



New Jersey School Boards Association

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New Jersey Association of School Administrators
Ensuring Effective Education Throughout New Jersey



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September 28, 2006

The Honorable Bob Smith
216 Stelton Road, Suite E-5
Piscataway, NJ 08854

Dear Senator Smith:

To assist the Joint Committee on Government Consolidation and Shared Services in its deliberations over efficient and effective local government organization, the New Jersey School Boards Association and the New Jersey Association of School Administrators would like to convey to you our beliefs about the consolidation of school districts, our desire to have an open and accurate discussion of the issues, and our recommendations to encourage school district consolidation and the sharing of services.

1. Focus the debate accurately

In its deliberations over the structure of the state's school districts, the Joint Committee and the Legislature should use reliable data from the U.S. Department of Education when comparing revenues and expenditures of New Jersey's schools to those of other states.

For example, contrary to popular misperception, New Jersey schools are not administratively top heavy in comparison to other states.

The United States Department of Education's state-by-state comparison ("Common Core of Data," issued in July 2006, copy enclosed) shows that New Jersey ranks 37th among the 50 states in the proportion of school expenditures going toward administration.

The same statistics, from the National Center for Education Statistics, provide the following information concerning the percentage of public school district current expense budgets that New Jersey and surrounding states directed toward administrative expenditures in 2003-2004:

Nationwide – 11%
Pennsylvania – 10.8%
New Jersey – 9.9%
Delaware – 12.7%
Maryland – 9.2%
New York – 9.3%
Connecticut – 9.9%

The data collection overseen by the federal education department places school administrative spending among the various states, along with other factors, into proper context. At the joint committee's September 6 meeting, several statistics were cited concerning New Jersey's and Maryland's expenditures on administration. Those statistics appeared to come from separate data bases, did not produce a valid comparison, and misled the public on the critical issue of school district structure.

It is vital that accurate information guide all elements of the public debate over property tax reform.

2. Provide feasibility study grants

To encourage school district consolidation, the state Legislature must provide incentives to enable communities to study the educational and financial impact of mergers. Such incentives have been available in the past, most recently through grants provided by the Regional Efficiency Program Incentives (REDI) program. A large number of school districts conducted studies of regionalization as a result of the grants.

Such feasibility studies are an essential first step for communities to identify the benefits and the drawbacks of school district mergers. Without them, school districts will not have the information needed to determine the value of consolidation.

3. Remove financial barriers to consolidation

To take consolidation proposals beyond the planning stage, the Legislature should create a state aid program and/or amend current statute to mitigate the spikes in property tax rates that would often result from regionalization.

Since 1986, only three regional school districts have formed in New Jersey:

- The School District of the Chathams, a Kindergarten-through-12th grade system resulting from the merger of two K-12 public school districts (Chatham Borough and Chatham Township in Morris County) in 1986.
- The Somerset Hills Regional School District, a K-12 system created in 1994 from the merger of the Bernardsville School District (K-12) with two others, Peapack-Gladstone and Far Hills, both of which had already been sending all of their students to Bernardsville on a tuition basis.
- The Great Meadows Regional School District, a K-8 system in Warren County formed in 1995 by the merger of the Liberty Township and Independence Township school districts.

A New Jersey School Boards Association report, published in the 1990s, found that the small number of mergers belies actual interest in the concept among school districts. Many communities have considered expanding educational and extra-curricular offerings by merging with their neighbors over the years.

The reason why more school district consolidation has not occurred is often due to concern about property taxes. After regionalization, new tax rates result from adjustments to each town's contribution to the newly formed school system, based on varying levels of property wealth and/or student population. Often, one of the towns in the proposed regional district discovers that the merger would result in higher property taxes. Historically, the plans die on the vine or, if they do reach the voters, the proposals meet defeat at the polls.

N.J.S.A. 18A:34 addresses apportionment of school tax levies in a newly formed regional district:

...the manner in which the amounts to be raised for annual or special appropriations for such proposed regional school district, including the amounts to be raised for interest upon, and the redemption of bonds payable by the regional district, shall be apportioned upon the basis of:

- a. the portion of each municipality's equalized valuation allocated to the regional district, calculated as described in the definition of equalized valuation in section 3 of P.L.1990, c.52 (C.18A:7D-3);
- b. the proportional number of pupils enrolled from each municipality on the 15th day of October of the prebudget year in the same manner as would apply if each municipality comprised separate constituent school districts; or
- c. any combination of apportionment based upon equalized valuations pursuant to subsection a. of this section or pupil enrollments pursuant to subsection b. of this section

Financial factors have played a role in stopping recent regionalization initiatives, including those involving the following school districts: Andover Regional and Green Township (Sussex); and West Morris Regional, Chester Township Consolidated, Mendham Township, Mendham Borough and Washington Township (Morris County). Recently, the Farmingdale Borough school district (Monmouth County) responded to residents' suggestions and explored the potential impact of a merger with neighboring Howell Township. The district found that the merger would result in sharply increased costs for Farmingdale property taxpayers.

Other studies have found savings so limited as to not make the change in governance worth the effort. This experience was shared by Lakeland Regional High School, Ringwood and Wanaque (Passaic County) and by Boonton Township and Mountain Lakes (Morris County).

4. Encourage, but do not mandate consolidation

For consolidation to result in cost-efficient and effective education, the Legislature must leave the final decision to the communities involved.

The most recent statewide study of regionalization, a 1999 report by the state Assembly Task Force on School District Regionalization (copy enclosed), recommended that school district mergers remain a local decision. In reaching its conclusion, the task force considered apportionment of revenue, along with the fact that consolidating school districts could actually increase spending.

In its final recommendation, the Task Force stated:

The decision to regionalize should be made on a case-by-case basis since it is apparent through the testimony received by the Assembly Task Force that school district regionalization does not necessarily result in cost-savings across the board.

Cost factors could include automatic salary increases. New Jersey statute (*N.J.S.A.* 18A:6-31.4) requires that the salary of all staff in the newly formed regional school system increase to the levels in place in the largest district prior to consolidation.

Whenever a new school district is created, the terms and conditions of employment, whether established through a collective bargaining agreement or past practice, of the largest constituent school district which is affected, replaced or displaced by, or forms part of the new school district, shall apply until a successor agreement is negotiated with the majority representative of the new school district. As used in this section, the term largest

constituent school district means that school district which employs the largest number of teaching staff members.

This statute could have a strong financial impact in situations where a K-12 school system is formed from the merger of a large regional high school district and its smaller elementary-school feeder districts.

Creating a new, larger district, with more schools, could also result in new student transportation costs. And while regionalization might eliminate one or more superintendent positions, this front-office downsizing could be offset by the creation of new positions needed by a larger district to coordinate curricular programs or special services.

In fact, in close to two-thirds of the state's 146 single-schoolhouse elementary districts, the superintendent also serves as principal, according to the New Jersey State Department of Education's School Directory. That same source shows that, in a number of other small school districts (those comprising two- or three-buildings), the superintendent also serves as principal of one of the schools. As another example, we note that a consortium of small districts in southern New Jersey currently share back office services, eliminating the need for each one to employ a school business administrator.

Forcing school districts such as these to consolidate would not eliminate administrative staff positions and would have little, if any, impact on administrative costs.

5. Focus efforts on shared services

The Legislature should create an incentive program to encourage the study and implementation of shared services among school districts and municipalities.

Our associations believe that the sharing of services across school district and municipal boundaries holds the key to cost savings and property tax relief.

In Bergen County, for example, the Northern Valley school district shares special education services, staff training and curriculum development with the seven independent elementary school districts whose students attend its two high schools. The result: the seven communities are able to control costs and ensure continuity of curriculum and educational quality for their students through high school. At the same time, they retain governance over their independent elementary school programs, costs and staffing. In addition, Northern Valley operates a program for autistic children from 30 school districts. Northern Valley officials say the initiative saves significant costs over the only other alternative—private school placement.

These types of cost-saving efforts can be implemented through current school district configurations—without forcing consolidation and risking higher costs and changes in tax rates.

Last year, the Somerset County Business Partnership estimated that shared services among school districts, municipalities and county agencies saved county taxpayers \$13.6 million. In 2001, the Regionalization Efficiency Aid Program recognized 352 new shared-service agreements involving local school district districts.

Among school districts the interest in shared services is great; the potential for growth enormous. The state Legislature would be wise to give priority to establishing an incentive program, similar to REDI and REAP, that would enable public school districts and municipalities to realize the full benefit of shared services.

The New Jersey School Boards Association is currently engaged in a year-long study of shared services among school districts and municipalities. The project will identify best practices, as well as legislative and regulatory obstacles to shared services. We look forward to sharing the result with the Legislature.

The New Jersey School Boards Association and the New Jersey Association of School Administrators would like to offer our insights and information to the Joint Committee on the critical issues of government consolidation and shared services and their role in property tax reform. We would welcome the opportunity to meet with you at your convenience and to appear before the Committee to discuss these issues.

Sincerely,

Edwina M. Lee
Executive Director
New Jersey School Boards Association

Dr. Barry J. Galasso
Executive Director
New Jersey Association of School Administrators

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c.c.: Assemblyman John S. Wisniewski, Joint Committee co-chair
Members of the Joint Committee on Government Consolidation and Shared Services
Lucille Davy, Commissioner of Education
Joseph J. Blaney, Office of Legislative Services
Brian McCord, Office of Legislative Services