

# **RPC** *Republican Policy Committee*

## *Assembly Republican Task Force on Sharing County and Municipal Services*

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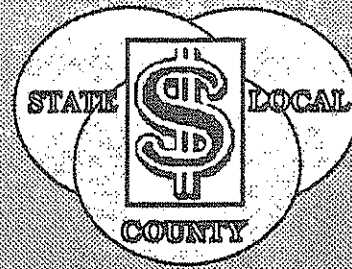
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## **SHARING SERVICES:**

### *A New Approach to Regionalization*

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GENERAL ASSEMBLY OF NEW JERSEY  
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GARABED "CHUCK" HAYTAIAN  
MINORITY LEADER

October 16, 1990

To the Citizens of New Jersey:

*The New Jersey General Assembly Republican Policy Committee Task Force on the Sharing of County and Municipal Services* respectfully submits the following report of its findings and recommendations regarding the feasibility of municipalities and counties sharing certain services.

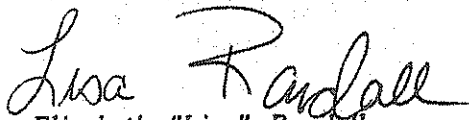
The analysis comes as the result of five months of public hearings throughout the State. It serves as an outline for counties and municipalities which wish to find alternative means for reducing local government costs.

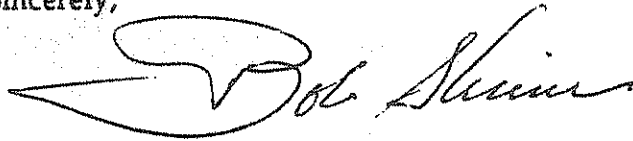
We would like to thank everyone who helped to make the Task Force successful. A special acknowledgement goes to all who took time to testify before the Task Force and also to those who were unable to publicly appear but afforded the members with their thoughts. Without your input we would not have been able to achieve our goal.

Special thanks are extended to Carolyn R. Hague, Mayor of Oradell, the Burlington County Board of Freeholders and Sussex County Community College for donating the use of their facilities. Without their generosity, our meetings could not have been possible.

Further thanks go to Deb Smarth and Beth Schermerhorn of our staff for their efforts in coordination and research. Sue Kozel of the Assembly staff also deserves a special thanks for designing and producing the report.

Sincerely,

  
Elizabeth "Lisa" Randall  
Co-Chairman, Task Force on  
Sharing of County and  
Municipal Services

  
Robert C. Shinn  
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# RPC *Republican Policy Committee*

## *Assembly Republican Task Force on Sharing County and Municipal Services*

### Introduction

#### The Task Force

*A chief concern among New Jersey residents is rising property taxes. A recent survey of county tax boards indicates that this concern is well founded. Property owners statewide will see "an average 11 percent increase in property taxes in 1990 with total collections amounting to about \$9.7 billion, or approximately \$1 billion more than a year ago." (1)*

*In addition, recent events in New Jersey have municipalities scrambling for new sources of revenue and searching for new ways to reduce costs.*

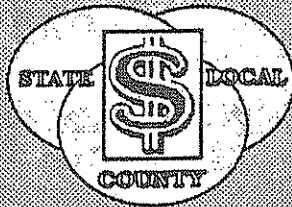
*The Assembly Republican Policy Committee, realizing the urgency of containing increasing property taxes, established the Task Force on Sharing of County and Municipal Services to examine the feasibility of regionalization as a tool in reducing certain local costs.*

*The Task Force held hearings in different regions of the State to receive input and access information from municipal and county officials on the feasibility of "sharing" certain functions that are currently undertaken on an individual community-by-community basis.*

*The Task Force focused on determining the feasibility of a municipality sharing services with another municipality or with a county and a county sharing services across county lines.*

*Faced with growing financial pressures, local governments need solutions that can be initiated easily without the timely delays that are inherent at all levels of government. The Task Force examined regionalization as one tool in overall spending reform, weighing the merits of the proposal with the urgency of the problems faced by the municipalities.*

*This report includes the recommendations of local officials and public policy organizations. The document also expresses the concerns of government leaders as they relate to any implementation of a "regionalization" concept.*



### **SHARING SERVICES:**

**A**

**New**

**Approach**

**to**

**Regionalization**

## Background

### Rising Property Taxes

One of the highest-ranking issues among New Jersey residents, currently, concerns rising property taxes.

New Jersey's extraordinary overreliance on property taxation to finance government is documented in several recent surveys. The studies show that property tax collections represented 42.1% of all taxes collected by New Jersey governments (State, municipal, school district and special district) in fiscal year 1988." (2)

Only four states relied on property taxes to a greater extent than New Jersey: New Hampshire, Oregon, Wyoming, and Montana. Of these, Oregon and Montana do not impose a sales tax, Wyoming does not have an income tax and New Hampshire imposes neither a sales or income tax.

In June of 1990, Governor Florio and the Democratic-controlled Legislature enacted \$2.8 billion in additional State taxes in the name of property tax relief. (See Figure 1)

The new taxes imposed include a \$1.25 billion increase in the state income tax; a one percent increase in the sales tax; a 7 percent telecommunications tax; a \$100 million increase in the cigarette excise and surtax; and a 2.75 percent gross receipts tax on petroleum products. With these new taxes, the State will assume county and municipal welfare programs, change over to a foundation funding formula for education aid; and implement a property offset program which will provide minimum benefit, if any, for middle

class households. In addition, the package abolished the Homestead Rebate program and the property tax deduction (the Ford Credit) previously allowed when determining the level of state taxes owed.

Despite the promises offered by this Administration in connection with the imposed across-the-board tax hikes and the new education funding formula, many New Jersey municipal leaders and taxpayers fear that the combination of changes and the expedient manner in which they occurred will not help a majority of the State's municipalities but only a few urban areas.

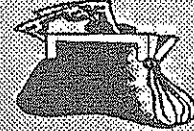
According to a recent Star Ledger/Eagleton Poll,

"seven in ten residents expect their property taxes to go up under the new funding system...."

A majority of all residents, 56 percent, say they disapprove of the new education funding program." (3)

## STAR LEDGER/ EAGLETON POLL

"...Seven in ten residents expect their property taxes to go up under the new funding system!"



### Changing Circumstances

Shrinkage of Federal/State Assistance, Increased Public Demands, and Increased Federal and State Mandates.

New Jersey faces major problems such as a solid waste disposal crisis, an aging infrastructure, increased development and traffic congestion and major environmental challenges. Addressing these

FIGURE 1		Florio Tax Increases 1990	
<b>Tax</b>			
Income Tax	\$1,250	million	
Sales Tax Rate Increase	\$ 550	million	
Petroleum Products Tax	\$ 150	million	
Cigarette Excise Tax	\$ 100	million	
<b>New Sales Tax On:</b>			
• Telephone Calls & Yellow Pages Advertising	\$ 325	million	
• Heavy Trucks	\$ 44	million	
• Soaps & Detergents	\$ 64	million	
• Disposable Paper Products	\$ 30	million	
• Janitorial Services	\$ 33	million	
• Alcoholic Beverages	\$ 182	million	
• Cigarettes	\$ 75	million	
<b>Total Taxes</b>			<b>\$2.8 Billion</b>

concerns requires a significant financial commitment - one that an individual community may not be able to undertake alone.

In addition to growing local demands on government, State and federal mandates on local governments continue to grow. However, the financial commitment has not kept pace.

In no area is this more evident than the environment. "As we move into the next decade, municipal governments will be expected to shoulder the costs of most environmental improvements. The days of federal or state subsidy are over." At the same time many municipalities in the State are already experiencing serious fiscal problems with "some at the limit of their bonding or borrowing capacity." The upgrading of municipal wastewater treatment facilities alone will require \$3.5 billion. It will cost another \$1.5 billion to close old municipal dumps and \$6.25 billion to construct state-of-the-art solid waste disposal facilities.

Stormwater management projects will cost approximately \$5 billion. A fed-

eral Environmental Protection Agency (EPA) study projects that between 16 percent and 24 percent of the nation's municipalities, representing three percent to six percent of the population, may not be able to finance these expected increases in environmental expenditures. (4)

**"CAP" Legislation**

**New Municipal Spending Limit Legislation May Force Local Governments To Find New Alternatives.**

In June of 1990, Governor Florio approved legislation, under the guise of property tax relief, which places an annual limit on the percentage of growth of municipal spending. This "cap" legislation repealed many current exceptions such as insurance payments and pension contributions, and placed them back within the "cap." In developing their next budget many municipal officials may find it hard to balance maintaining their current level of services while absorbing other costs that historically have increased at a rate greater than the new permitted increase in spending.

The legislation could have the effect of forcing local taxpayers' to pay for services or accept a lower level of services. For example, municipalities may require individual households to provide for their own garbage collection instead of providing municipal collection.

**Historical Perspective**

**Statutory Basis For Consolidation & Regionalization**

**New Jersey law currently permits many types of cooperative agreements among municipalities and counties.**

In 1973, the Legislature determined and the Governor concurred that local units of government should be encouraged to enter into contracts with other local units of government for the joint provision of services. Because money spent for the purchase of goods and services represents one of the largest local government expenditures in virtually all municipalities, it was felt that effective cooperative procurement and the economics of volume contracting could reap many benefits.

To assist municipalities, the Legislature adopted the Interlocal Services Act (P.L. 1973, c. 208), which outlines the procedures for permitting political subdivisions to provide services jointly, and the Interlocal Services Aid Act, (P.L. 1973, c. 289) which established a funding mechanism to assist municipalities in consolidating and sharing services.

The Interlocal Services Act provides that any local unit, including a municipality, county, school district or a regional authority or district, may join with any other local unit for joint purchasing and the joint provision of services within their jurisdictions.

Prior to entering a joint relationship, an ordinance must be adopted by each municipality. Successful adoption is followed by the actual implementation of a contract providing the specifics of the joint relationship.

The Interlocal Services Aid Act provided State aid for the joint provision of services by local government units. The intent of the funds appropriated under this act was to provide a revenue source for local governments that wished to consolidate existing service systems to achieve efficiency and economy or provide a service which was not being provided or which fell below an optimum level. The act was initially funded in fiscal year 1975. Appropriations were dedicated to the fund through fiscal

**Environment 1990  
An Agenda for Action**

*"As we move into the next decade, municipal governments will be expected to shoulder the costs of most environmental improvements. The days of federal or state subsidy are over."*



year 1985. Since that time, no additional funding has been provided.

In 1977, the Legislature determined that it was good public policy to encourage contiguous municipalities in consolidation efforts. Such policy, at that time, was viewed as a tool in ensuring rational control of growth and development and potentially more efficient delivery of local services.

The Municipal Consolidation Act (P.L. 1977, c.435), provides the mechanism for the consolidation of municipalities. It establishes a procedure for uniting two municipalities, including participation by the citizens of the towns to be consolidated. Under the act, the State provides both technical and monetary assistance to the towns considering consolidation. The Interlocal Service Aid Act was intended to provide the monetary assistance to undertake consolidation.

It should be noted that the legislation has not produced the desired results. While the mechanism for consolidation exists, few municipalities express any interest in the law.

### **PENNSYLVANIA "REGIONALIZATION" EXPERIENCE**

*This consortium uses a regional approach to solve problems and formulate policies that impact the member communities.*

The Montgomery County, Pennsylvania Consortium of Communities is a voluntary organization, comprised of several local governments in the Delaware Valley.

Participating members pay dues and fees to the consortium, which then undertakes cooperative actions and efforts to resolve specific problems. Under the "Montgomery County

Consortium Service Program," two or more members agree to deliver services jointly.

Only the members entering into an agreement contribute financially since they are the sole participants and beneficiaries of the program.

Some highlighted programs where concerted action by the Montgomery County Consortium of Communities has resulted in success include:

- ☛ The Property and Liability Insurance Programs whereby members of the consortium cooperatively purchase property and liability insurance;
- ☛ The Workers' Compensation Insurance Program and Street Light Maintenance Program;
- ☛ The Recycling Program which the Pennsylvania Department of Environmental Protection considers one of the most progressive and successful programs in Pennsylvania;
- ☛ The Collective Purchasing Program, covering such items as heating oil, gasoline, and street sign materials, has realized considerable savings; and
- ☛ The Vehicle Physical Damage Program which provides cost effective coverage through a self-insurance system.

### **SEATTLE METRO EXPERIENCE**

*This consortium enables local governments to make regional decisions.*

The municipality of Metropolitan Seattle, popularly called "Metro," is a federation of local governments. Re-

gional decisions are made by the local governments themselves and not another layer of government. This structure was created to address problems that could not be addressed on an individual community basis and has allowed for remarkably successful financing mechanisms and financial structures to deal with an array of problems. Its involvement spans such area-wide needs as clean water, regional sewage treatment, efficient mass transportation services, etc.

Metro has the capacity to issue both revenue and general obligation bonds. It has two self-supporting enterprise funds, public transit and water quality, which draw on regional taxes and levied customer charges for support.

During the past decade, the Seattle Metro has constructed \$1.3 billion worth of capital projects and has issued more than \$400 million in long-term debt, providing regional solutions to local problems in the Seattle area. (5)

Metro's "Water Quality Program," approved by the voters in 1958, has reaped major benefits. In addition, in 1972, the voters approved a comprehensive plan for public transit in which Seattle Metro assumed responsibility for regional public transportation services. The program spanned such major projects as replacement of aging bus and trolley fleets, construction of park and ride lots and establishment of other special subscription services.

Key components of Seattle's regional approach to local problems include:

- ☛ Participation by all local governments on the Metro Council;
- ☛ Voter approval of plans and financing mechanisms;
- ☛ Regional taxes that enable short and long-range planning; and

- ☛ Upfront costs for projects so that voters and Metro council members know the cost of the project at the time a plan is approved.

The Seattle "Metro" has a successful track record and it is anticipated it will continue providing public improvements well into the future.

### **NORTHWEST BERGEN COUNTY EXPERIENCE**

*Northwest Bergen County Mayors have long promoted a regional approach to solving problems.*

The Pascack Valley Mayor's Association in north-central Bergen County (Emerson, Hillsdale, Montvale, Old Tappan, Oradell, Park Ridge, Rivervale, Washington Township, West-wood and Woodcliff Lake) has long promoted a regional approach to solving problems. The group helped create the State's first municipal insurance pool and has been involved with cooperative purchasing.

In October, 1989 eleven northwest Bergen County mayors (Midland Park, Mahwah, Allendale, Saddle River, Ho-Ho-Kus, Ramsey, Oakland, Wycoff, Upper Saddle River, Franklin Lakes, Waldwick) began exploring the idea of merging certain services ranging from leaf-composting to engineering and legal work.

The Northwest Bergen County Mayors Association is responsible for publishing a "sharing manual" which provides a description of equipment and services that supervisors of public works departments can use in identifying what items can be shared.

Many Bergen county representatives emphasized that the appropriate starting place for regionalization of services should be equipment. From there, sharing trends can gradually extend to actual delivery of services.

### **OTHER EXAMPLES OF REGIONALIZATION**

*There are diverse regionalization projects underway throughout the State.*

Other regions in New Jersey are exploring regionalization in terms of voluntary cooperative efforts. Sussex County has a joint purchasing program in place and southern Warren County has a joint revaluation program.

The New Jersey County and Municipal Government Study Commission provided the Task Force with testimony citing that about 100 municipalities share health departments in providing health services.

The creation of new governmental entities for regionalization of services has been documented in several areas. Examples of regionalization include:

- ☛ Approximately 270 municipalities are involved with regional schools, mostly high schools;
- ☛ About 120 municipalities in the State belong to regional sewage authorities;
- ☛ About 12 municipalities are part of regional water commissions;
- ☛ Approximately 44 municipalities are involved with regional schools, mostly high schools;
- ☛ About 300 municipalities have contractual agreements with county health departments in connection with health services;
- ☛ About 20 municipalities have county housing authorities;

- ☛ About 300 municipalities participate in a county library system;
- ☛ Ocean County has regionalized its services in connection with the implementation of the State Uniform Construction Code; and
- ☛ Several multi-county soil conservation districts have been established.

The Burlington County area has seen regionalization in solid waste disposal, municipal insurance pooling, fire and police training, curbside collection of recycling, and a unique county-wide transfer of development rights program and bank.

The Mayor of Mount Holly, in testimony before the Task Force, stated that sharing costs in the area of bulk purchasing for oil, gas, trucks and these types of items helps save dollars. The mayor also mentioned that there should be an effort in the area of public safety - - fire, ambulance and rescue squad and services for more cooperative ventures.

### **Defining Regionalization**

During a 1989 conference of the National Civic League, mayors from different parts of the nation stressed that urbanization trends have paved the way for regionalization.

"With the increasingly regional and inter-jurisdictional nature of our urban economies, it has become clear that the impact of narrowly focused public/private investment and urban development initiatives has only benefited those at the economic margins."

# Metropolitan Governance Statement

*"No single municipality, however well governed, will be able to handle such problems as traffic congestion, air pollution, inadequate mass transit, or solid and industrial waste. Nor can society's mounting social dilemma - - homelessness, inadequate housing, ... be effectively addressed on anything less than a comprehensive, region-wide basis."*

The result of uncurbed urbanization "has been the need for a collection of municipalities and counties to confront the shared issues of transportation, medical service delivery, air quality, economic development and growth management, crime and infrastructure development collaboratively." (6)

One of the concluding statements of the National Conference on Government provided insight into the concept of regionalization:

*"No single municipality, however well governed, will be able to handle such mounting problems as traffic congestion, air pollution, inadequate mass transit, or solid and industrial waste. Nor can society's mounting social dilemma - homeless-*

*ness, ... inadequate housing, be effectively addressed on anything less than a comprehensive, region-wide basis."* (7)

In light of cuts in federal and state assistance, municipalities are looking toward consolidation of services to reduce costs for taxpayers. However, potential problems may arise with the manner in which such an approach is implemented.

## EFFECTIVE - EFFICIENT SERVICE DELIVERY

*The effective and efficient delivery of consolidated local services depends on the success of the participating local governments in identifying goals and the type of services to be regionalized.*

A framework for sharing services must be established from the outset. This framework must define a purpose and identify those areas and components that are necessary to achieve the goals of the towns. Such an approach is often used in partnerships between government, business and/or voluntary organizations. (8)

Fern C. Portnory, in an article for National Civic Review outlines a model that can be effectively applied to the participants in any regionalization plan. Potential participants need to:

- ☛ Have a "shared vision" of the common purposes of the collaboration;
- ☛ Have everyone's objectives clear since different participants may have different reasons for participation and may not have a common agenda;
- ☛ Have a real commitment to the goals of the process;

- ☛ Be sensitive to varying working styles of participants;
- ☛ Define the structure - legal or otherwise - by which cooperative efforts will be launched; and
- ☛ Recognize the needs of all participants.

## CRAFTING EQUITABLE COST-SHARING ARRANGEMENTS

*One of the chief concerns of municipalities when initiating a shared relationship is distributing costs.*

Establishing the proper financing mechanism so that costs are equitably distributed among the participating local governments is of utmost importance.

The issue becomes even more important when the divergent needs of the areas are considered. Population differences and the varying demands for services between communities may require proportional payments by the participating municipalities.

## COST-SAVINGS IN CERTAIN SERVICE AREAS

*Spending on the purchase of goods and services is one of the largest expenditures in virtually all municipalities.*

Effective cooperative procurement and the economics of volume or bulk contracting provides an opportunity for municipalities to achieve price savings they may not be able to get on their own.

According to the National Association of Towns and Townships, which

represents 13,000 towns and townships with populations under 25,000, the area of voluntary joint purchase agreements on such basic materials as traffic signs, gravel or general road supplies is an effective means of keeping costs down.

Municipalities with smaller populations will find it more manageable to regionalize responsibilities concerning emergency responses to chemical disasters, recycling, and waste water treatment. Without regionalization, dealing with these problems on an individual community basis, would be cost prohibitive. For example:

- ☛ Costs would be prohibitive for a small community to train and fund teams responsible for chemical containment.
- ☛ Unless enough solid waste is generated by a town and economical means of processing recyclables can occur, it makes sense to regionalize in the recyclable area.
- ☛ For smaller towns, constructing a single treatment plant or installation of traditional sewer systems would be very expensive. It would prove more economical to create a regional treatment plant or cluster system with new technologies rather than a single community undertaking such a large project. According to the National Association of Towns and Townships, it costs three times as much to provide waste water treatment for 500 households than for 5,000 households. (9)

Depending on the type of area or service to be regionalized, "special districts - particularly transit and water and wastewater districts (authorities) - need more attention in terms of productivity and quality improvements." (10)

**HOME-RULE & LOCAL CONTROL BY THE ELECTORATE**

*Consolidation can generally be expected to encounter a reluctance to give up hometown personnel and loyalty to home rule tradition. Unionization of personnel can also represent an impediment to consolidation in the public works area.*

These points were brought up at the initial Task Force meeting by local Bergen County officials.

In addition, concern for political accountability should be addressed.

*"Democratic theory is premised upon citizens playing an active and informed role in the governance system." (11)*

Understanding the local government structure and the process of local government contributes to a citizens' ability to participate in local government affairs. Thus, action on the part of any municipality to consolidate services requires an informed citizenry that can have input on approving plans to undertake major projects or at least ensuring representation similar to the process approach taken under the Seattle "Metro" structure.

It should also be noted that

*"while small local governments lack the advantages of revenue base, adequate staff, and professionalization, the limitations of small size are replaced by its advantages: proximity to constituency, responsiveness, and flexibility." (12)*

**"Charter Reform in the 1990s"**

*"Democratic theory is premised upon citizens playing an active and informed role in the governance system."*

The general contention exists that elected local officials (mayors, supervisors, council members, commissioners) from small governments serving on a part-time basis view themselves as citizen officeholders and not as professional politicians. "They claim a closeness to constituents and a sensitivity to prevailing values and shifts in opinion."

**"Small Local Governments as Community Builders"**

*"...while some local governments lack the advantages of revenue base, adequate staff, and professionalization, the limitations of small size are replaced by its advantages: proximity to constituency, responsiveness, and flexibility."*

Since they have fewer resources, "small town elected officials play multiple roles in their communities: representatives, policymakers, and administrators." (13)

Thus, it is important that if consolidation is utilized, sensitivity to constituency demands remains a high priority and that representation of the participating communities and "accountability" on the part of its elected officials is somehow achieved.

**GEOGRAPHICS AS AN IMPORTANT DETERMINANT**

*Options vary with the needs.*

Depending on the identified common needs, different regional approaches have varying structural components ranging from a more structured institution such as Seattle "Metro", a more moderately structured institution like Pennsylvania - Delaware Valley Consortium to the more informal/less structured approach of the Northwest Bergen County experiment.

**CURRENT STATE IMPEDIMENTS TO A REGIONALIZATION APPROACH**

*Highlighted examples : State Administrative & Paperwork Mandates*

While the Interlocal Services Act was enacted to promote cooperative regional agreements among municipalities, several local officials testifying before the Task Force emphasized that the procedures and legal requirements of the act can interfere or dissuade municipalities from voluntarily cooperating with each other in the delivery of

services. The general sentiment seemed to underscore that too many State mandates discourage the voluntary cooperation that would naturally exist among municipalities.

**Red Tape Involved with Bidding and Purchasing**

The process and procedures currently mandated by State law in connection with "joint purchasing" and "joint bidding" are rigorous and cause time delays. For instance, such bidding and purchasing practices need the advertising and passage of resolutions in local newspapers by each of the participating municipalities.

**Prohibition of Self-Insurance**

The costs of local employee health insurance benefits are prohibitive. "In calendar year 1987, 567 municipalities in the State spent a total of \$116.4 million on their employee health benefits. This includes costs for the 284 municipalities which participate in the State Health Benefit Plan and costs for the remaining municipalities which have different plans." (14) Testimony presented to the task force by local officials highlighted the fact that the State does not allow for municipal self-insurance in the health area, and this rule needs to be reviewed.

*"In calendar year 1987, 567 municipalities in the State spent a total of \$116.4 million on their employee health benefits."*

**GENERAL CONCLUSION**

**Running Government on a Business-like Basis & Obtaining the Biggest Return on Taxpayers' Dollars.**

Finding ways to cut costs at the municipal, county, and State levels of government is imperative in light of the pattern of increased government spending occurring in New Jersey. In approaching the "regionalization" question, business and common sense must be applied.

Bulk purchasing of essential items can achieve economies of scale since vendors will be more willing to offer very competitive unit costs for a greater number of items being purchased.

However, communities that wish to regionalize other caretaker services need to be attentive to the economies of scale achieved under regionalized or consolidated delivery of services. Different service areas will not yield the same results.

It should be noted that economies of scale may not be realized through regionalization in all service areas.

Certain studies document that a smaller operation oftentimes can reap more cost-benefits than a larger operation.

### ○ *Reversing the Current Trend of More Local/ State Government Expenditures.*

According to a study done by the New Jersey Public Research Institute, New Jersey ranked second in the nation in the growth rate of total public sector per capita expenditures (State and local government) from 1982 to 1988. (15)

"Regionalization" in service areas that achieve economies of scale can be a tool in cutting government expenditures and from that perspective should be carefully considered.

### ○ *Joint Finance Mechanisms for Local/ Regional Solutions.*

The financing structure of an operation such as "Seattle Metro," allows local governments to take on major projects such as water quality improvement, waste water treatment and public transit. In many instances, where regional challenges exist and common problems are shared on a regional basis, a thrust towards regionalized financing mechanisms may prove helpful for financing solutions to problems.

### ○ *Selectively Targeting Various Service Areas for Regionalized Approach.*

Certainly, consolidation doesn't always reap economies of scale across all service areas. For instance, one of the debates concerns whether regionalized education really achieves cost-savings.

Certain literature and research indicates that school district consolidation and higher spending do not always produce better results.

"In many states, small school districts have been consolidated into large districts in the expectation of cost

savings and improved student performance. While spending per student in districts with fewer than 200 students is indeed higher than in larger districts, there is little difference in cost per student among districts with 500 students and over. In other words, district consolidation beyond the 500-student level does not reduce costs." In fact, "research suggests that small districts obtain more achievement value per dollar." (16)

The issue of efficiency and production efficiency in connection with district size is also addressed by recent findings of R. J. Butler and D. H. Monk concerning school districts in New York State. "The analysis of scale economies enjoyed by larger districts can come at the expense of the efficient production of educational outcomes." Their study reveals that lower levels of efficiency exist in large as compared to small districts and other researchers have come to relatively the same conclusions.

A study by Herbert J. Wallberg and William J. Fowler highlights research indicating that the savings larger districts may enjoy may come at the expense of student achievement and student, parent, and staff morale. As the paper underscores in its review of studies dealing with school-district expenditure equalization, increased expenditures go mainly into administrative and auxiliary activities.

Walberg and Fowler's research included work on New Jersey schools. According to this study, "in all comparisons larger district enrollments were associated with lower test scores." (17) This significant conclusion was the result of corroborating a large amount of past research and underscores that:

"The policy of district consolidation undertaken by states in this century may have hurt rather than helped learning, since they suggest diseconomies rather than economies of scale ... A significant and consistent trend, nonetheless, was found for larger New Jersey districts to achieve on average less efficiently than smaller districts in the state." (18)

Other national experts also maintain that smaller school size is better than larger school size.

"The traditional thinking is that relatively large high schools have advantages over small ones...economies of scale in such things as capital investments (for example, buildings, books, and buses) and administrative costs and thereby operate more efficiently." (19)

### Questions About School Regionalization

Yet, "it is not clear that the cost benefits projected by proponents of school consolidation have never materialized." Despite the fact that a 1981 study by J. G. Chambers identifies two proposed sources of savings from consolidation as decreased administrative and support staff as well as greater efficiency in procuring materials, his evidence shows that large schools and large districts actually increase support and administrative staff to handle the greater bureaucratic demands accompanying their larger size. In addition, "the greater costs of distributing materials and transporting students to school (in rural areas) tends to offset savings from consolidation..." with little evidence supporting actual economies of scale in schooling." (20)

In contrast to past traditional thinking, the latter perspective is again bolstered by the emergence of a more recent line of thinking.

"A critique of the comprehensive high school, this perspective suggests that high schools have become too large. Modern high schools often find it impractical to monitor individual student needs very sensitively. Teachers really do not come to understand the problem of the hundreds of students who file in and out of their classes each year. Students are prone to drift through large high schools without attention or direction unless they stray egregiously off course. Many students are beneath their level of ability.

Smaller schools are putatively less vulnerable to these problems. They may also be better able to foster the teamwork, esprit de corps, and focus of effective schools." (21)

This particular perspective is further documented in other studies. For instance,

"While larger districts in lower income areas may access greater resources than do small districts, the higher incidence of 'exceptional problems' (e.g., delinquency, drug abuse, learning disabilities) in such contexts introduces constraints and contributes to reduced organizational performance." (22)

Another study noted that

"The advantages of size so strongly proclaimed by consolidation advocates are seldom supported empirically." (23) See the Appendix

It is also interesting to note the following:

"Many of the most successful schools are tiny, enrolling fewer than 100 students, while none of the least successful schools is so small. In addition, roughly equal proportions of high performance and low performance schools are very large, enrolling 1,500 student or more. If bigger is indeed better, then, other factors must be obscuring the relationship." (24) See Figure 2

○ **REDUCING STATE AND REGULATORY MANDATES ON LOCAL GOVERNMENT:**

The Task Force received many complaints about State government mandates and that essentially these mandates have caused local government expenditures to spiral. A general consensus among those testifying leans toward the philosophy of less govern-

**Conclusion from Task Force Hearing**

*"...A general consensus among those testifying leans toward the philosophy of less State government intervention and fewer mandates as a tool in curbing costs."*

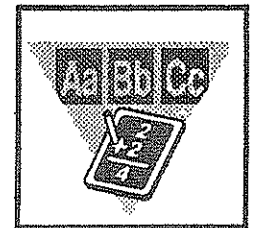
**LESS IS MORE**

ment intervention and fewer mandates as a tool in curbing costs.

Such factors as size, demographics, local budget level resources must be considered when the State issues mandates or regulations impacting on local governments. Without weighing such factors, compliance with mandates become onerous for smaller communities and could very well cause financial nightmares and economic maladies.

**FIGURE 2 School Size and Performance**

<u>Total High School Enrollment</u>	<u>Low performance Schools</u>	<u>High Performance Schools</u>
0 - 99	0.0	18.4
100 - 299	32.2	13.2
300 - 499	23.8	11.3
500 - 999	19.4	28.6
1,000 - 1,499	9.3	16.6
1,500 - 1,999	10.4	7.0
2,000 - 2,999	4.2	4.6
3,000 or more	.7	.2
Mean enrollment	695	729



SOURCE: John E. Chubb & Terry M. Moe, *Politics, Markets and America's Schools*. The Brookings Institution. 1990. p.106.



***SHARING SERVICES IN SELECTED TARGETED AREAS AND PROCUREMENT SHOULD BE ENCOURAGED.***

The 1980s saw municipalities confronting many problems caused by cuts in federal revenue sharing. Although New Jersey attempted to make up lost federal dollars, by the end of the decade state dollars could not keep up with lost federal funds. Voluntary, regional partnerships among municipalities and counties will enable participating municipalities to provide services they may not be able to provide on their own.

Sharing of targeted service areas and in bidding and procurement offers many advantages of its own. However, the state should consider incentives to further encourage voluntary regionalization in solving problems.

Almost 20 years ago the Legislature viewed "regionalization" as a beneficial tool for local units of government. This prompted the passage of the Interlocal Services Act and the Interlocal Services Aid Act. The Legislature should seriously consider re-funding the Interlocal Services Aid Act to provide a revenue source for local governments which need financial assistance to identify what regionalized services will achieve economies of scale and cost savings.

Regionalization of those areas that achieve economies of scale could also be promoted by offering a proportionately larger share of state aid dollars to those towns which consolidate targeted services.



***INNOVATIVE METHODS MUST BE DEVELOPED TO REVERSE THE TREND OF GROWTH IN LOCAL SERVICES AND THE CORRESPONDING NEED FOR INCREASED TAXATION.***

According to a study done by the New Jersey Public Research Institute, New Jersey ranked second in the nation in the rate of total public sector per capita expenditures (State and local governments) from 1982 to 1988. (25)

Regionalization in selected targeted service areas and bulk purchasing provides an option for the continuation of certain services at a lower cost to a municipality. It can also be a tool in cutting government expenditures.



***PARTNERSHIPS BETWEEN MUNICIPALITIES AND OTHER LOCAL GOVERNMENT UNITS CAN BE CREATED.***

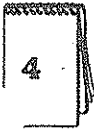
Local units of government should carefully designate and review targeted areas for regionalization. Areas selected should be those that reap the most cost benefits.

Starting points for regionalization include sharing purchase and/or rental costs of public works equipment, joining bidding for road improvement projects, and combined emergency services.

A municipality leasing sewer maintenance equipment from another municipality provides benefits for both participants. It enables one municipality to provide the repairs at less cost and allows the other municipality to raise revenues to offset the cost of the purchase of the equipment.

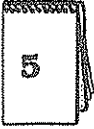
Sharing building code and health officials, emergency services personnel and cooperative judicial mechanisms represent other regionalization avenues to be considered.

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**SHARING SERVICES SHOULD BE SERIOUSLY ENCOURAGED IN THE AREAS OF COMPOSTING, RECYCLING AND HAULING AND MARKETING RECYCLABLES.**

With the increased interest and concern by the general public about a safe environment, and the level of expenses incurred by municipalities in connection with environmental protection issues and mandates, serious consideration to regionalized actions in the latter areas may prove more effective, efficient, and fiscally prudent.



**REGIONALIZATION SHOULD BE VOLUNTARY.**

The process for regionalization must allow for voluntary cooperation among participating local governments.

The experiences of both the Montgomery County, Pennsylvania Consortium and the Northwest Bergen Mayors Association highlight that cooperation will exist if not mandated. Both groups offer regionalization for its members, yet members are not required to participate in all ventures.

In testimony before the task force, several mayors and a representative for the New Jersey League of Municipalities, emphasized the need for home-rule and non-interference by the State. They endorsed regionalization that allows for voluntary cooperative efforts among municipalities in service areas where benefits will accrue.



**REGIONALIZATION MUST HAVE LOCAL REPRESENTATION AND DIRECT INPUT ON THE PART OF RESIDENTS.**

Combining services can be expected to encounter a reluctance to give up hometown personnel and loyalty to home rule. If regionalization is utilized, sensitivity to constituent demands must remain a high priority.



**REGIONALIZATION SHOULD ONLY OCCUR WHEN IT IS COST EFFECTIVE.**

Regionalizing services must be carefully considered by local governments as to what targeted areas will reap the most benefits. Economies of scale exist in varying degrees for different service areas.

Sharing of equipment, as well as leasing equipment, is a good starting place. From there, it can proceed to the actual delivery of services.



**STATE LAWS AFFECTING MUNICIPAL SELF-INSURANCE MUST BE AMENDED.**

With the ever increasing cost of all forms of insurance in this State and with most recent attention focused on astronomical health care costs, encouraging local governments to pool their resources for self-insurance in a variety of area would help cut costs. Modifying current law to authorize local governments to self-insure in the area of health care is essential. One such initiative is A-3018, sponsored by Assemblywoman Joann Smith (Monmouth/Middlesex County).

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**SCHOOL REGIONALIZATION MUST BE CONSIDERED CAREFULLY AND CAUTIOUSLY BECAUSE ECONOMIES OF SCALE MAY NOT BE ACHIEVED AND SINCE SUCH ACTION IS ALMOST IRREVERSIBLE.**

Many studies indicate that the policy of school district consolidation which was undertaken by the states may have hurt rather than helped learning. These studies suggest diseconomies rather than economies of scale.

Specifically, New Jersey school and district size studies show that larger districts achieve, on average, less efficiently than smaller districts in the state. Any potential savings in capital investment (buildings, books, buses, etc.) and administrative costs can come at the expense "of efficient production of educational outcomes." Research suggests "small districts obtain more achievement value per dollar." (16)

In addition, certain literature shows that large schools and large districts actually increase support and administrative staff to handle the greater bureaucratic demands accompanying their larger size.

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**STATE BIDDING AND PURCHASING LAWS SHOULD BE AMENDED TO PROMOTE JOINT BIDDING & PURCHASING.**

Current law governing "joint purchasing" and "joint bidding" is rigorous and often causes lengthy time delays. Although local governments may voluntarily joint bid or purchase certain items, the law requires each municipality to pass a resolution and advertise on an individual basis. This impedes the "regionalized" approach to bulk purchasing and bidding.

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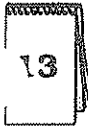
**PAPERWORK AND ADMINISTRATIVE BURDENS ASSOCIATED WITH THE "INTERLOCAL SERVICES AGREEMENT ACT" MUST BE REDUCED.**

Elimination of some of the requirements currently mandated for municipalities entering into cooperative agreements would remove one obstacle to considering regionalized approaches in local service deliveries, etc.

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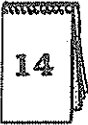
**STATE MANDATES ON LOCAL GOVERNMENT, INCLUDING REGULATORY COMPLIANCE ASPECTS, MUST BE REDUCED.**

Many local governments maintain that State mandates and regulations add to local government expenses. Some "flexibility" should be afforded to municipalities of different sizes. Such factors as population, socio-economic demographics, local budget resources, etc. should be weighed and State mandates should be "flexible" for smaller and larger municipalities accordingly.



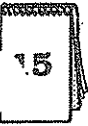
**LOCAL UNITS OF GOVERNMENT MUST BE ALLOWED AND ENCOURAGED TO MEET THE MANDATES OF STATE PROGRAMS BY ALTERNATIVE MEANS.**

Local units of government should be encouraged to formulate locally effective ways of meeting the goals of state-mandated programs. Administrative personnel in state departments should be required to approve and support these plans in instances where they will accomplish the same goals as the state-mandated program. Legislation for this purpose has been sponsored by Assemblyman Gerald Zecker. A-75 is currently pending in the Assembly Municipal Government Committee.



**ENCOURAGE NEIGHBORHOOD-BASED ASSOCIATIONS TO UNDERTAKE RESPONSIBILITY FOR SOME BASIC SERVICES AS ONE WAY TO REDUCE RELIANCE ON HIGHER TAXES.**

In order to help relieve local governments of the pressures of higher taxes to support the delivery of a higher level of services, local governments should assess the sentiment of their residents with regard to voluntary cooperation among neighborhood based groups (e.g., block associations, etc.) to perform certain selective services in exchange for economizing, costs containment, and potentially lower tax rates.



**"PRIVATIZATION" SHOULD BE CONSIDERED AS A MEANS OF DECREASING LOCAL GOVERNMENT COSTS.**

In addition to using a "regionalized" approach to solve problems, local governments should consider the private sector in the delivery of certain services.

A 1988 Coopers and Lybrand survey of government officials from cities and counties with populations in excess of 50,000 indicates that there is "increased reliance on the private sector, through contracting out operations and allowing for private sector ownership." "The primary incentive for contracting out with the private sector for services is cost." (27)

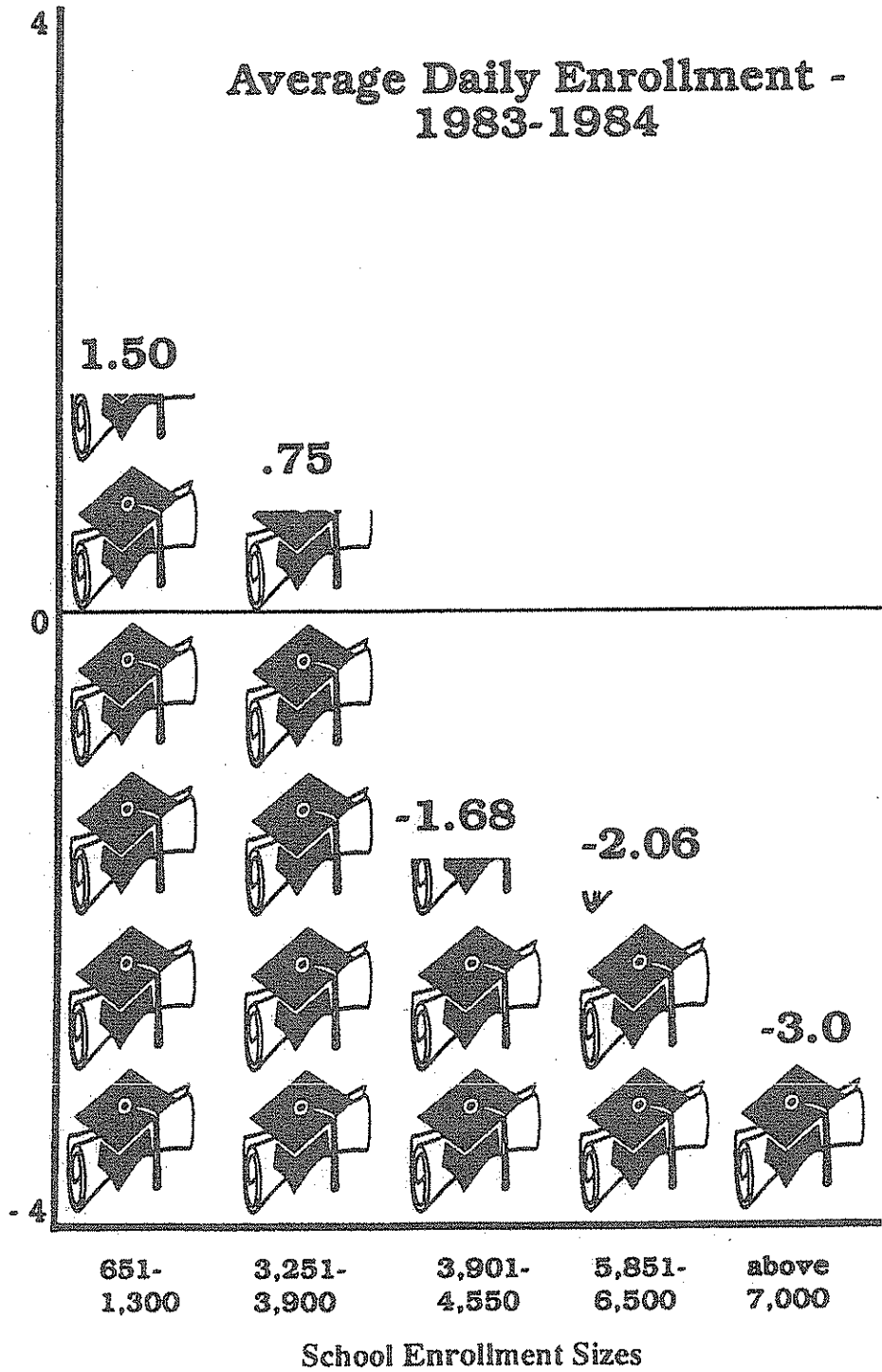
"The 1990's may well go down in history as the decade of privatized infrastructure. Around the globe, governments have begun a major shift of the responsibility for financing, building, operating, and, in many cases, owning major capital-intensive infrastructure projects." (28)

APPENDIX Extrapolation of Data, Figure 3

Efficiency in Relation to Size of District Enrollment, p. 17, A Heartland Policy Study.  
 "Expenditure and Size Efficiencies of Public School Districts," Herbert J. Wallberg &  
 William J. Fowler Jr.

The chart below illustrates a negative association of size and achievement. In all cases,  
 larger district enrollments are associated with lower test scores.

1984 9th Grade Minimum Basic Skills Reading Efficiency



1. "Property Taxes Soaring," The Star Ledger, Survey of County Tax Boards, August 5, 1990, p.1.
2. "New Data on New Jersey Property Taxation," Public Affairs Focus, issue no. 9. February 1990, (Public Affairs Research Institute of New Jersey).
3. "Most New Jerseyans Doubt Plan Will Aid Schools or Spur Tax Relief," The Star Ledger, August 5, 1990, p.1.
4. "Environment 1990 - An Agenda for Action" New Jersey Department of Environmental Protection.
5. Tracy E. Peterson, "Seattle Metro: Regional Solutions to Local Problems," Government Finance Review, June 1990, p.19.
6. "Metropolitan Collaboration: the Survival Strategy of the 1990s," Civic Action, Nov. - Dec. 1989.
7. Metropolitan Governance Statement, Oct. 29, 1989.
8. Fern C. Portnoy, "Seven Requirements for Successful Collaboration," National Civic Review, vol. 76, no. 5, Sept. - Oct. 1987, p. 383-388.
9. Hamilton Brown, Associate Director, National Association of Towns and Townships, telephone conversation, August, 1990.
10. James E. Jarrett, "Recent Service-Delivery Improvements in Local and State Governments," Improving Service Delivery, National Civic Review, March-April 1989, p.92.
11. Joseph F. Zimmerman, "Charter Reform in the 1990s," Meeting the Governance Challenges of the 1990s, National Civic Review, Sept. - Oct. 1989, p. 337.
12. Alvin D. Sokolow, "Small Local Governments as Community Builders," National Civic Review, Sept. - Oct. 1989, p. 362.
13. *Ibid.*, p. 368.
14. Office of Legislative Services Memorandum on the Fiscal Impact of the "Fair Automobile Insurance Act of 1990" on Local Governments, February 28, 1990.  
"New Jersey Public Sector Expenditure Growth: 1982 - 1988," Public Affairs Focus, number 11, May 1990.
16. Herbert J. Wallberg and William J. Fowler, Jr., "Expenditure and Size Efficiencies of Public School Districts," A Heartland Policy Study, no. 22, September 27, 1988, exec. sum. p.6.
17. *Ibid.* p. 17.
18. *Ibid.* p. 18.
19. John Chubb and Terry M. Moe, Politics, Markets and America's Schools, (Washington, D.C.: Brookings Institute) June 1990, p. 104.
20. Anthony S. Bryk, Valerie E. Lee and Julia B. Smith, "High School Organization and its Effects on Teachers and Students: An Interpretative Summary of the Research," Invitational Conference on "Choice and Control in American Education", revised November 1, 1989, p. 10-11.
21. Chubb and Moe, Politics, Markets and America's Schools, p. 104-105.
22. Bryk, Lee and Smith, Invitational Conference on "Choice and Control in American Education", p. 11.
23. James W. Guthrie, "Organizational Scale and School Success," Organizational Evaluation and Policy, vol. 1, no. 1, 1979, p.22.
24. Chubb and Moe, Politics, Markets and America's Schools, p. 105.
25. "New Jersey Public Sector Expenditure Growth: 1982 - 1988," Public Affairs Focus, no. 11, May 1990.
26. Wallberg and Fowler, Jr., "Expenditures and Size Efficiencies of Public School Districts." p.6
27. "Coopers & Lybrand Survey: Privatization Groundswell," The Privatization Report, National Civic League, March 1988.
28. The Fourth Annual Report on Privatization, The Reason Foundation, p. 19.

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