

SCHOOL BOARD notes

Legislature Turns Attention to Other Toolkit Proposals

With last week's enactment of the new 2-percent property tax levy cap (*see story below*), the administration and Legislature will now turn their attention to the other components of Gov. Chris Christie's proposed "toolkit," aimed at controlling local government and school district spending.

The governor's original toolkit included 33 specific reforms divided into four major categories: municipal and county, education, higher education, and elections. It is likely that these topics will be addressed over the balance of the summer and into the early fall. Some reform proposals may also be tackled through regulatory channels, rather than new legislation.

There may also be additional toolkit-type changes proposed. Last Thursday, Gov. Christie announced what could be considered a 34th toolkit component

– limits on chief school administrator salaries, based on school district enrollment. (*See separate story page 5.*)

Importance of Cap The compromise on the 2 percent property tax cap, which is the focus of the toolkit, is significant. In many of the other toolkit proposals, it is clear that the tax cap acts as a limiting factor. For example, some reforms note that salary and benefit increases negotiated through the collective bargaining process could not exceed the newly established cap percentage.

For local boards, the most important tools pertain to items which enhance their ability to act with fiscal prudence in the collective bargaining process. One such reform includes a proposal to permit a public employer to implement its "last best offer" when contract negotiations and

statutory impasse resolution procedures are fully exhausted. Other items include a requirement that local districts' ability to pay be factored into impasse procedures at factfinding, as well as amending statutes related to shared services and district consolidation to preclude buyout of union contracts, capping unused sick and vacation payouts, allowing the use of furloughs by local entities, and some yet-to-be-determined initiatives addressing merit pay and reform of current tenure laws.

Proposals to require executive county superintendents to review contracts for conformance with the newly established cap seem straightforward. However, expanding this review to include collective bargaining agreements creates the concern that local boards of education will lose a measure of their current autonomy.

November Elections An additional item in the governor's proposal provides for moving the election of local board members to the November general election. While most NJSBA members have consistently stated opposition to this idea, there is a potential silver lining. Now that the levy cap has been set at 2 percent, there appears to be some consensus between the administration and the Legislature to eliminate the vote on school budgets that fall within the new cap.

Board members should be on notice that much work remains before the toolkit is fully in place. NJSBA will be monitoring the initiatives and the potential impact on

Christie Signs Property Tax Cap 2.0

The 2-percent property tax levy cap, which is the centerpiece of Gov. Chris Christie's efforts to control local government and school district spending, was signed into law on July 13.

School districts will start to feel the impact of the 2-percent restriction on local school property tax growth this fall when they begin development of budgets for 2011-2012 – a year that, at this point, seems unlikely to offer any increase in state aid, the other major school funding source.

Cap 2.0 is a compromise between Gov. Christie's and Senate President Ste-

phen Sweeney's proposals for a new tax levy cap. In addition to reducing the tax growth level in half, from 4 percent, it also eliminates many of the exceptions allowed under the previous law. (*See chart page 3.*)

Adjustments Allowed The compromise plan, S-29, would adjust school district caps for debt service, unplanned enrollment increases, pension cost increases, and health benefit cost increases. The adjustment for health benefit costs – not part of the governor's original proposal – is a critical one for school districts in light of last January's

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8.6% Health Insurance Premium Increases Possible

Districts that participate in the School Employees Health Benefits Program (SEHBP) would experience an 8.6 percent increase in premiums next January under a recommendation by Aon, the consultant for the state-run medical plan.

The School Employee Health Benefits Commission will act on the recommendation July 21.

Cyndy J. Jahn, NJSBA's general counsel, is the Association's representative on the Commission.

Close to half – 48 percent – of New Jersey's local school districts participate in the plan. In January 2010, SEHBP-member districts experienced rate increases of up to 25 percent.

To mitigate the financial impact of a second round of premium increases, the commission has been discussing alteration of benefit levels, including changing the program's basic line of coverage and increasing co-pays for emergency room visits and other services. Some of the changes would require action by the Legislature, however.

The proposed premium increases underscore the significance of a budget cap adjustment for health insurance costs. The state's new tax levy cap, enacted July 13, provides an NJSBA-supported adjustment for increases in health benefit costs that exceed 2 percent. The administration's original cap proposal did not include such an exception. 🍏

Cap 2.0 continued

25 percent increase in premium costs for the School Employees Health Benefits Program and the proposed 8.6-percent increase for next year. (See story at left.)

Waivers Limited In addition, the new law permits school districts to apply to the commissioner of education for cap waivers, but only for one reason: a district's failure to meet New Jersey's core curriculum content standards as determined through NJQSAC, the state's school district monitoring system.

Cap Banking Also allowed is cap banking, a process under which school districts that budget under cap may apply the unused amounts to future years' budgets. The previous cap law did not permit cap banking.

Voter Override Under Cap 2.0, voters may approve over-cap expenditures by a simple majority. The previous law required approval of such ballot questions by 60 percent of voters.

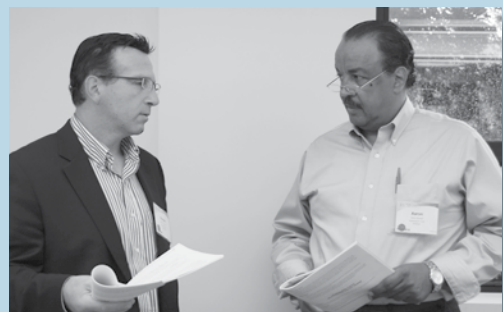
Further Changes Needed Although it reduces the cap and limits exceptions, the new law includes NJSBA-sought changes to Christie's and Sweeney's original proposals. These include adjustments for enrollment increases and health benefit costs, cap banking, and allowing voter override by a simple majority. In addition, NJSBA supported implementing the cap through statute, rather than a Constitutional amendment, which will make any needed changes easier to attain.

NJSBA supports reasonable caps on local tax levies, but believes that exceptions are necessary to address costs clearly outside a local school district's control. One such cost not addressed in the new law is extraordinary special education placements. Late last month, the Association advocated inclusion of such an adjustment in the new cap law. Assembly Speaker Sheila Oliver has expressed concern about the lack of such an adjustment, leaving open the possibility of implementing a special education cap exception through a separate bill. 🍏

ELFNJ Holds Leadership Conference



Above: More than 50 board members, superintendents and community leaders attended the Leadership Conference sponsored by the Educational Leadership Foundation of New Jersey (ELFNJ) on Saturday, July 10. In the photo above, Dana Egreczky, vice-president for Workforce Development at the New Jersey State Chamber of Commerce, delivers the keynote address at the conference.



At left: Ronald Franceschini, president of the Vineland Board of Education, speaks with Aaron Campbell of the Watchung Borough board during the conference.

Comparison Chart: Cap 2.0 versus Previous 4% Limit

On July 13, Governor Christie signed a new 2-percent local property tax levy cap into law. The cap affects local school district, municipal and county budgets. It differs significantly from the previous

4-percent tax levy cap. This week, *School Board Notes* presents the following chart to help school board members note key differences between New Jersey's new Cap 2.0 and the previous law.

	Previous 4% Cap	New 2.0% Cap
PRIME MOVERS	Senate and Assembly leadership	Gov. Christie and Sen. President Sweeney
METHOD OF ENACTMENT	<ul style="list-style-type: none"> • Signed into law by then-Gov. Jon Corzine in April 2007 as P.L.2007, c.62 • Passed during Legislature's Special Session Property Tax Reform (2006-2007) 	<ul style="list-style-type: none"> • Signed into law by Gov. Christie on July 13, 2010 as P.L.2010, c.44. • Differs from the governor's original plan to implement a cap through a Constitutional amendment. As a result, future change could take place through legislation, including provisions in the annual state budget.
EFFECTIVE PERIOD	<ul style="list-style-type: none"> • Would have expired after the 2011-2012 school budget year • If lawmakers had not adopted a new cap before then, the previous "S-1701 cap" would have returned. <ul style="list-style-type: none"> – S-1701 placed a 2.5% cap on increases in total school revenue (property tax, state funding, federal aid), enabling property tax levy increases to make up for flat or reduced state aid 	<ul style="list-style-type: none"> • To become effective 2010-2011 • Permanent (no expiration)
ALLOWABLE PROPERTY TAX INCREASE	4%	2%
BASIS	Previous year's school tax levy, <i>adjusted for enrollment increases and debt service</i>	Previous year's school tax levy, <i>adjusted for enrollment increases and debt service</i>
OTHER ADJUSTMENTS	<ul style="list-style-type: none"> • Reduction in state aid • Health benefits cost increases • Pension cost increases 	<ul style="list-style-type: none"> • Health benefits cost increases • Pension cost increases • Emergency situations (does not apply to school districts)
COMMISSIONER OF EDUCATION WAIVERS	<ul style="list-style-type: none"> • Inability to meet state core academic standards • New school start-up costs • Appropriation of non-recurring revenues • Cost increases above 4% for the following: <ul style="list-style-type: none"> – Energy – Capital outlay – Extraordinary special education costs – Tuition (sending-receiving, vocational) – Insurance premiums • Failure to meet NJQSAC • Student Health and Safety 	<ul style="list-style-type: none"> • Inability to meet state core academic standards as indicated in NJQSAC review.
SECOND QUESTIONS	Supermajority (60%) of participating voters may approve question to spend above cap for specific purposes not related to the provision of a thorough and efficient education.	<i>Simple majority</i> of participating voters may approve question to spend above cap for specific purposes not related to the provision of a thorough and efficient education.
CAP BANKING <i>(Application of "unused" portion of district's current-year cap to future years' tax levy increases.)</i>	Not permitted	Allowed



Is Your District Feeling the Squeeze?

Whether your district is self-represented or uses the services of a professional negotiator, NJSBA's bargaining conferences will help your board negotiate more effectively.

Negotiate Effectively in Tight Times

Preparing for Bargaining

Saturday, September 11, 2010

9:00 a.m. - 4:15 p.m.

RWJ Hamilton Center for Health & Wellness

This fast-paced program will guide you through the preparation activities and legal framework critical to effective bargaining. Topics include:

- The Board's Obligations and Rights
- The Roles of the Bargaining Team and the Board
- Costing Out the Current Agreement
- Developing Board Proposals

Academy Credits: 2

Core Area for CBM: Labor Relations

Core Area for MBM: Labor Relations

Intermediate Bargaining

Saturday, September 25, 2010

9:00 a.m. - 4:15 p.m.

RWJ Hamilton Center for Health & Wellness

Learn what happens at the bargaining table; what to expect and how to respond. Topics include:

- The Mechanics of Bargaining (ground rules, timing, procedures)
- Analyzing Union Demands
- Using Comparative Data
- At-the-Table Techniques
- Impasse Procedures

Academy Credits: 2

Core Area for CBM: Labor Relations

Core Areas for MBM: Labor Relations, School Law



The 2010-2011 \$2000 NJSBA Service Credit may be applied towards the Bargaining Programs. Visit www.njsba.org for more information.

To register, fax the coupon below to (609) 278-5280. For more information, please call the Labor Relations Department at (888) 886-5722, ext.5219.

Cancellation Policy: Cancellations made up to 10 working days prior to the program date will be refunded the entire registration fee. Cancellations made between 10 working days and 72 hours of the program date will be charged \$25. Cancellations made within 72 hours and no shows will be charged the full fee. For possible cancellations due to inclement weather, call (609) 392-2000.

The school district accountability law places travel restrictions on school board members. Advanced travel approval is required. For details, visit www.njsba.org/accountabilityact/

Please register me for the following **Bargaining Conferences:**

Preparing for Bargaining

Saturday, September 11, 2010 @ \$125 (\$250 for non-members)

Intermediate Bargaining

Saturday, September 25, 2010 @ \$125 (\$250 for non-members)

Do you wish to apply your service credit? (Applies to regular member school districts only) Yes No

Payment enclosed Bill Board (P.O. must accompany registration form)

NAME: _____ TITLE: _____

DISTRICT: _____ COUNTY: _____

ADDRESS: _____

PHONE: (h) _____ (b) _____

FAX: _____ E-MAIL: _____

If you wish to be billed and a voucher is required for your records, please send it with your registration to avoid duplication.
Travel directions will be provided when your registration is confirmed.

Tool No. 34: Superintendent Salary Cap

A new addition to Gov. Chris Christie's toolkit would limit salaries for new superintendents, as well as for current chief school administrators upon expiration of their contracts.

Announced by Christie and Commissioner of Education Bret Schundler on July 15, the proposal would align the salary cap with district enrollment. (See chart below.)

Student Enrollment	Maximum
0 - 250	\$120,000
251 - 750	\$135,000
751 - 1,500	\$150,000
1,501 - 3,000	\$165,000
3,001 - 10,000	\$175,000
Over 10,000	Subject to separate rules developed by the Department of Education

Source: Office of the Governor

In addition to earning a base salary within the limits, a superintendent serving a district with at least one high school would receive an additional \$2,500.

For "shared superintendents," those serving as chief school administrator in more than one distinct, the proposal would base the maximum salary on the total student enrollment of all districts served. It would also provide shared superintendents with a \$5,000 increment for each additional district they manage.

Newspaper accounts indicate that the proposal would be implemented through state Board of Education regulation, rather than legislation. According to a *Star-Ledger* article, Commissioner Schundler said that the caps would also apply to other central office administrators, who have not yet earned tenure; central office administrators with tenure would have their salaries frozen if they exceeded the maximums. The limits would also apply to interim superintendents.

Current Salaries Statewide, 366 superintendents currently earn more than the amount permitted by the new salary cap, according to the state Department of Education. In districts with more than 1,000 students, superintendents currently

earn an average of \$192,764; those serving districts with fewer than 1,000 students earn an average of \$152,764.

"The Christie proposal brings superintendent salaries in line with district needs by cutting 'out-of-classroom costs,'" reads a statement on the governor's website. The administration estimates that the plan would result in annual statewide savings

of \$9.8 million.

Quality Leadership "The role of the board of education is...to ensure quality school leadership," said Marie S. Bilik, NJSBA executive director, following Thursday's announcement. "We will analyze the governor's proposed salary caps from that vantage point.

"Obviously, major changes in compensation could affect the pool of qualified chief school administrators available to New Jersey school districts."

County-Level Enforcement Under the proposal, "[s]chool boards would not be permitted to increase a superintendent's base pay (for example, with longevity increases) beyond the salary caps," reads a description posted online by the administration.

"Additionally, no superintendent contract that includes a compensation package above these salary caps could be extended; at its expiration, the new compensation package of the superintendent would need to conform to this new policy."

"As with all elements of superintendent contracts, the Executive County Superintendents would review and approve superintendent salaries to ensure that they adhere to this policy."

Merit Bonuses The plan would also provide non-pensionable bonuses based on criteria related to student performance.

- The Department of Education would provide school boards with a list of state-approved quantitative and qualitative merit criteria. With executive county superintendent approval, boards could add one district-developed criterion.
- From this list, boards would choose five criteria (three quantitative and two qualitative).
- Executive county superintendents would assemble the data used to determine if the superintendent met the criteria.
- Districts would reward superintendents with an individual-year merit stipend equal to 3.33 percent of base salary for each quantitative performance criterion achieved and 2.5 percent for each qualitative performance criterion achieved.

NJSBA supports the concept of merit-based bonuses tied to educational goals, noted Executive Director Bilik. "We advise school districts to establish such goals for their superintendents. It's a critical part of the evaluation process," she explained.

Administrative Costs While salaries of some individual superintendents have gained public attention, U.S. Department of Education statistics show that, in New Jersey, administrative spending (as a percentage of total expenditures) is lower than that of the vast majority of states.

The department's National Center for Education Statistics indicates that New Jersey administrative spending is lower than that of 42 other states. The state's public schools direct 9.5 percent of current expenditures toward central-office and school-level administration, as compared to a nationwide average of 10.8 percent. At the same time, New Jersey public school's spending on instruction and student support services (71.9 percent of total expenditures) is higher than the nationwide average. 🍏



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Training Session on Emergency Planning for Schools

The New Jersey Office of Emergency Management (NJOEM) will offer a training session, “Multi-Hazards Emergency Planning for Schools,” on August 12 and 13. The training is designed to provide participants, including school personnel, elected officials and school board members, with the knowledge needed to develop emergency operations plans for schools. Among the topics covered: planning, safety, post-disaster operations, and the psychological effects of disasters.

The training will be held at the New Jersey State Police Troop “C” Headquarters in Hamilton, and is free. For additional information, contact the Field Training Unit at (609) 963-6962, or by e-mail at ftu@gw.njsp.org.

Toolkit

continued

local boards of education over the next several months. As the process unfolds, the Legislature will be soliciting public input from all interested parties. The participation of local board members is

crucial. In addition to questions about current proposals, board members are encouraged to suggest cost-saving ideas, either through the Association or directly to their legislators. 🍏

C A L E N D A R



August 11

▶ Learn@Lunch: “Workshop 2010 Overview,” online, www.njsba.org/learnat-lunch/, scroll down to August 11, click on the link to register for the program, 12 p.m.– 12:45 p.m.

▶ Denotes pre-registration required

Superintendent Salary Cap
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