We have more government (in New Jersey) than you can possibly imagine having, or need."

We expect to pilot this police consolidation program in Essex and Mercer County as well and we have received a strong showing of interest from the Essex County Executive Joseph DiVincenzo.

Therefore, our efforts at DCA are focused on removing the impediments that municipalities face when contemplating entering into agreements with their neighboring towns.

### *Civil Service Reform*

We have heard from numerous civil service municipalities throughout the state that one of the biggest obstacles to achieving fiscal efficiencies has been the civil service system because it ties the municipality's hands.

Streamlining the existing process for sharing services and municipal consolidation, removing barriers and introducing greater flexibility for municipalities to design their own procedures would greatly enhance shared services agreements.

Fully a third of New Jersey towns will be left out of the discussion, as their arcane, burdensome and expensive civil service structure make them unlikely partners for a shared service or consolidation effort.

### *Transitional Aid*

The Department has increased its service to local government and where required, provided additional due diligence and oversight. Our greatest triumph in this past year is the creation of a successful new aid program that has eliminated the opportunity for wasteful spending and encouraged new discipline and fiscal responsibility on the local level.

The Transitional Aid program outlined in last year's budget is also part of the reform effort to increase efficiency, effectiveness and accountability of local governments statewide.

For the first time, aid recipients had to sign a Memorandum of Understanding agreeing to certain state oversight, reforms and reporting requirements in exchange for state aid dollars. Unlike previous MOUs, the Transitional Aid MOU contained measured goals, a clearly defined approval process and the withholding of funds for non-compliance.

This new approach imposes accountability measures to ensure that cities and towns engage in responsible spending, budgeting and transparency.

For FY 2012, we are seeking \$10 million less in appropriations for Transitional Aid. Our expectation is that each year, fewer and fewer municipalities will require this assistance. Indeed 4 recipients of this aid last year already have graduated from the program.

The goals of our Transitional Aid program are simple and clear: to create self-sufficiency in our towns and cities and to provide assistance when and where needed, but only for those that demonstrate they are aggressively reducing costs, prioritizing their services and practicing transparency. For such towns, Transitional Aid will be available in the short-term.

### *Other Successes*

I should also note that the Department of Community Affairs made great strides in the past year to streamline and reorganize the department's structure to better address our core missions and serve as an effective – and business-friendly – intermediary between state government and the public.

We have new leadership in several of our divisions and we are modernizing wherever possible to take advantage of technology that significantly improves our ability to work efficiently.

For instance, in our Division of Codes and Standards we have moved to the electronic transfer of building plan comments in our plan review office. This will save applicants both time and money. By transitioning from a mail system to an online system, we have eliminated up to 20 working days from the plan review process. Next we will tackle implementing a similar design for the municipal construction code offices. It is my goal to develop a

system where the entire construction plan application and review process can be accomplished online. The Department's sensitivity to the business community has become our priority.

*Commitments to Those in Need:*

Government entities are not only those of concern to the Department. This year's budget includes the sustained support of our most vulnerable populations through a variety of programs under the aegis of the Department.

For instance, in FY 2011, we will continue our assistance to more than 4,300 New Jersey households by providing more than \$41 million in rental assistance payments through the State Rental Assistance Program (SRAP). Fifty three percent of these SRAP participants are elderly and/or permanently disabled and over 75 percent of the recipients have income below 30 percent of the state median income. Special priority is given to the disabled as well as the elderly.

We have vigorously sought federal housing funds. DCA has been successful in obtaining 100 additional federal Section 8 vouchers for veterans and 100 additional vouchers for persons with disabilities.

We have helped well over 300, 000 low income New Jersey households since November 2010 pay their home energy bills through the Low Income Home Energy Assistance Program (LIHEAP). The total dollars spent for supplement energy bill payments is more than \$85 million.

We committed over \$24 million through the NJ Housing and Mortgage Finance Agency from the Special Needs Housing Trust Fund –to build units accessible and appropriate for nearly 300 disabled individuals.

This past September, we secured \$300M in federal funds to assist thousands of residents faced with foreclosure. This money will allow us to provide help with mortgage payments and offer mediation and counseling.

As part of the federal ARRA programs, funding for our Weatherization Assistance Program grew dramatically in 2009. As you are likely aware, the rapid growth in that program was a challenge for us.

During the last year, we reversed a number of deficiencies in the program. We brought in new leadership to oversee the program. We identified systemic weaknesses, established new security protocols, implemented uniform procedures and stronger oversight. Now the program is being managed responsibly with appropriate oversight and direction and most importantly, the low income residents who are turning their homes over to the program's contractors are being well served. As of April 30, we expect to "weatherize" nearly 5,200 homes. More than 12, 000 additional housing units have had energy audits and are waiting to be scheduled for retrofits. We have also have received 80% of the federal funding promised has been awarded --- in excess of \$95M.

DCA staff is working closely with the NJRA and EDA to breathe life into a meaningful supermarket initiative – by identifying underserved neighborhoods where data suggests that local "buying power" can support the development of new food stores. The Departments of Health and Agriculture are also our partners in this endeavor. DCA and its sister agencies will be prepared to bring the full resources of the state to bear on any feasible project that will serve a community without convenient access to full service grocery stores.

In this regard, we have met with the mayor of Camden to discuss this opportunity. We have identified at least 4 other communities in dire need of supermarkets and hope to meet with those mayors shortly to discuss such opportunities.

With all of this, we have not forgotten why we are the known as the Garden State. We are actively exploring ways to open new, fruit and vegetable markets to New Jersey farmers to provide them with additional sources of income. We are also exploring ways to assist and sustain the New Jersey's dairy farming community.

For all of our successes this past year and the promise this budget has to offer, we recognize there is still much important work to do.

### COAH Reform

We continue to advocate strongly for the elimination of COAH and work for a viable solution to the state's need for affordable housing – a solution that provides clear and realistic standards to guide municipalities. In anticipation of a legislative solution, we expect to reduce the staff in this area.

## UEZ Reform

We are prepared to address some of the shortcomings in the Urban Enterprise Zone program.

Although the Governor's Budget does call for the elimination of the municipal program funding that was urged by an independent UEZ Study, the budget maintains all of the (UEZ) business tax benefits and incentives for zone businesses.

The Governor's proposed recommendations will allow the Department to establish a zone business service team and convert to an electronic registration filing for businesses on the State Business Portal. These improvements will dramatically reduce the paperwork burden on participating business and allow DCA to reduce staff.

In short, the Governor's Budget Plan will simplify the program for zone businesses wishing to participate in the program.

The UEZ incentives will be packaged with New Jersey's other economic development initiatives, strategies for business attraction, and retention incentives and featured through the New Jersey Business Portal.

Once again, I appreciate the opportunity to come before you. I'm happy to take your questions.