

Background on Rural Policing Cost-Sharing Agreements

The State's Fiscal Year 2009 budget (hereafter, the "law" or "budget") requires municipalities receiving police protection from the State Police pursuant to R.S. 53:2-1 to enter into a cost-sharing agreement with the State Treasurer in order to receive those services. This document explains the procedures and options available to municipalities to fulfill this requirement and includes an explanation of the calculation of the cost-sharing amount.

Presently, 89 towns receive free rural patrol services: 76 receive full-time services and 13 receive part-time services. Full-time patrols consist of 24 hour/7 day patrolling because a municipality does not currently have their own police force. Part-time patrols are needed if a municipal force is too small to handle 24 hour/7 day coverage or not able to handle certain emergencies.

In FY2007, it cost the State approximately \$80 million to provide services to these towns. This cost consists of personnel salaries as well as overhead expenses to operate each station, routine patrol, report writing, and indirect administrative costs.

The budget requires the Treasurer to calculate a local share that will result in the State receiving approximately \$12.5 million (this is reduced from the original budget anticipation of \$20.5 million). Thus, municipalities receiving State Police rural patrol service will be providing the State approximately 15.6% of the costs of the service (based on the 2007 cost). Further, the formula meets a requirement that limits the local share to an amount that will not result in an increase of more than \$100 in property taxes on the average residential property (based on 2007 taxes).

While the cost to local governments takes effect on July 1, 2008, the program will **not** affect Calendar Year 2008 budgets. The law specifically provides that the costs for the last half of calendar 2008 can be budgeted in 2009, and that the 2009 budget must only include 12 months of service (last half of 2008 and first half of 2009). This system of paying for services on this "lagged" basis will continue into the future.

With the imposition of this new cost, the State expects that municipalities will want to review policing options. These options include entering into the cost-sharing agreement for State Police services, contracting with a neighboring municipality for police services, joining with other municipalities to create their own police department, or contracting with their county government for services. Municipalities considering shared services with other government agencies can take advantage of the Department of Community Affairs SHARE program that provides feasibility and implementation grants for new shared services (www.nj.gov/dca/lgs/share).

If such arrangements are not completed by December 15, 2008, the municipality shall be deemed to have entered into a cost sharing agreement with the Treasurer retroactively to July 1, 2008. Thus, it is important that a municipality that enters into an agreement with another government agency to notify the Treasurer of such an agreement by December 15, 2008.

The budget contains other important requirements about program:

- The State is prohibited from providing any municipality that does not receive State Police services as of July 1, 2008 from receiving them without entering into a cost-sharing agreement with the Treasurer.
- In recognition that paying for police services is a new service, the law creates an exception to both municipal budget caps: the appropriation cap and the levy cap. CY 2009 budget documentation from the Division of Local Government Services will provide the details for the exceptions.
- The law also allows the Treasurer to withhold State aid from any municipality that receives State Police services and does not enter into an agreement with the Treasurer by December 15, 2008 to cover the amount that would have otherwise been required in the cost-sharing agreement.
- The budget also prohibits municipalities from applying for Extraordinary Aid for any expenses related to a cost-sharing agreement for rural policing.

Cost Sharing Formula

There are several approaches that could be used to allocate the State Police costs of rural policing to municipalities receiving the service. It was determined that a model that allocated costs based on property value and types of property was best suited for this purpose.

The model allocates approximately 25% (\$20.5 million) of the State's cost of providing rural policing services (\$80 million) and then reduces that by the amount necessary (\$8 million) to limit average residential tax increases for policing services to \$100.

The \$20.5 million was allocated among municipalities by applying per parcel rates for two types of parcels, residential and non-residential, broken down further by full-time or part-time protection.

That initial amount was checked against a \$100 increase in taxes, and for those municipalities that exceeded the \$100 limit, reducing the gross amount to the amount that would result in a \$100 increase. That reduced the total from \$20.5 million to \$12.5 million. All full-time municipalities received the benefit of the \$100 cap; the rate for part-time municipalities remained at \$71.

FY 2009 State Budget Language Rural Policing Initiative Requirements

Notwithstanding the provisions of any law or regulation to the contrary, none of the monies appropriated to the Division of State Police or the Department of Law and Public Safety shall be used for providing police protection to the inhabitants of rural sections pursuant to R.S.53:2-1 in any municipality that received such police protection in FY2007-08 provided, however, that such monies may be expended for providing such police protection in any municipality described above that received rural policing services pursuant to R.S.53:2-1 in FY2007-08 if the municipality enters into a cost sharing agreement by December 15, 2008 with the State Treasurer, in which the municipality agrees to provide a local share for full time police protection and such lesser amount for part time police protection, as determined by the State Treasurer; provided further that the amount of any such local share shall not result in more than a \$100 increase over 2007 average residential property taxes as calculated by the Division of Local Government Services. If such a municipality has not entered an agreement for shared police services with another municipality or government agency, notified the State Treasurer in writing of such agreement, and provided an executed copy of such agreement to the Treasurer by December 15, 2008, such municipality shall be deemed to have entered into a cost sharing agreement effective July 1, 2008 with the State Treasurer as provided in this paragraph.

Notwithstanding the provisions of any law or regulation to the contrary, none of the monies appropriated to the Division of State Police or the Department of Law and Public Safety shall be used for providing police protection to the inhabitants of rural sections pursuant to R.S.53:2-1 in a municipality in which such services were not provided in FY2007-08 unless that municipality enters into a cost sharing agreement with the State Treasurer to provide the full cost of the Division of State Police for providing such services. Any amount received in accordance with the conditions hereto shall be collected by the State Treasurer and shall be deposited into a dedicated fund within the Division of State Police and are appropriated for State Police operations.

Notwithstanding the provisions of any law or regulation to the contrary, a municipality that enters into a cost sharing agreement with the State Treasurer may use monies from any grant-in-aid or State Aid appropriated pursuant to this act to meet the local share of providing such services; provided, that this paragraph shall not be construed to authorize use of constitutionally dedicated monies, bond monies, or federal funds in a manner or for a purpose inconsistent with the Constitution or federal law.

Notwithstanding the provisions of any law or regulation to the contrary, municipal appropriations made pursuant to a cost sharing agreement with the State Treasurer shall be included in the municipality's final appropriations upon which its permissible expenditures are calculated pursuant to section 2 of P.L.1976, c.68 (C.40A:4-45.2). Notwithstanding the provisions of section 10 of P.L.2007, c.62 (C.40A:4-45.45) to the contrary, amounts required by a municipality to be raised to pay for the cost of police services pursuant to a cost sharing agreement, as described hereinabove, shall be treated as an exclusion that shall be added to the calculation of the municipal adjusted tax levy.

Notwithstanding the foregoing provisions regarding cost sharing agreements or any law to the contrary, if the Superintendent of the Division of State Police, in consultation with the Attorney General, determines that public safety requires that police protection be provided to the inhabitants of rural sections pursuant to R.S.53:2-1 despite the fact that a municipality as described above has not entered into a cost sharing agreement with the State Treasurer, monies appropriated to the Division of State Police and the Department of Law and Public Safety may be used for providing such police protection and the Director of the Division of Budget and Accounting is authorized to withhold State Aid payments to such municipalities and transfer such amounts to the Division of State Police.

Notwithstanding the provisions of any law or regulation to the contrary, municipalities shall not be allowed to apply for Extraordinary Aid for any expenses related to a cost-sharing agreement for rural policing.