

Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON GOVERNMENT CONSOLIDATION AND SHARED SERVICES

Assembly Bill Nos. 51, 52, 53, 54, and 55

"The Committee will hear invited testimony on the Speaker's CORE reform package"

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

DATE: October 11, 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
Marianne L. Ingrao
*Assembly Republican
Committee Aides*

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ASSEMBLYMAN JOHN S. WISNIEWSKI (Co-Chair):

Please take your seats.

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

Chairman Wisniewski and I welcome you to the seventh meeting of the Joint Committee on Government Consolidation and Shared Services. We have a very distinguished list of witnesses today who are going to react and respond to Speaker Joe Roberts' CORE reform package.

By way of background, you may or may not be aware of the fact that the -- one of our charges under the special session legislation is to look in detail at Speaker Roberts' proposals, which have been designed to help us get our arms around the property tax issue and, hopefully, deliver some property tax relief to our citizens.

The Speaker is with us today. And I'd ask that Speaker Roberts come forward to greet us, and tell us a little bit about his package and how we can help him deliver property tax relief.

A S S E M B L Y S P E A K E R J O S E P H J . R O B E R T S J R.:

Chairman Smith, Chairman Wisniewski, good morning to both of you and the members of the Committee. It's great to be with you.

Let me just begin by saying thank you and congratulations for your efforts so far. This process has met and exceeded my expectations, in terms of its thoroughness and the degree to which you and your counterpart Committees have devoted so much time.

It's interesting, as I've traveled around the state and as I've talked with citizens, and even with our colleagues in the Legislature, they've made the point that this hasn't been the most exciting process to watch. And I said, "You know, that's because it's so thorough, because they've

gone through fact finding, because there's been a real appreciation that the members have to learn about all the dimensions of property taxes if they're going to solve it." And when I haven't had the opportunity to be at the meetings, personally, I think I've joined a lot of other New Jerseyans in accessing it when it's been on television, and accessing it on the Internet as well. And it's been very, very instructive. And I think the degree to which you gentlemen, and ladies, and your counterparts have elevated the public debate and really engaged the public and the press in this discussion has been a very, very good thing.

Clearly, the debate has been technical. When you're looking at what other states have done, and engaging in a critique, and trying to take best practices and replicate them here in New Jersey, it's something that takes a lot of time.

And, Chairman, as you've said, we're all trying to get our arms around this problem to make sure that when we solve it, we solve it in a way that is both thorough and lasting.

You know, it's clear that we have an enormous problem in New Jersey with respect to our property taxes -- not just a little bit out of line with neighboring states, but 50 percent higher than the national average. Governor Corzine, some time ago, noted a statistic that I found very sobering. And that is that our \$20 billion property tax bill today, if left unchecked, a decade from now would be \$40 billion. So it's an enormous problem with the potential to become even more enormous and more debilitating.

And it's clear that this has had an impact on every element of our fabric of life in New Jersey, from young couples that can't afford their

first home, to senior citizens and those on a fixed income who are living in such challenged circumstances; together with the business community that has seen the direct and indirect impact on themselves, and on their ability to invest in their businesses and have their businesses thrive.

In early May, we began talking about this CORE package of bills that I'm here to talk about today. And it was designed to focus, as these Joint Committees have, on some of the cost drivers that deal with the -- sort of the multidimensions with respect to property taxes. And I think it was designed, as well, to deal with the fact that one thing we've seen for sure in New Jersey is how much redundancy we have; how much our various levels of government, if you will, are in conflict with each other; and how our laws, in many ways, are counterproductive. Rather than the State be an engine of having municipalities, and school districts, and other government entities look at how they can provide services more efficiently, in many ways, we've been part of the problem, rather than part of the solution.

This CORE package of bills, C-O-R-E -- C, standing for "Clearing State hurdles that stand in the way of sharing services," O for "Overriding administrative waste in our schools," R for "Reigning in pension abuse," and E for "Empowering our citizens" -- was really what we attempted to do in May, in terms of focusing on some of the different pieces of this.

And I just would note at the outset that I've been so very pleased with Governor Corzine's leadership, with the leadership of Senate President Codey, that we have been able to really take a real holistic approach to tackling this problem. And I think that as you folks know, I

was a critic early on of the special session for property tax reform. Because I think that there were some who pointed to it as a process whereby the Legislature would come in for a day -- or for three days, or for a week -- and somehow, magically, would be able to tackle the problem; and all would be well, and the property tax problem would be solved.

I think that that was rhetorically appealing, but created a situation that would have lead to nothing worthwhile. But this special session that all of you have invested your time in, I think in many, many ways has made the people of this state proud. When you look at the boldness of the issues that you have confronted, when you look at the thoroughness of what you've tackled, when you look at the willingness of yourselves and the other Committees to confront the third rails that we haven't talked about enough in New Jersey, I think this is precisely what Governor Corzine envisioned. And I know it's what we envision in the Assembly and the Senate, as well.

Let me just take a minute or two and talk about the bills with a little bit of detail. The first is A-51, which is the Uniform Shared Services and Consolidation Act. As I began looking into this issue, I found that there were, by last count from OLS, 337 separate laws that told municipalities, counties, and school districts what they could or could not do in terms of consolidating or regionalizing and sharing services. And this attempt to rein this in is not the first.

In the '50s, we had the Consolidated Municipal Services Act; in the '70s, the Interlocal Services Act; in the '80s, the Municipal Consolidation Act; and in the '90s, I actually worked on it a fair amount with Senator Lance -- on Ready and REAP, designed to create incentives

and to streamline the process. And these were all very well-intentioned, and I think they had some incremental progress, but they really didn't begin to tackle the problem in a way that it really needed.

In many ways, this consolidation act was so confusing that the only time municipalities merged in the last 30 years the Legislature had to develop a separate statute to deal with it, because the laws that were on the books simply couldn't do the trick. So it was clear to me that we needed a single uniform law, sensitive to local conditions, that really allowed common sense to trump anything else and to allow local officials to simply do what they thought was in the best interest of their communities; recognizing that there needs to be standards of transparency in everything that we do.

This would give the local finance board unprecedented flexibility to evaluate potential mergers and consolidations on the part of municipalities. And it would also deal with one of the major impediments that's been uncovered and brought to my attention in my discussion with the League of Municipalities, with the Conference of Mayors, with some of the groups that you've met with. And that is the degree to which Civil Service is an impediment as communities want to look at consolidating services across municipal lines.

Civil Service which, when it was designed, was designed to protect worker rights, is really something that, in many ways, has been an impediment to local officials simply moving forward in a way that makes sense, and is something that they want to confront. Imagine the chilling impact it has, if five communities were to look at consolidating their police departments, for example, to realize that one community was governed by

Civil Service, and the new police structure would have to have all five communities governed by the rules of Civil Service. That's a nonstarter for many municipalities. And while we have to be careful not to deprive anyone of their rights, we have to be careful to look at these situations on a case-by-case basis. And that's what this law is designed to do.

A-52, which is -- which deals with fire district elections and budgets-- And let me just say, at the outset, one thing I should have mentioned earlier. I could go around the table in this room and compliment each and every one of you for what you have done on these issues.

Assemblyman Kyrillos provided -- Senator Kyrillos, rather -- I'm an old-timer (laughter) -- advanced one of the boldest and most thought-provoking ideas so far.

Senator Karcher, who probably has the best pedigree of anybody when it comes to municipal consolidation and shared services-- And I have probably personally sold a hundred copies of her dad's book, because it is filled with such wisdom and common sense on this issue.

Assemblyman Gordon, who has a professional -- penetrated a lot of these issues, and has professional experiences to share with this Committee about what works, and what doesn't work, and how to get the job done.

Assemblyman Malone, who I've consulted with, particularly on the issue of school consolidation, and who I've bounced ideas around -- I guess, Joe, for a couple of years now, at least -- as we've tried to tackle some of these issues; not only has he worked on a couple of the committees that

the Legislature has had on these issues, but as an educator himself, he knows what works and what doesn't work.

Chairman Wisniewski, I think particularly your work on transportation let's you realize some of the efficiencies that you have from municipality to county, and across municipal lines, and how incredibly inefficient it is for a road crew to be paving a road and stop at some arbitrary line, and on, and on, and on.

And, Chairman Smith, I've said to you privately -- but I will say publicly -- that some of the ideas that I've advanced are the product of you and I working on this for probably the last six or eight years. And I think it's a great credit to you that some of these concepts are now in the forefront. And I think, if anything, the timing is right. And when I look at all the people who have the capacity to come together and get this done, I'm extremely encouraged.

Back to the bills, if I could. The fire district legislation-- As you know, we have 186 fire districts in 79 municipalities. And it's clear that our fire district elections are working, because in this year's fire district elections we had turnout that was 1.88 percent, which I think is something that we can all be very, very proud of. (laughter) Obviously, I'm being a little bit sarcastic. What that means is that 98 out of every 100 registered voters said, "Thanks, but no thanks. If the election is on a Saturday in February, it's not something I can participate in." And I think, as we look across the board, the fragmentation of our electoral calendar is something that has really resulted in participation, in some very, very important elections, that has been anemic in New Jersey.

So the legislation that I have would move the commissioner elections to November. They would remain as nonpartisan elections. This is a concept that is used in the majority of other states, where they have both partisan and nonpartisan elections on the same ballot, with a segregated ballot that simply has a black line that separates one class of elections from the other. It's very easy to do. And we would elect the commissioners, but not approve the budget. Because if you think about it, approval of the budget directly is the exception, rather than the rule. And those that say that we're depriving the voters of their right to approve the budget need to acknowledge the reality. An election where 2 percent of the voters show up is not an election at all, because there isn't participation to give it legitimacy.

Senator Codey has advanced an idea, as well, which would make fire district budgets subject to the cap. And I think that's a very good thing, as well. I think that we should do that.

Also in Assembly Bill 52, there is a requirement that the Department of Community Affairs have enhanced oversight authority with respect to fire district budgets. As you know, now what occurs is the DCA has the same -- has sort of perfunctory review over the fire district budget to make sure that the numbers add up. What I propose is that the Division of Fire Safety and other entities at DCA have the ability to review the budget in greater detail. You've got professionals at the Division of Fire Safety -- and if we need to supplement them we can -- who can assist in evaluating the components of the budget so that whether or not the requirement for equipment, in terms of the number of vehicles that are being purchased, or

things of that sort, make sense. We need a system of checks and balances there. And I think it's long overdue.

Assembly Bill 53 deals with school board elections in a similar manner. New Jersey is in the minority of states that do not conduct school board elections in November. Most states do. And they use the same separated ballot so that partisan and nonpartisan elections are separated.

This past year, we hit a high watermark for the last 10 years in New Jersey, where our voter participation in the school board elections was 15.7 percent. In most years, it's been much less than that. And, again, it's an election generally held in April, and it's one where, for a variety of reasons, the voters are just not participating.

I think that one of the points that I would make is that an election, in order for it to be legitimate, has to have participation, as I said. It also has to have consequences. And we all know what happens in the school board election when the voters vote down the budget. It's then a hot potato that is thrown to the local governing body, who has to confront a budget. They're very, very able, well-intentioned local officials, but they're not education experts. They don't necessarily know where the cuts should be made. And, frankly, in many ways, they're not enthused about being engaged in the process, because they know that the next step is the Department of Education, that has the ability to countermand the tough decisions that they made.

So what I'm proposing in Assembly Bill 53 is that we elect the school board members in November, in a real election, where people actually show up and vote; and that the budget, if it is within the cap, is not -- does not -- is not subject to voter approval.

I would note that, of the 50 states, 40 states do not require voter approval of the budget. So New Jersey is in the minority there. And you might think that this approval process is something that we should cling to, because it makes the process operate better and results in more efficient government. Just to the contrary. Of the 10 states out of the 40 that have direct approval of the budget, seven of them are the states that have the highest per-capita administrative spending. So it's clear that it's not yielding anything valuable -- of value. It's a process where we elect both members of the board of education and approve the budget in an election that isn't meaningful because of the time of year that it's held.

And I would note that this is a bill that has been embraced and really advanced very aggressively by Senator Turner. And I believe that a companion bill with some changes has already advanced through the Senate Committee. And I want to compliment Senator Turner for her work in that area.

Just two final bills. A-54, which is designed to deal with the county school superintendents-- I sense that my view, historically, has been not unlike the one that you have had, with respect to the county school superintendents. As a county freeholder, and as somebody who has been in the Legislature for a while, I've seen them relegated to largely administrative responsibility. I hate to describe anyone's duties as simply being a paper-pusher, but they really have had duties that have resulted in them being sort of (indiscernible) agent at the county level. And they haven't had a portfolio of responsibility that has been commensurate with a commitment to really get anything done.

And I think we have to do one of two things with the county superintendents. We either have to blow them up and acknowledge that it's a position that has no value and completely has to be abandoned, or -- and I think this is clearly the way to go -- we need to give these individuals a portfolio of responsibilities that really gives them something to do, recognizing that there are many services that can be provided at the county level that will allow education to be provided in a much more cost-effective way.

And I begin from this model, which is that-- And I know Chairman Smith has spent a lot of time on this topic, as well, because I followed what you and the Committee have done publicly. And I'm aware of, obviously, discussions we've had, as well.

I think that there's a connection, and it's almost a sacred connection, that starts with the principal of a school and goes then to the teacher -- the classroom teacher -- then to the student, and then to the parent. And that is something that we need to safeguard and take very, very seriously. Because every parent in New Jersey needs to be reassured, on a constant basis, that if their child is ever having a problem in the school that he or she attends, they can go into the school and they can make it right. That's something that's essential to parents, and it's something that we have to safeguard. So from the student and the parent at the entry level, if you will, to the principal at the very top of the chain -- with respect to the neighborhood school -- we have to safeguard that.

But I don't think that the average parent who, frankly, is a taxpayer, as well, is unwilling to look at reforms that go above the level of the neighborhood school. And I think there are a whole host of things,

from cooperative purchasing -- that I know Assemblyman Malone has focused on over the years -- to a coordinated transportation system, to a county school calendar that achieves lots of efficiencies, to a whole host of other services that can be provided at the county level -- they may include certain personnel functions, they may include buildings and operations, they may include a lot of things that are now being done in a very redundant and inefficient way at the local level -- they can be done at the county level.

So I would invest in the county superintendent -- this executive county superintendent -- these new responsibilities, and would also provide that this person be given a short-term contract, that this person be treated almost at the cabinet level rank by the Governor. I've discussed this in detail with Governor Corzine. He's supportive of this approach and prepared to play a role. Because it may be a challenge for us to find over 600 individual, excellent local superintendents. And many of them are excellent; I certainly don't mean to diminish the work that they're doing or their talents. But we clearly can find 21 world-class superintendents. And I think that's something that we have to be committed to doing.

But, again, I would have these individuals on a short-term contract. I would require that at the end of their service as county superintendents there is no revolving door so that they go back to a sweeter job in the confines of the county that they're supervising. I would give them the responsibility to immediately eliminate the nonoperating school districts. And then, within three years, to place on the ballot a referendum to consolidate all the K-6 and K-8 districts into K-12 districts, recognizing that I believe we would need voter approval to do that. I believe that's the

way to go. But this county superintendent is best positioned on the ground, in the county, to identify the best partners and to begin to build a case on why this is, in fact, the way to go.

This superintendent, as well, would have approval with respect to local school board budgets, particularly with respect to administrative spending, particularly with respect to regionalization and shared services initiatives across county lines, and would have the ability to approve the employment and compensation of local education officials, as well: superintendents, assistant superintendents, and school business administrators.

The final bill, Assembly Bill 55, deals with transparency with respect to the budgeting process. And I think this is something that is essential, and needs to be a vital component of what we achieve as we begin to get our hands around all the elements with respect to property taxes.

This would provide, if you will, truth in budgeting with respect to municipal and school budgets, so that the budgets would be in plain English language, on a Web site, and made available in printed form -- for anyone who doesn't have computer access, or simply wants to get the document and pour over it -- in a way that is much more straightforward and simplified; as opposed to the budget, with which we are all familiar, that's printed in the paper on a fairly regular basis.

It would require, as well, that the governmental entity would have to indicate all the shared services arrangements that it has with neighboring municipalities and school districts. It would be a requirement that the terms of compensation of -- with respect to education --

superintendents, assistant superintendents, and business administrators be fully disclosed.

I know you'll be hearing from the SCI later this morning. And part of what we've tried to achieve with this legislation is to be mindful of the work that they did, which is to say that the public has a right to know every single, solitary penny that's being paid in compensation. If an arrangement is made in public, if someone is hired in public and their salary is disclosed in public, and then there's a private, behind-closed-doors meeting where the deal is made sweeter and they're given a whole host of fringe benefits that never see the public light of day, there is something wrong with that. This needs to be disclosed, and it needs to be disclosed in detail. And that's what would be provided here.

And I would note that I support an idea that Senator Codey has advanced which -- again, with respect to truth in budgeting -- would provide some comparative information from year to year, so that you'd be able to see not just the static picture of what the budget is, but the percentage and the dollar amounts of increase perhaps over the last number of years. I think that's a very good thing, and it's something that we should do.

Just a couple of comments, if I could, to conclude. I certainly look forward to taking your suggestions. And I just want to note one point. It's been very, very tantalizing, but so far I've been able to be a little disciplined and not have a lot to say about the processes of the various Committees -- so far. And I think that's been the approach that the Senate President has taken, as well. Because I know it's my view -- and I suspect it

is his, as well -- that we want to allow you to go forward in a way that is regulated by your best judgement and not weighted on particular ideas.

Because when I look at the body of work that's being produced by these Committees, it's astounding. And I think it has the potential to really dramatically change the landscape here in New Jersey. So I resisted doing that so far, and I'm pretty much going to continue to do that. Because I think we need to allow the Committees to work for the balance of the time frame, up until November 15, and then see where we are.

Let me just, again, conclude by saying that if you look at some of the experience that we've seen around us in the state and in the nation, New Jersey clearly has the capacity to change its system of local government, school districts, and fire districts. Pennsylvania, which created a school regionalization system 50 years ago, has shown that it can be done. New York City, which united with Brooklyn and other boroughs into a single government more than a century ago, showed that it can be done. Even national governments have shown that we can consolidate, merge, and share. In the past 30 years, Hong Kong became part of the People's Republic of China; East Berlin and West Berlin became a single city; and the Panama Canal Zone has been returned to the country of Panama.

If these actions can take place, why can't Princeton Borough combine with Princeton Township? (laughter) Why can't a school district like Stockton's, with 60 or so students, combine with a larger district? Why can't towns with more than a single fire district create one single fire district? While other parts of the world have found ways to consolidate, governmentally and geographically, New Jersey remains virtually incapable

of accomplishing these most rudimentary of mergers or cooperative agreements among its municipalities or school districts.

The CORE bills that we outlined, and the work of this Committee and the others, I think, have the potential to remove some of the roadblocks to achieving these efficiencies. These, I believe, will allow New Jersey to fully explore and realize the real potential for change for the better.

And, again, I just want to conclude as I began, by congratulating and thanking the members of this Committee. When we began this process, we said we weren't going to take the Summer off. And, obviously, I had a little bit to do with the Summer lasting a little bit -- or the budget process lasting a little bit too long. But I think once we got involved with this process, there was a recognition -- starting in August and working all the way through November. If the average citizen looks at the meeting schedule for these Committees, day, after day, after day, they're going to be very impressed. And I think they're going to be very, very proud of each and every one of you.

Chairman, thank you very much. It's great to be with you today.

SENATOR SMITH: Mr. Speaker, we appreciate your hard work on this topic. And the finish line is not that far away; and then even more work begins, as you know. But we do appreciate all your contributions toward--

SPEAKER ROBERTS: Thank you.

SENATOR SMITH: --getting our arms around the property tax problem.

Are there any questions from members? Chairman?

Yes, sir. Assemblyman.

ASSEMBLYMAN GORDON: Thank you, Mr. Chairman.

Mr. Speaker, you were involved in the Ready and REAP programs. And there have been other programs developed in the past to try to create incentives to promote consolidation and shared services. And you've admitted that there have not been many success stories.

Do you think it might be time to add the stick to the carrot? I mean, do you think that there -- the time has come, through changes in State aid or other mechanisms, to provide more compelling reasons for jurisdictions to come together?

SPEAKER ROBERTS: Assemblyman, I think we have to do a number of things. The first is that we have to remove the roadblocks. We have to create a more welcoming infrastructure, if you will.

And when a local official looks at over 300 separate laws and says, "You know, New Jersey has spent a lot of time telling me what I cannot do as a municipal official, not giving me the freedom to advance what I know and what the neighboring community knows is in our best interest" -- so I think we need to tackle that, first.

And then we need to have incentives that are real. I wasn't at your last meeting, but I know Assemblyman Malone spoke about the other -- one of the other bills in this package that would take a small pot of State money and make that available, based on performance measures; and articulated a few points, which I share, which is that that is not enough. I think it's \$34 million. And I was simply trying to suggest that that's sort of moving us in the direction that I think we need to go.

I guess it's--

Assemblyman Gordon, this is a bit about achieving balance. If something is the right thing to do, local officials, local school districts shouldn't have to be rewarded for doing it. They will realize that it's the right thing to do. Common sense will prevail, because the communities will know that the savings are there. So I think the incentives have a role to smooth out some of the rough edges. Because if you're consolidating departments among the lines in several municipalities, there's going to be some upfront costs because of the need to have early retirement packages for folks that have their lives disrupted and things of that sort. So I think that's where we use incentives.

I think, though, that you're right -- that we need to really begin to -- as we go forward -- to have-- I'm not sure I would characterize it as the stick, but to say that if municipal governments, if school districts are going to continue to operate in a way that is out of step with what their neighbors are doing, and is inefficient, there's going to be a price to be paid. And that's going to be access to certain categories of State aid. Because while I think we need to preserve local prerogatives, we can't subsidize poor judgement if it's exercised at the local level.

And I would note that most of the judgement at the local level is first rate and, in some cases, superior to the judgement that we exercise in Trenton. But I think State aid needs to be used in a way that is both the carrot and the stick, to use your terms.

ASSEMBLYMAN GORDON: Thank you.

SENATOR SMITH: Assemblyman Malone.

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

Mr. Speaker, as you've mentioned, I do agree with many of the concepts that you're trying to put forward. I think that we not only have to look at some of the smaller communities though-- I think what's happened now is, as I talk to people in some of the smaller communities that I represent, they think we're focusing only on them, and that they, in fact, are the main problem; when, in fact, we all know that some of the larger towns dwarf any kind of savings that we could get by some of the smaller towns. So I don't want people to think, and I don't think you want people to think, that it's only about small towns.

SPEAKER ROBERTS: That's right.

ASSEMBLYMAN MALONE: Okay.

The concern I have is -- and following up on Assemblyman Gordon's issue. People can find ways -- and I agree with your efforts to streamline consolidation efforts and be able to do that. But if people had the intestinal fortitude and the political courage to move forward, they could move forward now. And my concern is that -- we may even make it easier, but unless we actually have people that have courage, I'm just hoping that this isn't all for naught. And I hope that people take advantage of the opportunity, if we make it easier, and that they just don't say, "Well, we'll look at it again." I mean, we've got to stop looking at it, and we have to start -- in some cases, I think -- forcing.

I think your superintendent issue -- about having a strong superintendent countywide -- is an excellent idea. I think some of the other issues are excellent ideas. But I think we have to put some teeth into them,

not just leave it up to the whim of people just to say we're going to do it when -- in the--

I had two street fairs this weekend, one in Bordentown and one in Howell. And the massive number of questions I had about property taxes and property tax relief was incredible. I've never had so many. And I think we all have gotten that kind of reaction.

In looking at the package that you've put together here, today-- If everything was passed as you presented, do you estimate some amount of tax savings to the residents of the state? Do you have any kind of estimate as to what this might generate, as far as tax savings?

SPEAKER ROBERTS: Assemblyman, I want to get to that in just one second. In fact, I'll answer that first, and then I want to make a couple of comments about your -- the more general themes you talked about.

I've resisted the urge to try and quantify it, and I'll tell you why. I think we need to look at the totality of what we do through this Joint Committee process. It's been interesting. There have been people who have said, "Well, you know, I saw -- I was watching one of the Joint Committees the other day. And someone came in and said, 'If you do X, Y, and Z, you're only going to save \$200 million.'" And when you look at a \$20 billion property tax problem, that doesn't seem substantial.

I think the solution to this very intricate puzzle is going to be fitting the pieces together and having an economic solution that-- Each piece itself will not be -- will not save too terribly much. But I think the totality of it will. If you get voters more engaged in the decisions relative to

the board of education, relative to the fire district, I think that voter participation has the potential to yield very, very significant benefits.

I appreciate your comments about the county superintendent legislation, because I think that has the potential to be the most significant, as you streamline a lot of what's being done now very inefficiently at the local level and move that to the county level.

Assemblyman, I do want to make one point. I think that you're right that local officials need courage to move into uncharted territory with respect to consolidating or sharing services with their neighbors. And you're familiar with the dynamics in the average community, just as I am. A mayor who proposes that his town or her town and the town next door is going to consolidate their police department-- We all know the chain of events that occur after that, and how interesting those local meetings can be. (laughter)

ASSEMBLYMAN MALONE: Oh, I've been-- I was involved in regionalizing a sewer system that ended up in a recall election that ruined the lives of a number of people; and regionalizing a school district and recreation. So I have personally been involved in that.

But, Joe, in the long run, it has proven to be the right decision.

SPEAKER ROBERTS: No question.

ASSEMBLYMAN MALONE: And if we don't make right decisions now, the impacts of the property taxes that we're experiencing across the State of New Jersey are absolutely driving people away from here. And we, in this House, and people in every municipal complex in the state, better come to grips with the fact that we cannot afford the same form of government that we've had in the past. It just is impossible.

SPEAKER ROBERTS: There's no question but that there is an enormous amount at stake here. And I think you and your colleagues recognize it, certainly as do I.

And this would be the point I wanted to make. You have that environment, that apprehension about change at the local level. And I think we have to do everything we can to make this doable for the mayor and doable for the school board, rather than have them jump through 25 hoops that create an environment where they say, "You know, this is tough under any set of circumstances. And the State has made it even tougher with Civil Service regulations and redundant statutes." So we need to streamline that.

And as I was saying to Assemblyman Gordon's question, the role for incentives is for a local official -- a local mayor in this case -- to be able to say, as he stares down a room full of folks at the local council meeting, "You elected me, and I need you to trust me. This is the right thing, and it's going to yield great long-term benefits to our community. And the State is actually giving me some incentives to help deal with some of the short-term obstacles, as well."

So I think that's the role of incentives. And that, I think, supplements the courage and the good judgement that our local officials will demonstrate.

Thank you very much. And thanks for your help on this.

ASSEMBLYMAN MALONE: Thank you.

SENATOR SMITH: Any other questions?

Senator Kyrillos.

SENATOR KYRILLOS: Just, Mr. Chairman, a quick comment, and welcome to the Speaker.

SPEAKER ROBERTS: Thank you, Senator.

SENATOR KYRILLOS: The Speaker and I have known each other a long time.

You've put a big spotlight on this CORE issue facing the people of New Jersey. Now we've got to follow up. And I want to just piggyback on Assemblyman Malone's comments and your reaction to his comments, Mr. Speaker.

I know you know this, but I feel compelled to publicly state it -- that the obvious -- that there's tremendous expectation out there that we follow up with concrete action, and that we conclude this education process. And I believe it's a healthy process for us, but also for the people out there to hear -- for the purposes of this Committee -- our ideas about realignment and consolidation; and to advocate, and educate, and prepare them for what I think -- and I believe you think -- ought to be done. But then we need to quickly engage this Legislature and move forward.

So I appreciate your comments with respect to my legislation. And I hope that we have something like it, or a derivative close to it, also mirroring a lot of the ideas that you've brought forth here, today. But December, January, February, I believe, will have to be very productive times for this State House.

Thank you for your leadership.

SPEAKER ROBERTS: Senator, thank you very much.

SENATOR SMITH: Thank you, Senator.

Thank you, Speaker, for coming in today.

SPEAKER ROBERTS: Thank you very much, Chairman. I appreciate it.

Thanks so much, everybody.

SENATOR SMITH: Our next witness will be Director Alan Rockoff and Deputy Director Charlotte Gaal, State Commission of Investigation; and Katherine Flicker. She is Commissioner on the SCI.

Katherine, if you'd come up.

Welcome.

KATHY FLICKER: Good morning.

My name is Kathy Flicker. I am a Commissioner with the State Commission of Investigation. And I am joined this morning by Executive Director Alan Rockoff, the State Commission of Investigation; and Deputy Director Charlotte Gaal, of the State Commission of Investigation, who played key roles in the Commission's recent investigation that examined questionable and hidden compensation for public school administrators.

I would like to make some brief remarks to the Committee; and then either I, the Executive Director, or Deputy Director will be happy to answer any of the Committee's questions.

The State Commission of Investigation has long been active in proving abuses related to the public employee compensation and benefit system. In the 1990s, we looked at waste and mismanagement in local government. And in 1998, we mounted a comprehensive inquiry into pension and benefit practices in municipalities, independent authorities, and county and community colleges. Most recently, the Commission revisited this arena to examine the costs of administrative compensation in

local school districts, prompted in part by citizen complaints about the lack of public disclosure about the process.

In the course of this inquiry, I think it's important to note, we studied contracts and employee arrangements involving 334 separate administrative personnel in more than 70 urban and suburban school districts of various sizes throughout New Jersey. It bears noting, while this represents but a portion of all school systems in the state, we took great pains to ensure that our inquiry balanced geographical and socioeconomic balance and perspective in the context of our findings.

What we found was that the current system permits a sky's-the-limit contest that allows our administrators to privately negotiate employment contracts laden with significant elements of compensation that extend far beyond the publicly disclosed base salaries. This exorbitance comes at the expense of all of our taxpayers, who are often in the dark about how much it really costs to employ their public school administrators. There is little, if any, State oversight of the process or any requirements for providing itemized accounting to show the annual cost of benefits given in the form of bonuses, stipends, vacation pay, and other such perks and other allowances.

As you know, the SCI's mission is not just to identify problems, but to recommend solutions. We are very pleased that the Legislature has seized upon several of the recommendations offered by the Commission that would provide greater transparency and oversight in the process of awarding contracts for public school administrators. Several of those proposed reforms have been integrated into Assembly Bill 55.

As recommend by our report, the legislation would require boards of education to submit to the State Commission of Education, in their annual budget document, detailed statements of employment contract terms for school administrators, including the duration of the contracts and all forms of compensation. This would include specific information on any form of in-kind or other remuneration not listed as salary or benefits.

To address the Commission's finding that some administrators enjoyed perks that lasted into retirement, the bill requires districts to provide a detailed statement of any benefits that are to be conferred after the official's separation from the district.

The bill also incorporates the SCI's recommendation that school district business administrators be required to certify that all tax reporting documents are properly filed to include all forms of compensation paid in compliance with Internal Revenue Service and New Jersey Division of Taxation regulations. As suggested by the SCI, regular audits of these measures would be done under this legislation to assure the documentation complies with Federal and State requirements.

In addition, this bill provides for the SCI's concern about the lack of transparency that allows these deals to be struck behind closed doors. Bill A-55 includes a provision for a public notice prior to establishing or modifying the salaries, benefits, or other compensation of employees not covered by a collective bargaining agreement. And I say, parenthetically, the SCI, even with subpoena power, had difficulty getting this type of information from most districts. And even when we accumulated the information, it took our accountants day, if not weeks, to determine what a particular administrator could be making. Obviously, a

member of the public seeking such information would easily be confused or denied the information. So this requirement in the bill is particularly essential.

In closing, I would like to thank the bill's sponsor, Assemblyman Michael Panter, for incorporating the Commission's recommendations into the legislation. As we do with all of our fact-finding work, we approached this inquiry with a dispassionate eye toward identifying and assessing major problems in the entire system. We recognize that the vast majority of school board members in the state constitute a core of dedicated, hard-working individuals. We also recognize that the administrators in their employ have a legitimate right to decent livelihoods for very tough and demanding jobs.

But as we state in the report, none of that should or can diminish the systemic issues that were found in our investigation. Given that State government spends approximately \$7.7 billion annually in taxpayer funds to support education and that local properties account for billions more, it is incumbent that effective mechanisms be in place to ensure expenditures by school districts are reasonable and appropriate, and that taxpaying citizens are adequately and appropriately informed about how their money is spent.

Thank you, all.

SENATOR SMITH: Commissioner, thank you very much for your testimony.

Are there any questions from members of the panel?

Assemblyman Malone.

ASSEMBLYMAN MALONE: Thank you very much for your presentation. And the report was excellent. I mean, I think it really sparked, during the budget process, some real serious consternation and some debate.

The concern I had is the image that's been portrayed by this, when they say administrators-- Your report basically was looking at superintendents and assistant superintendents, is my understanding.

MS. FLICKER: And business administrators, as well.

ASSEMBLYMAN MALONE: Okay. So it looked at the-- It did not look at building principals. Because, for the most part, they're under a standardized contract that is not -- I mean, that is up for public scrutiny. And nobody gets, that I know of, these little side packages, as far as deals that you can't find if you were Sherlock Holmes and had a magnifying glass.

But I think it should be noted that there is a great differential between the business administrator, the superintendent, and building principals and supervisors.

MS. FLICKER: I think that is correct. We did not look at superintendents (*sic*). We were looking at the individuals you outlined: the superintendents, deputy superintendents, and the business administrators.

ASSEMBLYMAN MALONE: Did you look at the issue of nepotism?

MS. FLICKER: Not per se. We came across it, but we weren't looking at that specifically. And we saw the nepotism in lower ranks, if that's what you mean. A superintendent might have someone working within the district, not usually in the higher echelons.

ASSEMBLYMAN MALONE: I think that's an issue -- that maybe something ought to be looked at. And I think what happens is, the boards of education may not be totally aware of who is being hired because of a different name. But I think the issue of nepotism-- You don't get presented or recommended to the board for approval unless it goes through the business administrator or the superintendent. So I think some of the issues of nepotism, I think, should be seriously looked at.

MS. FLICKER: I can tell you, in my previous life as a prosecutor in Mercer County, we did deal with nepotism, especially in one of our larger school districts. And it was rampant. And it usually dealt with aides, teachers' assistants who had different names. We came across several instances where half-a-dozen family members worked in the school system, if not more.

ASSEMBLYMAN MALONE: And do you find that to be troubling?

MS. FLICKER: I did when I was a prosecutor. I have to say it was not the focus of our inquiry at the SCI.

ASSEMBLYMAN MALONE: Should we, as legislators, find it troubling?

MS. FLICKER: I think that on a case-by-case basis, there are some examples where the individuals who were employed were fabulous employees and performed admirably. On other occasions, they weren't. I think nepotism is a problem all over State government, not necessarily just in school boards.

ASSEMBLYMAN MALONE: Thank you very much.

Thank you, Mr. Chairman.

SENATOR SMITH: Assemblyman Gordon.

ASSEMBLYMAN GORDON: Again, thank you very much for your testimony and for your earlier report.

When your report was published, it struck me that what we may be seeing are symptoms of a governance problem, lack of oversight by school boards. And, admittedly, the information is not very transparent.

In the wake of Enron and some of the corporate scandals, we've increased the liabilities of corporate boards. Should there be some kind of increased liability for school boards -- understanding that these are volunteers -- to try to increase the amount of oversight?

MS. FLICKER: I'm not sure what you mean by liability.

ASSEMBLYMAN GORDON: Well, some kind of legal liability if they fail to -- if they approve a particular type of perk or compensation package that's viewed as excessive.

MS. FLICKER: We didn't find venality. More often than not, sadly, we found lack of knowledge. A school board would approve a perk and not be aware of how much that perk would cost the school district in the long run. We had examples where a school board member would approve of something that lasted into retirement -- because it was in someone else's contract, a superintendent would request it, the school board wishing to keep their superintendent would authorize it -- and would have no idea, quite honestly, what that particular perk would end up costing the school system.

For example, we had certain instances where superintendents requested that their family members be put into nursing homes, if need be. And that was granted by a school board. And when we inquired as to

whether there had been some costing -- someone doing a run of how much that would cost the school board if, indeed, it came to pass, the school board member indicated that they did not know what that would cost.

So I don't know if there are legal ramifications that would be necessary, from what we investigated. We thought most of the school board members with whom we dealt were dedicated and trying to do the right thing. What we also found, though, was that the superintendents were playing one district against another district. If they were good superintendents, and many of them were, they were in demand. And the school districts and the school boards were telling us they would do virtually anything to keep their superintendent, otherwise he or she would be stolen away by a neighboring district.

That having been said, some of the perks were not known to anyone else, were not known to the community, and thus the local citizenry had no idea that the salary printed in the paper was only the beginning of the compensation given to the superintendent.

ASSEMBLYMAN GORDON: Thank you.

SENATOR SMITH: Any other questions? (no response)

Thank you very much for coming in today.

MS. FLICKER: Thank you.

SENATOR SMITH: Our next group of witnesses will be a panel. We'll have Mr. Dressel and Mr. Fehrenbach, from the New Jersey State League of Municipalities; and John Donnadio, from the New Jersey Association of Counties.

Greg, come on up.

It's a panel of one.

You know what we'll do, Greg? Maybe we'll put you on hold for a minute and put another panel up, on the theory that the others will show up.

Let me ask Mr. Jim Leonard, New Jersey State Chamber of Commerce; and Chris Emigholz, from New Jersey Business and Industry, to come forward.

Who would like to go first?

CHRISTOPHER EMIGHOLZ: Good morning, Chairman.

Good morning, Committee members.

Thank you, again, for inviting NJBIA to testify before this Committee. On behalf of our almost 24,000 members across the state, we are very supportive of the direction of the Speaker's CORE package, and especially the five bills that we're considering today. But, more so, we strongly support Bills A-51, A-54, and A-55.

First of all, A-51 is a good piece of legislation. There's, right now, a patchwork of bills that govern consolidation and shared services, a lot of incentives here and there, ways to do it here and there, laws that have to be abided by. This patchwork needs to be streamlined, and A-51 does just that.

The only thing that NJBIA would ask is that A-51 cannot stand alone. It needs to be a compliment. It's a very good compliment, but it needs to be that supplemental piece. And you need to have other incentives, and mandates, and compulsory sharing of services going along with it. And you can't leave it as a voluntary thing. Because right now, if A-51 was by itself, it would still be voluntary, and we know the history of voluntary consolidation in this state.

A-54 and A-55 -- the county superintendent bill -- A-54. I actually think about Senator Smith's bill, which we were also very strongly supportive of last week, S-2244. The county superintendent bill does something similar for school districts. It doesn't do it in quite the same way, and maybe we can look at how we can bring the aspects of Senator Smith's bill to the county superintendent, or vice versa.

But the county superintendent, in that office in New Jersey, needs to be strengthened. We need to look at education on a more regional approach across the state, for a cost and a quality issue. Regionalizing education services that are in that bill -- such as transportation, purchasing, payroll, accounting, personnel -- all of those things will save money and save administrative costs, and focus more money on the student. But it's also going to improve quality. We need to think about education in terms of curriculum, in terms of what we're getting out of our students, in terms of the standards that we have and what we expect from all of those students on a more uniform basis. And we need to get more quality services to those students -- to all students.

Certain students in smaller districts might be shortchanged right now, because they're in smaller districts. And they might lack certain services that larger districts might have. Larger districts might not have the same services that a larger district next door to it might have. And having a superintendent that's above all -- that is looking at what's working well, what's not, what are the best practices, what are the efficiencies that are going on in one district as opposed to another; and someone who can push, and spur, and encourage districts to go in the right direction -- is a great move.

And some of the little things about the county superintendent bill are also very effective in that -- taking what's existing with the special services districts, the education services commissions, the jointure commissions; and how we can use them more effectively, and better utilize what's going on.

The one thing in the bill -- I think it's Section 13 of the bill -- doesn't mention vocational schools and technical schools across the state. And that's something else. That's a regional service, educationally, that's being provided very effectively, especially at some of our counties. Some of the best schools in the entire state are our vocational-technical schools. How can we use them more effectively? I think that should be added to the county superintendent bill.

The transparency bill: There's nothing not to like about public disclosure. We need to make more public disclosure of all of what government spends. The public needs to know every single dollar that is coming from their purses, their wallets, and going into government expenditures and appropriations.

I think a good way to think about it -- and we've heard this from the SCI -- is that there is a free-agent mentality going on right now with a lot of superintendent hirings across the state. We need to level that playing field. And making the public more aware of what's going, and making everyone more aware of what's going on, will help level that playing field and reduce that free-agent mentality.

As far as A-52 and A-53, NJBIA supports their direction, but thinks a more comprehensive approach is needed when you're looking at fire budgets and school budgets.

For the fire district bill, we do support a cap on fire districts. But we need-- We think you need to take a more regional approach to fire districts, not just a cap and shifting the elections -- is not all you need. Regionalizing and consolidating their efforts is a way, again, cost and quality can be improved.

With school elections, we think the strongest point of that bill, I think, is the fact that the elections -- if an election does happen on the budget -- is more binding. It has more teeth than it used to. Right now, the current process of elections -- of a school budget being defeated and going to the council officials who don't have a very large experience dealing with school budgets all the time, and they might cut too little, they might cut too much; but whatever they do cut, they can even be overturned by the State Department of Education. That system doesn't have enough teeth. And I think, right now, what this bill would call for -- which is a good step in the direction of controlling costs -- is taking that process -- taking it away from the council officials. If it's defeated, that budget then goes back to what the last year's budget was, plus inflationary costs. And that direction will make the caps that exist right now more meaningful and help districts look at, "Okay. This is our cap, and we have to look at all discretionary costs and how we can better stay within whatever that cap is."

So, thank you very much.

Again, we're very supportive of this CORE package. We're very supportive of the Speaker's efforts. And we thank this Committee for your efforts for many months.

So thank you again for inviting NJBIA.

SENATOR SMITH: Thank you, Chris.

Jim.

J I M L E O N A R D: Thank you, Mr. Chairman.

As was the case last week, the State Chamber also supports the package of bills that's in front of you today.

I appreciate the opportunity to be here.

Let me start with last week. First, there was a request -- through you, Mr. Chairman, by, I believe, Assemblyman Malone -- regarding case studies. We're in the process of pulling some case studies together. But we have found already that, from a -- in the pharmaceutical industry, when consolidations occur, there's generally about a 7 percent savings when it comes to the sales function of two pharmaceutical entities getting together. And from a research and development functionality, there's about a 13 percent savings, again, when two pharmaceutical entities come together. That's the first bit of information that I've been able to find, in reference to the request that was made last week. But we do hope to have additional case studies in the next week or so.

So I wanted to follow up on that.

With regard to the bills in front of you, we support Assembly Bill A-51, which streamlines the procedures used to enter into shared services. You heard the Speaker mention earlier that there are roughly 330 bills -- pieces of legislation -- that deal with the consolidation issue. Streamlining that is going to be very, very important and very beneficial to the municipalities.

The State Chamber also supports the concepts of A-52 and 53, which move the fire district and the board of election -- board of education elections to November. I do want to make sure that you know that the

state Chamber's board of directors is, however, divided on the issue of taking the vote away from the public on budgets that appear under cap. From a personal perspective, I can tell you that even a budget that is under cap does have areas that can be trimmed from time to time.

And while I'm on that subject, as Chris mentioned, when a municipality is faced with reviewing over 250 line items in a school budget in a 30-day period, in order to meet the requirements, that's a daunting challenge. And so I would encourage the Legislature to provide some type of assistance to municipalities who are faced with that situation so that you're not thrown into it cold, not aware of the laws associated with budgets that deal with boards of education and, in fact, have some kind of training so that it is easier to go through the budget process, as required by law.

Assembly Bill 54 -- I've asked our education foundation to look at that. And I hope to have their opinion on that bill in the next week or so.

And, finally, when it comes to Assembly Bill 55, I would encourage you -- and if you're interested, I can provide for you a sample budget from Ewing Township. Ewing Township took, I think, transparency to an extreme when they provided their budget available to their residents online, so that an individual resident could go onto the Web site and could identify specific line items for specific classrooms.

So if, Assemblyman, you are the teacher in a Kindergarten class and you've asked for a \$34 talking microphone to assist your Kindergarteners, the discussion in the citizenry is about that expenditure and not about, "How come I don't know what's in the budget? How come

I'm unfamiliar with all these line items, etc.?" So I'd encourage you to go on to Ewing Township's Board of Education Web site and take a look at their budget. And I can also give you paper copies of the previous budgets, if you're interested.

Again, the State Chamber appreciates all your hard work and would be more than happy to take any questions or any comments.

One thing I did forget to mention: Attached to my testimony-- I made reference to the Branchburg Township consolidation issue for fire districts. Attached to your testimony today you'll find an executive summary of that study that was done by a company -- that was TriData.

SENATOR SMITH: Thank you, Jim.

Chairman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Thank you, Chairman Smith.

Jim, thanks for your testimony today. I appreciate it.

I'm just trying to understand. Your testimony was -- is that the State Chamber's board is not of one mind, at this point in time, about whether or not having a vote on school board budgets is an appropriate thing. Is that correct?

MR. LEONARD: Yes.

When we had the discussion, both on the fire district side and the school board side, they were in favor of moving it to November. They thought that that was a good way to encourage additional participation from the citizenry. But there was a split on that board in terms of whether or not we should move forward and take away the ability to vote on a budget above or below cap.

ASSEMBLYMAN WISNIEWSKI: And I'm not trying to ask you to speak for the board on an area they haven't decided, but I am curious about -- perhaps you may know -- some of the thought process that goes behind that uncertainty. Because the fire districts and the school boards, as the Speaker had pointed out, are the rarity. They're the exception, not the rule. Five hundred sixty-six municipal budgets are adopted every year without a referendum on them. The State budget is adopted without a referendum.

I'm just trying to understand, what is the thought process that says these -- of all the budgets in the state, these must be voted on?

MR. LEONARD: I think, again, my board of directors is similar to the makeup of the Legislature. Several interested parties--

ASSEMBLYMAN WISNIEWSKI: Is that good or bad?
(laughter)

MR. LEONARD: I think in both cases it's very good.

I think the two camps came out with what you'd expect to see. You had a group of people who were specifically interested in allowing, and continuing to allow, the voters the right to say "yes" or "no" on a budget, regardless of whether it's above or below cap.

There was another group that said, "If you've got a cap, if the cap is in place and it's a solid cap, let the elected officials" -- in this case, fire commissioners or the members of the board of education -- "That's what they're elected to do. Let them do it, because they generally know better than the public, who might have a knee-jerk reaction to property taxes. And instead of-- And that's their own avenue by which they can take out their frustration."

So those were the two camps that came out. We're going to be addressing it again in the December board meeting. And I'll let you know what comes out.

ASSEMBLYMAN WISNIEWSKI: I'd appreciate that.

One other thought that crossed my mind -- and I think that the testimony that we've heard here over the past several weeks, and the acknowledgement we received from Speaker Roberts, is that the execution of a consolidation or shared service plan, however it's developed -- whether it is using Senator Kyrillos' BRAC model, whether it's a carrot and stick approach, or some hybrid -- is going to require a lot of convincing. The status quo may not work, financially. Clearly, the costs are escalating each year, and we can't just continue to do nothing; but the status quo is comfortable, because it doesn't involve change and it doesn't involve disruption.

How can the State Chamber -- and I'll also throw it to BIA. How does the State Chamber envision its role in working with whatever product this Committee and this Legislature ultimately puts out in going to the municipalities and saying, on a business sense -- on a business model theory -- "If you take these two and consolidate into one, there's real dollars to be saved." And I'd just like to hear your thoughts on that.

MR. LEONARD: I think the role of the business community is integral to this whole debate because, generally speaking, the business community is the largest rate payer -- taxpayer in the community, but without voice. As has been mentioned in the past, the business doesn't vote. Roche Diagnostics, in my community, doesn't go to the polls. They have a lot of employees, some that vote and some that don't, in that

community. But a lot of times their comments to the governing body are taken to heart, because they are the major employer in the community. They are the ones who generally give to community activities when there's a country fair or something like that.

So I would see the Chamber's role as making sure that the business leaders within each entity, each municipality, engage in a conversation about the pros and cons. I have had some conversations with businesses who are concerned about losing their identity.

If your company, for example, has the name of the community as part of it -- the Branchburg Country Diner, for example -- and Branchburg disappears, what would happen to the entity's name, or the value of that entity? So I have had some businesses reach out to us, concerned about the municipal consolidation issue.

But to answer your first question, I think the Chamber's role would be to make sure that the business leaders of each community get involved, and engage in the conversation about shared services, about savings, and how that would impact their bottom line and what they could possibly do with the extra profits.

MR. EMIGHOLZ: I see the business community -- their role -- in sort of two prongs. The first one would be on the local grassroots level. I think there's a lot of great county chambers and local chambers already working with municipalities. And it comes to mind -- the Somerset County Business Partnership and the Hunterdon County Chamber of Commerce. And we heard from Somerset County Business Partnership at your first meeting -- working with local municipalities, seeing what they can do on the local level; trying to persuade them, and talk to them, and tell them that

property taxpayers, taxpayers across the state need this, and what can we do to help it and facilitate it.

So I think you have that local grassroots function, which I think state organizations like, I'm sure, BIA and the Chamber are both trying to help that, facilitate that. But it's often best done at the county and local level.

The other thing that I think BIA would very much like to do is -- how can we support you? And I think there's a lot of great ideas coming from this Committee. And we are trying to tell our members, and we're putting it in publications, and we're telling -- and trying to publicize to the public as much as we can do, and just let our 24,000 members know, "Senator Smith had a good idea. Senator Kyrillos had a good idea. Senator Karcher had a good idea. And Assemblyman Malone had a greater idea. Speaker Roberts had a great idea. What can we do to keep on doing that, so that we know that there's a lot of good things coming from this dialogue?"

And I'm sorry if I left anybody out there. (laughter)

And we want to make sure our members know, and then their employees can know, to help you and to make sure that people know that we are, in businesses, supporting all your efforts. So if we can do any of that, please let us know how we can further that.

MR. LEONARD: And I think, to dovetail on that-- A comment that was made last week, and a comment that was actually made again this morning, I think, by Assemblyman Gordon -- talked about the costs. There is a cost to keeping 566 municipalities, and 600-and-something schools, and 184 fire districts. And if the Legislature does, in

fact, move forward with an idea that the Chamber supports -- and that is both the carrot and the stick approach -- so that, "Here's some additional financial incentives to consolidate or to regionalize. And if you choose not to do that, the financial assistance that comes from the State will not be as great." Making sure that everyone is aware that there are consequences on both sides, I think, is a role that we should play, as well.

ASSEMBLYMAN WISNIEWSKI: Let me just conclude my questions with a suggestion, and then I'll turn it back over to Chairman Smith.

We have an obligation to legislate. But I also think it's fair to say that part of that obligation to legislate is also to educate, because this is uncharted territory in a lot of respects. And we need partners in that education process. Because we can sit here at a Committee meeting and agree with numbers, and we can agree that the proposals will work. But, ultimately, the success or failure of those proposals -- of what comes out of this legislative body -- is going to depend, in a large part, on its acceptance and support by the people who send us here.

You have a great number of people in your employ, collectively, that you can help with that education process. Because it is my view that, as I said earlier, the status quo is comfortable at times. But by saving the money that we can save here, I think we can do a lot of good. It's a question of making sure everybody understands the connection, understands the benefits that come from that. And I would just throw that out to the business community that I think, in fairness -- to speak for the Committee -- that we would expect the business community to be partners in educating the state about the benefits that can come out of this.

MR. LEONARD: We have-- We send out an update every week on, collectively, what the Committees have been doing. And it's been nice to see some feedback and some information that has come in.

The one thing-- You know, you all and your colleagues have done a great job at bringing this issue to the front -- to the forefront. The one thing that you can't legislate, or you can't mandate, or you can't provide is political courage. It is very difficult. And if you take a piece that I sent -- that I attached to my testimony on fire district consolidation -- here I sit with five elected officials, saying, "We've got four fire districts in our community. It makes no sense." But to make that next step, and to cut them -- to ask a volunteer not to go to his or her firehouse anymore, is a very, very difficult thing.

And so hopefully that education process -- by educating the residents of the community, that will provide that political courage so that the elected officials can, in fact, do what I think most of them want to do in the first place.

ASSEMBLYMAN WISNIEWSKI: Thank you, Jim.

I just wanted to-- One thing you said about fire district consolidation is, I don't believe that if you took five fire districts and consolidated into one it should affect the ability of any volunteer who wants to volunteer at a fire company to be able to do that. I don't think that, structurally, the firematic response is going to be different. What it's going to be is an administrative detail that is going to be consolidated. And we save money on the upper end, as opposed to the men and women who go out and put out fires.

MR. LEONARD: And I apologize. That's not what I implied. That's what I implied, but it's not what I meant.

SENATOR SMITH: Thank you, Jim and Chris.

Are there any other questions for Jim and Chris?

Assemblyman Gordon.

ASSEMBLYMAN GORDON: Just an observation, to follow up your comment about trying to get some data on what's been encountered in the private sector in terms of savings from shared services.

In the early '90s, corporate America went through a process of looking for ways to save money through shared services. Many corporations were organized -- as you know -- were organized in many independent units that duplicated back-office operations. And consulting firms were brought in, in those days, to try to reduce those costs. And those firms are still selling shared service consulting projects today. And they do that by presenting data on how much the potential savings are.

So just a note to the staff: I think it might be useful to bring in representatives from some of the larger national firms that can talk about their experience around the country.

SENATOR SMITH: Assemblyman.

ASSEMBLYMAN MALONE: Just a quick comment. I know the Chamber of Commerce and BIA, at times, have to be "politically correct." You can't, sort of, get in people's faces.

What's happening, tax-wise, in the State of New Jersey is impacting on business probably as much as anyone else. And I think maybe if chambers of commerce went to the areas that they represent -- whatever the chamber might be in that particular area, or BIA -- and said to the local

officials, “Look--” and asked them tough questions. “Have you done like corporate America has done? Have you looked at shared services with other municipalities? Have you looked at consolidations? Have you done these things that may save us, as businesses, money and save your taxpayers money?” I think that if we’re all going to get into this thing -- and it is an educational issue -- but I think it’s important that the people who are paying a large part of the taxes, and the associations that represent those individuals, have to come forward and start speaking out. It’s no longer a matter of just sitting back and saying, “What will be, will be.” It’s got to be a proactive approach by all of us.

We’re going to get hammered pretty good, the people on this panel, for coming up with some of these suggestions. But if we have individuals like yourselves, from the business community, going to municipal leaders and saying, “Look, we’ve got XYZ Corporation in your town. The tax burden is killing us. What have you done to help save tax dollars in this community so we can stay here?”--

Thank you very much.

MR. LEONARD: Through you, Mr. Chairman, I think that’s a great suggestion, Assemblyman. And this morning was the latest example of one of the reasons why we need to do this. The Tax Foundation released their state business tax climate index this morning. The good news is, New Jersey has gone up in the ranking -- up as in a better climate. The bad news is, we’re 48th. We were 49th last year. So hopefully, through this type of activity--

ASSEMBLYMAN MALONE: That puts us behind Louisiana. Who are we behind?

MR. LEONARD: Ohio and Rhode Island, as the 10 worst states to do business, from -- again, from the Tax Foundation's perspective. But they use 113 variables and five component indexes to make their determination. One of the main indices, obviously, is the property tax index. So I agree with you wholeheartedly.

SENATOR SMITH: We do appreciate your comments.

Oh, one more question.

Senator Kyrillos.

SENATOR KYRILLOS: I'm sorry, Mr. Chairman.

Just a very quick question. How often does this Tax Foundation, Jim, come out with a ranking? Is it annually? It seems like it's more often.

MR. LEONARD: Yes, there are a lot of rankings that come out. The Tax Foundation comes out annually. And I--

SENATOR KYRILLOS: Where is it based?

MR. LEONARD: Washington, D.C.

SENATOR KYRILLOS: They're the ones that had us 49th last time around?

MR. LEONARD: Yes.

SENATOR KYRILLOS: New York was 50th?

MR. LEONARD: Yes. That's correct.

SENATOR KYRILLOS: Making progress.

SENATOR SMITH: Thank you, Senator.

And thank you, Jim and Chris.

Let me ask our next panel to come forward: Bill Dressel, Greg Fehrenbach, and Jim (*sic*) Donnadio.

W I L L I A M G. D R E S S E L JR.: Mr. Chairman, I have a corrected version of my testimony. While sitting here, I noticed there was a typo which I had corrected at the office.

If I can get the staff to pass out--

SENATOR SMITH: Sure.

And who would like to be the lead-off batter? (no response)

Bill, nobody is saying anything, so I guess it's you.

MR. DRESSEL: Thank you, Mr. Chairman.

Again, it's a pleasure to be before this Committee to present our comments today on the Speaker's package.

At the outset, let me say, in particular, that we do support A-51. We believe that of the package of bills that has been before this Committee -- all the proposals before this Committee -- that A-51 offers the best opportunity for significant property tax savings, since it will empower local governments and the citizens to enact change. This has the potential to be significant, landmark legislation. And we believe that this should be the front and center of your recommendations.

We have been working with the Speaker since February on this, where there has been a give-and-take. And we believe that there are the necessary tools in here, which will give communities significant powers to share services, and also to consolidate if that's what they opt to do.

Mr. Chairman, I'd like to preface my comments -- and basically pick up a little bit of the discussion from the last time -- just very briefly, before I ask Greg Fehrenbach to get into the specifics of the proposal.

But as you know, the League has been a long-time advocate of the citizens convention. And we've been criticized that the constitutional

convention process is a long one, and it would be best for everyone if a solution could be achieved more expeditiously. And while some other proposals, such as the BRAC-type solution could be -- the commission -- delay recommendations for further study and review-- And it will; the very process of it prolongs an expeditious review.

A-51 empowers local officials and -- this is the important part -- our citizens to enact changes right away. We believe these changes can be put into affect the moment the Governor signs this legislation.

Again, to echo a lot of what the Speaker is saying, is that we believe that there are a lot of changes that can take effect now. We think that this provides an outline, a structure, for getting at a lot of the issues.

And, at this time, I would like Greg Fehrenbach to basically go over A-51, A-52, and A-53 for the record. Although our testimony does include A-54 and A-55, we have not articulated a final decision on A-54, and we have not articulated a final position on A-55. So Mr. Fehrenbach's concerns are going to be relative to 51, 52, and 53.

G R E G O R Y F E H R E N B A C H: Mr. Chairman, members of the Committee, thank you very much. Good morning.

I'll try to make this brief, since you gave us a great deal of time last week.

We're speaking about, first, Assembly Bill 51, which has been described several times earlier. Since last February, the League has been working closely with the Assembly Speaker, Assembly Majority staff, and others to craft legislation that would facilitate and encourage shared services and the creation of joint meetings among many governmental units. Assembly Bill 51 also facilitates and expedites municipal consolidations that

can arise from either governing bodies or citizens themselves. And we think that that piece of it, that deals with the ability of citizens -- a representative group of citizens -- to be able to affect a consolidation addresses some of the questions that this Committee has raised in the past couple of weeks. The League is squarely behind the purpose, intent, and direction of the bill. And the Speaker, we believe, should be commended for the initiative that he's taken with the legislation.

There are several aspects of the bill that the League considers to be vital to increasing voluntary cooperation among municipalities. First, under the first section of the bill, municipalities are provided much greater flexibility to design a shared services solution that meets the specific needs of that community, instead of having to fit things into a particular sort of pigeon hole that was previously designed by the legislation.

The bill provides a one-stop shop at which any municipality and any municipal leader can identify what they must do in order to cooperatively -- effectively cooperate with their neighbors and to provide joint services in an appropriate way for the participants in that process. The elimination of a section of the statute that governs the New Jersey Department of Civil Service -- I'm sorry, the New Jersey Department of Personnel, previously known as Civil Service, requires that any service that is the subject of a shared service agreement of any shape -- a consolidation, a shared service, a joint meeting, or anything that you might have -- comes under the jurisdiction of the Department of Personnel, when only one entity may be under a Civil Service jurisdiction at that time. The current, irrevocable position of NJDOP staff is that any joint service of any sort must be under their jurisdiction. There are issues that are involved in that

-- protection issues, employment protection issues -- that can't just be ignored. And this bill addresses those and addresses them effectively.

The bill would continue the provision -- meaning the jurisdiction of NJDOP -- when all of the parties who are participating in the program are under the Department's jurisdiction. It would also continue the effectiveness of that provision when the managing partner is going to -- is under the Department's jurisdiction. However -- and here is the key -- when a non-Civil Service community is going to be managing the service, any transferred employees would still retain tenure rights. They'd still be protected, but all of the other cumbersome issues regarding Civil Service would not visit the non-Civil Service community. And so the program would not be under NJDOP's supervision, but the employees would still have the tenure protections.

While the League would have preferred that the bill did not include terminal leave for police employees displaced by the merger of services and the attendant costs that go along with it, the bill contains limitations that define and control the costs and assists in the potential passage of the legislation. It also provides an opportunity for the use of shared implementation funds -- or will include -- to offset transition costs and support the savings created by the joint venture. These are all positive movements to assist non-Civil Service in Civil Service communities, and also to assist communities who are going to have some potential backlashes to jump those hurdles. The League supports the legislation because it aggressively tears down statutory inhibitions to the voluntary desires of local officials and local citizens to effect efficiencies in their own communities.

At your session last week, we spoke on Assembly Bill 52, and the feelings of the League are similar on Assembly Bill 53. Those positions basically were that it is important that voters participate in the process; that moving an election to the general election time will, as Speaker Roberts said to you earlier, increase that participation level and therefore increase the role that citizens play in the process. The lack of voters in the fire district elections and the lack of voters generally in the school district elections have not proven an effective way in order to control the budget process, and would support that both school boards and boards of fire commissioners come under the same controls as exist for municipalities.

I would make one point regarding Assembly Bill A-55. As Mr. Dressel just indicated to you, it is still under study by committees in the League, and a final position on that will be coming out soon. Transparency is clearly an important issue. There is no way that I can imagine anybody is going to be able to object in any way to the issues of transparency. And the report that you received earlier today, by the SCI, I think highlights the significance of that. I would however point out that contrary to certain comments during this session, you need to also be concerned about issues of transparency when it comes to collective bargaining agreements. The majority of costs that you are concerned with come from the vast majority of expenditures which are personnel related. And while it is important that superintendent, assistant superintendent, business administrator, municipal administrator, municipal managers -- all of them -- have transparency in the benefits that they receive, it is also important that the 40-page, 70-page, 90-page, 115-page contracts that are affecting employees that are under the jurisdiction of collective bargaining agreements have the same transparency.

Thank you very much.

SENATOR SMITH: Thank you, Mr. Fehrenbach.

Mr. Donnadio, from the Association of Counties.

JOHN G. DONNADIO, ESQ.: Thank you, Mr. Chairman and members of the Committee.

John Donnadio, New Jersey Association of Counties. I want to thank you again for allowing us this opportunity to testify. As we testified last week, the Association has long been an advocate for the sharing of services as a way to provide necessary services in a cost-effective manner. And with that in mind, we strongly support Speaker Roberts' CORE reform plan, particularly A-51, which we think will allow local governments to streamline the processes by which they share services in, again, a more effective manner.

I want to comment on something that I heard Assemblyman Malone say before, with regard to the fact that local governments can now share services, and many do in a very effective way. He wanted to, kind of, know what was the incentive with this package of legislation; provide local governments with an additional incentive to share services. And what we found at the Association is that the counties that are most successful at sharing the services are those counties, like Somerset County, that have a coordinating council -- and I know the Committee has heard them testify; Burlington County, which promotes sharing of services through its Bridge Commission; Middlesex County and Cape May County which now have regional coordinators. The point being is, they have an entity or an individual in place that is responsible for developing relationships between

counties, between school districts, between municipalities that I think have been critical to breaking down barriers of distrust and home rule.

And I think that we're particularly encouraged by A-51; that it codifies into law, to a degree, the SHARE program that DCA has been promoting, and the COUNT Program, that is available to counties to go out there and develop these entities and these positions that will help to facilitate the sharing of services. And I think that that's a critical piece with regard to this entire package of legislation -- communication, and learning to work together.

With respect to A-52 and A-53, if I could move on to a couple of those other bills: The only comment that I have on that legislation, particularly A-52 -- and this is something that our county clerks, which as you know are responsible for preparing ballots for the general election, they would like to offer to the Committee -- to prepare a sample ballot which includes whoever is running for office in the general election and include fire commission candidates as well. Because -- not that they have a concern, but something that they have to deal with is the fact that many ballots are prepared using double-spacing, and now they may have to -- because more names will be on the ballot -- single-spacing. So they'll do whatever the Legislature requires them to do. But they at least wanted the Committee to have an example of a sample ballot in mind, that they can share with you and you can take a look at it and take it from there. So if the Committee is willing, they'll be happy to provide that for you -- for a small favor. Just kidding. (laughter)

With respect to Assembly Bill A-53: The only thing that I want to comment on is, we are supportive of the fact that when school districts

prepare their budgets year by year, the cap restriction on a school budget is 2.5 percent or the Consumer Price Index, whichever is greater. The issue that we've been wrestling with for a number of years is that the restriction on caps for local governments, counties, and municipalities -- is that it's 2.5 percent or the Consumer Price Index, whichever is less. So it doesn't give us -- it doesn't give local government -- and I'll speak on behalf of the counties -- the flexibility to deal with the rate of inflation that may be greater than 2.5 percent, which in 2006 I believe the Consumer Price Index was 4.5 percent. So one thing we'd like the Committee to consider is perhaps making the cap rates consistent across the board. It's just something that we want to throw out there.

SENATOR SMITH: Remember, the charge of this Committee is property tax stabilization and reduction, not acceleration or increase.

MR. DONNADIO: I was a little worried about throwing that out there, but I figured it was-- (laughter)

Well, here's one other thing that, too-- And again, it's not that we necessarily have a position on this. And this goes to the A-54 and just the concept of the county superintendent of schools, and that one of the issues that our board of directors wrestles with on a regular basis is the fact that-- We are very proud of the services counties provide on a regular basis, whether it's transportation services for the elderly, whether it's delivering our health and human services programs; whatever it may be. We have virtually no control over the county superintendents of schools, the county prosecutor's offices, yet we have to pay, in the essence of the county superintendents, for their offices and for their administrative staff. And there's no revenues generated from those offices, so it comes directly out of

the county purpose tax. So I guess what we wanted to put out there again is for the Committee to consider maybe the State assuming, in some capacity, some of these costs with respect to the superintendent of schools, with respect to the county prosecutor and the court facilities, and let the counties provide the services that they're good at -- at providing public health, animal control, and we talked about the other day. So it's just something that we wanted to put out there as food for thought.

So I thank you for your time and consideration. And I'll be quiet now and be happy to answer any questions if I can.

SENATOR SMITH: Well, remember, last week we asked that you look at some of the examples where counties had assumed some of the services that we described -- the tax assessment, tax collection, animal control, and health -- and I thought you said last week that you had some outstanding examples. And the specific question to you was, when you looked at the before and after situation, what kind of savings were achieved? Have you had a chance to do that study?

MR. DONNADIO: Yes, sir.

We have -- well, we're halfway done. We have something from Cape May County, who did a feasibility study on having its municipalities use its animal shelter; and they currently, in Cape May County, now provide animal shelter for all of its 16, I think, municipalities. It did not assume animal control, but they did a feasibility study to determine how much it would cost. We're in the process of gathering information from Sussex County, which recently opted out of the State Health Benefits Program, and is in the process of negotiating a takeover of the Sparta Township Health Department. And they also did a feasibility study and a

cost-benefit analysis, which they're putting together for us. Once I get that information--

SENATOR SMITH: Just for the one municipality, or for the entire county?

MR. DONNADIO: Well, I think Sparta Township actually provides health services for four municipalities. So they'll be assuming the five actual municipalities up in Sparta Township. And I think once they assume these services they will provide health services for all of the -- most of the municipalities in Sussex County.

SENATOR SMITH: All right. Does the Association of Counties, at this point, have a position on the concept that we've discussed at prior meetings where, hopefully, at some November General Election the voters would have the opportunity to push the button and decide that animal control, health services, tax assessment, tax collection, all became county functions? Have you guys had a chance to think about that and respond to it?

MR. DONNADIO: Well, I will tell you this. Our Association supports that. Now we have to bring that to our Board of Directors and they have to decide whether or not they're going to move in that direction. But I think we have the President this year, Doug Cabana, from Morris County, who is on the same page that the Association is and has been strongly advocating for the sharing of services. So I can tell you that our Association supports that, and we need to bring it to our Board of Directors. But I am very optimistic that we will be strongly behind that, because we think it's the type of service -- animal control, public health -- that should be done on a regional basis and is done effectively at county

government. So you have our Association support, we just need to lobby our Board of Directors for their support, as well. So that's as honest an answer that I can give you now.

SENATOR SMITH: Right. When you go back to your Board to get that direction, and hopefully a position in writing -- that you'll send to us?

MR. DONNADIO: Absolutely.

SENATOR SMITH: And hopefully, in the near future, because November 15 is coming.

MR. DONNADIO: Yes, sir.

SENATOR SMITH: I think it would be fair to say that if this Committee decided to go forward with that, one of the considerations would be, is that we understand that there-- For example, the case of tax collection, tax assessment, there would obviously be a need to change the IT, the information technology of the county government. And hopefully that would be something that we could recommend to the State government -- to assist the counties, so you wouldn't be picking up the costs of that. We understand that there is some--

MR. DONNADIO: Sure.

SENATOR SMITH: --additional cost associated with that. And when we look at what we did in July on the dedication of the half cent for property tax relief, this would be a way where taxpayers could receive some ongoing savings from consolidation. And we probably should be helpful and try and see that happens, *if* we go forward with that. But we really would like your recommendation.

And, Bill, if I might, I thought you were going to -- I thought you mentioned before the hearing that you wanted to respond to that idea of transferring those four functions to the county. I don't remember hearing it, so I want to make sure you have an opportunity to say something if you'd like to.

MR. DRESSEL: At this point, Mr. Chairman?

SENATOR SMITH: Yes.

MR. DRESSEL: Okay. All right.

I have presented a letter, basically, that was in response to the question that you and Chairman Wisniewski raised to me at the last meeting. And basically, we commend you for advancing this proposal that allows the people of New Jersey to vote. And we've never opposed the consolidation of services, so long as several highly-valued, generally accepted principles are fully respected. And we got into the -- only the affected may choose; accurate and trustworthy information; objective analysis. And we basically go at the purpose, if the purpose is to conduct a study with integrity and objectivity, we raised the question, why does the bill seem to come to the foregone conclusion that consolidation of these activities is right and proper? The bill seems to ignore any other possible outcome of the study, and moves directly to placing the question on the ballot of every county. That's a major issue that we have.

And basically, the practical issues with the proposal -- DCA's Division of Local Government Services has direct responsibility and knowledge of tax collection activities; the Division of Taxation, our experts on tax assessment; the Department of Health and Senior Services oversees public health agencies and animal control. Placing this responsibility with

DCA limits the involvement of these agencies whose activities are affected by the sweeping and bold proposal. Further, DCA's limited expertise and limited personnel would make completing this study in the mandated 90 days impossible.

There are some issues that I rose -- that I wanted to present to you, Mr. Chairman. It is a draft proposal. It's something that I thought that you should have our thinking on. We have not taken a final decision on it, but I wanted you to be aware of the thinking, the tentative review that I have from some elected officials. But the overall purpose of what you're trying to achieve, we're not objectionable to it, we're just raising some issues and concerns that you ought to be aware of.

SENATOR SMITH: Okay. Just as a quick response, any legislators on the road all the time -- the meeting with mayors and whatever -- so we've been-- I, personally, have been floating this idea with an awful lot of the mayors that I run into, and they generally seem very supportive of the idea. They see it as a way to streamline their local government functions, and they also are kind of saying maybe the county can best handle these functions, as opposed to us.

That being said, the model bill that was on the table, 2244, that doesn't necessarily mean that's the final bill. Okay? You had to start the discussion someplace. In that bill, we were talking about a study. And I think one of the things that you're hearing from Senator Kyrillos, Assemblyman Malone, and every member of this Committee is we've formed enough committees, we've had enough studies. We are asking for testimony, however, from some efficiency experts at some of our future meetings on whether they believe that that consolidation would have

savings for the taxpayers. So there may not be a one-year study or a study by DCA. We may look at some of this earlier testimony and decide that the trigger should be pulled now. Our taxpayers are crying for relief, and this looks like low-hanging fruit. This looks like something that can be achieved fairly quickly with some decent savings. So don't plan on a study. And you want to get your licks in now, before November 15, on an issue. So I'd try to get your board together to get some opinions, and not rely on a study by DCA; that may not happen.

MR. DRESSEL: If I may, Mr. Chairman?

SENATOR SMITH: Sure.

MR. DRESSEL: I think I have given you some of our concerns. And with your permission, I would like the opportunity to work with your staff and work with some of my technical people --

SENATOR SMITH: Sure.

MR. DRESSEL: --my affiliate groups, to get together and work with you on this. Conceptionally, I think that it has a lot of merit. There are some-- And I have, too, heard from some elected officials who have had some positive concerns, but there are some issues there I think that have got to be further developed. And I would like the opportunity to--

SENATOR SMITH: Absolutely.

MR. DRESSEL: --work with you on it.

SENATOR SMITH: Don't wait for the Committee meeting.

MR. DRESSEL: I'm trying to be as--

SENATOR SMITH: Right.

MR. DRESSEL: --helpful as I possibly can, and been pushing the button, quite frankly, to get you immediate responses. Because I sensed

the immediacy of this. And I will do, to the best of my ability, to try to be responsive to your issues.

SENATOR SMITH: Okay. And you should not hesitate to call either Mr. Gillespie or Ms. Shostack to work with our staff on the issues that are of concern to your organization. But I would not wait, okay?

The questions for any of the panel members?

Assemblyman Gordon.

ASSEMBLYMAN GORDON: I'll defer to the Chairman. No, go ahead.

SENATOR SMITH: Oh, I'm sorry. Chairman, I didn't know you were--

ASSEMBLYMAN WISNIEWSKI: That's okay.

Go ahead, Bob.

ASSEMBLYMAN GORDON: Thank you.

A question I'll pose to any member of the panel. Some cynical members of the press and others who have been listening to us talk about moving services to -- from the local government to the county government have suggested that what we need to be concerned about is creating patronage opportunities at the county level. There's apparently some belief that the county political organizations have some control over hiring at the county level. What can we do legislatively to prevent the creation of just a bloated bureaucracy at the county level if we, in fact, move functions up a level in government? Any thoughts? Detailed job descriptions, requirements, anything?

MR. FEHRENBACH: I would just make this comment: That, as was indicated by Ms. Flicker earlier, there are problems of nepotism at all

levels of government in this state and other states. It becomes a problem of both public trust and the trust in individuals. I'm not sure that you're going to be able to create legislation that is going to be able to completely solve that problem. It's probably worth the investigation. I'm not aware of it. I guess I would make this comment: That the communities that I have worked in that have not had ethics codes and boards of ethics have been among the most ethical of the communities that I've worked in. And the ones that have had stringent ethics codes and stringent ethics standards seemed to have been reactionary because of conditions that existed before.

It seems to me there's an issue of the political culture in this state that needs to be turned around. And I don't know if one or more pieces of legislation are going to be able to effect that.

SENATOR SMITH: By the way, I have to interrupt. Does that mean that we should abolish ethics code for a more ethical government? (laughter)

MR. FEHRENBACH: Clearly not, but I'm just-- It's just an observation.

SENATOR SMITH: I couldn't help it.

Assemblyman.

MR. DONNADIO: Assemblyman, I guess conceptually what I can add -- that if you have an example where you have a county that provides public health services -- and I believe Middlesex County provides public health services for each of its municipalities -- if you have 20 public health officers in 20 municipalities, and then you consolidate that at the county level and you have two or three public health officers, I think you, just by the nature of the consolidation, avoid that bureaucracy and the rest

of the nonsense that we speak about that goes on. So I think just by the nature of the consolidation we make steps in the right direction.

MR. DRESSEL: Mr. Chairman?

SENATOR SMITH: I think--

Okay, in answering that question, go ahead.

MR. DRESSEL: I'd like to also respond, through you, to Assemblyman Gordon -- is that whether or not we have 566 municipalities, we have 320 municipalities, we have 21 units of government that provide quality of life services, I get back to the point I made to Assemblyman Malone at the last hearing: is that we've got to also deal with the cost drivers. I mean, we're still going to have skyrocketing property taxes if the Legislature does not own up to its responsibility to deal with binding arbitration, medical costs, health-care costs, onerous regulations that we have to deal with to the Department of Environmental Protection, which costs-- The business community behind me, curiously they didn't say this -- but I would encourage them to also take a look at that as part of their agenda -- is that we're still confronted with onerous DEP regulations and regulations that's not only costing the towns money; but the developers and the people who really want to turn this state around economically, they're moving out because of a lot of onerous regulations. It's just not the property taxes, it's those things, too.

So I would also encourage you to deal with these issues as part of a comprehensive solution to the overall problems. It's not just one little fix. I think Speaker Roberts said that there's a combination of things that can be done to deal with this onerous property tax problem and the concerns that our citizens have -- legitimate concerns.

SENATOR SMITH: Yes. I don't think we're talking about little fixes.

Chairman.

ASSEMBLYMAN WISNIEWSKI: Chairman, thank you.

Mr. Dressel, thank you for your letter responding to 2244. I'm trying to get a handle on where the League stands on the issue of consolidation, because my own consideration of your response to this letter and what you've said before is: you're for it, unless you're against it. (laughter) In your letter, on Page 2, you say -- you call into question that the benefits of consolidation seem to be a foregone conclusion. But at the beginning of the letter you say the League has never opposed consolidation. I'm trying to reconcile the position. I think for the Committee's purposes it's important for us to understand: are you with us, are you not?

MR. DRESSEL: I guess it all hinges on a basic principle of democracy and representative form of government in engaging the people in that process. The point was made at the last meeting that -- I think Senator Smith made -- was that, "Geez, you know, you're going to put the elected officials out of a job -- that the selfish elected officials are going to resist consolidation." And this is a parochial point of view that the League has taken, and we're not saying that. We're saying the Consolidation Act, the one we already now have, provides for petition process for the people to get involved. The Assembly 51 that the Speaker presented to you today provides even a more expedited process to allow the people to get involved. So I think that's unfair criticism. And it's not--

ASSEMBLYMAN WISNIEWSKI: Let me just address that one second, Bill. There is a process right now--

MR. DRESSEL: Yes.

ASSEMBLYMAN WISNIEWSKI: --for consolidating municipalities. And it's apparently wildly successful (laughter) with all the municipal consolidations we've had. But there's a problem with the process. It's not for a lack of legislative enactment, it's not for the lack of a lot of good intentions. There has to be, at some level -- everybody has to be involved in this, pulling in the same direction. I think -- at least I'm willing to accept the notion -- that if you achieve economies of scale you're going to save money. We can quibble about the dollar amount. It could be dollar one, or it could be \$1,000, or it could be a million dollars; but you're going to save money. But I'll put two -- both you and Mr. Donnadio from the Counties: The business community said that they're willing to help this Committee and this Legislature undertake the education process that's necessary. Will you do the same thing?

MR. DRESSEL: Mr. Chairman, we have been doing that. Mr. Fehrenbach heads up our interlocal services management service that we have. We just formed an educational foundation. We've had more sessions, more involvement in what the Department of Community Affairs, what Tom Sharpe, who was sitting behind me from the Somerset Business Partnership -- we have been working with them, with the business community; with other folks not only in the business community, but in other parts of the community; and trying -- educational establishment as well -- and trying to work on consolidation and trying to work on shared services. What you have to understand -- and again I get rather passionate about this, because I've been with the League for 32 years; and I've also worked in Fairfax County, Virginia, for a while, where bigger is not

necessarily better. I mean, we're not banging out widgets here. We're dealing with quality of life services. And my comments on this legislation that is before you in Senate 2244 -- and has been consistent in the press, and any time I have the opportunity to say it -- is that we have to engage the people in this process as well. We have to give them the facts. We have to be factually correct in what we're saying, as far as not only the savings are concerned. Yes, you can get a better price at Cosco's or a K-Mart, but is it going to provide the longevity of service to the people? Is it going to provide the same level of service? Is it going to deal with the people on the low end of the economic social ladder that can't fend for themselves? The rich are going to take care of themselves. What about the people at the low end of the economic ladder?

ASSEMBLYMAN WISNIEWSKI: But let me just--

Let me just say this. No one's talking about doing away with the person who delivers the health department services or provides the marriage license, but we have a lot of high-end administration. We have -- with all due respect -- we have 566 mayors or chief executives of communities. I'm not sure that that's the best way to deliver those services. I'm not sure that it's the best way, to have 566 business administrators. At some level, the repetition of government services consumes the very resources that could be used. If we just wanted to leave everything exactly the way it is with cost, if we did away with the redundant bureaucracy, we could deliver better services, not do away with services.

MR. DRESSEL: How many municipalities should there be?

ASSEMBLYMAN WISNIEWSKI: I asked you that question last week.

MR. DRESSEL: All right, but I'm asking you. If you're asking me, you must have some idea.

ASSEMBLYMAN WISNIEWSKI: I think 566 is more than we need.

MR. DRESSEL: What number do you -- what do you think is sufficient?

ASSEMBLYMAN WISNIEWSKI: We need fewer.

MR. DRESSEL: How many is that? Twenty-one?

ASSEMBLYMAN WISNIEWSKI: One. Yes, one municipality for the entire state. No.

SENATOR SMITH: I think we're going to dub this the Christopher Columbus question. We've already had that. Or George Washington crossing the Delaware. (laughter)

MR. DRESSEL: Always George Washington, George Washington, again. I set the record straight.

SENATOR SMITH: I do feel the need, however, to correct the record, Mr. Dressel. And that is, I never used the word *selfish* municipal officials. And the good news about these hearings, they're all stenographically recorded. You find that comment and you will -- first of all, I'll be surprised, because I never said it. I've always taken the position--

MR. DRESSEL: I'm sorry, Mr. Chairman. Did I say that?

SENATOR SMITH: Yes, you did.

MR. DRESSEL: I apologize for that.

SENATOR SMITH: That's okay. Because our municipal officials are terrific people. I've come from a council background, a mayor's background, and I know how hard they work. But I still repeat the one

comment, which is there is an inherent conflict of interest for mayors and councils to look to merge municipal governments because they, in effect, put themselves out of a job. And it's not that it's a job where there's some huge income. It's actually, as you and I both know, it's all the time you can put in, and it's never enough time, and you're probably working at three cents an hour, if there even is a municipal salary.

With that being said, people always take the position that they're better off having this particular boutique or separate identity, and they don't look at the bigger picture. And I think that's the reason why we haven't had any -- very few municipal consolidations that I know of. In fact, if anybody can do more than one hand of municipal consolidations in the last 30 or 40 years, that would be a lot. If anything, it's going in the reverse direction. So respectfully, the word *selfish* should be out of any comments. The municipal officials, I believe, work very, very hard, but that doesn't mean we shouldn't be looking at ways to save the taxpayers money.

And I think Assemblyman Wisniewski is right. It would be very helpful if the organization would be working more toward helping us find ways to make that happen, as opposed to suggesting that only voluntary works. Give us some specific mechanisms that will help us get to the finish line.

MR. DRESSEL: I think we are, Mr. Chairman, but--

SENATOR SMITH: Okay.

Are there any other questions from panel members for this panel?

Yes.

SENATOR KYRILLOS: Mr. Chairman, I know we have a couple of other people to hear from--

SENATOR SMITH: Actually this is it. Oh, I'm sorry. We have one more panel -- public policy. That's correct.

SENATOR KYRILLOS: I was out of the room for Bill Dressel's testimony, but I've read the statement. I note, Bill, you say that, "Some proposals like the BRAC-type Commission delay recommendations for further study and review. A-51 empowers local officials to make changes right away." Do you think they'll make them right away? Right away?

MR. DRESSEL: Oh, I believe that Assembly -- the Speaker's bill, Assembly-- I'm sorry. A-51 will, in fact, provide, in comparison with the BRAC approach -- absolutely. I think it will.

SENATOR KYRILLOS: You don't think they'll-- Do you think study and review is appropriate?

MR. DRESSEL: Of the individual consequences to the community, yes. I--

SENATOR KYRILLOS: Do you think that the towns that avail themselves to the changes in A51 will study and review? Do you think they'll study and review? I think they will, too. Maybe we should have both, and that's what we're working toward.

All right. Thank you.

SENATOR SMITH: Let me thank all members of the panel for your help today.

And let me ask our last panel to come forward: Jon Shure, from New Jersey Policy Perspective; and Gregg Edwards, from the Center for Policy Research. And you guys will have to flip a coin.

G R E G G M. E D W A R D S: Jon may go first, deliver (indiscernible), Mr. Chairman.

SENATOR SMITH: All right.

Jon.

J O N S H U R E: Thank you.

Thank you very much for asking me to come and share some thoughts with you. New Jersey Policy Perspective has done a lot of work over the years on how we can reduce the burden of local property taxes, and this package of legislation certainly should be a part of that. The whole package moved New Jersey in the direction that it very much needs to go. It recognizes that we should and we can do better.

I'm going to focus most of my remarks on A-51; but let me just add that I think moving elections to November would be a very good idea, without voting on the budget. I think doing more at the county level, especially with regard to schools, would be a very good idea as well.

Halfway in the first decade of a new century, New Jersey seems finally to be asking the question of what it wants to be when it grows up. Does it want to continue to have its political and economic landscape dominated by the decision to divide itself into the tiniest possible pieces for providing local government services and educating children, or does it want to recognize, as Alan Karcher wrote in *Multiple Municipal Madness*, that we live today under boundary lines drawn by people no longer alive for reasons that no longer make sense?

A-51 gives us a chance at the latter idea. It sets up reasonable, plausible mechanisms for New Jersey to at least have a conversation about reorganizing itself for the 21st century and beyond, and hopefully to do

much more than just talk about it. This is progress. It's incremental, it's long overdue, it may be slower than we might like, but progress nonetheless. A-51 streamlines the laws affecting municipal shared services and consolidation; and it makes State government more than the casual observer of the process, adding money for studies and, to a degree, basing State aid on operating efficiently. This is entirely appropriate. It offers approaches for dealing with personnel issues that are sure to arise. And in that regard, I think it's important to point out that the high cost of home rule is not because people are paid too much, it's because there are too many jurisdictions hiring and paying people.

Our State's overreliance on local property taxes is a pressing issue. It's good that the Legislature is dealing with this in special session. And we've done a lot of work that makes the case that we need to be relying more on broad-based State taxes and less on local property taxes. But as out of whack as New Jersey's tax system is, it's also a symptom of a larger problem: the fragmentation of jurisdictions and services. Big changes in the tax structure are needed to make it fairer and more productive and more based on ability to pay. But changing the tax structure alone would not get the job done if 10 years from now the map of New Jersey still looks the way it looks today.

Those of us who have lived outside New Jersey at times have seen that regional planning, thinking, and governance can be very effective and cost less. Yet New Jersey has for so long refused to confront the reality that its addiction to this thing called *home rule* is an expensive habit. I think wherever we can save \$200 million we should, even if it doesn't sound like a lot of money to everybody. But the impact of this system goes beyond

money. It plays to attitudes and beliefs that hold us back and keep us apart. The people of this state, I believe, are ready for an honest debate about this fundamental issue. They can handle the truth and they can make decisions based on broad understanding of alternatives rather than slogans or accusations.

It's time for us to think about New Jersey as a state, as a community, not 566 separate, distinct places, as though the fate of one is not tied to the fate of its neighbors. It's time to realize that what we have here when it comes to taxes and providing the best, most cost-effective services is not 566 little problems, but one big problem -- a state problem that requires a state solution.

New Jersey took some impressive steps in the second half of the 20th Century, starting with the 1947 Constitution, continuing with the sales tax in the '60s, and the income tax in the '70s. We transformed the State's economy into a high-tech machine when the manufacturing jobs left. But now there's another threshold that New Jersey has to cross, and that's essential for it to be a fully 21st century state. The fragmented way that we provide for local government services and raise the money that we need is more than a quaint anachronism today. It saps New Jersey's energy, it narrows our horizons, and it pits towns against each other in a cut-throat rateables chase where they wind up cutting their own throat.

A-51 and the other pieces of this package remove major barriers. They set the stage for reform and they offer a way out that I think we would be wise to take. Let me just say, in conclusion, that I think two things would happen if we followed the course of where this legislation

could take us. Number one, New Jersey would be a better place to live; and number two, very few people would miss what they gave up.

Thank you.

SENATOR SMITH: Thank you.

Gregg.

MR. EDWARDS: Thank you, Mr. Chairman.

For the purposes of the Committee, let me say that the Center for Policy Research is an independent, not-for-profit that examines the public policy issues that face New Jersey, and comments on them and makes recommendations. You may be somewhat surprised to hear that my testimony today will not be so much different than John's, in terms of its general support of the package of bills that's before the Committee today. Maybe that's a sign that the policy wonks think they're winning the war and we're here to take over.

I also echo the opening remarks of Speaker Roberts with respect to this whole process. As many of you know, I've spent most of my professional career advising legislators as they are engaged in the policy-making process. I now am not directly involved, but I watch it as intently as possible, and I've found these hearings of all four Committees to be informative, instructive. As the Speaker said, a little dry sometimes, but that's just the business that we're in.

My focus is going to be a little bit different than John's, who looked at consolidation and shared services. My interest in today is to speak more specifically about the three bills, two of which deal with the question of moving election dates, and the other on budget transparency.

I have provided the Committee with written testimony, so I'm just going to provide highlights of that. Let me say, however, that the analysis that I bring to this table is not merely theoretical, but also informed by practical experience. I served for four years at a local board of education in a large K-to-12 district, so I think I have some understanding of the challenges that face school board members on a regular basis; and why I think changing the election date to November would be good for them, although I suspect a lot would not agree with that point of view.

I think it's fair to say that when people think about changing the election-- By the way, most of my comments relate to the school board elections, mostly because that's the real driver in the local property tax debate and so I think that deserves the most attention. But I think almost everything I say applies equally to the fire districts.

I think most people would look at the change in the election date and say that it's -- you really need to do it for two prime reasons: One is simply to increase voter turnout. And we know just by moving from April to November you will automatically do that without doing anything else. And the other thing is, it will save costs, because you're consolidating elections. I think that those two reasons alone are good enough for changing the election date law. But I believe that moving to November elections will fundamentally change the way school districts are governed.

Now, I'm going to make some large claims. I won't dwell on any of them that aren't related to the fiscal questions. If you want to look at my testimony before the Senate Education Committee from the Spring, I welcome you to do that. You can see the arguments that I made. That was at the time that Senator Turner had her bill being considered which is very

similar to Speaker Roberts' bill, as he mentioned. And I believe it's a bill that Senator Kyrillos is also a cosponsor of.

The reason why I think that moving to November elections will be such an important change is because it changes the whole dynamic, really, with the way school boards -- their elections are influenced and the way candidate selection happens. April elections, as we all know, were really quite cozy, little private affairs. Not many people vote. I think when I looked -- I lived in a community of over 40,000 voters, and I got elected to my first term with about 1,600. Pretty pathetic. And I knew that that process was really one about reaching out to cliques. And in school board elections, those cliques tend to be PTAs; the unions who work for the school boards; and those organizations, for obvious reasons, who are very interested in seeing current spending protected and have a long list of proposals to increase spending. But when they're the only people you really need to talk to in order to get elected, there is, I think, an inclination on the part of school board members to make promises, to protect spending, to increase spending. And once they get elected to the board, they try to fulfill those promises. And so you have a system that really is geared toward increased spending at all times.

The other point I make is that, because these elections are so narrow and focused, those same organizations invest a lot of time and effort in recruiting candidates to run for those offices. So even before the election takes place, in a sense the cards are stacked, I think, against the general interest of taxpayers, to put it frankly. If you move to November, you basically undo all that. You're going to have a much larger pool of voters, candidates will have to appeal on much broader grounds, and I would argue

that those grounds are going to be more sensitive to the concerns of taxpayers. And that in and of itself, I think, may do more to put a brake on school spending than anything else this Legislature could possibly do. It's a grand claim, but I just believe it's absolutely the case.

Let me move to the other big issue about this proposal, and that has to do with the elimination of the budget vote. Now, the think tank that I run, it's mission in large part is to provide more opportunities for taxpayers to have greater control over spending, from a state perspective and a local perspective. So therefore I would think twice before advocating eliminating a mechanism that gives them some control over that.

But let me say that I think that Speaker Roberts' description of why the budget vote is largely inconsequential -- some would even say farcical -- was dead-on. And I would affiliate myself with all of the observations he made. I'd throw out one other. And that is that you do see a phenomenon in some school districts, especially those that see, constantly, their budgets turned down, where in my opinion they present to the voters budgets that are intentionally inflated. They do that because once the budget is defeated they have a lot more wiggle room in order to absorb the costs that may be demanded upon them by the local governing body which is reviewing the budget. And I understand all the concerns that Jim Leonard brought to you as a local official, that's he experienced. That whole process I think is broken and not really worth repair. And the big reason why I think it's not worth repair is because, again, moving the elections to November will give you a different kind of school board member at the end of the day -- someone who is not beholden to special interests, who are driven primarily by spending questions; but someone who

has been elected for a larger purpose and someone who will have to go back to the voters and stand on those spending questions in ways they, frankly, really don't have to today.

I offer those comments as a way of protection, insulation, if you will. I know this is a difficult question. You heard from Jim Leonard's comments today that the Chamber itself is divided on this issue. But I think if you step back and take a look at it, the proposals to move this election, whether the Senator Turner bill or the Speaker's bill, is an improvement on the status quo, even with the elimination of the budget.

And finally, that gets me to the third bill I want to address -- which will be very briefly -- I think it's A-54 that deals with budget transparency. I think that when you're going to eliminate budget votes, it would be a good idea to try everything you can to make the budget more transparent. And all the suggestions that are provided or all the mandates in the bill are good and ought to be done. I will, however, underscore the comments you heard from the League today. In my opinion, the cost drivers, when it comes to school district budgets in particular, are not the individual contracts of the superintendents and the business administrators, but it's the contracts done under collective bargaining. And frankly, I think the transparency in those instances is not very good. Generally speaking, I believe press accounts of the salary increases awarded are distorted. They only look at the overall increase. They don't look at questions of longevity. And I don't think parents have any idea of how much a local contract dictates the terms under which their children's education is run. And if we don't get that sort of information out, then I think we're doing a disservice.

So I would suggest that maybe that portion of the equation needs to be examined very seriously also. And when I think the public has a better understanding of these large collective bargaining agreements, they might get more engaged in some of these issues and give their elected officials, frankly, a little more backbone to stand up and say, "We're going to try to negotiate a new kind of contract and one that gives management some more prerogatives, and allows for some savings also."

Mr. Chairman, thank you very much for this opportunity.

SENATOR SMITH: Thank you, Mr. Edwards.

Are there questions for Mr. Shure or Mr. Edwards? (no response)

MR. EDWARDS: Thank you.

SENATOR SMITH: Thank you so much for coming in.

And that concludes our hearing.

Everyone, have a wonderful day.

(MEETING CONCLUDED)