

Consolidation, Regionalization, and Shared Services

Streamlining Government Functions

MUNICIPALITIES AND SCHOOL DISTRICTS

- n **Counties – 21**
- n **Municipalities – 566**
- n **School Districts – 616 (23 non-operating)**
- n **Local Authorities – 300**
- n **Fire Districts – 186**
- n **Taxing Districts – 1389 (counties, municipalities, school districts, and fire districts)**

STUDIES ABOUND

- n **F**or decades, studies and reports have concluded that shared services, regionalization, and consolidation are good ideas to reduce local costs funded through the property tax.
- n Many of those studies and reports have recommended that shared services and regionalization be more aggressively promoted.

Three Approaches to Increasing Shared Services, Regionalization, & Consolidation

- n Education and Promotion

- n Incentives (Carrots)

- n Mandates (Sticks)

Challenges Presented by Education and Promotion Approach

- n Difficult to overcome local inertia
- n Requires technical assistance to the municipalities

Challenges Presented by “Carrot” Approach

- n Providing rewards and incentives may be expensive for State
- n Encourages dependency on State aid

Challenges Presented by “Stick” Approach

- n Politically unpopular as an affront to notion of “home rule”
- n May run afoul of constitutional “State mandate, State pay” provision
- n A legislative mandate may not be the best option for every local unit
 - May create need for reasonable “opt-out” provisions

“Consolidation”

Merging of two or more local units
into a single local unit

Example: Pahaquarry and Hardwick

WHY CONSOLIDATE?

- n **Economies of scale and increased efficiencies:** fewer government employees per person to perform services
- n Lower per-unit costs (e.g., decrease in costs to supply services)

Perceived Barriers to Consolidation

- n Sense of Community
- n Notion that "Home Rule" is Being Violated
- n Fear of Loss of Political Power
- n Loss of Municipal Offices and Jobs
- n Difficulty of Consolidation Process
 - Civil Service Issues
- n Potential Cost Increases
 - Fear of Property Tax Increases
 - Increased Public Employee Salary Obligations
- n Adverse Perceptions of the Neighboring Municipality

CONSOLIDATION LAWS

- n "Municipal Consolidation Act"

N.J.S.A. 40:43-66.35 et seq.

- n Sparsely Populated Municipalities Consolidation Act

N.J.S.A. 40:43-66.78 et seq.

- n Regional School District Law

N.J.S.A. 18A:13-1 et seq.

“Municipal Consolidation Act”

- n 1977 law provides procedures to consolidate two or more contiguous municipalities
 - **includes school districts**
- n Cumbersome process due to elected consolidation commissions, multiple studies, and voter referenda

Sparsely Populated Municipalities Consolidation Act

- n 1995 - consolidation of Pahaquarry into Hardwick
- n Limited applicability
 - one municipality has to be “sparsely populated”
 - both municipalities must share the same form of government

Selected Attempts at Consolidation

- n Vineland Borough and Landis Township (1952)
(successful)
- n Princeton Township and Princeton Borough (1950s – 1990s)
- n East Windsor Township and Hightstown Borough (1967)
- n Dover Township and Mine Hill Township (1969)
- n Oldmans Township, Penns Grove Borough, and Upper Penns Neck Township (1969)
- n Manalapan Township and Englishtown Borough (1970)
- n Chester Township and Chester Borough (1970s and 1980s)
- n Hardyston Township and Franklin Borough (1997)

REGIONALIZATION

- n Local units, within a geographic region, joining to create a separate entity to provide a selected service

- n Examples:
 - Regional Health Services
 - Regional Planning Boards
 - Municipal Utilities Authorities
 - Joint Meetings
 - Regional School Districts

Regional Health Commissions

N.J.S.A. 26:3-83 et seq.

- n 1938 law permits two or more municipalities to form a "regional health commission."
- n 7 regional health commissions serve 51 municipalities: Mid-Bergen; NW Bergen; Essex; Hudson; Monmouth; Princeton; Middle-Brook

Princeton Regional Health Commission

- n Established in 1976
- n Serves as Joint Health Department
- n Administered by both the Borough of Princeton and Princeton Township
- n Officials from PRHC estimate \$200,000 in annual savings

Regional Planning Boards

N.J.S.A. 40:55D-77

- n Planning board established and appointed by two or more municipalities
- n 1976 statute also permits:
 - regional board of adjustment
 - joint building official
 - joint zoning officer or other officials responsible for performance of administrative duties in connection with any power exercised pursuant the Municipal Land Use Law

Regional Planning Board of Princeton

- n Only regional planning board in State
- n Covers Princeton Borough and Princeton Township
- n Develops and adopts master plan, reviews land use applications, and recommends revisions to land use ordinances

Municipal Utilities Authorities

N.J.S.A. 40:14B-1 et seq.

- n Provides regional water and sewer services
- n Currently 53
- n e.g., Camden County Municipal Services Authority (CCMUA)

Camden County Municipal Utilities Authority

- n Established in 1972
- n Replaced old and obsolete municipal treatment plants
- n Constructed regional collection system and modern treatment facilities
- n Pollution of local waterways reduced by 95%

Joint Meetings

N.J.S.A. 40:48B-2

n Enacted in 1952 as a part of the “Consolidated Municipal Services Act”

n Any combination of two or more municipalities and counties contracting for joint operation of public services, public improvements, works, facilities, or undertakings for up to 40 yrs.

n Underutilized, but useful because of oversight by all participating entities

- **Only a handful currently operating: e.g., Joint Meeting of Essex & Union Co. (1898); Madison-Chatham Joint Meeting; Wildwoods Code Enforcement; Ridgewood 911; North Hudson Fire and Rescue Agency**

Joint Meetings (cont.)

ELIGIBLE ACTIVITIES

- **General government administration**
- **Health, police and fire protection**
- **Code enforcement**
- **Assessment and collection of taxes**
- **Financial administration**
- **Environmental services**
- **Joint municipal courts**
- **Youth, Senior Citizen, welfare and social service programs**

North Hudson Regional Fire and Rescue Agency

- n Started as Centralized Communications/Dispatch System and Evolved into Centralized Fire and Rescue in 1999
- n Five Towns: North Bergen, Union City, Weehawken, West New York, and Guttenberg
- n Fifth-largest Fire Agency in State; First to Cover Multiple Towns
- n FY 06-07 Regional Efficiency Aid Program award: \$8,807,119 to taxpayers of participating municipalities
- n Initial Problems with rank/civil service grade issues – required extensive negotiations

Regional School Districts

N.J.S.A. 18A:13-1 et seq.

- n Originally enacted in 1931
- n Governed Like Type II School Districts
 - Annual Budget Submitted to Voters
 - Elected Board of Education
- n Currently 70 Regional School Districts

Two Types of Regional School Districts

- n All-Purpose Regional School Districts
 - e.g., Bordentown Regional School District

- n Limited-Purpose Regional School Districts
 - e.g., Freehold Regional High School District

Establishment or Withdrawal Requires

- n Advisability study
- n Report, submitted to and approved by Department of Education
- n Voter approval

De-Regionalization

- n Schools that have **de-regionalized** in the past decade:
 - Lower Camden Regional (2001)
 - Union County Regional District (1996)
- n Ocean County Central Regional School District
 - Seaside Park seeking withdrawal or dissolution

Cost Apportionment Methods

- n Equalized Valuation of the Taxable Property in the District (68)
- n Proportional Number of Pupils Enrolled in the District (1) (Great Meadows Regional - Warren Co.)
- n Combination of these Methods (1) (Somerset Hills Regional – Somerset Co.)

Some Studies Suggest that Regionalization of Schools:

- n May Reduce Costs
- n May Reduce Educational Disparities

Other Studies Suggest that Regionalization:

- n May Not Produce Savings
- n May Compromise Quality of Education
- n Will Result in Loss of Local Control

Disincentives to Regionalization

- n Process expensive, cumbersome
- n May Reduce State Aid under State Educational Funding Structure
- n Little incentive for districts to regionalize with neighbors with differing characteristics
 - e.g., property wealth, demographics

SHARED SERVICES

- n Cooperation between units of government to provide services to reduce costs
 - Efficient use of specialization and expertise
 - Achieve economies of scale
- n One unit may serve as the lead agency
 - other units are clients
- n Units may pool their resources to work jointly or cooperatively

Shared services also known as:

Interlocal Services

Cooperative Purchasing

Shared Administration

- Local officials
- Group Insurance Contracts (N.J.S.A. 40A:10-52)
- Joint Insurance Funds (JIF; N.J.S.A. 40A:10-36)

PRINCIPAL SHARED SERVICES LAWS

- n "Consolidated Municipal Services Act"
- n "Interlocal Services Act"
- n **R**egional **E**fficiency **D**evelopment **I**ncentive (REDI) program - now **S**Haring **A**vailable **R**esources **E**fficiently (SHARE) program
- n Regional Efficiency Aid Program (REAP)
- n Shared School Superintendents and Business Administrators

COMMON SHARED SERVICES

- n **Animal Control**
- n **Code Enforcement & Inspections**
- n **Information Technology**
- n **Library Services**
- n **Municipal Courts**
- n **Personnel and Staff**
- n **Public Health**
- n **Public Safety**
- n **Public Works**
- n **Recreation Services**
- n **Solid Waste Collection**
- n **Tax Assessors**

REDI (SHARE) PROGRAM

- n Recommended by Governor's Property Tax Commission Report of 1998
- n Provides three types of grants:
 - **Implementation Assistance Grants** to help cover start-up, transition, and implementation of new or expanded shared or consolidated services.
 - **Feasibility Study Grants** to fund portion of research, planning, and development costs to assess shared services opportunities.
 - **Regional Coordination Grants** to assist groups of five or more local units to research, develop, and coordinate shared services.

REAP

- n Enacted in 1999; provides incentives to local units of government to enter into regional service agreements
- n Point system used to award aid applied directly as credit to property tax bill
- n Currently only funded to pay hold-harmless aid to 14 municipalities

Shared Administrators

- n Shared School Superintendents and Business Administrators (N.J.S.A. 18A:17-24.1 et seq.)
- n Shared Municipal Assessors (N.J.S.A. 40:48B-14)
 - 290 assessors in 566 municipalities
 - Some part-time assessors serve up to eight municipalities

COOPERATIVE PURCHASING

- n Statutory (N.J.S.A. 40A:11-10;
administered through regulations)
- n Applicable to all local units
- n One local unit acts as the “lead
agency”

COOPERATIVE PURCHASING CURRENT PROGRAMS

- Regional cooperative pricing systems
- Energy aggregation
- Cooperative purchasing of energy
- County cooperative contract purchasing
- State cooperative purchasing program (SCPP)



State of New Jersey

The Department of the Treasury

Division of
Purchase and Property

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Cooperative Purchasing is the program through which the State makes its contracts available to public buying entities. Cooperative Purchasing is a collaborative effort among all of the statewide buying entities to improve efficiency, reduce cost and improve the quality of procurements throughout the State. The Treasury Department seeks to assist, educate and support its associated membership with respect to the correct use of New Jersey State Contracts, resulting in a mutual advantage for all participating members.

Who May Participate In The State Cooperative Purchasing Program:

- Municipalities
- School districts
- Counties
- Authorities
- Utilities
- Quasi-State agencies
- County and State Colleges
- Fire departments
- Volunteer fire departments
- Volunteer first aid and rescue squads
- Independent institutions of higher education

State Cooperative Purchasing Program Benefits

- n **Cost Reductions**
- n **Convenience**
- n **New Technology**
- n **Communication/Outreach**
- n **Dedicated Professional Staff**
- n **Leveraging**
- n **Individual Attention**
- n **Flexibility & Variety**
- n **Qualified Vendors & Proven Products**
- n **Consistency**

Proposed “Uniform Shared Services and Consolidation Act”

n Purpose of A-51 of 2006

- Simplify municipal consolidation and shared services agreements.
- Give residents a direct means to initiate consolidation.
- Unify procedures for shared services and consolidated services agreements.
- Reallocate and update principal laws to be more easily located and understood.

State Assumption of County Functions

- n County court system – 1992, by voter approval of ballot question
- n County welfare equalization program – 1989, by legislation
- n Pending legislation to transfer funding for county prosecutors

Current Legislation Concerning Consolidation, Regionalization and Shared Services

n Local Government - 39

n Schools - 15

SIGNIFICANT GOVERNMENT REPORTS

n New Jersey, Department of Community Affairs, Division of Local Government Services:

- Cooperative Purchasing in New Jersey: Working Together Can Make It Less Expensive, A Directory of Cooperative Purchasing. (1992)
- Interlocal Services: Working Together: County – Municipal Cooperation. (no date)
- Interlocal Services: Working Together, Municipal School Board Cooperation: An Overlooked Opportunity. (1994)
- Interlocal Services: Working Together, A Guide to Joint Service Feasibility Studies and Interlocal Agreements. (1994)

SIGNIFICANT GOVERNMENT REPORTS (Cont.)

- n New Jersey, Assembly Republican Task Force on Sharing County and Municipal Services. Sharing Services: A New Approach to Regionalization. (1990)
- n New Jersey, Governor's Task Force on Local Partnerships. The Challenge of Local Partnerships. (1992)
- n New Jersey, Office of the Governor. Achieving Excellence, A Guide for Local Officials and Taxpayers to Identify Cost Savings and Improve Local Services. (1996)
- n New Jersey, Office of the Treasurer. A Taxpayer's Guide for Identifying Cost Drivers in Municipal and School district Budgets. (no date)
- n New Jersey, Regionalization Advisory Panel. Final Report. (1998)

SIGNIFICANT GOVERNMENT REPORTS (Education)

- n New Jersey, Regionalization Consortium and Commission on Business Efficiency of the Public Schools. Finding Opportunities for Improvement: Ideas on Regionalization and Shared Services. (1995)
- n New Jersey, Regionalization Advisory Panel. Final Report. (1998)

SIGNIFICANT GOVERNMENT REPORTS (Education, Cont.)

- n New Jersey, Assembly Task Force on School District Regionalization. Findings and Recommendations. (1999)
- n New Jersey, Office of Legislative Services. Background Report: Regional School Districts: Apportionment of Costs in the Constituent Municipalities. (2005)
- n New Jersey, State Department of Education. Vital Education Statistics 2004-2005. (2006)