
Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON GOVERNMENT CONSOLIDATION AND SHARED SERVICES

"The Committee will meet to consider its final report"

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: November 20, 2006
10:00 a.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Bob Smith, Co-Chair
Assemblyman John S. Wisniewski, Co-Chair
Senator Ellen Karcher
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*

Patrick Gillespie
Senate Majority
Hannah Shostack
Kate McDonnell
*Assembly Majority
Committee Aides*

Rosemary Pramuk
Nicole DeCostello
Senate Republican
Thea M. Sheridan
Brigid E. Farrell
*Assembly Republican
Committee Aides*

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SENATOR BOB SMITH (Co-Chair): Good morning, everyone.

Welcome to meeting 13 of the Consolidation and Shared Services Committee.

Today we are looking at the release of the final report, and a Minority statement to be attached to that report. We're going to give everybody a chance to say what they'd like to say.

Let me start that process by thanking my Co-Chairman, Assemblyman Wisniewski, and every member of this Committee -- Senator Karcher and Senator Kyrillos, Assemblyman Gordon and Assemblyman Malone.

I thought everybody worked together as a team to try and do the best job we could to come up with reform proposals for consolidation of the many -- too many governments in this state, and hopefully ways in which to expedite and facilitate the sharing of services by these various governmental units.

The draft report that is before you has 18 specific recommendations. I would point out the obvious, which is that the 18 recommendations are not bills. And my understanding of the process at this point is that, today, we're going to adopt a report. It will then be still part of our charge to craft the legislation, in concert with the Office of Legislative Services. And my belief at this point is that we, as a Committee, will review those bills, tweak them, take testimony, etc., and hopefully get them out for the Legislature to consider.

There were, in these recommendations, some recommendations that I think were not obvious to the general public, as part of our charge.

For example, you will see a recommendation concerning joint insurance funding, which we found in our process to be a way in which the taxpayers of the state have saved a great deal of money on insurance premiums over the years. But we, in prior legislation, had limited the use of these joint insurance funds. We're going to certainly expand that. We found a number of barriers to the sharing of services. And hopefully, with the legislation that we're going to ultimately adopt, we're going to remove a lot of those barriers.

Certainly the most controversial areas that we've looked at are the areas of schools and municipal governments. In the case of the municipal governments, we've been very happy to have, as a great starting point, the legislation proposed by Senator Kyrillos, which set up a base-closing type of commission, and which I believe will be the model for the ultimate legislation that's released from this Committee. I think with 566 municipalities, there is certainly plenty of room for the consolidation of those municipalities where you can deliver services more efficiently. And I think that's going to be a good starting point for that effort to go forward.

In the area of schools, the Speaker's A-54 -- with the "super" superintendent -- is, I think, a very dramatic piece of legislation, and one which -- when you look at the details of it, you'll find that it has the potential to dramatically increase the efficiency with which school services are delivered to our children, especially in the area of the K-6, K-8 districts, and the specific charge of the "super" superintendent to work toward the consolidation of those districts with their receiving districts.

And I think one of our contributions -- one of this Committee's contributions -- when the bill is ultimately released, will be to provide a

mechanism so there is no tax shift. Because the thing that ultimately defeats every merger proposal is when a group in one town says, "As a result of the merger, my taxes are going to go up, and you're taxes are going to go down;" "I'm a winner, you're a loser." And, consequently, any time there is any public referendum, the merger doesn't occur. So I think that's a great, great starting point.

And I was thrilled to see, on our list of recommendations, that we're going to try out the idea of a county administrative district as a pilot. That, I think, is where we can actually save our citizens a great deal of money and provide an educational system that is better than the current one. No one in these 13 hearings has been able to rationalize the existence of 618 school districts. There is no one -- that has never happened. And, quite frankly, between the "super" superintendent and the pilot program for a county administrative district, I think we will start a process wherein, years from now -- and hopefully not that many -- those 618 school districts will be a much smaller number, doing a better job of delivering educational services to the kids.

That being said, we're going to ask every member to put forward their ideas and comments.

But let me start with my Co-Chair, who has worked so hard in this process, and that's Assemblyman John Wisniewski.

John.

ASSEMBLYMAN JOHN S. WISNIEWSKI (Co-Chair):

Thank you, Co-Chairman Smith.

And let me start off by recognizing the hard work of my Co-Chairman, Senator Smith, from Piscataway. This Committee not only met

here, in public, but we've had frequent conversations among all of the members. And Senator Smith, in all of those conversations, was the driving force to help achieve consensus, to help explore ideas, and to welcome input from the Minority members. And I don't believe that the outcome would be as good as it is without Senator Smith's input.

I also want to recognize the work of all of my colleagues on the Committee.

Assemblyman Malone, Assemblyman Gordon, Senator Kyrillos, Senator Karcher, each of you have delivered great ideas, have been insightful, have been helpful in steering the work of this Committee and finding issues that we have not necessarily thought of and, also, helping achieve consensus on a lot of issues that we've talked about. And I just want everyone to recognize the tremendous amount of time, and effort, and work that all of you have put into this. Because while, as I said, we meet here publicly, there are things to read, there are telephone conversations to be had, there's a lot of work behind the scenes. And all of you have really done quite a job in contributing your time and participation in making this the process that it is.

Assembly Concurrent Resolution 3, back in August, was a document that gave us our charge to find ways to help facilitate the consolidation and sharing of services in governmental entities. We have over 1,300 units of government in this state, each with an ability to impose a tax and, therefore, drive up the cost of living in this state.

Our charge was to find ways to reduce that burden, to find ways to streamline government consolidation, to make government more

efficient. And the report that we are issuing today has 18 recommendations that will do just that.

We have an opportunity, with this report, to start to change the status quo. But I think it needs to be emphasized -- and I'm sure other members here, today, will say this -- is that what we're doing today is releasing 18 concepts. And I know the Minority has what they would like to add, as well. But those concepts then have to be crafted into legislation. So while this is the meeting in which this Committee will release its report, the work of this Committee will continue. We need to continue to work to draft specific legislative proposals, based on the recommendations we're making today. That is, in itself, a daunting process.

The statistics of this Committee are impressive. We've collected over 22 hours of testimony from 119 different speakers. We were presented with over 3,552 pages of documentation and testimony. The Committee also received more than 800 e-mails from concerned members of the public, who offered thoughtful insights regarding the issues before us.

Most importantly, I believe that this was, fundamentally, a very bipartisan effort. We had our hearings-- We had one hearing down in Assemblyman Malone's district; we had another hearing in Freehold. We also had executive sessions, where the members talked, on a bipartisan basis, on several occasions. One of the centerpieces of the work we're releasing today is a concept that has been something that Senator Kyrillos has advocated for a long time, the BRAC-style commission to look at municipal consolidation.

I believe that we have worked very hard to include all points of view, on both sides of the aisle, from both Houses, in our final report here today.

Speaker Roberts' CORE plan formed, perhaps, one of the more essential focus points of our deliberations in the testimony we've received. That CORE plan involves streamlining State laws that protect the status quo. We need to change that, removing barriers that impede regionalization and services, sharing by local governments, and to begin awarding State aid to municipalities on how well they manage the resources they have, as opposed to just delivering a flat-line amount to each municipality, regardless of efficiency.

We need to do our work. We have done an enormous amount of work. We need to finish the process of drafting the bills. And I look forward to working with each of our members here to see that that happens.

Senator Smith, again, thank you for your leadership.

And to all the members on the Committee, thank you for your hard work and participation.

SENATOR SMITH: Thank you, Chairman Wisniewski.

Why don't we start on the ranking member of the Senate side? Senator Kyrillos.

SENATOR KYRILLOS: Senator Smith, thank you very much.

And thank you, sir, to you for your chairmanship, and to Assemblyman Wisniewski, for your leadership as well, and for a very cordial process. I think that we've had a good and solid bipartisan membership on this Committee. It was our hope, of course, that we would have equal

numbers of Democrat and Republican members to the Committee. That wasn't to be.

But I think that we have begun this very important process, during a very difficult and turbulent time in the State's history, as to how we identify strategies and tactics to reduce the crushing tax burden that exists in our state.

We need to be fair -- that this Legislature and the Governor has begun to put a spotlight on issues that have festered for a long, long time, that have plagued Legislatures controlled by both major political parties, Governors of both parties, and have allowed to continue for too long. We were enabled, if you will, by a great success as a State, a thriving business climate, ferocious budget revenues for a long time. That allowed us to continue in a very dysfunctional way. But that is over now. We're living in a different, big, flatter world, where the competition is keen. And we are losing ground. And our people are suffering, and many are leaving or considering leaving, of all economic backgrounds and stripes.

And so I hope that this is a three-month start to what will be an agonizing and continuing process. There are many good and solid recommendations in this package. But the Minority feels that they do not go nearly far enough.

I appreciate your gracious words, with regard to the military base-closing style commission idea that I have had to -- and that Assemblyman Malone, and others, and you have come on board with -- to consolidate municipalities. But the language of our recommendation is vague. It is not complete. We need to have a very tough, BRAC-style bill,

when we go forward to work on these bills, that will allow for real and future -- real future results.

I think we need mandatory aggregation of the school business services, not leaving it to chance, to these so-called “super” superintendents, where, if you have a good one, things might work out; and if you don’t have one, things will remain as they are. I think we need consolidation of municipal services at the county level, or regional level, that is compelled -- not encouraged, but mandated. We need consolidation of fire districts, and the like.

So I think the Governor, frankly, put it very well last week in his remarks to members of the League of Municipalities: concerned about the lack of specificity, concerned about the sustainability of these reforms -- or so-called reforms -- over time; so that we don’t have temporary relief that allows us -- and some people -- to get through political hurdles in the future -- the near future, but reforms that will sustain our taxpayers for the long haul.

The Minority has issued a statement -- Assemblyman Malone will speak to it, as well -- where we agree that there are many good recommendations in this report. The Minority believes that the Committee was charged with recommending real change in the structure and governance of State, and county, and local government. The recommendations in this -- of the Committee will not fundamentally alter the status quo. Too many of the recommendations will nibble at the edges.

The Administration and the Majority are recommending immediate tax relief of 20 percent for some, but not all, of New Jersey’s homeowners. The proposed relief will cost \$2.4 billion in the next fiscal

year. The proposed, immediate, one-shot property tax relief, if not accompanied by real, statutory reform -- the kinds of reforms that I am talking about -- will not allow us to succeed in providing the sustainable, long-term relief that the citizens of this state are demanding.

We need to be clear. We need to be complete. We need to go full board. We need to ask for the services and support of the Executive Branch; to attach the dollar amounts that each of our reforms will save, so that will enable us to go out, and advocate, and support some of the more difficult measures. Those cost estimates are not easy to attain. But it seems to me that we have a large State government with in-house capabilities, and the possibilities of outsourcing the task, if necessary, to attach dollar amounts to each and every one of these recommendations, so that we can continue to work on these problems in the months ahead.

So we can't simply be bold, Chairman Smith and Chairman Wisniewski, in summarizing. It seems to me that these times demand real and true revolutionary action. The times are dramatic, and they demand a very dramatic response. And that will be our mindset in the context in which we work, going forward.

Thank you very much for your personal courtesies and your leadership, now and, hopefully, especially as we go forward.

SENATOR SMITH: Thank you, Senator.

Assemblyman Robert Gordon. Assemblyman Gordon.

ASSEMBLYMAN GORDON: Thank you, Mr. Chairman.

Co-Chairs Wisniewski and Smith, members of the Committee, ladies and gentlemen, I want to say first that it was an honor to serve on this Committee. And I want to thank the Speaker for extending the

opportunity to participate in this special session on property tax reform. I'd also like to thank my colleagues on the Committee for their collegial and bipartisan contributions. We may not have always agreed on everything, all the time, but I think we worked pretty well together.

The work product being advanced today is something about which we can be proud. The Co-Chairs' report deserves to move to the next phase of the process: conversion into legislation and enactment into law. I want to state clearly and unequivocally that I concur with its findings, and I support each and every one of its recommendations.

But based on my reading of the recent press coverage of our work, I do not believe the media fully appreciates the potential impact of what we have proposed. For example, our recommendation to increase the powers of county school superintendents, if implemented in the manner we envision, can bring about substantial reductions in the cost of school transportation, food service, maintenance, and other administrative items.

In addition, our call for the creation of a system of efficiency benchmarks and performance indicators that will enable town-by-town comparisons and year-by-year performance monitoring -- in effect, municipal report cards for taxpayers -- have the potential, I believe, to be a powerful force for cost reduction and improvements in service delivery.

Once we have developed objective, standardized information of this kind, the State can use its considerable resources to reward those communities that do a good job of managing taxpayer dollars. And we can create powerful incentives for additional gains in efficiency. Similarly, the State will be in a position to stop subsidizing inefficiency.

I also want to call attention to Recommendation 6, which provides for the coordination of capital purchasing by municipalities to help avoid redundancies and duplication. Under this proposal, approval of the State Finance Board would be required for purchases of costly fire apparatus. This approval would be granted only upon a demonstration that the proposed purchase is consistent with regional needs, something that is not happening now. This would help ensure better sharing of fire resources and ward against expensive duplication of fire services on a regional basis.

The recommendation also would require county improvement authorities to take regional resource allocation into consideration when floating bonds for major capital purchases. This proposal to better coordinate and contain capital purchases has potential application in every corner of the state: As I've mentioned before, from little Wildwood Island, in Cape May -- a 4.5 square mile beach, with four municipalities, nine fire houses, 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 the city of New York -- a city with almost 10 times more people. And just this week, one Bergen community, with a population of less than 10,000, approved the purchase of two fire trucks, a decision that will raise property tax bills in that small town by an average of \$40 per household, per year. That decision was made despite the fact that the community is surrounded by towns with numerous fire apparatus. Under our proposals, such duplication would end.

It is imperative that this oversight strategy, and all the other recommendations of this Committee, advance toward enactment. As the Governor stated last week, in Atlantic City, "Bold action is needed to reign

in the State's property tax problem." The preponderance of middle-income families in this state can no longer handle the crush of relentlessly higher and higher property taxes. It is a problem that has been left unaddressed for too long.

That became rather clear to me this past weekend, as I was cleaning out some old files from grad school. I came across a paper I wrote, entitled, "The Inequities of New Jersey's Property Tax." I wrote that paper in April of 1974. In the more than 30 years that have since passed, very little has changed, except the size of property tax bills.

Today we have a chance to make a stand that will make a difference for new generations of New Jerseyans. It's time we took bold action to get the spending, the redundancies, the inefficiencies, and our oppressive property taxes under control.

Thank you very much.

SENATOR SMITH: Thank you, Assemblyman Gordon.

Assemblyman Malone.

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

I would also like to sincerely thank you and Assemblyman Wisniewski for your absolute dedication to trying to do a fine job. And your efforts working with all of us, I think, are greatly appreciated. And I have grown to immensely respect both of you for your efforts in this area. I may not always agree with you, but I'm going to tell you, you've been two gentlemen to work with over this process.

I'd like to also thank all of the members of the Committee for their fine work and their efforts. It was not easy sitting here for all of these

meetings, and going on the road -- especially up to Paramus. God bless you, for those of you who live in Paramus -- the drive up there that night was like an impossible task.

To Rosemary Pramuk, who has been working with our staff; Thea Sheridan and Brigid Farrell, I want to thank you also for your fine work.

Let me get to some of the issues that I want to bring forward on the report.

Look, I've been in politics since 1973. Most of the ideas that were put forth in this report are not new. I think they're old ideas. But I must say that I think they've been looked at with a new intensity and a much greater concern for the urgency that we act quickly, and efficiently, and effectively to bring an end to the outrageous property taxes that are besetting the residents of the State of New Jersey.

Nothing that I have had the opportunity to work on in the last 33 years of public office has come anywhere near the intensity that people now have in what we do with property taxes. If we do not solve this property tax issue, we will set a course in this state that will destroy us.

I am concerned about some aspects of the report. I don't think we really got into serious consideration about consolidation in State government, inefficiencies. That's something I've been harping on for most of the years I've been in the Legislature -- that I think the State of New Jersey is probably one of the worst problems that we deal with, and we put as little effort as we do in making sure that it runs efficiently and effectively.

We've asked people in rural areas and suburban communities to do with less. We've cut their school aid. We've done a whole host of

things. But yet we've seen State government grow to the extent that I think it's almost an embarrassment to the public, and to all of us in Trenton.

Let's be perfectly honest: This is a suburban tax crisis that we're facing. And we need to really address this, primarily, at what we are going to do to reduce the property taxes in suburban and rural school communities -- schools and communities.

Look, I was very pleased to hear Speaker Roberts and Senate President Codey talk about a 20-percent reduction as the start. I think every property taxpayer in the State of New Jersey deserves a 20-percent reduction. We don't need to have right-handed people, that live on the left side of the street, who bought their house between '78 and '81 be the only people to get a 20-percent reduction. This thing has to be across the board to everyone. We are mercilessly collecting taxes from people in the State of New Jersey, and they just cannot stand it any longer.

And I think also, in conjunction with that, we ought to look-- If, in fact, we are successful in doing the property tax reduction of a minimum of 20 percent, at a minimum, after that, we ought to freeze property taxes so they do not increase for the next three years after that. We need to give people in the State of New Jersey some degree-- I mean, even if we have to do that constitutionally, I don't care. I think that we have to send a message to the State of New Jersey and its residents that we are, in fact, going to be efficient and effective in operating the State, and the constituent municipalities and authorities under our control.

Look, as has been said, I think we're only half-way through this process. I was a little bit disturbed. I know everyone was somewhat relieved last week, of trying to get this thing completed by the 15th. But I

think it's not time yet to pat each other on the back about what we've accomplished. Because, in reality, we haven't accomplished anything yet. These are recommendations that have to be put into meaningful and effective legislation, that can actually show the public that we can function and that we are not a dysfunctional Legislature; and we can function and show people how we can lead and have courage. It's going to take courage to do some of the things that we need to do.

So I hope that we are up to the task. We need to restore faith in government. And it has been shaken because of corruption and because of every other malady that has been beset on government. And we need to correct that, and we need to show people that we can, again, have their faith and confidence that we'll do the right thing.

One thing I caution-- And this Committee, I think, has done a good job in pointing out, in its recommendations, many things that rural and suburban communities can do. But I think whatever we do has to be proportionally done in the urban areas. We cannot just require small, and suburban communities, and rural communities to change their way of life; and we continue to allow the extravagances, and the corruption, and the problems to continue to occur in the urban areas that we have seen. And I don't have to give specifics, because everybody in this room understands exactly what I am saying. We can no longer allow wasteful spending in any aspect of government, be they small communities or large communities.

I have had the privilege of being involved over the last, oh, 13 years I've been in the Legislature -- of looking at regionalization of school districts, trying to revamp the purchasing practice of the State of New Jersey. Look, we have a long way to go. And the people in the State of

New Jersey expect us to produce a product and produce results. And they expect it now.

Hopefully we can get this stuff done. And I look at it in my own mind, really, as this has to be done before the Governor puts forth his budget message in February. We need to have the results of all of our work as a product that is a basis for State government to move forward, come February, when the Governor makes his budget message. I think it has to be incorporated into that. And I just urge that.

The article I read yesterday by Joe Donahue, in the *Trenton Times*, talked about the fact that this year's budget may look a little rosier than in the past. Well, any budget can look better if we just use raising taxes as the means of making it look better. I think we not only have to raise -- look at reducing taxes, but we have to do it quickly, and efficiently, and effectively. We do not need to tax more in the State of New Jersey.

Again, I would like to thank the members for all their hard work. And I am prepared to do whatever we need to do to continue and finish this project.

Thank you very much, Mr. Chairman.

SENATOR SMITH: Thank you, Assemblyman Malone.

Senator Karcher.

SENATOR KARCHER: Thank you.

I just wanted to start by thanking the Co-Chairs for your leadership; my colleagues who served on the Committee, as well. I think we worked very well together, in a bipartisan fashion, and with a great degree of collegiality.

As many of you know, my father spent the last 18 months of his life reading, and researching, and writing about New Jersey's multiple municipal madness. He came up with a book that was pretty long on the history of how we managed to get into this mess, and pretty light on the recommendations at the end. But we did have a, kind of, family running joke about putting together the "New Jersey Municipal Marriage Act."

I look at these recommendations that we've put forth. And these are concepts and recommendations that really could make up the basis for the pre-nups, as we go forward and look at how we can work on consolidation and shared services.

We've heard it again and again here, the courage that this will need, the political will. And I just want to share with my colleagues a story. My father went out on his book tour, and was at a restaurant in Princeton Borough, signing his book. And an individual came up to him and said, "You know, Alan--" And by this time, he was very, very ill. You could tell that he was being ravaged by lung cancer. And he only had a few short months to live after that. But someone came up to him and said, "Alan, it's a good thing you're going to die. It's a good thing you're dying, because there are hundreds of people who want to kill you." (laughter) Because the mayors, the council members, the township attorneys, the engineers--

What he had proposed was really revolutionary in that we need to restructure New Jersey so that we don't have 566 municipalities, 616 school districts. We've determined that might not be the best number. He didn't come up with it. We didn't come up with it. We do have our work cut out for us. I believe that continuing the work in a bipartisan fashion, and with the degree of collegiality that we have exhibited thus far, we will

be able to do something. We do have the political will, as Assemblyman Malone said. The frustration is palpable. People are crying out for help in this property tax crisis. I think this is a good basis to move forward and put some meat on these bones. And we'll be headed in the right direction.

Thank you very much.

SENATOR SMITH: Thank you, Senator Karcher.

Everyone's comments were most appreciated. And, again, let me thank everyone for their hard work.

That being said, we have a lot of hard work ahead of us to get these recommendations over the finish line.

Can I have a motion to release the Government Consolidation and Shared Services report, with the Minority statement attached?

ASSEMBLYMAN GORDON: So moved.

SENATOR SMITH: Moved by Assemblyman Gordon.

A second?

ASSEMBLYMAN MALONE: I'll second it.

SENATOR SMITH: Seconded by Assemblyman Malone.

Can we take a vote on that, please?

MR. McCORD (Joint Committee Aide): Certainly.

Senator Smith.

SENATOR SMITH: Yes.

MR. McCORD: Assemblyman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Yes.

MR. McCORD: Senator Karcher.

SENATOR KARCHER: Yes.

MR. McCORD: Assemblyman Gordon.

ASSEMBLYMAN GORDON: Yes.

MR. McCORD: Senator Kyrillos.

SENATOR KYRILLOS: Yes.

MR. McCORD: Assemblyman Malone.

ASSEMBLYMAN MALONE: Yes, with reservations, as I've stated in my comments.

I want to, again, thank you, Mr. Chairmen, for what you've done.

SENATOR SMITH: Good.

That's a major step forward.

I ask that all the Senators and Assembly people keep their calendars open for December. (laughter) We're going to see a lot more of each other.

Have a great day.

Thank you, all, for participating.

(MEETING CONCLUDED)