

Public Hearing

before

SENATE EDUCATION COMMITTEE

"The Proposed Excessive Administrative Penalty Program"

LOCATION: Committee Room 8
Legislative Office Building
Trenton, New Jersey

DATE: February 21, 1995
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator John H. Ewing, Chairman
Senator Joseph A. Palaia, Vice-Chairman
Senator Robert J. Martin
Senator Gordon A. MacInnes



ALSO PRESENT:

Darby Cannon III
Office of Legislative Services
Aide, Senate Education Committee

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, CN 068, Trenton, New Jersey 08625





New Jersey State Legislature

SENATE EDUCATION COMMITTEE
LEGISLATIVE OFFICE BUILDING, CN-068
TRENTON, NJ 08625-0068
(609) 984-6843

NOTICE OF PUBLIC HEARING

The Senate Education Committee will hold a public hearing on the following subject:

"The Proposed Excessive Administrative Penalty Program"

The hearing will be held on Tuesday, February 21, 1995 at 10:00 AM in Committee Room 8, Legislative Office Building, Trenton, New Jersey.

Persons wishing to testify should call Mary C. Lutz (609) 984-6843.

Issued 02/14/95

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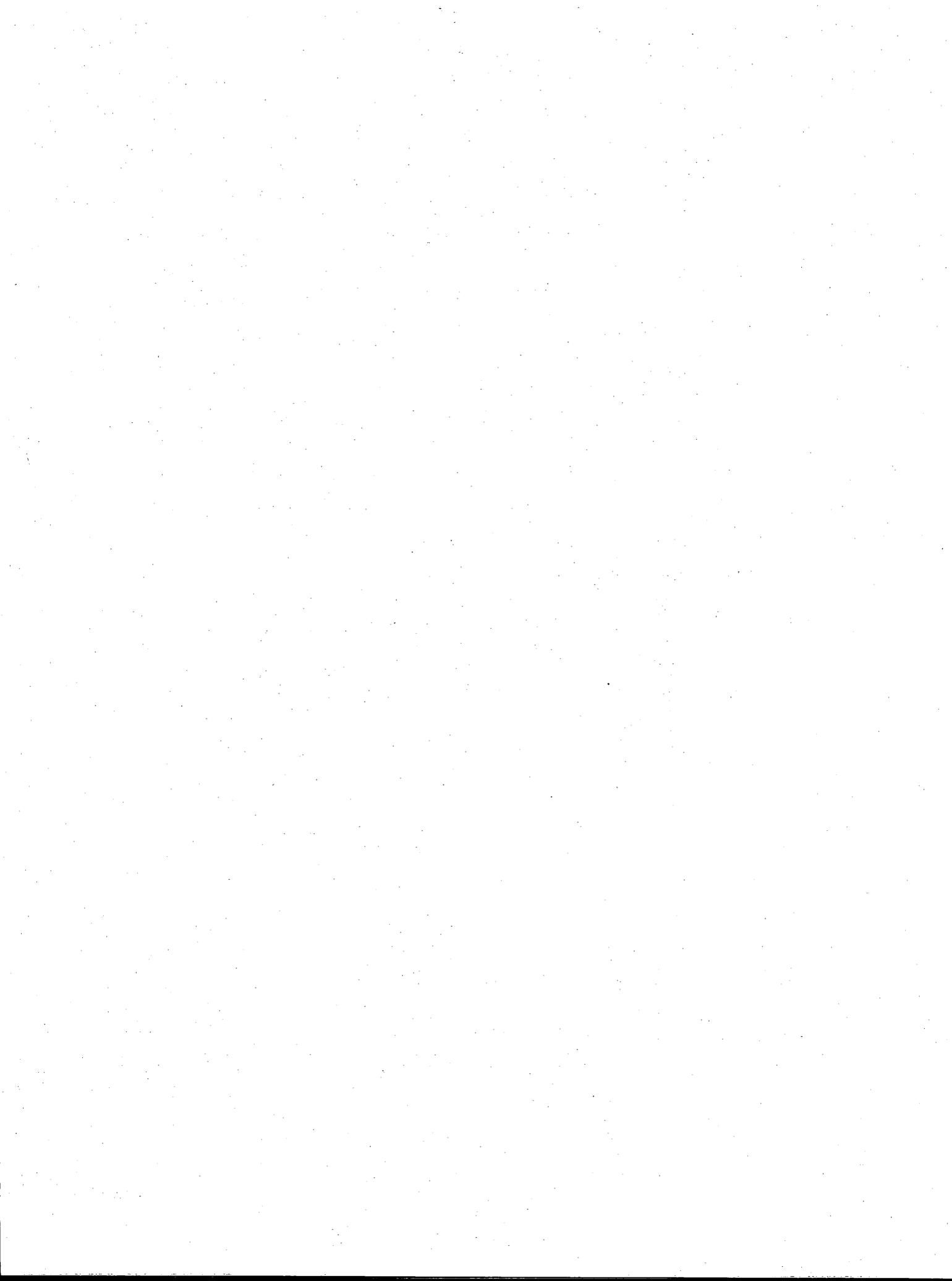


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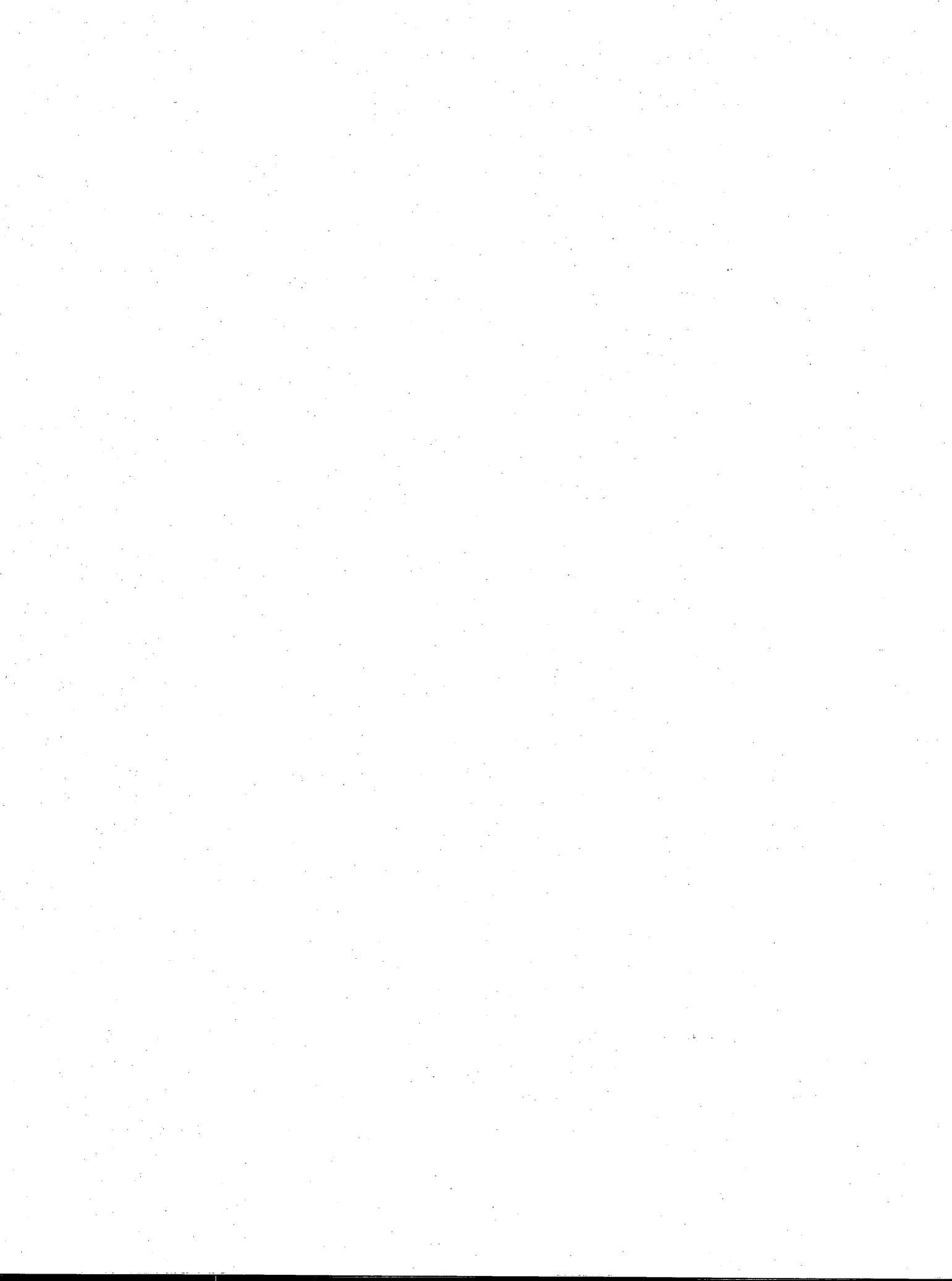


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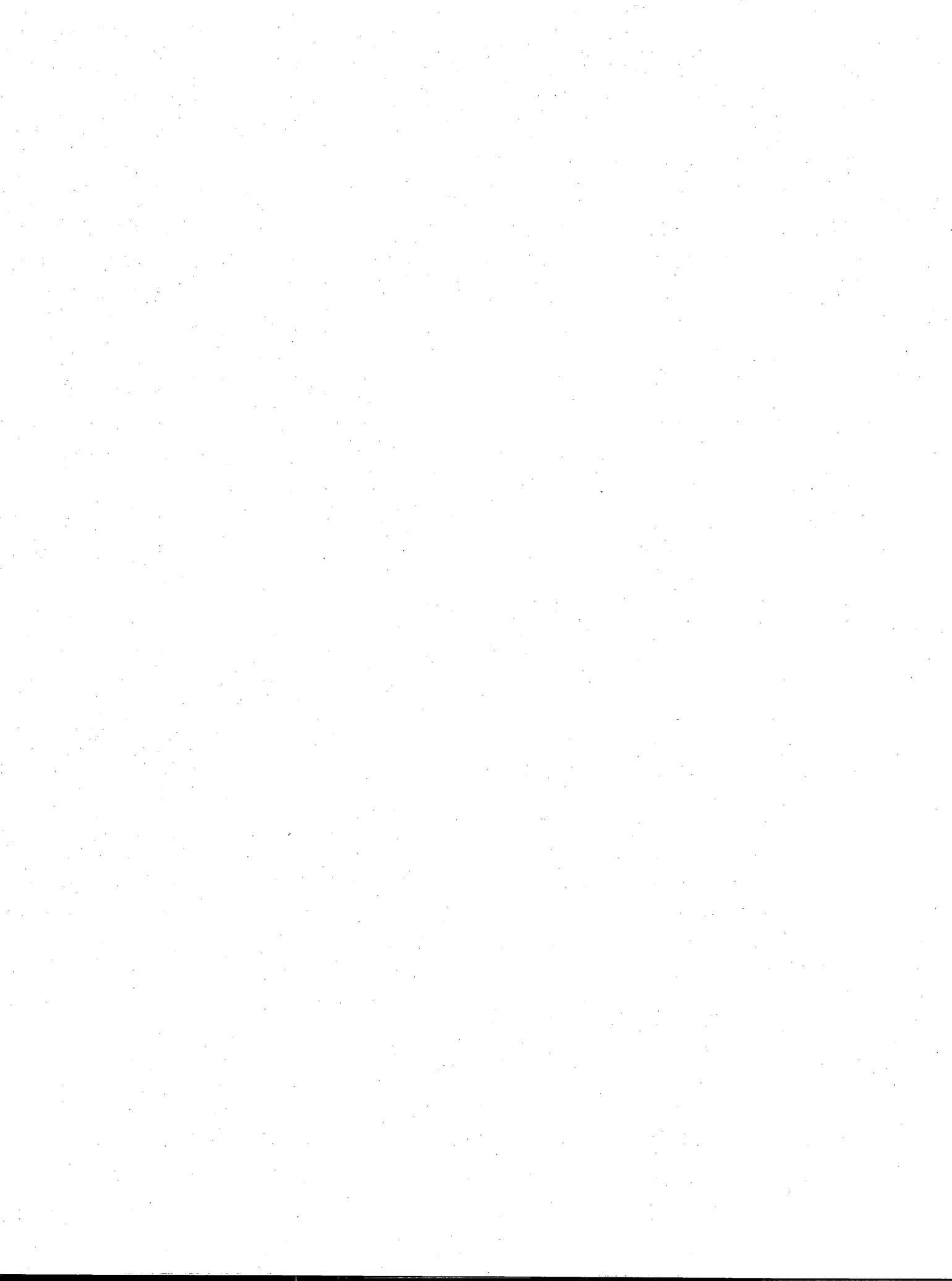


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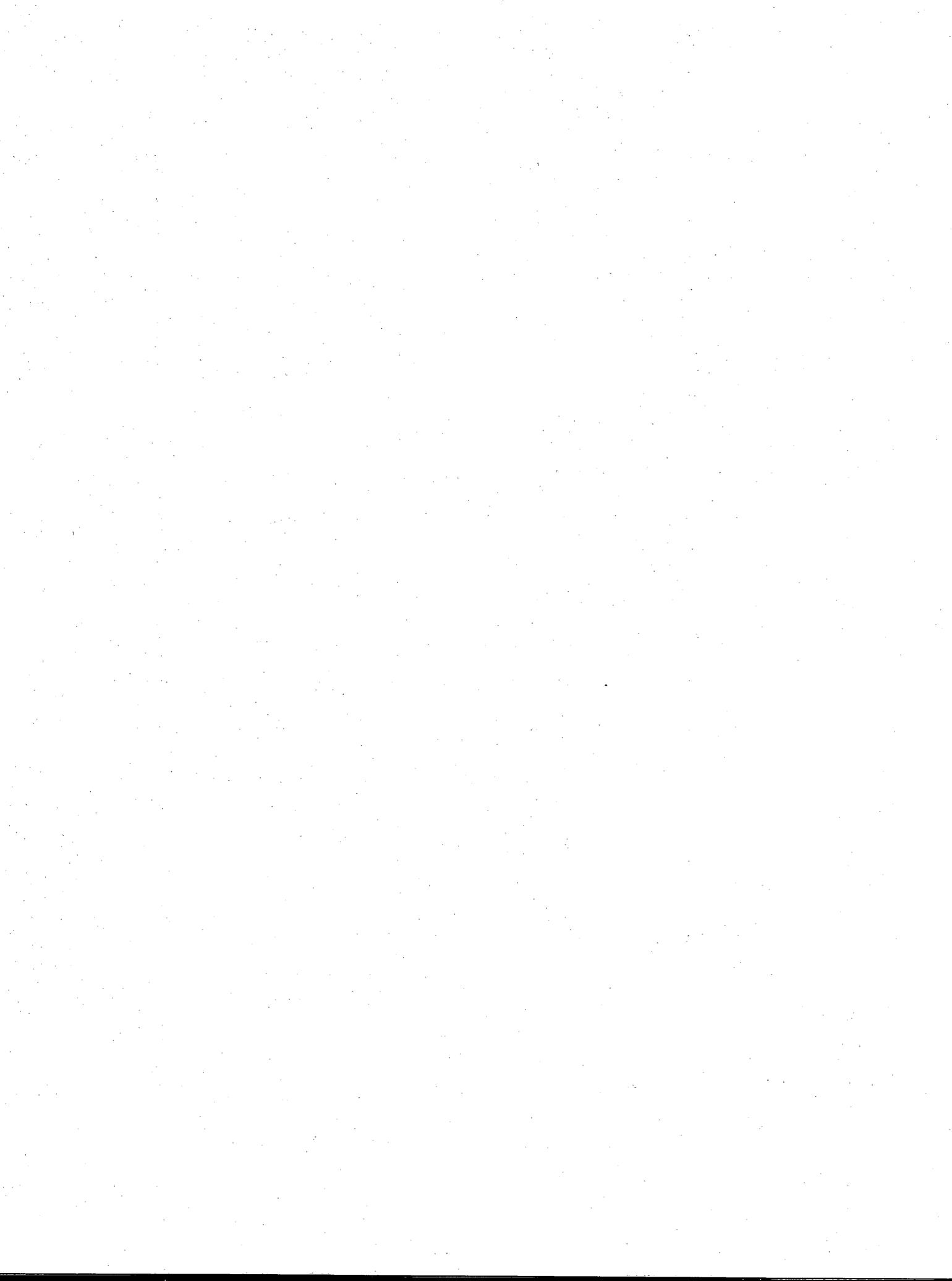


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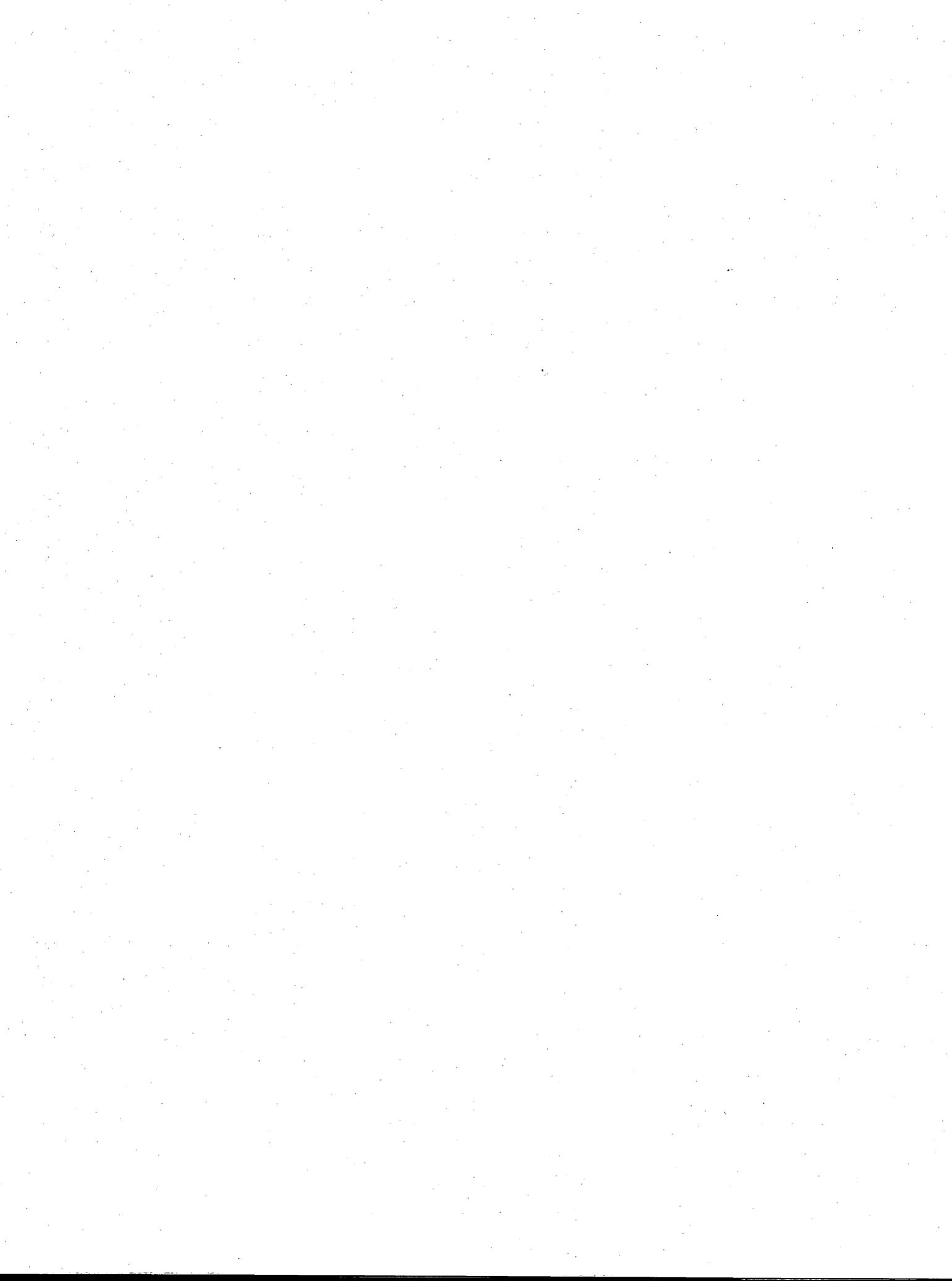


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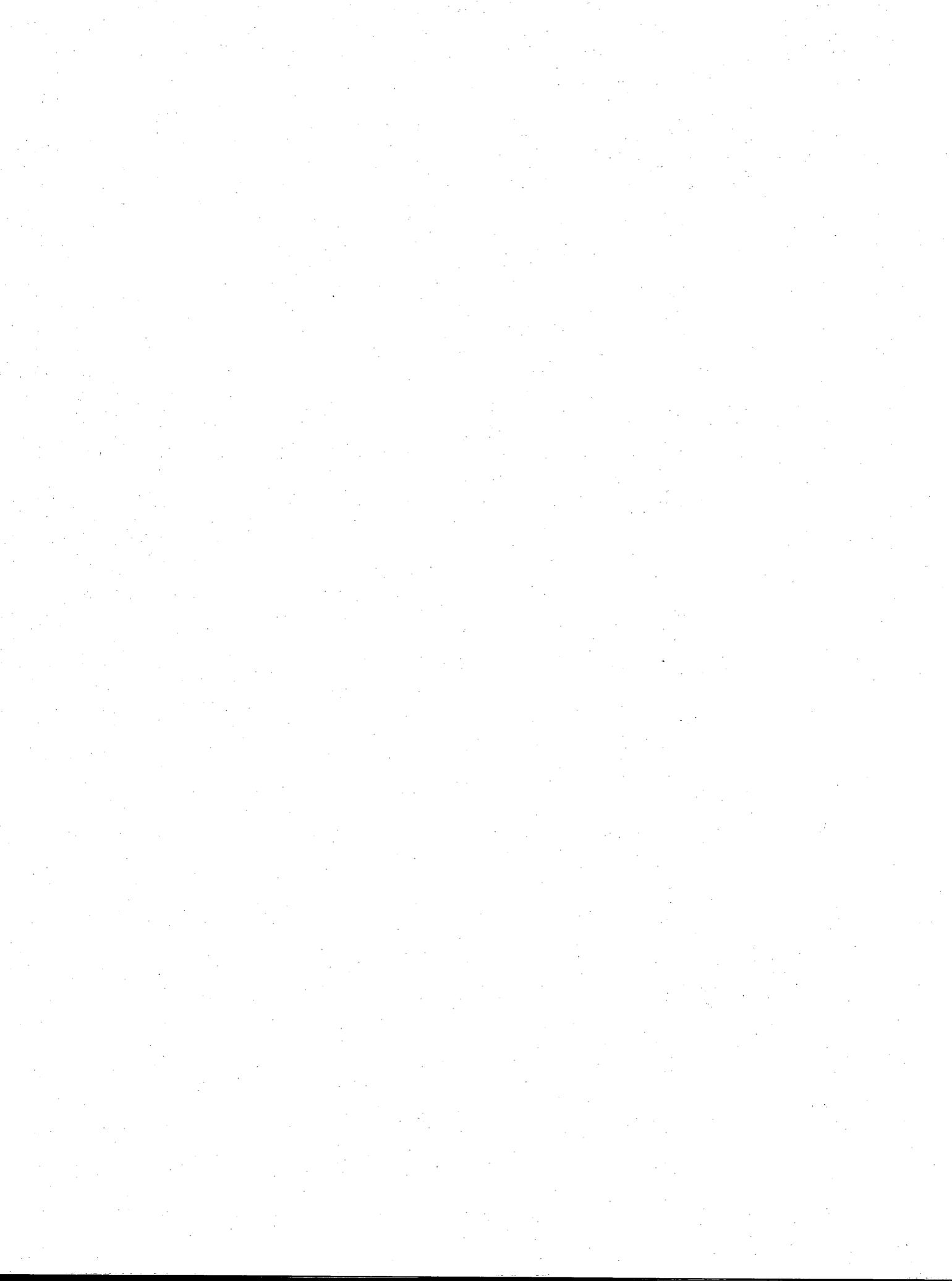


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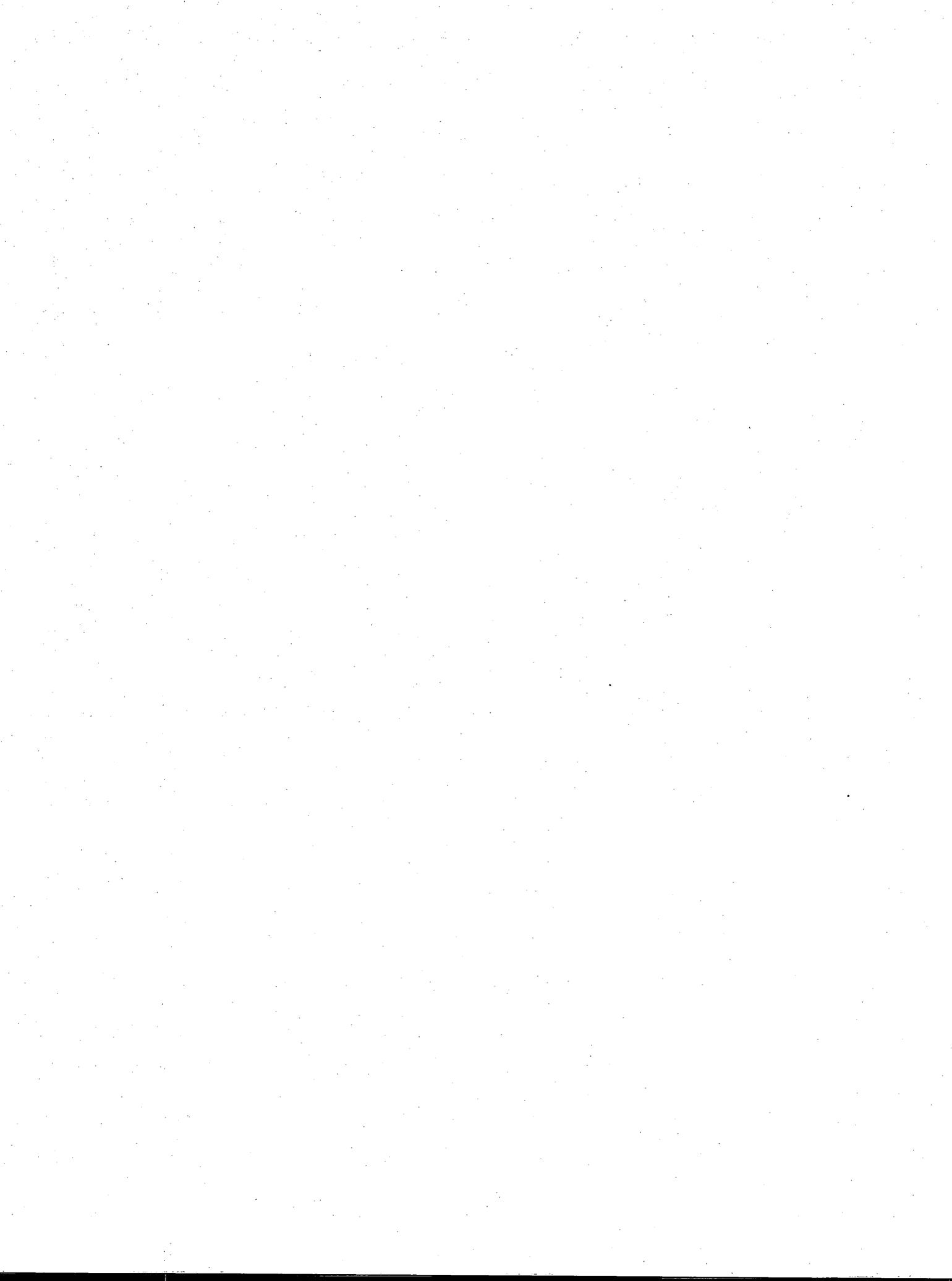


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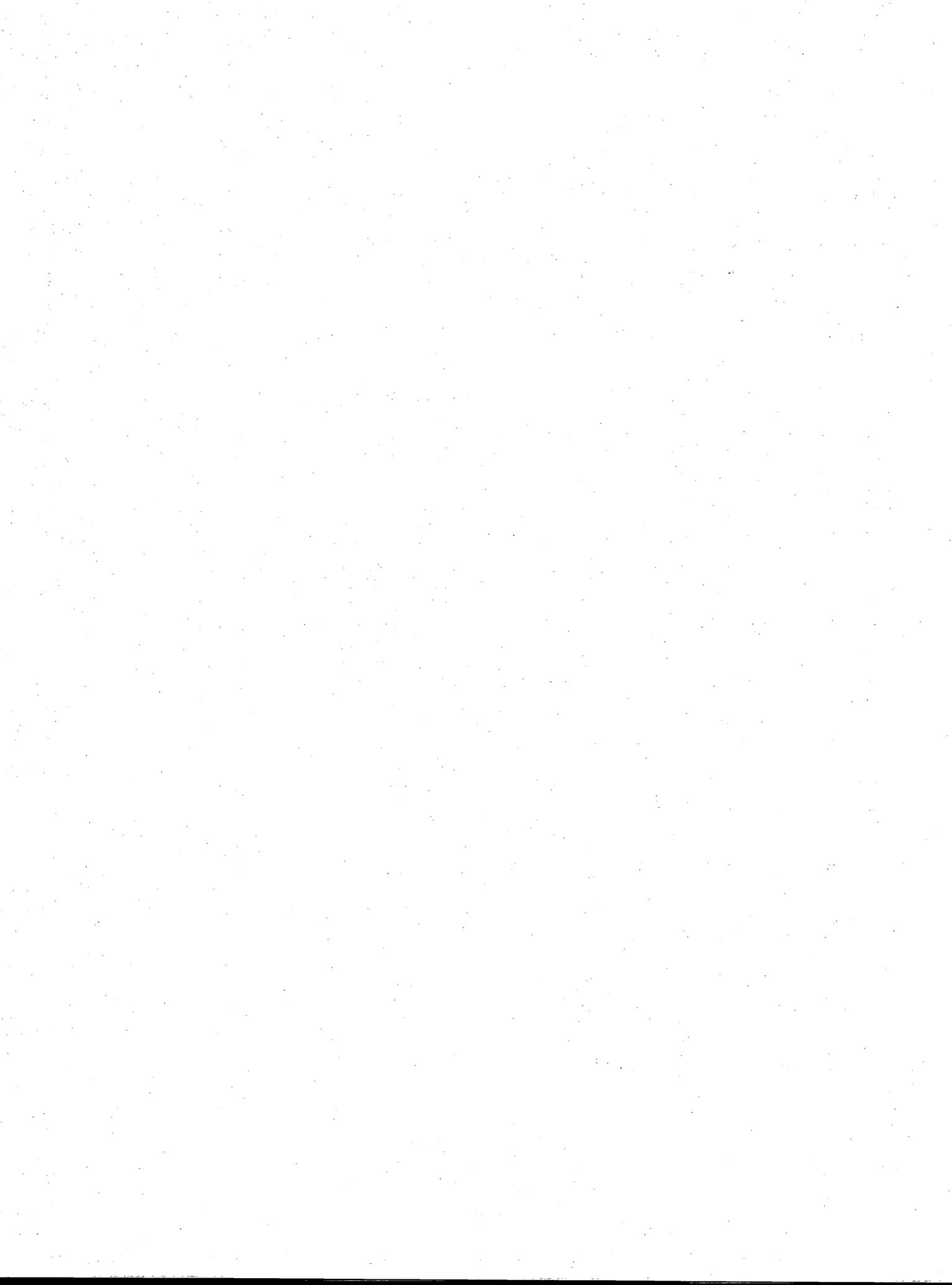


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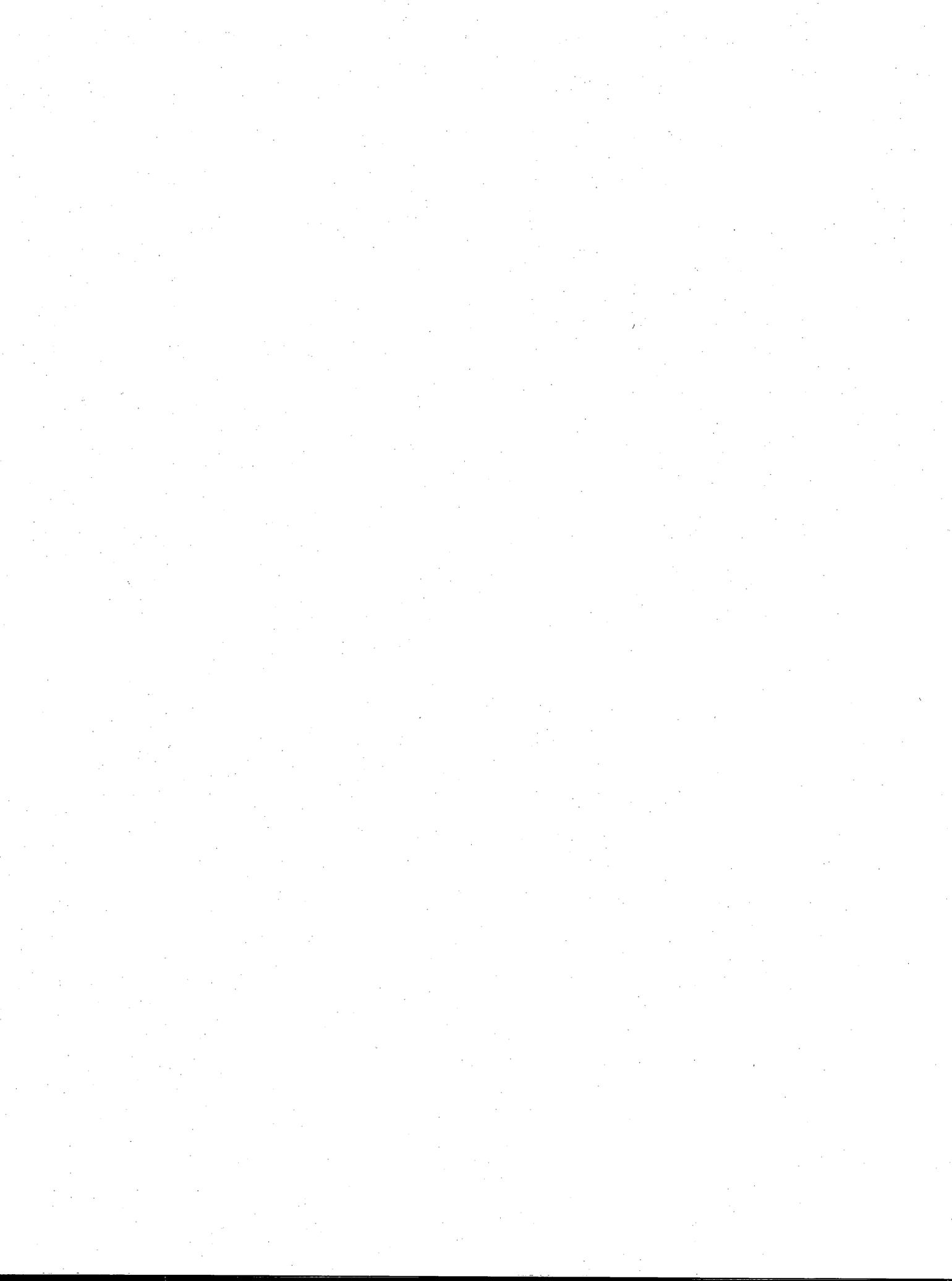
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SENATOR JOHN H. EWING (Chairman): Good afternoon, everybody. I'm sorry for the late start. Will you all take your seats, please? As we run our Education Committee hearing, remember that any conversations should take place outside the room, please. It is very disrespectful for those speaking and for those trying to listen if there are other conversations going on.

I want to begin today by stating my unequivocal support for the administration's effort to encourage school districts to cut the administrative fat from their budgets. The time has come for an aggressive remedy to unbridled spending in the local school districts.

The Governor and Commissioner Klagholz should be commended for trying to reduce noninstructional costs in New Jersey's public schools. I could not agree more in the acute need for directing more funds into the classrooms. However, I and others have serious reservations regarding the penalty being suddenly imposed on these districts by the Department of Education. Specifically, it does not appear that ample warning was given to the districts, nor was the Department's criteria fair and equitable.

Some penalized school boards have complained that they were not notified by the Department that such penalties would be levied, and that this spontaneous act was not representative of the Department's earlier definition of noninstructional costs. Certainly, the fluctuating definition of administrative costs has made any attempt by the districts to prepare for this penalty difficult, if not impossible. I personally wondered, as soon as the list was unveiled, whether the list of items considered noninstructional was too broad.

For instance, libraries were targeted in the program's criteria. I consider a school's library a truly vital component of the learning process. It is certainly an extension of the classroom. Yet, if a school district employs

an excessive number of libraries, such a penalty may be warranted.

We need to be clear where the line should be drawn. This Committee will take a careful look at the administrative Penalty Program proposed in the Governor's budget. In addition, many penalized school districts will give their view, which I doubt will be too flattering. Hopefully, the Department of Education will offer its defense of the program and its timing in the near future.

I think we all agree that a program to control administrative and other noninstructional costs would serve New Jersey's taxpayers well. The time has come for a reevaluation of how school districts are spending their money. We must be confident that the school districts are directing the lion's share of their funds where they belong, to the children. The information gathered at this hearing will help us to decide whether the Proposed Penalty Program should be delayed a year or if it needs to be fine-tuned.

I would also like to say that I am extremely disappointed that the Commissioner could not find the time to come today to this hearing. He attended the bilingual one of the Assembly Education Committee, but evidently has some appointment in New York City. I think this is of utmost importance, and it is unfortunate that no one from his staff, or he, is here to actually speak.

We would like to start with our first witness, Senate President Don DiFrancesco.

SENATE PRES. DONALD T. DIFRANCESCO: Thank you, Senator. I feel as if I am a million miles away from you here. I don't know why we have these tables here.

SENATOR PALAIA: It is a protection, Donny. It's for the protection of us up here.

SENATE PRESIDENT DIFRANCESCO: For those of you in the room, I do not make these kinds of decisions, so don't blame me.

I want to thank the members of the Committee for being here today at my request. I sent a letter to Senator Ewing, asking him to have a hearing on this Program.

I think it is imperative, as legislators, particularly since over the next few months we will be reviewing the budget and obviously, in particular, the budget as it relates to municipal and school aid, that we take a closer look at a Program that I don't think very many legislators, if any at all, know anything about, at least as of this moment. Certainly, when this Program was announced to the newspapers, we knew nothing about it, other than the fact that it was a Penalty Program.

This is a Program that exists for the first time as I know it, in all the years I have been here, that, quoting the Department of Education, "will penalize school districts that have spent more than 30 percent above the State average for similar districts, on noninstructional staff and materials." As Senator Ewing has said, I'm sure we could all suggest that such a program, or something similar to it, a program that either penalizes inefficiency or rewards efficiency, has a lot of merit. I don't think we could disagree with that. It is probably something we have said from time to time over the years that we should have, not only with respect to school districts, but even with municipalities, where we are giving a lot of municipal aid.

There should be programmatic checks and balances on any system that costs \$12 billion, which is the cost of our education. Of course, we have all read that we spend, per pupil in New Jersey, more than any other state. I know people in other states can't understand how we spend so much per pupil. I don't think it is unreasonable for a school district to account for the money it spends, in or out of the classroom. Accountability, apparently, is the intent of this Penalty Program. Certainly, I would encourage you to look at a

more permanent, formalized mechanism for ensuring accountability by way of legislative initiative.

I say this, however, with a caveat: Before we codify a plan, we must be clear on how and if such a program can work, or how it works. The intent is certainly laudable, but its development and its implementation this year may not be without flaws, to say the least.

It was pointed out in an newspaper article I read, that I represent, in my legislative district, districts that are penalized. Now, this is the third legislative district I have represented in all the years I have been here -- in the '70s, the '80s, and the '90s. I am not concerning myself with any particular district. That may not be believable, but it's real. What I am concerned with is being fair and equitable about how we administer a program, explaining it to the people who are going to implement the program, or vow to go along with the program before they are penalized. I mean, I think this is totally a very surprising situation, where it is announced to the media that there will be a Program penalizing school districts before the legislator who perhaps represents the district, or the superintendent who is employed by the district, is even aware of it.

I don't think we have seen too much of that. I think it is something we have all criticized from time to time, so therefore, when it happens, we ought to scrutinize it, we ought to question it, we ought to find out why it happened this way.

Now, there has been, apparently, some notification or talk about 70 school districts being penalized, which would, perhaps, bring a label of the "worst" and "most inefficient school districts." At least that is the way it appears with the Department of Education releasing this information. I do not believe that is so. I am concerned when schools are labeled as "wasteful" on the basis of criteria that may not have been correctly identified or calculated. So I think that

in the interest of the students, of the taxpayers of the schools, we have to ask some very hard questions.

For example, is it true that schools are being penalized for employing individuals who provide State-mandated services, including librarians, nurses, and child study teams, as Senator Ewing has already pointed out? Is it true that the formula used to calculate costs unfairly generates higher per-pupil costs for low-enrollment districts? I will pick one of the districts I represent, Winfield Park, where the average value of a house is \$12,000, which serves approximately 125 students. They are being penalized. I wonder how, or why. All the focus has been on Livingston, Millburn, and some of these other districts, but Winfield Park is being penalized. No one yet has told me why.

I believe -- and I do not know if it is accurate -- that one district is being penalized, and they have one administrator, or they were on the list. Now, I do not know how accurate that is, but I heard that through someone. Why?

I also believe we have to ask hard questions about the retroactive nature of this penalty.

* Wouldn't better results have been achieved, more fair results, if schools were first given the opportunity to comply with a set of standards?

* Should taxpayers -- because they are the ones who must foot the bill in the end -- have been given some advance notice that they would be responsible for these penalties through higher property taxes?

* What does the State tell taxpayers in towns like Livingston -- and I do not represent Livingston -- where the cost of penalties will require an increase of more than 30 tax points? Not everyone in Livingston is wealthy.

Now, I received, subsequent to reading about this Program in the newspapers, an explanation of some kind from the Department. I will reiterate what Senator Ewing said. I am

disappointed that the person who put this Program together is not here, whoever that person is, to explain to you the details of the Program, and to talk about it, really, to find out how we can perhaps get this in the right direction and be positive about everything.

One of the statements in the question and answer "School Efficiency Program," as they entitle it, on the first page that I received, is-- In talking about how much money these districts spend -- and let's talk about Livingston, for example-- The last sentence in the third paragraph says, "Yet, because public education is funded partly by State taxes, citizens in other communities throughout the State must pay part of the bill when a particular district spends excessively."

Now, I do not know who wrote this, but I know that is about the most absurd statement I have ever heard. You tell that to someone in Livingston who is paying a lot of taxes to the State of New Jersey and getting 4 percent of their budget back from the State in terms of aid-- If we looked at the amount of taxes that Livingston sends to Trenton and the amount they get back, I assure you they send a lot more than they get back. To say that other communities are subsidizing these 70 districts is very much a ridiculous, absurd statement, obviously not thought out very well, but it intended to defend, in some way, this Program through the use of the media.

I think I have said enough. I know you could probably raise lots of other questions about this Program. Obviously, looking at the room, there are lots of other people who would like to speak to the Program, whether they are venting, whether they have legitimate questions, or whatever the case may be. It is your role, as a Committee, to hear everybody on the Program. I wish we could have done this before the Program was announced, because I think we would have a Program that was put together better, that people could support together through cooperation, and that is not what we have here.

I reiterate that my only goal is to see that this Legislature understands what the State of New Jersey is doing with this Program, understands what the criteria is, and if there is some problem with it, rectifies it and corrects it.

I want to thank all of you, again, for being here today.

SENATOR MARTIN: I don't have a question, it is more--

SENATOR EWING: Do you want to make a statement?

SENATOR MARTIN: Yes, I do. The Senate President talked about venting. Before we have others vent, I just want to vent briefly: My district is the most impacted district in the State, the 26th Legislative District. I do not represent Livingston, but I represent communities like Livingston that have raised the same kinds of issues, I think, in a very reasonable way. The Senate President has raised some of the questions.

I would ask that those who will be speaking focus on one of the things that has concerned me, the lack of notice. We are moving in a direction for administrative efficiency. Giving districts a chance to have some notice, where they might be able to provide more efficiency, is an issue, at least an issue that I want to hear about. I want to know, when we talk about what administrative efficiency and waste are-- I would really like to hear from those who are speaking whether this noninstructional formula, as it has been presented, primarily through the news media, is one that needs greater tailoring. I have heard complaints, and I know you have, Mr. Chairman, about some of the areas that really do provide for quality instruction.

I am also concerned about something that the Senate President did not mention; that is, performance. My understanding of many of the districts in -- the school districts in my legislative district, and the 70 in general, is

that they are districts that have performed way above the norm by various measurements.

I have three daughters in the public schools, two in Morristown High School, one in the Morris Plains School District. Both have been targeted as being in this special category. That may be so, but I also know that last year Morristown High School was selected by "Redbook" magazine as being the best school district in the State of New Jersey, for a lot of different reasons. I am pleased with the quality of education in Morris Plains. If those districts have problems with their administrative efficiency and we are going to penalize, should we be looking at whether performance would justify some offset? I have heard that with other districts as well.

Finally, I would like to hear, also, about another point that the Senate President raised; that is, where it has been announced that somehow the taxpayers are subsidizing the school districts, to my knowledge, almost every one of our communities has provided a lion's share of subsidization, or subsidizing for other school districts. I don't think we have gotten regrets, but when we get besmirched by the fact that somehow these districts are waiting and getting the State's largess for their own finances, when essentially they have been cut year after year, as far as in the transition period, I think that is a whole serious falsehood that needs to be explored.

The last point -- and Don touched upon it -- some people never get this message. There will be tax consequences if this is imposed as I understand it. Not everybody in Lincoln Park -- and I know the Superintendent is here today -- is wealthy; not everybody in Morris Plains is wealthy. There are some people who might be able to afford income tax increases for the sake of their school district, but just to blanket it and say that somehow affluence crosses over

throughout an entire legislative district and a school district, I think, is something that is simply wrong, and there will be pain if this is imposed.

If there is going to be pain, I think we need greater justification than we have heard. I, too, am very disappointed that no one will be speaking on behalf of the Department of Education to further justify this Program, with its short notice.

Thank you.

SENATOR EWING: Thank you.

Senator MacInnes?

SENATOR MACINNES: I agree with everything you said, Mr. Chairman, that the Senate President said, and that my colleague, Senator Martin, said, and I will not repeat it. However, I think the last point bears on this. Here we are with an extraordinarily important hearing being called on a Program that is, frankly, a great idea to target administrative waste. I think it is time to do this. I think we need to do it in a way that is thoughtful and effective. So the Department has this terrific idea which they have carried out in a totally ham-fisted way; a way that shows very little thoughtfulness and, I think, therefore will impair the effectiveness of it.

But now we are told, on this day when we are trying to get to the bottom of it, that the Commissioner of Education, who is responsible for this, has found that there is something in New York City that is more important than this Committee hearing on this question. I would like to ask the Chairman to find out from the Commissioner of Education just what it is in New York City that could not be rescheduled, so that he could be present today to defend a Program that requires a great defense.

We have a lot of questions that we are not going to be able to answer today, because the Commissioner is not here. I

am a little defensive about that fact. I would like to see the New York Giants play as the New Jersey Giants. I would like to see New Jersey get its fair share. I hate to see the Commissioner of Education telling this Committee, and you, Mr. Chairman, that his business in New York City is more important than the people's business here today. I find that outrageous.

I look forward to having these questions answered. But I would really like to ask, Mr. Chairman, that we find out specifically where the Commissioner is going to be in New York City today, so that he could not be here.

SENATOR EWING: Thank you, Senator MacInnes. We will find out what the important meeting was. He has given us, I think very kindly, 10 days on which he might be available to appear before our Committee. We will have to see whether we will hold another Committee meeting at his convenience, or at our convenience. That remains to be seen, but we will get the answer to that question. We will ask for it anyway, and hopefully we will get the correct answer.

SENATOR MacINNES: He's got a matinee performance.

SENATE PRESIDENT DiFRANCESCO: Of course, someone who--

SENATOR EWING: No, no, he was going there this morning.

SENATOR MacINNES: Oh, that's Wednesday, that's right. Matinees are on Wednesday.

SENATE PRESIDENT DiFRANCESCO: Of course, the person who put the Program together could also have been here, Senator Ewing. Perhaps whatever Assistant Commissioner or person could also have been here.

But let me just say, I did not address what Bob Martin was suggesting with regard to the outcomes for districts. I noticed in the newspapers, you know, that we get mixed signals from this Commissioner. I mean, are they more concerned about outcomes, or are they more concerned about the money they spend in districts? If they are concerned about results, then they

are penalizing districts with great results, is what Senator Martin's point is. Should we be more concerned with results? If that is the case, should there be a lot of other districts being penalized for not having good results?

So there are a lot of questions you can raise about what a Program should be that penalizes districts, as opposed, perhaps, to rewarding districts, when you are talking about outcomes. I notice that, you know, it is going to take nine months to figure out what thorough and efficient means once again.

I don't know that it takes that much time, but I hope they put more time into that than they have into designing this Program.

Thank you.

SENATOR EWING: Another interesting point is -- as I understand it anyway -- that three of the districts that are being penalized had budget appeals which had been approved. I believe their budgets had been approved, and suddenly they get penalized. I don't understand how that works either.

SENATOR MacINNES: Mr. Chairman, it is worth noting after what the Senate President said about the Department's effort to define anew thorough and efficient, that in their interim report, the model schools they describe have in them all of the services which they have labeled to be a part of excessive administrative costs: specifically, libraries, specifically child study teams, specifically school nurses. They are all included as what they consider to be the reasonable minimal program in every elementary school, every middle school, every high school in New Jersey.

It would be interesting to see how the Department justifies having those expenses included in something that they call "administrative excess," when they put it forward as the model for dealing with this complicated question of thorough and efficient.

SENATOR EWING: Senator Palaia?

SENATOR PALAIA: Thank you.

Just one brief point: You know, titles of bills in Trenton are very important -- the title of a bill. This is the greatest misnomer I have ever heard in my entire life. It says, "Administrative Penalty Program." We are not really talking administrative penalties here. We are talking an overall system, as said by my colleagues here today. So the title "Administrative Penalty Program"-- Initially, the antennas go up and the first thing you think of is, "We have too many administratives in the building." Is that what we are dealing with? The answer to that is not even close. They are not even close to having too many administrators in the building. What we are talking about is what you are hearing here.

But I think it is time that we heard from all of you. I think, Mr. Chairman, that this Committee deserves a great deal of credit, because when there is an issue like this, we come together, we meet, and we listen to what has to be said.

I thank you.

SENATOR EWING: Thank you.

Now, to get this show on the road--

SENATOR MARTIN: Oh, I thought that was it.

SENATOR EWING: Mr. James Murphy, New Jersey Association for Public Schools -- NJAPS. Is he here?
(affirmative response)

I would also appreciate the districts, when they appear, if there are several people from the district, that they all come up. We have quite a few chairs there -- all come up at one time.

As I understand it, Mr. Murphy is going to be speaking for all of NJAPS. Correct?

JAMES MURPHY: Yes, I am, Senator.

Good morning, Senator. I am Jim Murphy, the Executive Director of the New Jersey Association of School Administrators, and spokesperson today for the New Jersey Association for Public Schools, known as NJAPS, which includes my Association, the New Jersey School Boards Association, the New Jersey Congress of Parents and Teachers, the New Jersey Association of School Business Officials, the New Jersey Education Association, and the New Jersey Principals and Supervisors Association.

At the outset, I would like to say that NJAPS is committed to a collaborative process identifying successful practices which will make the operation of public schools more cost-effective, without the leveling down of educational opportunity or services.

Today, we are here to ask for legislative relief from the imposition of administrative penalties recommended by the Department of Education and contained in the Governor's recommended budget. These penalties are based on a completely new definition of administrative costs never before used by the Department of Education. We believe that the process utilized to reduce State aid entitlements is extremely unfair, and that the criteria are seriously flawed.

Last year, the Department of Education released over one million State report cards to the parents and the public of New Jersey. The report card contained a definition of school administration. Without notice to the general public or the educational community, or the Legislature for that matter, the Department has implemented an administrative penalty based on a new definition of administrative costs, and based on budgets using the original definition and approved by voters in the penalized districts.

Without a public hearing such as this today, there would be no way for the public or the media to know that the traditional definition had been altered. The initial news

reports were devastating to many school districts that had received numerous educational excellence distinctions over a period of years.

The new administrative costs formula includes librarians who teach, school nurses who instruct, guidance counselors who advise students, and learning disability specialists, social workers, and school psychologists required by law to assess the learning disabilities of potential special education students. In addition, teaching supplies, library books, and some clerical salaries related to the above positions are included.

Many of the staff positions included in the new definition of excess administration costs are required by the New Jersey Department of Education in order for districts to be certified under current State monitoring regulations or State law.

In March of 1994, the Department of Education certified the school budgets of the 70 penalized school districts as being in compliance with all State regulations. No mention was made of excessive costs criteria. Now, one year later, an unsuspecting group of school districts is being penalized retroactively. The school districts have been blindsided, and their reputations have been damaged.

Today, you will hear from a representative group of school districts affected by the sanctions. It is evident that these boards of education incorporate many sound business and educational practices in their districts, which State government should applaud, including shared service agreements.

After hearing their firsthand testimony today, we ask that the Legislature do everything in its power to have the sanctions proposal withdrawn, and that an open dialogue with the educational community commence to truly assess a fair definition of administrative costs, noninstructional costs, and their relationship to current State law and regulation.

Last Thursday, Governor Whitman received from Commissioner of Education Klagholz an interim report entitled, "Comprehensive Plan for Educational Improvement and Financing," and announced a very positive initiative to obtain input from the general public and educational community during the next eight months. A definition of fair administrative costs should be part of the debate. Only after the definitions are established through this process, and school districts given adequate notice, should sanctions be considered.

NJAPS requests that the Legislature ask the Governor to withdraw this untimely and unfair initiative in fairness to the 70 districts that have been placed in an impossible situation. With the budget process underway, immediate action is necessary. School districts must submit their budgets to the county superintendents by March 8.

I have attached to my testimony here today a summary of local district responses to a survey conducted by the New Jersey School Boards Association concerning the penalties.

I would like to ask Bob Boose to speak to the survey they took.

R O B E R T E. B O O S E, Ed.D.: Mr. Chairman, members of the Committee: What we did was work with the school administrators and local boards, and 56 of the 70 districts faxed and mailed a breakdown to us, item by item -- I think Senator Martin asked. You can see the attached, broken down in areas where there were false or wrong assumptions. I think what we have here is not excessive administration. I think what we have is an excessive definition problem. They have expanded the definition of "administrative costs" to include, as Jim said, those things that are vital to the classroom -- librarians and child study teams.

For example, Red Bank itself reported that the Commissioner restored, in his budget, money to put child study people into the budget. They did it, and then they got

penalized. I think you can see very nicely the way they have laid that out for you.

What has happened, from the reports that have come to us, is that it looks as though it was "ready, fire, aim." It was not "ready, aim, fire." That is the biggest problem here. We need to focus in on a whole system; we need a systematic approach. No one at this table is against looking at excess administrative costs. Our old Commission on Business Efficiency, chaired by Assemblyman Wolfe, did a report less than six months ago, and concluded that the administrative costs of New Jersey school systems was at 4 percent.

Now, if a district was at 10 percent, then I think that would be something we would want to look at. But we have already done some homework here. Your own Commission has done that. So I think we need to bring to the table the factual information, and try to make some sense out of this. Districts are having their backs against the wall with the budget process, so we underscore the fact that we need to have some relief.

On behalf of the New Jersey Association of School Administrators, I would just like to take about one more minute. What is driving this initiative has been the sound bite that New Jersey is ranked 49th in the country in the amount of money that is directly given into instruction in the classroom. I have before me a chart. One of our superintendents called the State Department about two months ago and asked for the chart. This was never made public to the school districts, but the superintendent, having heard this, called the Department and was sent a two-page chart and a four-page description from the National Center for Educational Statistics. We will be putting together more information on this, but for today I would like to say just a couple of things. By the way, this chart says 44th. Whether you are 44th or 49th, that is immaterial.

What's happening is the idea that the people of the State of New Jersey are getting from this. When you look at the chart, you find out that it is not 44th and number 1. Virtually all of the states in the United States are ranked within a 10 percent range. In New Jersey, for example, if we were to move up 1.9 percent more money for direct instruction in the classroom, we would be at the national average.

Also, the debate in New Jersey seems to be on instructional costs and noninstructional costs. Yet, this chart shows three columns. It shows "Instruction," "Support Services Directly in Support of Instruction," and it shows a third category "Noninstructional Costs." If you look at "Noninstructional Costs" in isolation, you will find that we are 15th in the country. We are 1 percent below the national average. So you can do funny things with statistics.

The superintendent who called me said, "Jim, if we were to move 1 percent, we would be 33rd. If we were to move 2 percent, we would be 24th. If we were to move 3 percent, we would be 18th." That is what happens, so I don't want the public-- I think it is a disservice to the children of New Jersey, the school districts, and the State itself, to have this sound bite going out. It sounds like you are down here and everyone is up here, when, in fact, everyone is in between. When you come to support services in New Jersey, support services in support of instruction, there are many good reasons for that, including our heterogeneous population of students and our aging school facilities, which are in support services. Heck, we have states that were not even admitted into the Union in the years of some of the schools that some of these children are going to in New Jersey right now -- and we are spending twice the national average, by the way, to maintain these facilities. That is in there, and that goes against us in this type of a survey.

So we are going to do a little more research on this, because it was never given to us formally, except if you called and asked for it. We will be back to this Committee. We are looking forward to an open dialogue in the months to come so we can assess the true costs -- a true definition of administrative costs that is fair and timely, and we will go from there.

I would be happy to answer any questions.

SENATOR PALAIA: Mr. Chairman?

SENATOR EWING: Go ahead.

SENATOR PALAIA: I think, Jim, you settled for these three words, "retreat and regroup." Wouldn't that be apropos right here and now? Retreat, regroup, and come at us again.

DR. BOOSE: Yes, and rethink.

SENATOR PALAIA: Rethink, whatever. There are too many "res" in there. But really, retreat and regroup, I think, is what you're saying, and I totally agree with that.

MR. MURPHY: We appreciate that.

SENATOR MacINNES: Just one question: Does your group have any-- There are districts that spend too much on administration. I mean, that is not-- I don't think anyone would quarrel with that. Does your group have any alternative approach, which is identified, for more cleanly recognizing, describing, and defining quantitatively those administrative costs, so that we could end up with a program that does address it? I think most of us think that the Program is--

MR. MURPHY: Gene has worked on this.

EUGENE J. KEYEK, Ed.D.: There is a relationship between the size of the districts and the administrative costs. So when you incorporate all of that information, as Senator DiFrancesco pointed out-- There is a small district. So if you look at the total budget and you have a required administrator in there--

SENATOR MacINNES: Right.

DR. KEYEK: --you are going to convolute that whole calculation. So one of the things you need to look at in terms of the small districts is, should their costs be incorporated into that calculation? Given the configuration of the districts in New Jersey -- K-6, K-8, 7-12, 9-12 -- we are going to have a divergence of calculations which really distorts that entire administrative cost picture.

SENATOR MacINNES: I guess that is a "maybe" answer.

DR. KEYEK: Well, no, we have that. That data was done by the Commission on Business Efficiency through the Eagleton Study. The Eagleton Study identified 48 school districts using a formula devised in California to compare administrative costs. Almost all of the 48 were K-6 or K-8 districts, because of the small size of their budgets and the costs of their administrations.

SENATOR MacINNES: How many of those 48 ended up on the list of 70, Gene, do you know?

DR. KEYEK: About 12.

SENATOR EWING: Thank you very much, Dr. Keyek.

SENATOR MARTIN: Mr. Murphy, may I ask you a question?

MR. MURPHY: Yes, sir.

SENATOR MARTIN: With your statistics nationally, did they factor in the cost-of-living criteria at all for areas like New Jersey?

MR. MURPHY: Not in the four pages I read. All they sent-- They faxed me the four pages and the two charts. I would have to check.

SENATOR MARTIN: It is fairly clear that we are not helped by the high cost of living in the New York/Philadelphia metropolitan area.

MR. MURPHY: That's true. That is part of the reason we spent so much on education, too, the high cost--

SENATOR EWING: Senator Schluter.

SENATOR WILLIAM E. SCHLUTER: Thank you, Mr. Chairman, and members of the Senate Education Committee. I commend you for having this hearing expeditiously to try to respond to a very important issue which is besetting many of our school districts.

I am not going to be long, but I do want to bring to your attention that there are three school districts that will talk to you today from Hunterdon County, which I represent -- Stockton, Bloomsbury, and Lebanon Borough. I know you will listen to them carefully.

Now, a characteristic of these three school districts is that they are all small. Stockton has 53 students. They have met with the legislators of the 23rd District to indicate their concern about this program. As the Chairman has pointed out, they have three major problems with this penalty:

The first is the fact that it came without warning. It was retroactive, so to speak. Second, the accounting on which these people are being penalized is really flawed against small school districts. We have a superintendent, business administrator, chief nurse, substitute teacher, librarian, and several other functions performed by one person in the Borough of Stockton, and you will hear from her later. These are all lumped into administrative costs.

SENATOR MARTIN: She is a superintendent and a substitute teacher?

SENATOR SCHLUTER: And everything rolled up into one. We have the same thing in Lebanon. She does substitute teaching.

SENATOR MARTIN: Does she do windows, too?

SENATOR PALAIA: No, but she gets six pensions.
(laughter)

SENATOR SCHLUTER: So I am here to plead on their behalf for you to consider early and decisive action to relieve them of this retroactive penalty.

Two additional points: First of all, these small districts are not asking for more aid. Some of them have come to me in the past, and said, "Gee, why do we only get 8 percent aid in Stockton?" My answer is very simple: "You are small; you choose to be small; and you do not enjoy the economies of scale." They are not arguing about that. But Stockton is going to be cut 5 percent of its budget because of this cutback in State aid, and they are concerned. It is patently unfair.

The second point: Our Governor has said, on several occasions, that the local property tax is collected and administered on a local basis and is not the State responsibility. But try to explain that to school boards and superintendents when you cut back on State aid and you have to maintain the programs. This means that property taxes are going to go up. To continue this Program, with the State presumably getting \$11 million in saved revenue, is going to, I think, put the lie to that particular position of our Governor, in the fact that property taxes are affected by State actions.

So I would urge you to reconsider and to proceed as rapidly as possible.

Thank you very much.

SENATOR EWING: Are there any questions? (no response)

Thank you.

Nathan Parker, Superintendent, Upper Saddle River. Are there any other individuals from Upper Saddle River? (no response)

NATHAN N. PARKER, Ed.D.: Thank you very much.

I should start off by saying that I feel like I am preaching to the converted, but it is not meant to be redundant. I will just keep my remarks brief. I also appreciate your pushing me somewhat to the front, because of a family emergency.

My name is Nathan Parker. I serve as Superintendent of Schools in Upper Saddle River, Bergen County, New Jersey.

We are a member of the Garden State Coalition, comprised of over 100 school systems. Upper Saddle River serves 940 K-8 students. Upper Saddle River was not penalized for so-called "administrative excess."

The so-called "Excessive Administrative Penalty Program" is misleading and destructive to public education. The policy, as some Senators have already pointed out, implies an overabundance of superintendents, assistant superintendents, principals, and assistant principals. Indeed, the overwhelming majority of school systems are continually working to find ways to achieve efficiency and excellence. For your information, last year, four K-8 districts -- Upper Saddle River, Saddle River, Allendale, and Ho-Ho-Kus -- completed a feasibility study to regionalize the K-8 systems with our separate high school district, Northern Highlands.

The study showed that contrary to conventional wisdom, a fully implemented regionalized system would cost more than the present structure. It is very counterintuitive to what you usually hear in the press, and frankly what I thought of when we commenced the study. Property taxes would go up in three of the four towns in the first year of implementation, and in the fourth town later in the implementation process. Regionalization does not automatically lead to cost savings.

Public education is being bashed by being depicted falsely as having huge bureaucracies and administrative bloat. Because daily medications -- and I am switching gears here -- can only be dispensed to children by school nurses, as mandated by the New Jersey Education Law, all schools must have daily access to school nurses. I ask rhetorically, do you think we should classify mandated nurses as administrators?

Power will come to those who can learn to access and utilize information. Librarians, who are really the new power brokers in our society, I believe, teach the students of New Jersey how to access and utilize information, whether from

books or on the "Internet," the information superhighway. Again rhetorically, do you think we should classify librarians as administrators?

The child study team identifies and places children who are handicapped in programs. Federal and State mandates drive this process. The majority of legal expenses in Upper Saddle River -- which was over \$50,000 just last year -- goes to disputes interpreting these mandates. Do you think -- again rhetorically -- we should classify psychologists, learning disability teachers, and social workers as administrators? And a fact that has not been mentioned in earlier testimony, do you think the legal expenses used to settle these disputes resulting from your laws should be classified as "administrative excess"?

The Upper Saddle River Board of Education, although not directly impacted in this particular case, believes Governor Whitman and Commissioner Klagholz are proposing policies misleading to the public and destructive to public education. Just as a metaphor, mixing 10 apples, 10 oranges, and 10 bananas, and counting them as 30 apples, makes as much sense as mixing 10 principals, 10 nurses, and 10 psychologists and counting them as 30 administrators.

Thank you very much.

SENATOR EWING: Questions? Senator Martin?

SENATOR MARTIN: It has been suggested by several sources that this proposal, aside from what it does, is also an indirect, but very calculated way to force small districts, K-8s or 7-12s, to regionalize. Do you get the sense, from the way it has been presented, that that is what is going on?

DR. PARKER: Well, I think that may be the case, but the larger issue is the unpredictability that I am constantly faced with as a chief executive officer of the organization. One never knows what is coming, whether it is a new mandate, a

new penalty, or perhaps, as you say, progression toward regionalization.

Certainly, I think the presumption and the intuitive feeling, probably of myself included, when we began our regionalization study, was that there would be enormous cost savings and there would be greater program coherence. However, when one sits down and does an analysis and begins to level up salaries, level up programs, looking at different-- In fact, what happens when you regionalize is that you end up creating a middle management level as well, and certain factors begin to impact, negatively, costs in school systems.

Just to give you a sense and a specific number, in our study, the increased cost would be about \$1 million annually to regionalize those five districts.

SENATOR PALAIA: Dr. Parker, may I interrupt for just one second on the same topic that Senator Martin is talking about?

When you tried to get together on regionalization, was it based on a per-pupil basis, or were you basing it on the assessed valuation? I notice that three of the four will get an increase in the taxes. Which formula were you using, Doctor?

DR. PARKER: We had our consultant come up with as many formulas as possible, trying to have the least tax impact of any method. The one that was most feasible actually benefited Upper Saddle River. We were the one beneficiary, frankly, of the districts that were under consideration of regionalization. But the benefit was very minor.

SENATOR PALAIA: What was the formula for that, per pupil, or--

DR. PARKER: I can't remember exactly. It was a combination of per pupil, as well as assessed evaluation, because the new law didn't-- One of the reasons it stimulated us to make the study was that, in fact, there was greater

flexibility, as you are probably aware, in terms of the mandates.

SENATOR PALAIA: You are not going to regionalize, unless we can make it a lot more feasible for communities to come together. I think that is the problem. It is not necessarily the legislators sometimes; it is the courts that impose their thinking on regionalization. Someone is going to challenge whatever we do as legislators at some point in time. So when they challenge and it goes to the courts, then inevitably the courts end up saying, "Well, it has to be done (indiscernible)," but that is the rich versus the poor syndrome that is so wrong.

DR. PARKER: More fundamental, is the issue of whether you are going to save any money.

SENATOR PALAIA: Yes.

DR. PARKER: From our study -- and there is another study that has been made in that area as well -- the presumption and intuitive feeling is you are going to save, but once you do the data and you crunch the numbers, you find out that you are not going to save overall, and that could be destructive, especially in times of limited resources.

SENATOR PALAIA: Thank you, Doctor.

DR. PARKER: My pleasure.

SENATOR EWING: Dr. Parker, would you please send a copy of that report to our staff? He'll give you a card (referring to Committee Aide, Mr. Cannon).

DR. PARKER: Sure, I would be happy to. It's lengthy, but I will send it to you.

SENATOR EWING: That's all right. They have plenty of time. (laughter)

SENATOR MARTIN: Senator Ewing, when Pat Schuber was elected County Executive four years ago in Bergen County, they had a specific regionalization study team which I was asked to cochair. We looked at all kinds of regional explorations in

Bergen County. The one area where we found there was not a very strong likelihood of regionalization was with the schools. I am not exactly sure why. Some of it has to do with the capital costs. I know there were studies -- in Long Island and other places -- that seemed to match Bergen County fairly closely. But there is a real problem -- cost savings.

My point earlier was that in some way if we are going to have regionalization, if it is a good idea, maybe we should address it head-on, instead of indirectly, as this may be leading to.

Thank you.

DR. PARKER: My pleasure. Thank you very much.

SENATOR EWING: Thank you.

Anthony Del Tufo, President, Board of Education, Livingston, New Jersey. Are there any other individuals from Livingston here? (no response)

A N T H O N Y D e l T U F O, Ed.D.: Senator Ewing, members of the Senate Education Committee: I want to thank you for the opportunity to present testimony today regarding the State aid penalty imposed on our school district -- the Livingston Public Schools.

I am Dr. Tony Del Tufo, President of the Board, and we are members of the Garden State Coalition. As President and a member for over 10 years, I am very proud of our schools. Our teachers, administrators, and supervisors do an extraordinary job in meeting th needs of our 4200 students. Quality education and the Livingston schools are synonymous.

I am here today to protest the recent decision by the Commissioner and the Governor to penalize our district for providing our students with the kind of education which they would like to see provided for all students in New Jersey. This fact amazes me, since it is they who are constantly critical of schools which do not meet this criteria. No one can say that the students in Livingston are neglected; no one

can say that our students are receiving an inferior education; no one can say that our staff is incompetent; no one can say that books, materials, and equipment are lacking; and no one can say that our buildings are being neglected. Yet, the State punishes us for doing exactly what they would like to see done in all schools.

What is most upsetting about this entire matter is the process used; that is, changing the rules of the game in the seventh inning. Our 1994-1995 school budget underwent analysis and scrutiny by our Board, by the community, and by the State via the County Superintendent's office. The Board approved it, and the citizens of Livingston voted for it in April 1994. Why didn't the State tell us long before this process that they had reservations about specific expenditures? No, instead they chose to surprise us a few hours before our expected State aid figures for 1995-1996 were released by the county office.

I am most critical of the items considered administrative excess. Since when is a nurse an administrator? Since when are child study team members administrators? Since when is a media specialist and the books in the media center considered administrative? Since when are guidance counselors administrators? How ridiculous! I have been an educator in this State for over 40 years, and such a determination by the State is ludicrous.

We are united in Livingston. The parents, members of the community, staff members, members of the Board of Education, and, yes, even our students join with me in asking that you, the legislators, exert some pressure to convince the Governor and the Commissioner that their decision is unconscionable. We ask that you urge the Governor to delay this decision. Tell us what the rules are for the future, and we will obey them. We are for accountability, but we must know what we must be accountable for.

Incidentally, the Town of Livingston sends far much more money to Trenton than we get back in the form of State aid.

Just one aside: I noticed in The Ledger on Sunday the criticism against the Board members of the Newark schools, who go to Hawaii to study the Polynesian language and culture. I can't believe that this Governor and the Commissioner worry about Livingston. I have been on the Board for 10 years, and the farthest I have ever been as a Board member is to Atlantic City to attend the workshop each year. That surely is not wasting taxpayers' money.

Thank you very much.

SENATOR EWING: Thank you.

Do you have some comments you would like to make?

M O L L Y E M I L I A N I: Yes.

SENATOR EWING: Will you give us your name, please? Did you sign one of these slips? Did you give us a slip?

MS. EMILIANI: Did I give them a slip?

R O B E R T S. K I S H, Ed.D.: We submitted one through the Garden State group, Senator Ewing.

SENATOR EWING: All right.

MS. EMILIANI: Senator Ewing, and members of the Senate Education Committee: I would like to thank you for allowing me to come here today to share my feelings and opinions on the recent penalty imposed on Livingston.

My name is Molly Emiliani, and I am the Vice President of the Parent/Teacher Council in Livingston. I have five children, three of whom are currently attending the Livingston schools, and two who will be entering in the next two years. I am a very pleased and satisfied consumer of the Livingston education system, as are my children. I have had children in the school district since 1987, and I am very gratified by the excellent education they are receiving. I am proud of the many services Livingston is able to offer to our students, but I

must say that as a parent I am very dismayed by the recent penalty assessed on Livingston.

I believe the \$1.2 million fine on Livingston was levied on costs that were called administrative, but were not. In addition, the penalty was executed in an inappropriately casual manner very late in the budget preparation process.

I am proud to live in a community that has consistently passed the school budget. However, the timing of this penalty has done irreparable damage to the community support of the 1995-1996 school budget. Many voters are confused because of its title and the way it was handled. No one seems to understand why the State would decide to implement such a punishment, without any discussion or warning.

If we look at the real administrative costs in Livingston, we find that they are lower than the State averages. Livingston has worked hard to cut operational expenses by taking care of many routine business operations internally. This has enabled us to redirect the savings to instructional programs. In actuality, the categories in which Livingston exceeds the State averages are in student support services. For example: Having adequate school nurses, guidance counselors, child study teams, crisis counselors -- who deal with emergencies, and the many services that are part of State-mandated programs.

In addition to these student support services, we are being penalized for our attempts to improve the level of instruction through staff development.

Let me comment for a moment on how distressing it is for this penalty to be aimed at literacy. This is unconscionable. Withdrawing funds from Livingston because the State thinks that we have too many media specialists and books is appalling. Now the State wants to punish us for trying to create a nation of readers. I think the bottom line is that

Livingston is being punished for being an exceptional school district.

I honestly believed that the Whitman administration was going to try to level-up school districts that were in need of improvement, without being detrimental to the school districts that have strived for excellence. The State cannot better school districts in need of improvement at the expense of model school districts. You must not allow this leveling down to occur.

As the mother of five children, ages 12 to 3, I am fearful of much more than the \$1.2 million cut in State aid, as devastating as that is. I am more fearful for the future of public education in the State of New Jersey. I believe the Governor and the Commissioner have put the writing on the wall, and I implore you to send them the message to reverse their decision to penalize Livingston and other healthy school districts. Please put a stop to this threat to the future of the quality of education in New Jersey.

Thank you very much.

SENATOR EWING: Thank you.

Are you going to testify also, Dr. Kish?

DR. KISH: No.

SENATOR EWING: Are there any questions? (no response)

Thank you.

Dr. Paul Ortenzio, Superintendent, Clark Public Schools. Is there anyone else from Clark? (no response) Is Dr. Ortenzio here?

SENATOR PALAIA: Yes, he's here.

P A U L J. O R T E N Z I O, Ed.D.: Senator Ewing, and distinguished members of the Committee: My name is Paul Ortenzio. I am the Superintendent of Schools for Clark, New Jersey. I also serve as the Board Secretary of the school district. I am speaking before you as a member of the Garden

State Coalition of Schools, and as the President of the Union County Superintendents' Roundtable.

The recent publication of a penalty list in which school districts were informed at the last hour of severe cuts made to the budget is akin to the exsanguination of children. The cruelty of this move is unprecedented. For the last several years, State report cards have been thrust upon the school districts, with particular segments aimed at school administrators, as if they were some menacing dragons spewing the fires of their own growth and delight, when, in fact, the individuals involved have been hard at work spending many hours on behalf of children.

However, the cult of governmental efficiency has drawn the glistening blade that shows no mercy. The falsely drawn sword of efficiency acts against the principles of fair play and forthrightness. No administrator and no district knew of these rules. I won't bore you with the details of the report card, because you know them. This kind of trickery is unprecedented at a time when discussions of fair play and open dialogue have been requested by both the Governor's and Commissioner's offices.

We have had districts blindsided at the eleventh hour with administrative heads to be displayed on a pike. If there is to be some burning at the stake, what about the \$70-plus million spent on nonpublic school services? Are the nonpublic nursing expenditures protected by some special shield? Are Chapters 192-193 expenditures for services now considered excessive administrative expenses?

I would like to give you what I believe is a model of efficiency in a school district. Clark Township is a community of four square miles, with a population of 15,000 individuals. We have 1200-plus students. I have served as the Superintendent of Schools for the past 10 years, while also holding the position of Board Secretary. In this dual role,

the community saved the entire cost of one administrative position and benefits. I have a bus driver who fills in as a clerk and computer operator. I have maintenance workers who can pinch-hit as bus drivers. Our in-house work is well below out-house contracting. We have staff cross-trained to handle a variety of situations to save money. As a member of various consortia and by skillful planning, many projects have been completed with exceptional cost savings.

Nurses are trained professionals, and do more than put bandages on boo-boos at lunchtime. They teach in classrooms each and every day. They are responsible for the health of all students, as well as for instruction in family living and health. The Clark Public Schools boast an outstanding library program in which librarians make the program the hub of the school. Indeed, the library should be the center of the school, for it is a place to which a student should go for information and leave fulfilled. School librarians certainly administer to the needs of their clients, but they are not administrators.

At a time in our society when there are more and more dysfunctional families and social anomie, it is outrageous to include guidance counselors as part of administrative costs in a school district. These trained professionals spend time attempting to build self-esteem in students and work diligently to assist students in making right choices. The right choice made by a student now serves society; the wrong choice costs the community tenfold in the future. The inclusion of child study team expenditures in the administrative penalty is analogous to the weights of a syncopated clock, or perhaps the tune far better speaks of the problem when you sing "first you say you do and then you don't." Louie Jordan once said, "Is you is or is you ain't my baby?" Perhaps that is even better.

The identification of students has been promulgated with rules and regulations, with time lines and mandates in the

highly regulated field of special education. To impose this area as part of the penalty is to press down a heavy boot on the neck of the school district, and then to walk away with callous disregard.

My works may appear to be forward and direct, and they are just that. I speak on behalf of my fellow educators in those districts that have already felt the sharp edge of this sword. I feel there are others who will feel the honed edge of the falsely drawn sword by the would-be shining knight of educational administrative efficiency. I believe that the district I represent could be next, even though we show an extraordinary efficiency. I have received no penalty.

I leave you with this thought about justice: A theory and practice of justice is not built by the carefully aimed arrow let loose from the archer's hiding place, but on the open field of discussion which begins in school districts and the Legislature of this State. I do not believe that all the individuals speaking today ask for mercy; they ask for justice to be served.

Thank you. (applause)

SENATOR EWING: No applause, please. I will have to clear the room.

Dr. Ortenzio, very well done.

DR. ORTENZIO: Thank you, Senator.

SENATOR EWING: Yes, Senator Martin?

SENATOR MARTIN: I hope some of your students display the vocabulary that you have. (laughter)

DR. ORTENZIO: That is because I grew up and went to school in Jersey City. If you give me some time, I might be able to do it in Italian, and perhaps a little Ukrainian.

SENATOR MARTIN: There is an assumption here that if we were to direct all the money into the classrooms, that that would lead to more efficiency and, I assume, maybe greater performance. I am asking you, as a Superintendent who

impressed me this morning-- It may be difficult, it seems to me, to identify what triggers performance in different students, but arguably, it seems that there may be some students who, if you identify them through child study teams and other effective programs in special ed, that that could improve their performance. Some students who have physical needs, if you provide a nurse in every grammar school, you might be able to identify some kind of health problems that could help those students to direct their attention then to education, instead of physical problems.

I will give you one other example: A librarian may be able to turn a student on to some type of instruction or a rare student pursuit. Those could also lead to improved performance, I would think.

DR. ORTENZIO: They all lead to improved performance. Where there are difficulties, the earlier the prevention, the earlier the identification of a potential problem, and the work in remediation necessary to overcome that, there is where the money is best spent.

I will give you a for instance, and I was nearly tarred and feathered in another district for proposing this: If we didn't formally teach reading until children were past six and a half years old -- and there are all sorts of charts -- allowed their language to develop and then taught reading, they would improve and they would read faster with fewer difficulties. That is only one instance.

In any of these activities in which administrative costs are charged, you have to look at the total budget. There isn't a district here that doesn't have nearly 70 percent of its budget in salaries. About another 15 percent is benefits and insurance. Another 10 percent is fixed charges for light, heat, transportation, etc. You have about 6 percent, maybe less, of discretionary charges, for library books, etc. We are

a service-oriented society in a community in which we provide instruction, and we pay for instruction.

I only ask a question: If my discussion had a medieval tone, I think the activity was medieval in nature.

Thank you very much.

SENATOR EWING: Thank you.

Dr. David Robbins? (several people approach witness table) Are you speaking for them all, or is each one going to speak?

UNIDENTIFIED MEMBER OF THIS GROUP: Oh, we all have seven or eight pages. (laughter)

D A V I D P. R O B B I N S, Ph.D.: Senator, several people have something to say.

I am David Robbins. I am--

SENATOR EWING: But not duplicating, I hope.

DR. ROBBINS: I don't think so. I am David Robbins. I am the President of the Board. The Superintendent, Dr. Marcia E. Bossart, is not going to be here today, but we have a number of Board members and some community members here with us.

I prepared some remarks. I am going to try to make them even briefer than they were, because many of the points I was going to make have already been made.

SENATOR EWING: Thank you.

DR. ROBBINS: I am coming to you today to ask you to act to postpone the implementation of these recently promulgated regulations of the Commissioner that resulted in the penalty of about \$500,000 in State aid to the Princeton Regional Schools. Our main objection to this penalty is that it is being applied retroactively to last year's budget, a budget that was approved by the voters and by the county commissioners, as others have said.

A point which has not been made, and a further absurdity of the regulations, is that as of last Friday, we still do not know the exact formulas by which these penalties

were arrived at. We have been given some sort of a computer printout giving the totals, but we do not actually know the formulas by which they were given. This will affect our planning for our budget for next year. If we wish to comply with the regulations as proposed this year, we have to know exactly what they are, and we don't know exactly what they are at this point.

We also have serious questions about the wisdom of the regulations. I am not going to restate what all of those are. Perhaps other people would like to. We recognize that it is ultimately up to the State to regulate public education, and we recognize the desirability of controlling costs. I even think the State could be of some help to us in regulating costs and controlling costs, but this particular measure, coming as it has, does not help us at all in that respect. There are other ways in which, perhaps, you could.

So to reiterate our basic objection, it is that the application of the penalty is retroactive. We want to ask the Commissioner, in the future, at a bare minimum when new regulations are proposed, that they be clearly articulated well in advance of their adoption, in order to give districts time to apply them.

We are asking you, Senators, to act now to postpone the application of these penalties until we have time to adjust to the regulations, whatever they are.

Now I would like to give others a chance to say something. Who is going to speak next?

SENATOR EWING: Please go ahead.

T E R E S I T A B A S T I D A S - H E R O N: Thank you very much for giving me the opportunity to be here. My name is Teresita Bastidas-Heron. I am a community activist, a Latino woman. I live in Princeton. I am very concerned about the attitude of the Governor. I think it is a very irresponsible

way that she is treating education. I don't know if they are picking Princeton because it is Princeton, but I feel I have to defend Princeton.

We have a large minority student body in Princeton. We have 8 percent Latinos, 12 percent African-Americans. We have approximately a half a million dollars that you have cut in our budget, and all the demands you have in special ed, bilingual ed, all those things, you know-- The plight of the Latino children, you know, is tremendous. They are not going to be educated. What is going to happen to the State of New Jersey when we have a bunch of uneducated children, because of these cuts?

I ask you to think very carefully about what the future of New Jersey is going to be. I am speaking for the Latino kids. My two kids went to school in the Princeton Regional School District, and I am very pleased with them, and with how we do our business in Princeton. I ask you to consider what you have done to the Princeton Regional School District.

Senator Palaia, we talked a long time ago. I have been very active in the Latino Research Center. You are really a pioneer in children's education. I ask you to look at these problems in Princeton.

Thank you.

SENATOR PALAIA: Thank you.

SENATOR EWING: Thank you.

DR. ROBBINS: Mike?

M I C H A E L G. L I T T M A N: I will be very brief.

SENATOR EWING: The other microphone. The black microphone is for the room here.

MR. LITTMAN: I am Michael Littman. I am on your list.

SENATOR EWING: Right.

MR. LITTMAN: I am a School Board member. I will be very brief.

First off, I think we can all stipulate -- and I think there is a great feeling in this room -- about the rules being fair, the rules that have been imposed. I certainly would like to add my sentiment that they are unfair.

Another thought that has not come up has to do with whether the rules that have been described -- whether they bring about something that is desirable. I would just like you to think about this imposition of a penalty for anything 30 percent above the State average. Think about rules as a force tending to move districts in a particular direction.

What it does is, it tends to move those districts that spend above the State average to the State average. It gives a benefit to those districts that are significantly below. I'll tell you that I think they will probably do with the money. They will probably put it into administrative or other noninstructional costs. What that then will tend to do is to bring everything to the State average.

The question I think you should think about-- For those districts that are at the State average, there is no force to move them any way at all. So you have to ask the question: Is the State average acceptable? I am not sure that it is.

So what I would say in terms of what is missing in this whole picture is the fact that there isn't any top level thinking. If a school district had come forth with this kind of concept without having thought it through, and just imposed it on the community, the community would erupt. I think what the community would do is bounce it back to the superintendent and to the school board and say, "Do it over again."

So I think that what I would encourage all of you to do is to basically stop these penalties at this point, and bounce this whole plan back to the Governor, saying, "Do a better job."

C O U N C I L W O M A N S A N D R A S T A R R : My name is Sandra Starr. I would like to talk to this issue from a slightly different perspective.

I am on the Municipal Council; I am a Councilwoman. I am a liaison to the School Board. One of the things we are very proud of in Princeton is the quality of our education. We think people are attracted to our community for that reason. We want to have excellent schools. We believe we have excellent schools; in fact, schools that are good and getting better. We have a diverse community. A diverse community does require more resources -- a variety of resources to support the minority members, the kinds of expectations that everyone has for educational excellence.

Now, these penalties come at a time, as you know, when municipalities themselves are facing -- are under very severe property tax pressures. In Princeton, we are caught in a vise. Over half of our properties are tax exempt. We are looking at rising salaries of our police, which we have very little control over. We are looking at other salaries going up. At the same time, we have just been told, as you know, that retroactively we are going to be facing these enormous cuts in our educational budget. This falls on our local property taxpayers and, again, in Princeton Borough, that is only half of the properties.

We cannot support an excellent educational system, something our taxpayers demand, and a responsible local government that provides services to its people. In fact, as the testimony from Livingston said, Princeton spends a lot of money -- sends a lot of money to the State. We support our educational services. We would appreciate State help in looking at things like benchmarking educational excellence.

We have been talking with the school about sharing services, looking at some of the things they do in Clark. But to retroactively, at this moment, impose on a community like Princeton a half a million dollar penalty, is insupportable.

E L I Z A B E T H W I L C Z E K: I am Elizabeth Wilczek. I am also a member of the Princeton Regional Schools Board of Education.

I do not want to reiterate what other people have said about the injustice of this penalty to schools and children, but I do want to make a statement that I have heard somewhat before, especially since I understand some people from the Education Department are finally here: that a real injustice is being done to this Committee and to this Legislature by the process by which this has come forward.

This excessive administrative penalty was created without your input. It was publicized thunderously without informing the people in this room, or this Legislature. If you look around the room at the people at this table, and consider the years of experience and dedication represented in this room, I ask you to ask yourselves, "Is this the way that really good education policy is going to be made, and is this the way that education policy should be made?"

I am very concerned that it is the way that major educational policy will be made, if they get away with it. I just really hope that the Legislature is not going to lie down tamely and rubber stamp this very poorly crafted and unjust policy.

I would like to go back a little bit in history and remind you about another Governor who had an excellent goal. I think Governor Whitman's goal -- controlling costs -- is an excellent goal. But I think that Governor Florio's goal of improving school equity was also an excellent goal. But the method, the how, the QEA, which was pulled together by his team without the appropriate legislative process of consultation and content that you live by, and that is exemplified in this room today-- QEA was a disaster, and you might want-- If your colleagues are thinking of going right down the line for their Governor and voting for this penalty, you might ask them to

consult with some of their Democratic colleagues who went right down the line for their Governor on the QEA. That is, if those people are still around, which I do not know.

So here is my input: I am in favor of cost control. I look for your guidance in achieving it. But let all the rules be set out in advance. Let the rules be based on clear educational goals. The excessive administrative penalty does not meet these standards. It does not meet your standards. So I ask you to speak to your colleagues against it. Your Committee can make better educational policy than this, and I ask you to be the ones to do it.

Thank you.

SENATOR PALAIA: May I-- Oh, I'm sorry, Mr. Chairman.

SENATOR EWING: Go ahead.

SENATOR PALAIA: I just want to say that I am impressed with what Councilwoman Starr -- is it? -- said about the diverse community. You brought to us a diverse group of people here. That's great. I love it. You not only brought Board members, but you brought a community activist, and you brought a Councilwoman. I think that is terrific, because no school can survive unless you have all of those ingredients.

So I commend you, Dave, for those you have brought to us here today. It is nice to hear that you are all working together as a team. Any group that is not working together as a team-- It just doesn't work.

DR. ROBBINS: I want you to realize that this group is really together, more or less spontaneously. Many of the people here today just came on their own initiative.

SENATOR PALAIA: I think that is the best way, though, Dave. I think it's great. I compliment each and every one of you for being here today. Thank you.

SENATOR EWING: There is one question I would like to ask: On the last contract, what increase was given to the teachers in Princeton?

COUNCILWOMAN STARR: We worked it out. There were some givebacks, so it was only a 3.5 percent cost of contract.

SENATOR EWING: No, just what was the percent? Just a minute, please. What was the percentage?

COUNCILWOMAN STARR: It was a 5.5 percent increase.

MR. LITTMAN: Five and a half percent.

SENATOR EWING: Thank you very much.

Theodore Arnold, Principal, Lincoln Park Borough School District.

COUNCILWOMAN STARR: I made copies of these for you guys, at 19 cents a page, so please read them.

SENATOR MARTIN: While he is coming up, Mr. Chairman, I just want to-- It was sort of alluded to, but-- One of the things that disturbs me -- and I have said it before about the performance aspect-- To the extent we could somehow agree as to performance as a benchmark, what troubles me, in part, about this system of penalties and rewards is, if we are going to penalize districts that are 30 percent over budget, are they more worthy of penalty than a district that is 20 percent over budget? Let's say a district with 30 percent administrative waste is a average district in terms of performance. If you are 30 percent above and you are 30 percent above the State average in performance, are you not better than a district that -- to the extent you can mention these things -- is 20 percent above, but has not shown any ability to perform above?

Worse, are we going to reward districts that may have shown tremendous administrative deficiencies, arguably, but their performance is-- You know, if they are 20 percent above the State in terms of cost saving, but are 20 percent below the State in performance, does that merit a bonus? I think those kinds of things have to be looked at.

SENATOR EWING: Senator MacInnes?

SENATOR MACINNES: Mr. Chairman, following on Senator Martin's comments, I am wondering -- and I don't mean to put

you on the spot, sir-- I notice that the Deputy Commissioner is here. As these questions accumulate, it would be helpful to get some answers to them, not only to Senator Martin's questions, but in terms of whether in the way this formula works there is any way to distinguish between school districts that have a disproportionate amount of money going to librarians, school nurses, and child study teams compared to other districts, and have been unfairly lumped into a category that includes districts that might have too many administrators.

We are going to be hearing from people who are affected by this, and are upset by it, and we are going to accumulate more information, but we do have a source of answers here. I don't know at what point it would be appropriate, but it would be helpful, I think, to ask the Department to respond to some of these questions.

SENATOR EWING: Go ahead, Mr. Arnold.

THEODORE ARNOLD: Good morning. I thank you for the opportunity afforded me of addressing you.

By way of introduction, my name is Ted Arnold. I am the Principal of the Pinebrook School in Lincoln Park, Morris County. I am here to address my serious concerns regarding the definition of administrative costs and the way it is applied to the funding.

What I would like to address is where I think local thinking is turning as a result of the Commissioner's actions. Prior to that, however, I must state that I truly feel that the Commissioner's office is far off base in including effective and needed student services in the list of excessive administrative costs, for in many cases it is the existence of these programs that often is the reason for successful student experiences. As a result of this type of thinking, a small district such as mine -- a K-8, 950-student district -- will we have no assistance at the superintendent or building levels? Where we believe in guidance services at the elementary level

due to the large working-parent and single-parent population we serve, where we do not have more than one secretary or nurse per building, and now we are considering giving up some of our health services, where student scores are consistently above State averages, we have been categorized as excessive, and we have been penalized.

As a result, our 1995-1996 budget rethinking is reflecting cuts in basic skills programs, thereby eliminating assistance to the gray-area children who so often fall through the cracks. Additionally, we have eliminated the reinstatement of a library media specialist position, leaving two elementary and one middle school without a professional librarian to drive its reading and research programs. We are reducing psychological and counseling services by two-fifths. Teaming this with the additional referrals due to the lack of basic skills intervention, we will, in all probability, see an increase in special education needs.

We have also cut a much needed additional physical education person at the elementary level, which would have relieved pressure on classroom teachers in meeting the State mandate regarding the 150 minutes of physical education. Additionally, based on the proposed transfer of basic skills to regular classes, we stand in jeopardy of losing two or more of our brightest young teachers to senior staff bumping.

Lastly, our teacher training and in-service activities have been all but curtailed.

I urge you to please evaluate the Commissioner's definition of "administrative costs," and weed out those services which are successful and essential in meeting the needs of today's children. You will find that those districts whose success is documented are in no way, shape, or fashion overadministrated, but, rather, effectively administrated.

It is important that this Committee realize its role as a child advocate, and recognize that success comes with service to the needs of the children.

Thank you.

SENATOR EWING: Mr. Arnold, on the cuts you made, were they because of the penalty?

MR. ARNOLD: These are cuts we are considering because of the penalty and because of the increase in our operating expenses due to salary increases and fixed charge increases that we are going to have to cut in our budget.

SENATOR EWING: Yes, but it isn't just the penalty, because the penalty is \$72,000. You named a whole lot--

MR. ARNOLD: Correct, correct. It is very interesting that we-- Just to give you a little history, we were assessed a penalty because our superintendent retired for medical reasons in March, and we had to hire an interim superintendent at \$400 a day. That put us over. In order to have a superintendent in the district, that put us over and we were cut. Otherwise, we would have been substantially under.

SENATOR EWING: Have you appealed that?

MR. ARNOLD: The Board of Education has written to the Commissioner's office requesting a reevaluation of that.

SENATOR EWING: For the appeal, because there is an appeal process, which I understand--

MR. ARNOLD: Yes, they are in the process of doing that.

SENATOR EWING: --is shorter than the normal appeal process on budgets.

MR. ARNOLD: Right. That is in the process right now, Senator.

SENATOR EWING: Possibly this could be restored, or part of it could be restored.

MR. ARNOLD: Right, we're hoping.

SENATOR MARTIN: Ted?

MR. ARNOLD: Sir?

SENATOR MARTIN: First of all, thank you for coming down from Morris County. I know the weather isn't the greatest.

You mentioned something. I have been an avid proponent of continuing teacher education in various forms. One argument that I have been having about teacher recertification is the in-school training programs.

MR. ARNOLD: Right.

SENATOR MARTIN: You alluded to this. I had not heard it mentioned before. Do you understand the kinds of teacher training, enrichment for teachers, that would be part of the administrative costs?

MR. ARNOLD: I could not say I do. It is my feeling that I was asked to reflect on where the thinking of the boards is going. Our Board is interpreting that as such, and they are cutting from that area.

SENATOR MARTIN: So you suggested that next year you will not have--

MR. ARNOLD: Correct -- in-house training.

SENATOR MARTIN: --in the district the training of teachers.

MR. ARNOLD: Correct. There is concern about that.

SENATOR MARTIN: Thank you.

SENATOR EWING: Thank you very much.

Larry Feinsod, President, Garden State Coalition of Schools, and Superintendent of the Madison Public School District.

SENATOR MARTIN: Brace yourself.

SENATOR EWING: Do you know him?

SENATOR MARTIN: Dr. Feinsod called me, I think, three times since the day this was announced. He has a few things to say.

SENATOR EWING: We heard him the other night, right?

L A W R E N C E S. F E I N S O D, Ed.D.: Is this the right mike, Jack?

SENATOR EWING: The black one.

SENATOR PALAIA: Both of them--

SENATOR EWING: Both of them.

SENATOR PALAIA: --but the black one mainly.

SENATOR EWING: Where's Lynne?

SENATOR PALAIA: She's right there.

SENATOR EWING: Oh, there she is. Come on, Lynne.

DR. FEINSOD: Lynne is here.

First, I would like to thank the Committee, and I would also like to thank Senator Ewing. We had our meeting in Livingston on four days notice, and we filled up an 800-seat auditorium. Our Chair, Jack Ewing, on his anniversary, showed up, along with five other legislators. We certainly appreciate that commitment from Senator Ewing. It is also nice to see Senator Martin, from Morris County.

SENATOR EWING: Where were you?

SENATOR PALAIA: Sorry, he said, "Where were you?" I said, "It was my anniversary, and I stayed home." (laughter)

DR. FEINSOD: The LeGlises send their regards to you.

My name is Larry Feinsod. I am President of the Garden State Coalition of Schools, as well as Superintendent in the Madison Public School District.

The Coalition, when I had this dictated, represented 107 districts. We now represent 108. Our enrollment is approximately 225,000 students across the State of New Jersey. Many of the districts that have testified today, or that will testify, are Garden State districts.

What I will try to do, Senator Ewing, is not be too redundant in terms of what has already been said. I will try to kind of look at my notes and perhaps even speak extemporaneously, or try to do them both.

Outrageous is the best term, the only adjective we can think of to describe the State's announced cut in education aid, categorized as "an administrative penalty" for top-heavy or excessive costs for managing a school district.

This description is an example of distorting the truth and misleading the public. Indeed, the State's unique definition of "administration" includes -- without going through the list of the nurses, the guidance counselors, and so on -- a couple of things on my note pad here that were not mentioned. I understand that audit costs -- the costs of the auditors -- were included in the penalty which is mandated, and also school board dues, I understand, which are also mandated by law for membership in the New Jersey School Boards Association, let alone staff development, secretaries, nurses, and all the others.

The last State report card issued for 1992-1993 -- Lynne has a copy of it -- defined instruction as -- and I quote -- "including certain costs such as guidance office, child study team, supervision of instruction, teacher training, curriculum development, library, and other educational media that are classified as support services" -- a direct quote.

I am quoting some more: "Student services include budgeted expenditures for attendance and social work, health services" -- and there you are with your nurses.

So what has happened is, the game, as has been mentioned before, has been changed in the middle. The State has changed its standards in the middle of the game. The last State report card identified all of these individuals as "instructional employees." Now, suddenly, they have become administrative employees, or part of the administrative bloat. Outrageous.

A lot of school districts in the Garden State Coalition, a lot of school districts in New Jersey, have economized. They have understood the idea that one has to recognize what is going on out there and to cut back, and a lot of them have.

Madison, for example, since 1991, has cut back \$1 million worth of personnel costs. Madison no longer has an

administrative assistant, a K-8 supervisor of science, a staff development specialist, district supervisor, guidance counselor -- these are positions that have been cut -- an assistant principal, two permanent substitute positions, approximately 13 teaching positions, and an operations manager in the business office. Behind-the-wheel drivers' education has been cut in Madison. We no longer have home ec at the high school.

These are various cuts that we have instituted, as I said, in the last four or five years, recognizing the need to economize and to cut back.

A recent article in The Star-Ledger noted: "Some of the best school districts, those with the highest standardized test scores, graduation rates, and college-bound graduates, were on the penalized list." When asked why the State's largest cities were not penalized, Commissioner Klagholz was quoted in The Star-Ledger of January 26, as saying: "The wealthier districts may show up because they hire too many librarians." He continued his response by pointing out that city districts may not hire librarians. "This factor, in addition to the variable of larger enrollments, creates a buffer against penalties for urban districts," the Commissioner explained.

I do not make note of this fact to suggest that our city districts should be penalized. The incredible efforts put forth daily by urban educators only deserve our adulation. The point I do want to make is simply how wrong it is for the State to think in terms of punishing school districts that encourage the use of books, as well as media centers, or have a library with a librarian in each school, or believe in having a nurse in each school.

If I may deviate, again, from my notes, Ron Larkin, the Superintendent of Schools in New Brunswick, came up to me the other day and said, "Larry, I can't believe it. I only

wish I could provide the kids in New Brunswick with a librarian in each building."

Let's take a look at areas cited by the State, and you tell me whether or not Madison has administrative bloat. You make the decision. Madison has five operating schools administered by five principals and one assistant principal. Each school has one nurse and one librarian. Madison Junior High has one guidance counselor, and Madison High School has four guidance counselors. The elementary schools do not have guidance personnel. Madison High School has an athletic director and six teaching subject supervisors. The elementary schools and the Junior High do not have any subject supervisors or any assistant principals.

Then I could go on about the child study team, a legally mandated entity, and I list in my testimony the amount of personnel we have in that area to deal with our most vulnerable children.

Earlier, Senator Martin mentioned something about output and accomplishments. I did not come prepared to go over the accomplishments of the Madison schools, neither did my colleagues from Livingston, from Princeton, or from some of the other top achieving school districts around the State. But as I am sitting here, I can't help but think that this year's graduating class at Madison High School, made up of 128 or 129 kids, has five merit finalists. I think percentagewise that may be one of the highest in the State. I can't help but sit here and think that Madison's dropout rate is less than one student a year. I can't help but sit here and think of the fact that we send, from Madison, 90 percent of our graduates on to higher education. Three or four years ago, we had what we believed was the highest rate in the State, and that was 95 percent of our students who went on to higher education. Again, I am only bringing this up because of what Senator Martin said before in terms of: "What are some of the

accomplishments and achievements of these districts that have been labeled 'as amongst the worst in the State?'

The Garden State Coalition is simply advocating a fair plan and a clear definition regarding school funding that can be used by all to project costs and inform the public. We are also very cognizant of the need to maintain quality schools in a fiscally efficient manner. The way in which the State leveled the administrative penalty was totally unfair. We sincerely hope that you, the members of the Senate Education Committee, will work to repeal this penalty and restore the \$11 million lost.

Thank you.

SENATOR EWING: Larry, have you appealed the penalty?

DR. FEINSOD: We are giving that thought right now, Senator, but it seems as if the appeal would be for naught in Madison, because our numbers are -- you know, our numbers do not reach the formula. In other words, we are above that. We do have a librarian in each building. We do have a nurse in each building. We are computerizing our libraries now; we are spending a good deal of money in terms of getting the libraries computerized.

SENATOR EWING: Yes, but nothing ventured, nothing gained. What can you lose by it? You can't be any further behind, and you might pick up something.

DR. FEINSOD: But the appeal process, according to the information we have, simply indicates if there has been an error in calculation, or if there has been an error in the technical way in which the State -- or in the way you projected the numbers. In other words, it's numbers; it's not quality or substantive, with the idea of what services are provided.

You know, I sit here and I also think of the number of suicides that our nurses and our guidance counselors -- the small number at least of guidance counselors that I noted we have-- I can't help but think of the two suicides this year

that, in my judgment, were prevented by guidance counselors and nurses working together. This is my 20th year as a chief school administrator, and I can't sit here and help but think of the amount of lives these people have touched. As was mentioned earlier, the idea of a librarian turning a youngster on to reading--

I don't think I could look at the Madison community and cut nurses, when I have a list in front of me of kids who have heart trouble, diabetes, asthma. I am not sure I could, in good conscience as an educator, start cutting librarians, when they ought to be the focal point of any good school system. Something does not make sense here.

SENATOR EWING: What would be the directive on the appeal? Do you have a copy of that that was sent out to you?

DR. FEINSOD: Yes, I have a copy of it, Jack, but it's numbers. It is a count of dollars.

SENATOR EWING: Well, we will get a copy of it then.

DR. FEINSOD: It is not going to help us at all.

SENATOR EWING: Okay.

Yes, Senator Martin?

SENATOR MARTIN: Part of their process seems to be suggesting-- There was one trend that was coming out in the State from the Governor and from the Department of Education that we were going to deregulate some of our school systems to give more opportunity, more flexibility to the school districts. I read this "Administrative Penalty Proposal" as going in the opposite direction.

Mr. Chairman, one of the things I think Dr. Feinsod has alluded to is, if we are going to go in the opposite direction so we are going to look closely at the budgets and identify what is the so-called "administrative waste," to the extent to which districts get penalized and some districts get rewarded-- Larry has brought up a question with me that I think may have to be dealt with; that is, when you have some of

these areas, like guidance counselors-- He asked me, rhetorically, a couple of weeks ago: "We have four guidance counselors in our high school. Is the State saying that is too much? If it is, are they going to come out with some kind of a formula so we will know in the future, you know, whether it gets itemized -- or in some other way? We are going to have to have more direction."

The case, I think, that has been presented here, with the nurses, the librarians, the guidance counselors, and the child study teams-- If we are going to penalize these, what is the State saying are the numbers? What kinds of examples are they going to have to point to so that they are not here next year, saying, "We got blindsided again" -- if that is the direction we are going?

SENATOR EWING: Senator MacInnes?

SENATOR MacINNES: Mr. Chairman, would you be willing to pose to Deputy Commissioner DiPapri the questions as to whether the characterization about the appeal process is correct? I think that is an important one in terms--

SENATOR EWING: We have a copy of it.

SENATOR MacINNES: And it is correct in terms of the numerical errors or technical problems in the formula, as opposed to any appeal based on the effect on kids, or anything like that?

SENATOR EWING: Once they are copied-- We are just getting them made.

SENATOR MacINNES: Fine, thank you.

DR. FEINSOD: Thank you very much. Thank you.

SENATOR EWING: John Grieco or Steve Gillingham, from the Bergen County Vocational Schools.

SENATOR MARTIN: This is for the members of the audience: I told the Chair earlier that I teach a class at Seton Hall Law School at 1:55, and I have to be there. I am

interested in this, and I will be interested in the comments made after I leave.

SENATOR EWING: Are you an administrator there, or a teacher? (laughter)

SENATOR MARTIN: I'm not answering that question.

SENATOR EWING: Yes, you are.

SENATOR MARTIN: Like many administrators, Jack, truthfully I am a little of both. At least I like to think that I am.

SENATOR EWING: Please go ahead, Mr. Gillingham.

E V A N S. G I L L I N G H A M: I am Steve Gillingham. I am Deputy Superintendent and School Business Administrator of Bergen County Technical Schools.

Perhaps I ought to offer just three distinctions that I think apply to the vocational schools, many of which are affected by this administrative penalty.

The first distinction at Bergen Tech -- and I think at most of the other 20 vocational schools -- is that 54 percent at Bergen Tech of the administrative costs associated with this penalty apply to adult, extension, community, and cooperative service programs outside the mission of typical vocational schools. More than half of the services, more than half of the students served at Bergen Tech are not carried on the district's registers and do not earn State aid, but are part of the formula to determine the administrative penalties.

The second distinction is that more than half of our district's students are handicapped. Like many of the people who spoke before us, we are required to provide services to these students under mandate. The distinction I would point out to the Committee is that I do not feel that the comparison of Bergen Tech with similar districts is accurate, since more than half of our students are handicapped.

Finally, some of Bergen Tech's costs, a large number of Bergen Tech's costs, are associated with programs that have

been supported and recognized by the State Department of Education as being examples that other districts in the State ought to follow, especially the cooperative high-tech magnet schools, the interactive educational television project, the countywide teacher inservice program, the educational support programs for displaced homemakers, gifted and talented students, elementary school students, and inner-city minority kids. These are all programs, the costs of which have been placed in the numerator of this formula to determine excessive administration, and none of whose participants have placed in the denominator.

I think those three distinctions ought to be placed on the record and, hopefully, they will impact on the members of the Committee to make some distinction here.

SENATOR PALAIA: Thanks, Steve. We don't want you to think-- You know, you came up to speak and everybody left.

MR. GILLINGHAM: I was going to say, "I gave a party, and nobody came."

SENATOR PALAIA: What happened was that two of our members had previous commitments. They did give us over two hours here.

MR. GILLINGHAM: Right.

SENATOR PALAIA: The Chairman is out meeting with someone right now to resolve some of these issues. So we do appreciate your coming here and your testimony.

My best to your family.

MR. GILLINGHAM: Thank you. I appreciate being here.

SENATOR PALAIA: Dr. William Adams, Salem County Vo-Tech Schools, speaking on behalf of the New Jersey Council of County Vocational Schools. Dr. Adams?

W I L L I A M H. A D A M S, Ed.D.: Members of the Committee, I am Bill Adams, President of the New Jersey Council of County Vocational Schools. I am also the Superintendent of the Salem County Vocational Technical Schools, where I have

served in that capacity for the past 21 years. On behalf of the 21 county vocational schools, I thank and commend the Committee for conducting these hearings on the excess administrative cost penalty and for being willing to at least listen to the problems this formula has created for a number of our county vocational schools. I am also here to present a document on behalf of our Council, a supportive concept paper for efficiency in our schools and for cost containment, but not at the sacrifice of quality or to the detriment of the students that we serve.

Briefly, I am going to share our district's experience with the inequity of this formula. I will try to apply this to all 21 county vocational schools and, in particular, to those of us who deliver vocational education using a shared-time cooperative model.

It is almost ironic that on February 25, 1994, it was reported on the front page of our county's daily newspaper, Today's Sunbeam, that according to the New Jersey Department of Education's school profile report card, that "county taxpayers are getting the second best bargain statewide when it comes to providing vocational and technical education to local students." The district was cited as a bargain with the second lowest cost per pupil of the 21 county vocational schools and the lowest cost per pupil for a shared-time school. A year later, on January 26, 1995, in a report that appeared in The Star-Ledger, the Commissioner of Education referred to our district as one of the 70 worst in the second worst State in the nation. What a difference a year makes and what a difference it makes when the definitions and parameters are changed without consulting or even informing the people who are going to be impacted.

For almost two years, our Board of Education and staff worked with parents, students, employers, labor unions, and sending district personnel to develop a strategic plan entitled

"Vision for the Year 2002: A Working Document." In that document, 92 findings were utilized to develop 21 recommendations. One of the recommendations called for the district to establish revenue or profit centers. Such centers were to be beneficial to the community, serve the students in our district, and generate revenues to support other educational programs. Many of our State's county vocational schools are moving in this direction; yet, for such creativity we are penalized in this formula.

When speaking to staff at the Salem County Vocational Technical Schools, you will hear terms like "We are a business," and "Our product is service and our bottom line is the people we serve." You will also hear statements like, "focusing on the target market" and "marketing our programs." That is because we are a business, but we are not permitted to operate as a business. In all of our State's county vocational schools, we evaluate our students and programs based on the standards and competencies. We are required to do this under the Carl D. Perkins Vocational and Applied Technology Act of 1990 -- P.L. 101-392. We also -- in all 21 counties -- guarantee our students or we offer to retrain them at no cost. If they do not have the competencies and standards that we certify, we stand behind them.

County vocational schools, especially when it comes to enrollment are an anomaly. For example, on October 15, 1995, for our shared-time district we reported 269 full-time-equated students for State aid purposes. The real enrollment, when you consider the 2000-plus adults who participate in our apprentice, community, and continuing education programs; the 600 at-risk teenagers who participate in the school-based youth services program; and the 300 JTPA/Family Development clients, is well over 3000 county residents. To keep the record straight, it is acknowledged that continuing education costs

were not included under the formula; however, neither were central office costs prorated against these programs or students.

Although we are a shared-time delivery system, we provide our students with placement, counseling, and technology support services, just like any other district. We also require that all of our students are technology literate before they complete the program they are enrolled in. These services, including our school-to-work mentors and our job placement coordinators, are all counted in the administrative costs formula. This applies to all county vocational schools, but it particularly affects shared-time schools. One in nine districts was affected under this formula, but for county vocational schools, the ratio is one in four. Of the \$11.3 million assessed in penalties, \$2.4 million was assessed against six county vocational schools, five of which deliver their services exclusively on a shared-time basis and the sixth -- and you just heard from Steve Gillingham -- Bergen County, delivers a portion of their services full-time and a portion on a shared-time basis, just about equally.

To operate a full-time program, with related academics such as mathematics, science, physical education, social studies, English, etc., would cost about 40 percent more in current operating expenses. This drives down the instructional to noninstructional cost ratio. We, however, provide the same support services to our students in preparation for employment and/or for further education. The formula that was developed does not address this type of delivery system, nor does it address the aggressive role of many of us who have gone out to provide regional services. Some of these services would not otherwise be provided, or could not be provided by the local districts in an economical fashion. County vocational schools were originally established back in the mid-1920s to address

high cost programs that could not be operated by local districts in a cost-effective manner.

In our support of the Governor's initiative for efficiency in the operation of our schools and to get the most for each tax dollar spent in our schools, we have several proposals:

First, let's look at truly administrative costs. Services to support students with instruction are not administrative costs.

Second, when the DOE uses the term "average," they should use it correctly. The Department of Education's administrative costs formula is based on the median, not the mean or average, as many have stated. Because the formula is based on the median for the 21 county vocational schools, there will always be 10 schools above that median and 10 schools below the median. Therefore, by design, the Department of Education formula will always catch, or entrap a number of districts above the median, whether it is 30 percent or some other magical number that is used. The lower the percentage, the more districts will be pulled in. If a true average or mean were used, all districts in a given category could work toward that "mean." If our purpose is to reduce administrative costs, that would be one way to do it.

The third consideration I recommend is to review the differences in the ways we deliver vocational education in our different counties, and to examine the regional services we provide; also, to consider in the formula all of those persons we serve, as Steve pointed out, for which we do not report to the State and for which we do not receive State aid.

In summary, we recommend that:

- 1) The Governor's budget proposal be implemented, but in an appropriate manner.

- 2) Administrative costs be redefined in a sensible way so that school communities and the public can understand.

This should not include mandated positions and, at best, should be limited, at the central office level, to superintendents, assistant superintendents, and business administrators, and, at the building level, to principals and assistant principals.

3) The average costs, not the median, should be used. Using the average would force districts to pull around this measure. In addition, the average is what people think is already being used.

4) County vocational schools are an anomaly used to provide regional services to local districts. The present excess administrative cost formula should be applied to these districts in a unique manner so that cost-efficient practices are not penalized. These districts should also be eligible to receive bonuses based on costs savings that are realized when we provide regional services or consolidate or coordinate services within and between counties.

We hope you will consider these recommendations. We also hope you will consider presenting them to the Appropriations Committee.

As you review the position paper -- which I will not go into -- we ask you to consider it in your deliberations, and let's come up with a fair way to promote efficiency in our schools without sacrificing quality. We want to be accountable for every tax dollar that is spent; however, we cannot be boxed in and told what the parameters are going to be after the fact.

Thank you for the opportunity to speak on behalf of our 21 county vocational schools.

SENATOR EWING: Thank you.

Do you have any questions, Senator Palaia?

SENATOR PALAIA: No, thank you.

SENATOR EWING: Thank you very much.

DR. ADAMS: Thank you.

SENATOR EWING: Dr. Joseph Webb, Superintendent, Downe Township.

J O S E P H H. W E B B, Ed.D.: I was going to say "good morning," but I will say "good afternoon."

SENATOR EWING: Right. Some people would say "good evening," too.

DR. WEBB: We're liable to get to that.

I am Joseph Webb. I am Superintendent in Downe Township. I saw you hesitate a little bit when you saw the name "Downe Township." Most people probably don't know where Downe Township is. I have to tell you, until 1979, when I became Superintendent there, I did not know where it was. When I went for my first job interview, they gave me directions. They said, "Look for the sign that says 'End of the World,' and proceed three miles." So I did, and I found Downe Township.

What I found there was a community that cares about their kids and cares about their education. In the audience this afternoon, I have three Board members with me: My Board President, Audrey Reynolds, former educator; my Board Vice President, Jean Nocon, who used to work for the Department of Ed; and a community resident, Art Skoland. They are here because they are concerned. I have also brought with me this morning a representative from a neighboring district, because we service children from other school districts, not just the children from Downe Township.

Let me tell you a little bit about Downe. Downe is one of the poor rural districts in the State. We are as poor as the Urban 30. As a matter of fact, our children go to high school at one of the Urban 30 school districts -- Bridgeton. So we end up getting a double whammy. We also get higher tuition bills. Our tuition has doubled in the last seven years to Bridgeton, but that is a topic for another set of testimony.

I am not here today to second-guess some of the testimony you have heard from -- I will refer to them as "representatives of the sinful 70," because that seems to be what we are -- or from some of the organizations -- the New

Jersey Education Association, the New Jersey School Boards Association, or even the NJASA. I know they have all attempted to make their point. It seems like education and our national pastime are both under attack. So I read something recently that was attributed to Tommy LaSorda. He is on strike now, I guess, with the professional players. Tommy LaSorta said, "A second-guesser is one who doesn't know anything about the first guess, and he is the one who needs two guesses to get it right."

Well, I am not here to second-guess anyone, and I don't need two guesses to get it right, but I do need just a little bit of your time.

You have heard definitions of "arbitrary," and I am sure you know what that means. So my purpose today is not to rehash with you what is known. We all know that the process was arbitrary, that's a fact. We all know that the term "administrative penalty" is a misnomer. We are not talking about excess administration. And we all know -- and you gentlemen and ladies probably know best of all -- that this has been politically motivated.

We all know that we need legislative relief, which is why I am here today, and the rest of the people in this room. We know that the School Boards has made an eloquent case for sharing concerns. They have talked about the fact that the rules have been changed; they have talked about the fact that there are errors and assumptions; and they have talked about the fact that the use of the media is purposely done to mislead us. And you have heard from Jim Murphy, I am sure, in correspondence from NJASA, in which Mr. Murphy said, "The definition for New Jersey administrative expense is symbolic of a 'gotcha' attitude that seems to be coming out of our Department of Education." I am here to second that today.

But my real purpose today is to share just two things with you: One is outrage -- and part of it is my own -- and

the other is to give you a specific example of how a poor, rural school district is being impacted upon.

Now, it is not just my outrage that I am here to convey to you, but it is the outrage of my Board, and three of my Board members are here. And it is certainly the outrage of my community; it is definitely the outrage of my staff; and it is the outrage of the sending districts for whose children we provide an education.

I also want to share with you specific examples about Downe Township, so that the next time someone is introduced from Downe Township, you will certainly know where it is.

On January 16, 1995, The Star-Ledger had a quote from Leo Klagholz that said: "You are looking at the 70 worst districts in the second worst State in the nation." Well, I guess I have a question: Is that true? Is that true about these 70 districts, and is that true about our State? I would like you to form your own opinion after I tell you a few things about Downe.

Since the State started its monitoring process in 1980 -- 1980, 1985, 1990 -- my school district has not had one recommendation for improvement, not a single one. In-between time, we have been a model district for site base management, and one of a handful of elementary districts in the State that furnishes a school-based Youth Services Program -- kind of a unique situation. Yet, we have been assessed a penalty of \$85,298. If you want to talk about student achievement, I could bore you with that today, but I won't. However, I can tell you that our student achievement is second to none in this State. We consistently perform at, or better than the State average on the EWT. Our children learn; our Board is concerned, and we are an anomaly.

Now, why is Downe an anomaly? We are not a county vocational school. We are not a K-12 district. It appears that the only rewards the State is giving out are for districts

that are organized K-12. Nothing on merit, strictly on organization. So Downe is an anomaly.

Let me tell you a little about Downe Township. It is a rural, preschool through eighth grade school district. It was assessed a penalty of \$85,298. It has the lowest tax rate in Cumberland County; a small budget, \$3.5 million. Yet, we were \$113,000 under cap this past school year. We were one of the few districts in the State to reduce -- to reduce -- our per-pupil expenditures by \$865.10 for regular education, from last year to this year. We reduced per-pupil expenditures.

We increased our surplus, so we can offset taxes. We almost doubled it last year. The State did not use audited figures, whether they were talking about Downe Township or any of the other 70 districts. The State did not take into consideration that there are districts that provide certain services that generate revenues for that district and save taxpayers' money for other districts. We are one of those -- Downe Township, three schools, less than 300 children, but we are a receiving district for special education. We receive currently, this year, from eight districts in Cumberland, Salem, and Cape May Counties, 61 children as of today. We are also involved in a transportation consortium in the county. We transport for nine districts, 38 children as of today. Those special ed programs -- and I only have 20-odd teachers-- Eleven of those teachers work in self-contained special ed classes providing services for special ed children from other districts.

Now, why do we do that? We do it because it is cost-effective. How do I know it is cost-effective? Because our tuition rate for ED children, children who are emotionally disturbed, is \$10,000 less than private school placement in Cumberland County. Last year, we serviced 38 children who were emotionally disturbed, in 4 classrooms. That saved eight districts almost \$400,000 -- 38 times 10, that is where that

figure comes from. We lowered our regular ed expenses; we saved eight sending districts money; and we have been penalized by the State of New Jersey.

You heard testimony today about special education. I am sure you all know that it is heavily regulated and heavily mandated. Class size is one of the key things that is mandated. I cannot put 25 ED children in a classroom. I can only put 8. I cannot put 25 children who are trainable in a classroom, or children who are mentally retarded, or perceptually impaired. The State regulates class size for special education.

For districts like Downe that take in other children from other districts, we are being penalized for providing a service. We save districts in Cumberland, Cape May, and Salem Counties a considerable amount of money, at no expense to the local taxpayer, and certainly at no expense to the State of New Jersey. But the State of New Jersey wants to penalize the poor people in Downe Township \$85,298.

Now, how poor are the people in Downe Township? The average house in Downe Township is assessed at approximately \$57,000. The school tax is a little over \$600; total taxes about \$1300. This is not an affluent community. Fifty percent of my children are on a freed or reduced lunch. This is not an affluent community. This is a poor community, in a poor county, and we are being penalized for providing a service to other districts that save taxpayers' money throughout South Jersey. That is a real shame; it is certainly unfair; it is certainly arbitrary; and you certainly know the definition of that.

Let me tell you a little bit more about Downe Township. I indicated that Downe Township has three schools. We have one principal. We apply to the State for a waiver each year, because the law says you are supposed to have a principal and a teacher in each building. We do not have that, we have

one. The average principal in the State last year made \$75,731 -- an elementary principal. My one principal made \$54,469 -- significantly less.

Hey, let's talk my salary. The average superintendent last year made \$93,176; my salary, \$70,519 -- \$23,000 less. And our business administrator made \$48,900, compared to \$65,828 for the State average. You are talking about a township that is under cap, that has a penalty, that has not raised taxes, that has the lowest tax rate in the county, being penalized by the State for providing a service to other districts to save money and provide a quality education for children who are handicapped, in a public school setting. We certainly deserve to be penalized, according to Commissioner Klagholz. I don't believe Commissioner Klagholz knows where Downe Township is. We have sent him letters inviting him down, explaining the situation. We have not heard from him.

SENATOR EWING: Did you send him a map? (laughter)

DR. WEBB: No, but we may make a personal visit.

The current penalty should be removed from our situation, and our Foundation Aid should be restored. We are an excellent example of shared services at the elementary level. It makes no sense to me for the Department of Education to say, "The only people who can earn an award, the only people who are doing something right, are people who are K-12." Now, I am not here to knock K-12 institutions, but there is certainly a place in this State for small districts that share services that help children and save the taxpayers money. We certainly should not be penalized for doing that.

In summary, we are an anomaly, just like the county vocational schools. Our cost per pupil is skewed because of mandated class size requirements for special ed.

Now, I told you a little bit about Tommy LaSorta when I started off. When I was a kid growing up, I grew up in Monmouth County. Back then, the Brooklyn Dodgers was the team

in town for me. One of my favorite ball players was Jackie Robinson. Jackie Robinson once said, "I am not concerned with you liking or disliking me. All I ask is that you respect me as a human being." I would like to paraphrase that a little bit. Downe Township is not concerned about the State liking or disliking it. All we are asking is that you respect us as a school system.

Thank you.

SENATOR EWING: Have you appealed?

DR. WEBB: We have a Board meeting tonight, and eventually we will get back down there. It is on the agenda for the Board to pass a resolution, and I am hopeful they will do that.

SENATOR EWING: Yes, I hope so.

DR. WEBB: Then I will have some information I can share with you.

Thank you.

SENATOR EWING: Thank you very much.

Victor Morella, Superintendent, Gloucester County Vocational Technical School, and Meredith Flynn, Assistant Superintendent.

V I C T O R C. M O R E L L A: Senator Ewing, first of all, I would like to thank you very much for holding these hearings, on behalf of our Board of Education and students at the Gloucester County Vocational Technical School District.

My name is Victor Morella. I have been the Superintendent of the school district for the last eight years. With me today are Meredith Flynn, our Assistant Superintendent for Student Services, and, also, Mr. Dan Ball, who is a member of the auditing team that audits our school district through Ball and Buckley.

We are certainly not going to duplicate a lot of the testimony that has been given. So I would like to move through my presentation, and the presentations of my colleagues, rather

quickly, because, as I can see, time is going and a lot of it has been spent on communications already.

First of all, we talked about county vocational technical schools being an anomaly. In order to save time, I would like to move through the presentation and focus your attention on the actual document. The Gloucester County Vocational Technical School is a district that, in the last three years, has consolidated services and provided extended services to adults and the community. In consolidating services, we are one of the only districts that has reduced our costs to the taxpayers and reduced our costs to many of our partners.

If you would, please, I would like to focus on the third page of the presentation, which is actually page 1. It talks about the mission of county vocational schools versus other schools in the State. Our mission is to enroll students, which means that we do not have a student body that goes from the first grade to the second grade to the third grade. We have to enroll students in a shared-time district. We service 13 high schools in programs that are nonduplicated, somewhat expensive, and provide students with the opportunity to enter the world of work and employment in a highly competitive marketplace, which is significantly different today than it was 15 years ago. We cannot be involved in training and educating students for unemployment; we must be involved in educating them for employment. That is our major goal.

So under "Mission," you will see that our job is to enroll, educate, and employ students, significantly different and an anomaly from what other institutions are offering in the State of New Jersey, whose primary focus is education.

Administrative costs are necessary in order to enroll and employ students -- we are job placement coordinators who employ students -- to enroll students, child study team

members. We serve a high amount of special education students, which we will talk to in a few moments.

We would like to point out what we believe is a serious flaw -- on page 2 -- of the formula that was used to establish the sanctions. First, our school district -- on page 2 -- serviced 3825 individuals. Those individuals come from many different areas, which I will indicate in a moment. That equates to a full-time equivalent of 1134 students. The State used the number 777 to calculate our administrative costs per student, because that is the number of day school students we have in the building during the day for secondary and some adults. It has nothing to do with the fact that we are a county vocational school offering extended services.

If you will turn to page 3, we talk about facility utilization, how this comes together. The average school district operates 180 days, approximately 7 hours per day. The county vocational school in our school district-- We are open 240 days a year, with an average day of 15 hours. Therefore, the utilization of our facility is tripled what many other districts are involved with. In order to administer a district that operates 240 days on an extended school day, administrative costs are involved.

If you take a look at the actual formula -- on page 4 -- that the State used to calculate administrative costs, you will see some very specific reasons why the six county vocational schools, for \$2.4 million, and in particular I am talking about the Gloucester County Vocational School, were sanctioned, because the formula has a flaw in it. In order to explain it, I would like to introduce Mr. Ball, who is a member of the auditing team for our school district. Mr. Ball.

D A N I E L B A L L, CPA: Mr. Chairman, members of the Committee: Before you, on page 4, we have tried to outline the administrative costs that have been determined by the State Department of Education as being significant to the Gloucester

County Vocational School. That cost per student, when using the State formula, came out to \$4137.79. If we take our actual student body, which we believe is 1134 students, and divide it into those total administrative costs, you will see that our administrative cost per student is \$2835.15. The State determined that the median operating expenditure was \$2867.38, and ours was \$2835.15. We are below the median.

We are currently being penalized, and we ask that that penalty be relieved and that we participate in the awards program on the other side of that penalty program. Vocational schools have been denied the opportunity to participate in the awards program, and they have been penalized for their administrative costs.

We have taken the position, in Gloucester County-- From the documents that Dr. Morella will go through, you will see that our costs to the State, in the form of State aid, and to the county, in county taxation, have gone down as our budget goes up. They have not only gone down proportionately as to percentage, but have also gone down in dollars. So the State is contributing less dollars and less percentage of our budget, as our budget goes up. That is provided by outside sources of revenue. Those outside sources of revenue are attributable to administrative costs, which have been grouped in the total administrative costs the State has used. So we are being penalized for trying to optimize the utilization of our facilities by going to outside sources of revenue to underwrite our budget.

MR. MORELLA: I would just like to pick up with that, Senator Ewing -- on page 5 -- to further define the kinds of students and programs that are offered at our county vocational technical school. First of all, we have a full-time Child Care Center, which has 47 two-and-a-half to five-year-old students. You may say, "Why a Child Care Center in a county vocational school?" Well, we offer a program for the Job Training

Partnership Act, through the Private Industry Council, for clients who are underemployed and unemployed, in order for them to come to school to get the appropriate skills and knowledge. To become employed and get off of welfare, someone needs to work with their children. Someone needs to provide a safe educational place for their children, so that they can learn to get back into the workforce.

We are penalized for this, because our administrative costs are included in the 777 divisor for the overall operation. This Child Care Center is 100 percent self-supporting, and not one taxpayer dollar goes into the Child Care Center. But because we offer the Child Care Center to provide instruction for single parents, the unemployed and underemployed, we are penalized.

Our adult evening programs are the second listing, whereby we have approximately 1800 students who are in the evening school and, yes, on Saturday, and, yes, soon to be open on Sunday for various programs. Those students equate to approximately 215 FTE students -- full-time equivalent students.

The JTPA Skill Center, where adults also come into the program, is designed for adults who can't read, for adults who have problems with basic math and basic skills, and can't even get into training programs, because they do not have sufficient skills to become trained in programs where you have employment in this State. Because we operate this Skill Center, which is totally self-supporting, we are penalized for doing a service to bring people into education, and also into employment.

Ms. Flynn will talk about the School-Based Youth Services Program.

We run a program for corrections institutions called Campus Boys. We are not even counting those students in and what it takes to administer that program. You know the problems we have in this country with over a million people

presently in jail -- one of the highest costs this country has to bear. This is a program that helps to deal with juveniles who could end up incarcerated.

The JTPA Summer Youth Program: 14 to 17-year-old youths during the summer involved in educational programs that build their skills and knowledge into the workforce. We are penalized for operating that program.

Then you will see where the 777 comes in: secondary shared time, special ed shared time, day adults, and adult regional high schools. Those students equate to the 777, because we are a shared-time school serving 13 high school districts, in effect, the school of choice, with regionalized services. We are penalized by this formula, because it takes administrative costs -- even though these services are self-supporting -- to administer them. So our total student body, 3825, equates to 1134.

As Mr. Ball indicated, had the 1134 been a part of the formula, our costs for administration per student would have been far below the State average.

SENATOR EWING: The Child Care Center is 47, and the full-time equivalent is 69.

MR. MORELLA: The Child Care Center runs year-round, because the JTPA Skill Center runs year-round. People become unemployed year-round, and they need education on an instant basis. They cannot wait a year, so we run that program year-round. When you equate 180 days versus 240, you exceed the full-time equivalent.

If you will take a look at page 6, you will see that our district, in the last eight years, has increased enrollment twofold, and our budget has increased threefold. What is significant-- If you will take a look at page 9, it summarizes the last eight years of operation of the Gloucester County Vocational Technical School District, in terms of State aid, taxpayer aid, and the budget. If you look back to 1986-1987,

you will see that at that time the taxpayers in Gloucester County supported the district at 41 percent of its budget; State aid supported it at 44 percent of the budget; and the budget total was \$4.7 million.

Because of all the partnerships, the regionalized services, and the various support levels from the partners, we have been able to put 32 percent of our budget costs other than the taxpayers, and other than the State. If you will focus your eyes on 1994-1995, you will see that the county aid has dropped to 28 percent, the taxpayer support; the State aid to 40 percent; with a budget of \$11.5 million. The distance in between is exactly what the Governor is talking about, we believe, in consolidating services, regionalizing those services, and making them on a cost-effective basis. The people who receive the instruction in our institution are the people who pay for the instruction. Let me give you a quick example:

We employ a financial aid administrator at \$30,000 a year. That financial aid administrator brings in \$175,000 in Pell grants to needy students in Gloucester County who need an education to become employed -- \$175,000 in Federal dollars to pay tuition for students to get off of welfare. We are penalized because we have an administrator bringing those kinds of funds into Gloucester County -- Federal dollars. That is just one example.

SENATOR EWING: Excuse me. Are Pell grants available in vocational schools?

MR. MORELLA: We are one of six county vocational schools that have Pell grants.

SENATOR EWING: One of six? Why don't the others have it?

MR. MORELLA: There are two criteria, and some have decided not to go through the criteria. First of all, you must be approved by the Middle States Association -- our school went

through the Middle States Accreditation -- or you must have another level of accreditation. You must also want to deal with the Federal government in terms of the criteria for the financial aid officer. Our financial aid officer used to have hair, but now he doesn't have hair anymore. However, he is still good at it. So we bring that money into Gloucester County.

SENATOR EWING: Is Essex one of the ones that gets a Pell grant?

MR. MORELLA: I'm not sure, Senator Ewing. I know there are 6 of the 21 in the State that are eligible for Pell grants. But that kind of tuition of Federal dollars helps us to support a lot of our programs through tuition bases. Our tuition for evening and adult programs is at about \$1.50 per contact hour. That has increased from 50 cents a contact hour six years ago. So the individuals who are benefiting from the education are paying a greater share. Hence, the 32 percent of our overall operating budget is income other than taxpayers' income.

At this time, I would like Meredith Flynn to talk about the special education population we service having to do with the child study team and other services. Meredith?

M E R E D I T H M. F L Y N N: I am directly responsible for the special services that are offered at the Gloucester County Institute. It makes me very uncomfortable, but the 16 professional staff that I supervise are all being perceived as administrative. They certainly do not perceive themselves in that role.

By definition and Federal mandate, vocational technical education serves those special populations within our community described as "at risk." These are the youths and adults who possess significant barriers to employment and successful assimilation into the community as a whole. They are economically and educationally disadvantaged, teen parents,

substance abusers, handicapped, and limited English proficient. They come from single parent or dysfunctional families, where many experience no work ethic at all. They are kids who generally have not been successful in the traditional education system.

In New Jersey, students elect to go to a county vocational technical school. No one has to attend our schools. We have no resident base upon which to project. We do find, however, that we can count on school districts sending us their less successful students. These are the students who pull down their HSPT test scores, the ones who are disruptive, disaffected, or unmotivated. Our educational system is failing these students, but all too frequently the system's response is to shuffle them off to what is viewed as a less challenging school for the less able student.

Vocational technical education has traditionally embraced these students, and we have been quite successful in preparing them for a career and participation in the mainstream of society. This process, however, cannot be accomplished in the same type of classroom in which they were previously unsuccessful. These students need supportive counseling and referral services, job coaching, and employability skills. They need to develop their self-esteem and confidence so they can succeed. This process requires a team of professionals dedicated to all facets of the students' development, including: the teacher, counselors, child study team members, and job developers.

At the Gloucester County Vocational Technical School District, I have the privilege to supervise a team of 16 such professionals who provide these services. Our team includes two vocational evaluators who assess over 250 special needs students annually to determine their career potential and develop a career path for them. We focus upon these students' abilities, not their disabilities.

The district enrolls 275 classified special education students in full- and shared-time occupational programs. These students are supported by a child study team which monitors their academic performance, the direction of their career plan, and their eventual transition from school to adult living. This is a collaborative effort with the student's resident high school. These team members spend 95 percent of their time dealing specifically with students, teachers, and parents.

A counselor/recruiter works with our sending districts to identify students who would benefit from vocational education. He works directly with counselors, students, and their parents to identify the most appropriate career path and assists these students in accessing the appropriate training program. Since most high school guidance counselors lack exposure to the world of work, he becomes an extension of their career counseling services.

Three vocational guidance counselors provide supportive services for the 824 adult and regular high school students on the rolls. Their caseload exceeds the recommended maximum counselor/pupil ratio of 1 to 200. They, too, spend 95 percent of their working day counseling students and working with teachers, parents, and home high school staff to assure the students' success. Although our shared-time students have guidance counselors assigned at their home schools, unfortunately, they rarely get to see them. Job responsibilities tend to be redefined as assisting students to get into college, to find scholarship information, or with scheduling responsibilities. Our counselors assist students with issues of self-esteem, decision making, conflict resolution, and career planning. They also assist students with college planning through our Tech Prep and School-to-Work programs. Our students must be provided with creative alternatives to the traditional college preparatory route.

For our adult students, we have a financial aid officer, and we also have a special populations coordinator, which is required by Carl Perkins legislation. This woman assists with our JTPA, REACH, and FDP clients in their training and transitional programs. She works closely with public agencies to assure the needed resources are available to our students. These two positions are critical to serving the needs of the unemployed, underemployed, and those in our community on public assistance to change their circumstances and become taxpaying members of our community.

Our School-Based Youth Services Program -- and you have heard some of the other districts make reference to that as well -- serves our most needy population. It provides family counseling for 240 days a year during the day and the evening. They operate from 8:00 in the morning until 10:00 at night. We have a social worker/family therapist who works with the students. We have a counselor/teacher who conducts job placement services, provides tutoring, and also gives the students other exposures to expand their professional lives. These counselors have counseled a total of 488 students this year alone, and the average number of hours devoted to each student was 32.

Ladies and gentlemen, let me assure you that these School-Based Youth Services Programs and staff are not administrative frills. They are as critical a component of the educational process at the Gloucester County Vocational Technical School District as the teachers, the principal, or the maintenance staff. We function as an educational team. Our product is the whole student. For "at risk" students to become successful in our society and economy, we must teach new interpersonal behaviors, a redefined personal outlook, and career goals, as well as provide educational access. The counseling and referral service supporting this cannot be considered the basis for sanctions.

Thank you.

SENATOR EWING: On the special education classes you have, are they the children of the people who are in school there?

MS. FLYNN: No, our special education students come from the 13 public school districts and the three private school districts in the county.

SENATOR EWING: They do not have their own special ed classes?

MS. FLYNN: Yes. We have one full-time program that services severely disabled students, and we have 11 shared-time programs that are specifically occupational in nature. So a student who is in high school and in a special education class would come to our program to learn how to become a carpenter, an auto mechanic, a landscaper, or to work in a supermarket. Those are the kinds of skills we focus on.

MR. MORELLA: Senator Ewing, one additional comment: You mentioned the Pell grants. You might also like to know that we have the lowest default rate of any private two-year college or four-year college in South Jersey. It takes a lot of extra time and administrative work in order to make that happen.

Just to summarize, on page 10, in order to service 3825 -- students, adults, secondary, special education, and emotionally disturbed -- we regionalize our service. We are, in fact, the school of choice. For us to be measured by administrative costs for the 777 students, we believe, is not a fair use of the formula.

We also believe that the county vocational schools, and ourselves, should be included in the awards program, not just the sanctions, as far as the formula is concerned. We are not eligible for any recognition. We are only eligible for a sanction under the present formula.

To summarize, I want to thank you very much for holding this hearing, and pledge that this county vocational

school will continue to serve the students in the best interest of the taxpayers' dollars.

Thank you.

SENATOR EWING: Dr. DiPatri, Rich DiPatri, the Deputy Commissioner is here. He is going to come forward now and maybe answer some of the questions he has heard. He is not going to be testifying as such. We will do that at a later date, with Commissioner Klagholz.

DEPUTY COMM. RICHARD A. DIPATRI: Good afternoon, Senator. Good afternoon, Senator Palaia.

SENATOR PALAIA: Hi, Doctor.

DEPUTY COMMISSIONER DIPATRI: As you mentioned, Senator, I am not going to testify, but basically I--

SENATOR EWING: First, I want to thank that young lady for helping to open the window there.

SENATOR PALAIA: Yes, those two big, strong men--

SENATOR EWING: Yes, will you teach Matt Reilly how to do it? He lives in an air-conditioned house, I guess. Unfortunately, I think the air circulating thing in this building is sort of not working properly, because most of the offices have moved out over to the new Annex. That's why the circulation is not so good.

Thank you very much.

DEPUTY COMMISSIONER DIPATRI: Senator, first, I appreciate the opportunity to clarify a misunderstanding. As you know, the Commissioner was invited last Thursday to testify here, and was scheduled to testify before the Assembly Ed Committee on an important bill to the education community, and that is the bilingual bill. Secondly, he had another appointment that it would have been difficult to change. But more importantly, that is not why he is not here. As he said to you in a letter, he wants to testify, and hopes you will allow him the opportunity to testify at a future meeting. Why he did not send me, or Mike, or others, was because he wanted

to defend it. He did not want to be perceived as not being able to defend his recommendation to the Governor.

So I apologize if, in fact, there was some misunderstanding on that. I know he looks forward to doing that. The dates are available, and I hope you will give him that opportunity.

SENATOR EWING: I surely will.

DEPUTY COMMISSIONER DiPATRI: I will be glad to answer any of the questions, if I am able to, around some of those issues that were raised earlier today.

SENATOR EWING: Going back to the Gloucester Vocational School, you have heard some of those questions. It is interesting, the variants in their full-time equivalent and what you people have come up with.

DEPUTY COMMISSIONER DiPATRI: Well, I think there were a lot of issues that were raised regarding Gloucester County Vocational. One of the things to consider here is that whenever the comparisons were made to get at 30 percent above the median, obviously vocational schools were compared to vocational schools. Therefore, some of the same services that were mentioned in terms of being unique to a certain segment of the community, are many services that are provided throughout the State at the other vocational schools as well.

I will say it again: It is all relative in terms of the penalty. It was 30 percent above the median to all those districts in that same category. So, yes, there may be anomalies, and that is the intent of the review procedure. We have sent out a letter, and there are four reasons not to -- for which a district can ask for a review. We will get back to those districts in an expeditious way to either have--

For example, some of the communities you talked about -- Downe -- listening to their concerns about servicing all the youngsters in other districts-- I think we will look at those requests for review and respond in a timely fashion.

SENATOR EWING: Excuse me for interrupting you. Would that come under one of the four parameters you gave to have an appeal on?

DEPUTY COMMISSIONER DiPATRI: Yes. Are you talking about Downe in particular?

SENATOR EWING: Yes.

DEPUTY COMMISSIONER DiPATRI: Well, again, I cannot speak to the assertions made here by the Superintendent of that district, or for any district for that matter. However, if, in fact, the circumstances are accurate that they are serving youngsters outside and it, in fact, flies in the face of what we are trying to promote, which is regionalization and consolidation of services, I would say, then, that that would be eligible for some correction here.

Number three says: "Costs contained in line accounts which are not related to students on the district's school registers." If, in fact, that is accurate, that the majority of the students they are servicing are from outside the district, then that district would be looked upon favorably.

I think there are also other ways that this should have been dealt with by the districts, and I think, in some cases, we will take a look at that as well. In terms of our accounting procedures, some of these should have been -- if, in fact, the date is accurate, should have been carried in the enterprise funds. That would not have been looked at in terms of this penalty process.

SENATOR PALAIA: Mr. Chairman, through you-- Rich, how do you account for the fact that budgets that were defeated and brought to the Commissioner were approved, sent back to the districts, and then they got penalized, when everything they did was approved by the Commissioner? That was what you heard today. How can that be? You either approve the budget with what is in it, or you don't approve the budget.

DEPUTY COMMISSIONER DiPATRI: Well, Senator Palaia, as you know, the budget appeal process, in the eyes of Commissioner Klagholz, is a flawed process, and we are setting about to change that.

One, he changed the entire analysis first. That is all he could do, because his latitude is limited, based on current laws and case study. Not until we get through the Abbott v. Burke, and we presented our plan last Thursday to that effect. So it won't affect this budget coming up -- that is, 1995-1996 -- or 1996-1997. So in the meantime, what he has done, is analyze all of the budgets very, very carefully.

As you know, or may not know, last year's rate of restoration was 88 percent. The year before was 97 percent. This year, as of now, 34 percent, 39 percent. Appeals are 43 percent. So I think we are looking carefully at that.

Now, the question specifically, "What about a particular district that had an item that might fall in or out of these categories restored, as opposed to sustaining municipal bodies' recommendations?" It all comes down to a legal case, how they present their case, Senator, and that is what the Commissioner is restricted to.

All budgets, when they come before the Commissioner today, and they come through the county superintendents, are asserted to meet a thorough and efficient education. So as I sit here today -- as the Commissioner mentioned in his report last Thursday -- we are looking at districts in the same category that have ranges of spending from \$4900 to \$12,000; in other cases, from \$9200 to \$16,000, all of which assert that it is a thorough and efficient education. The way the current law is, thorough and efficient is a definition determined with both State and local goals. So it is a locally determined definition, as well as a State determined definition, in terms of what is thorough and efficient.

So the Commissioner has to rule on the evidence put in front of him. When you look at those 34 appeals that he has ruled on, has he been consistent in the administrative penalty? I say, "Absolutely, yes." In every case, no, because it is possible that the municipal body did not make a good case, or the board made a sound case for having that particular position filled.

SENATOR PALAIA: Rich, if you had it to do all over, would you really do what transpired, without really letting the districts know what was going to happen to them? Wouldn't you rethink that, as I said initially, you know, "Retreat and regroup," and say to yourself, you know, "Maybe we rushed this a little too much. Maybe we should have taken a little more time. Maybe we should have gotten some input from" -- even this group. Senator Ewing has always been obliging about meeting with anybody.

Rich, friend to friend, I have to tell you, it just seems to me that you rushed into something that I think should have taken a considerable amount of time to put into place. I think that time would have been better spent into the next fiscal year, and not in the current fiscal year, to give schools a chance to reevaluate what you wanted them to do.

Before even what I heard here today, you know, my own thought was, "Where are we going? What is the rush on all this? Can't we think it over, and rethink our position?"

DEPUTY COMMISSIONER DiPATRI: Well, I think you have to look at it in its context, Senator. First -- and the Commissioner said this time and again, and the Governor has said it -- New Jersey is first in the nation in spending. It is not close. We are 10 percent more than the second highest spending state -- 10 percent more. We are 42 percent above the State average, and we are 28 percent above the regional average.

Someone has said, "Where is that money going? Where is it being spent?" especially in terms of regional. We are 28 percent above the regional average.

Secondly, we are 49th in what we spend in the classroom, proportionately. There is something wrong with that equation, Senator, and that is what, you may suggest, has been unfair, a surprise. But we believe it has to be addressed soon. The concern here, repeatedly I have heard, in the short time I have been here -- now it is a long time I have been here, but at the beginning-- The concern is one about libraries, nurses, and so on. No one is suggesting that those are unimportant. In fact, I believe the superintendents hold important positions.

What we are talking about here is excesses. When you look at the library costs and all of those areas that people are claiming should not be included, it only represents 21 percent of this equation that we call -- that has been described as "administrative penalty," which, in fact, is nonclassroom expenditures.

So, would we do it again? I'm sorry to upset you, Senator, but I believe we would be making the recommendation. Would we do it differently? I think there are some things that you need to know about as this played out. I think when I do step back and say, "Would you do something differently?" surely there is a lot that could be done differently. One thing is -- and the people don't understand it today, I don't believe, and they don't believe this, I don't suppose-- Originally, this idea was an administrative penalty and an administrative reward. It was a direct wash. We were not looking to save \$11 million. In fact, it was \$11 million in penalties and \$11 million in rewards. The way we did it was the same definition, and it just did not work out well. It created anomalies, maybe some of the same anomalies we have heard here today.

That is why there is a review procedure, because, as you know, there is no review procedure for the rewards. There is \$8 million in rewards and, you know, we are not addressing that review. We believe that is the approach to take -- K-12.

So instead of having a like administrative penalty reward, we went to one that was simple to define. It is a K-12 district, noncertified, up to 2500 students, \$30,000, and more than 2500, \$60,000.

SENATOR PALAIA: Is it really true that the K-12s got a better break than those K-8 school districts; that in your anxiety to get the regional school districts, the K-8s did not fare as well as the K-12s? Is that a legitimate complaint?

DEPUTY COMMISSIONER DiPATRI: Well, just in that one area, that is right, Senator. But I would say -- going back to your earlier point, too, about some districts-- I would say to look at the districts in your own area, and you will see that there are some, I think, outstanding school districts that were penalized, and were not rewarded, for that matter, because they were K-8. But they have significantly -- or at least a same quality program as some of those that have been penalized, and they are doing it for less than 30 percent above the median.

SENATOR PALAIA: Why is it that the 70 districts, sometimes referred to as the "bad" districts, or "nonachieving" districts--

SENATOR EWING: Why were they taken as the worst?

DEPUTY COMMISSIONER DiPATRI: That was an absolute unfortunate play on words. I happened to have been there, and Matt is here today, so I am not going to argue about what the quote was. As I took the quote from the Commissioner, it was after the hearing was over, and Matt was trying to understand it and understand exactly why we were doing this -- your question, Senator. I think what Leo's context was, was "We are the worst offender," meaning the State, in terms of the figures I just related.

SENATOR PALAIA: Not the 70?

DEPUTY COMMISSIONER DiPATRI: No. He said, "We are the worst offender in terms of that -- spending so much, how much we spend per pupil, and yet the results do not line up.

We are not 10 percent higher than the next closest; we are not 42 percent above the national." So he said, "We are the worst offender, and these are the 70 worst offenders," in that context -- worst offenders, not worst school districts. He would not, nor would I, sit here and say, "Those 70 districts across-the-board are the worst districts." The worst districts are those that we have either taken over or are in the process of taking over.

SENATOR PALAIA: We know who they are. Rich, it just seems to me that I really wish -- just speaking for myself, and the Chairman can speak for himself -- you would rethink what you have done here. There is no disgrace in that. I mean, you have heard from the districts.

I know Leo and you very, very well. You are two good administrators. You are very, very good. I am a prime mover of both of you. But I really believe, at this point in time, that you would be serving the educational community best by saying, "Let's pull back. Let's retreat. Let's regroup," and then come before us -- as the Chairman wishes you to -- with the Commissioner, and say, "This is the way we are seeing things now." It is just my gut feeling that we have to do that. It is just that misconceptions out there, I think, are destroying the fabric of our schools right now.

I am just going to pick one school, and that is Livingston, which is probably not only one of the best in the State, but probably one of the best in the nation. To penalize them \$1.2 million because of the great work they have done through great taxpayer participation, does not make sense to me. It just does not make sense. I don't wish you to answer the question. All I am saying is, would you go back and rethink, you know, what you have heard today and what we are trying to do as a Committee? I am sure the Chairman would meet at any time, at any place that you and the Commissioner would like to meet with us. Right, Mr. Chairman?

SENATOR EWING: Oh, no. I think what we have to do is get the Commissioner to agree with us that there should be a delay and a rethinking, and we go to the Governor, to the administration. I think they are the ones who have to pull this back. I think it is going to be very difficult for us to do. We will make every effort we can, but even if we take the money out of the budget, and everything like that, and put the money back in, the administration has the final say, you know, redlining the item in the budget.

We have to work together, but one thing I want to ask you, Rich: On these four criteria for being able to appeal, I gathered from some of the people who spoke earlier that they felt they were more or less excluded because they did not come under these exact definitions. I think if you have an appeal process, it should be open to anybody. Why should it be narrowed down?

DEPUTY COMMISSIONER DiPATRI: Well, I think we established the criteria, Senator. Those four areas list the criteria under which we would consider an appeal -- a review. I think what Senator Palaia is suggesting is that we ought to review the entire program.

SENATOR EWING: Oh, definitely that. But I mean, if you--

DEPUTY COMMISSIONER DiPATRI: But in terms of these four, assuming that we were to move ahead, we would be looking at what could we have done in terms of technical data, the anomalies that exist. I think the criteria are reasonable there, short of saying, "We will consider the fact that you have seven counselors and someone else has six." I think it is a reasonable review procedure and we will carry it out. We will know after the 28th. The deadline is February 28. For those districts that choose not to, it is very possible that maybe they recognize that they are 30 percent above the median.

SENATOR EWING: Yes, but some of the information today, I gather, was because of the restrictions in here, and they were not going to apply. There may be other factors, they feel. I just don't feel they should be denied the right to appeal. That's all.

DEPUTY COMMISSIONER DiPATRI: Anyone can appeal, Senator, I suspect, but we have established a criteria in which we are going to review. Otherwise, you could review for all the reasons--

Senator, if you allow that kind of an open appeal, seriously now, I don't think you will have all 70 districts appeal. We are going to look to restore them all. Then everyone is happy, and we can go back and say, "Well, we are number one in the nation, and we will stay number one in the nation."

SENATOR EWING: Oh, no, we are just going to review the whole situation and see what we come up with.

DEPUTY COMMISSIONER DiPATRI: We will do that. We will look at it through these lens, as well as the way the Senator suggested we take a look at it.

SENATOR EWING: Rich, I asked you earlier: Did you find out how many of the 70--

DEPUTY COMMISSIONER DiPATRI: No, Senator. I would have to poll all the county superintendents, which I will do, but I could not do that immediately.

SENATOR EWING: Well, when will you let us know -- period? You don't have any staff back in the office who can make phone calls?

DEPUTY COMMISSIONER DiPATRI: Yes, I do, Jack, but I could not do it for you immediately.

SENATOR EWING: No, I said to you in the hall, I said, "You can get your people to call the county superintendents now and find out" -- not to give us an answer. You said, "Well,

the 28th is the deadline." I said, "How many have appealed to date?"

DEPUTY COMMISSIONER DiPATRI: Well, I will get you an answer as soon as we poll the county superintendents. I will do that this afternoon.

SENATOR EWING: When will we have the answer.

DEPUTY COMMISSIONER DiPATRI: This afternoon, or tomorrow morning.

SENATOR EWING: Tomorrow -- say by noon tomorrow.

DEPUTY COMMISSIONER DiPATRI: Fine.

Thank you, Senator.

SENATOR EWING: Mike, how many have appealed to you so far? There must be two, three--

M I C H A E L A Z A R R A: I know less than a handful. Personally, I know of less than a handful.

SENATOR EWING: The process that they go through--

DEPUTY COMMISSIONER DiPATRI: They go through the county office.

SENATOR EWING: What does he do, or she do?

DEPUTY COMMISSIONER DiPATRI: They review it, and then we look at it from the State perspective to be sure there is consistency across all the reviews.

SENATOR EWING: Well, what if they--

DEPUTY COMMISSIONER DiPATRI: But it is submitted there first because the county office -- the business administrator knows their budget as well, or surely better than Mike or anyone else here in the Central Office.

SENATOR EWING: Can there be delay in the county superintendent's office?

DEPUTY COMMISSIONER DiPATRI: Can there be a delay?

SENATOR EWING: Yes, because someone is sick, out on vacation, or something, so it sits there?

DEPUTY COMMISSIONER DiPATRI: No, no, no. We take care of that, Senator. No, that is not going to happen. We will get assistance at the county level.

SENATOR PALAIA: That would not be a problem. There are enough people there who could do it.

SENATOR EWING: Enough people? They only have one or one and a half in some of the superintendents' offices. They are not overloaded with administrators.

Do you have anything else, Senator Palaia?

SENATOR PALAIA: No. I appreciate the testimony, too; I really do.

DEPUTY COMMISSIONER DiPATRI: Thank you, Senator.

SENATOR EWING: As I said, I would like you to take the feeling away to the Commissioner. Explain that we are really looking for a delay in this overall program.

DEPUTY COMMISSIONER DiPATRI: Thank you, Senator. I will--

SENATOR EWING: Whether we go to the Governor -- the administration ourselves, or whether we go with his acquiescence or support as well-- That would certainly be more helpful.

DEPUTY COMMISSIONER DiPATRI: Thank you, Senator. I appreciate your time.

SENATOR EWING: Thank you for coming, Rich, very much.

SENATOR PALAIA: And thank you, Michael.

SENATOR EWING: We are going to continue on, so if anyone wants to go out and get a sandwich-- I might read five or six names, so some of you don't sit around too long.

We are going to hear Dr. Peter Bastardo, William Ryan, Dr. Robert Kish, Paul Saxton, and Dr. Donald Merachnik, from the Union County Regional High School District. We will take them in that order, so if you others want to go and get a sandwich or something, you will not miss your turn.

The first one will be Dr. Peter Bastardo.

Were some of those not here that I read?

UNIDENTIFIED SPEAKER FROM AUDIENCE: You have already heard from Livingston.

SENATOR EWING: Oh, Dr. Kish, he has been here.

UNIDENTIFIED SPEAKER FROM AUDIENCE: His group has been here, so that is my guess.

SENATOR EWING: We'll add Frederick Keating, then, to that list. We are going to go right through the whole group, but that number we will do right now.

P E T E R J. B A S T A R D O, Ed.D.: My name is Peter Bastardo. I am Superintendent of Schools in Highland Park, Middlesex County. We are a Foundation Aid school district. I have some written remarks, and I will give them to you when I am finished. I am just going to try to pick out parts that have not been spoken about already, so we won't have to spend too much time.

First of all, I want to thank you for this opportunity. I think someone mentioned it before, but had we had this opportunity with the State Department about a month or two months ago, we could have avoided today. Unfortunately, that did not happen.

I am just going to give you a little bit of background about Highland Park. We are a Foundation Aid district. Over the last few years -- the five years that I have been Superintendent -- we have saved quite a bit of money in administrative costs by reducing administrators, by privatizing our food services, our maintenance, our custodians. We joint purchase with over 200 other school districts. We are involved in inclusive programs for special education students, bringing them back, saving transportation costs.

We are a diverse community -- a very diverse community. We have some wealthy and some very poor people. Our high school is made up of 35 percent minorities. The year before last, our high school had the 10th highest SAT scores in the State, with a 1020 average, with 90 percent of our kids taking the test -- 90 percent. The HSPT was given for the

first time a few years ago, and we had one of the highest scores in the State.

We feel that some of the reasons that this is happening, besides the quality of administrators in the district, is also because of some of the student services and support services we have, in terms of guidance, in terms of nurses. You have heard the litany, and you have heard the names before. We feel that effective classroom instruction depends on support for librarians, media, curriculum development, and counselors to help students. In successful districts, a substantial amount of resources can be understood as integral to instruction, because without them the classroom is impoverished.

As you know, the last report card that came out did not match up with this penalty that has been given. We were below in every State category on the last report card, and we are above in this one. We are losing \$19,000. It is not like the millions and the hundreds. But I want to give you an example -- and this has not been mentioned -- of why we are losing it.

The year before last, we went to contracted services, custodians and maintenance. We hired an outside company to come in. We had a \$700,000 budget in that area. We saved \$200,000 in the first year. What we did was, we put a small part of that money away as severance for some of the custodians we were letting go, and we put it in the benefit line. We did not put it in salaries or custodians. When you looked at the denominator, and you looked at the way they figured the calculation, that was enough to put us over the edge, and to receive the penalty. Had we put that in custodian salaries instead of benefits, instead of being \$12 over per average, we would have been \$3 under.

SENATOR EWING: Well, you'll appeal that.

DR. BASTARDO: We are obviously appealing it, but I wanted to show you the irony. We were moving in the direction the State has been asking school districts to move toward in terms of consolidation. In terms of looking at outside services where possible, we did. Maybe had we known, we would have put it in Line "X" and it would not have been a penalty. We would have done that, definitely, but we did not know that. So we put it in Line "Y," where normally we would not put such a line item, and it put us just over the edge.

It has been said how, you know, budgets can be approved. But one area we found interesting was, we had a local -- a nearby school district whose budget was defeated by its voters. It was cut a million dollars by the city council. It went to the Commissioner. The Commissioner agreed to cutting \$500,000 out of that budget, and then proceeded to give it a reward. It just doesn't make any sense. The process is flawed, as you mentioned before.

I won't go on, except to say that you are right. In some districts, what we consider to be important, other districts either can't afford it or do not consider it to be important.

In our local newspaper, a spokesperson for the Department of Education, when asked about the noninstructional penalties, was quoted as saying: "It is where one district stands in comparison to another." If one district has 10 librarians and another has 3, is it possible that the first is spending excessively? Or is it possible to look at it a different way? Rather than focusing on spending, one should assess outcomes, such as student achievement, research skills, increased enjoyment of reading and reading skills; increased circulation and other variables, as opposed to simply counting the number of staff needed to check out books, a truly naive view of an instructional media and the people who work in them.

In his initial description in the press, the Commissioner explained the reduction in State aid as penalties for "excessive or bloated administration." Those comments were made so that the ordinary citizen could read and interpret his remarks to mean "too many highly paid administrators," rather than understand the many other noninstructional categories included. If that was not his purpose, much could have been done to avoid this attack on some of the highest achieving districts in the State. Giving State aid figures and a new penalty system to the press at the exact same time it is given to school districts results in putting school districts immediately on the defensive, unable to explain a program we know nothing about. This is a prime example of the lack of incorporating a collaborative process on behalf of the Department of Education with school districts, a process that must be instituted if we expect all school districts in New Jersey to improve.

School districts and administrators must work within collaborative processes to achieve goals. The Department of Education, which is supposed to provide leadership for the State's public school system, should foster such collaboration, rather than purposely antagonizing school districts. At the minimum, it should provide the rules before playing the game.

We share the State's concerns for achieving more administrative efficiencies, as evidenced by our own initiatives in this area. However, we also understand the need to balance efficiency with providing quality education and instruction. We offer to work with the State to develop more appropriate categories by which to measure district spending related to achievement.

I think we have found a good mix of administrators and staff to produce the academic achievement that I talk about. If we decide, because of the State's influence, to reduce those areas, and are forced into reducing those areas, will the State

take the responsibility for lower scores? That is the question I ask you and the Commissioner.

Thank you very much.

SENATOR EWING: Thank you.

William Ryan, Secretary/Business Manager, City of Burlington Board of Education.

W I L L I A M F. R Y A N JR.: Senator Ewing, Senator Palaia: My Superintendent made the mistake of parking at a meter, and he is putting another set of change in the meter. He will be in shortly.

I would like to begin-- We have heard from many enlightened educators today. We have heard from all ranges of districts -- very wealthy districts, districts that are very proud of their academic achievement, and very small districts that feel they have some unique circumstances. We will be the first Special Needs district you hear from, and I think we will, again, add a slightly different perspective to the discussion.

"That which does not kill me, makes me stronger." These words, spoken by Frederick Nietzsche over 100 years ago, symbolize how we feel when issues such as these are thrust upon us. Thank you for the opportunity to testify today. I am pleased that discussion on educational policy and issues in the State of New Jersey has not been entirely eliminated by the Department of Education -- the DOE. I am certain you will hear important and meaningful comments by those testifying today. My message won't be as eloquent, and may offend some, but it is simple and true.

What the DOE did was wrong! Period. What they have done since they implemented this Excess Administrative Cost Penalty, now called the School Efficiency Program, is wrong. This Program was crafted in secrecy, by a handful of people. No indication that this was to happen was given; no discussion was permitted; no explanation was provided. In fact, when we

inquired as to why we weren't even given the courtesy of being informed that we were being penalized, before it was announced publicly in front of hundreds of our peers, we were advised that strict orders were given to maintain secrecy. At the same time penalties were being devised, rewards were given to K-12 districts, basically for existing. If you were open and had kids, you were given either \$30,000 or \$60,000. Editorials indicate these districts were rewarded for "making strides towards regionalization -- sharing services and expenses with neighboring districts." That is a quote from a local newspaper. Where did this information come from?

We have proposed regionalization discussions with neighboring districts. We have served as the LEA for a number of projects. We are already part of the Central Burlington County Region for Special Education, where districts share in the transportation and education of handicapped children. We have participated in cooperative purchasing through the County of Burlington for over 10 years. We are part of a cooperative of over 200 districts that bid virtually all school-related products and all State-mandated right-to-know functions required by the State and Federal governments, and have been for the past eight years. We have purchased typically at around 30 percent to 40 percent below the State Cooperative Purchasing Program, of which we are also a participant. We have shared our computer expertise with both school and municipal entities. We were one of the founders of the Burlington County Joint Insurance Fund for Workers' Compensation in 1984. We were one of the school districts which, two years ago, expanded that JIF into an all-lines insurance pool. We have purchased health insurance at thousands of dollars below many of our neighboring districts. I could go on.

But the DOE has chosen not to deal in facts, but to hunker down and defend an ill-conceived, poorly developed

Program designed to save some bucks. I resent being referred to as one of the 70 worst districts in the second worst State in the nation. The quality of the personnel, the caliber of work, the performance on audits, criteria that we keep or lose our jobs on, were not considered. The DOE added some numbers and made a judgment. Even then they considered budgeted numbers, and not actual audited expenditures. They ignored significant factual information, and I would like to present some:

The City of Burlington Board of Education is a K-12 district of 1506 children. We are a Special Needs district. We have been directed, through the external review team recommendations and by the State of New Jersey Department of Education, to: increase health services, increase counseling services, increase social work, increase inservice opportunities, increase public relations efforts, increase special education services, increase library services, and increase telephone access; improve computer functions as they relate to student attendance and other district level services, complete numerous other administrative functions, and much more.

I point to these since they were part of the excess administrative cost computation. So we can be clear, we were ordered by the State of New Jersey to spend more money in these areas, had EIPs rejected that did not include objectives in these areas, and are now being penalized for doing what we were told. We are at the bottom of the excess penalty computation for K-12 districts. We are only \$6.13 over the upper limit established by the DOE. If the amount of money included in our original 1994-1995 EIP for services -- accounted for in this computation -- were eliminated from the formula, we would not be here today.

Our total expenditure would have had us below the upper limit established by the DOE. In our proposed 1994-1995 school budget, \$1.2 million was included for attendance,

health, guidance, child study team, social work, and library/media services. Of that total, there is \$61,692.16 total dollars allocated for the salary of administrators.

I want to pay particular attention to the last statement on this page. We are a Special Needs district and, of course, everyone assumes we receive enormous amounts of money. An additional \$181 million, I believe, was the number thrown around in the newspapers across the State. Our district will receive a total State aid increase for 1995-1996 of \$43,000. So if \$181 million is a correct number, then \$180,960,000 went elsewhere. We are being directed to prepare an EIP that reflects a spending increase of over \$90,000.00. We are getting \$43,000, and we are being directed to spend \$90,000 more.

We are being mandated to participate in the Medicaid initiative. Why is that? Because we have a significant at-risk population -- 34.1 percent. We are a receiving district for a neighboring school system. They are being mandated to participate in the Medicaid initiative because they have a significant at-risk population. We have two group homes in our community servicing children placed by the State of New Jersey, all of whom have special needs. Guess who provides these services? We do. We are responsible for all costs associated with the registration and enrollment of these children, securing records, requesting waivers, phone communication by the child study team office, as well as the business office, record review, revaluations, evaluations, IEP development, placement, tuition contract development, visitations, conferencing, meetings, transportation, psychologicals, neurologicals, psychiatric, and learning and speech evaluations.

We have a significant homeless population that often requires special services by the child study team, guidance personnel, school offices, as well as the central office. You

see, homeless children are not placed in the wealthy, affluent districts of our State. They are placed in communities such as ours. We have provided for the administration, counseling, transportation, guidance, and full range of child study team services for 24 youngsters from places as diverse as: Willingboro, Trenton, North Carolina, Haiti, Riverside, and Mount Holly. In a number of instances, we must seek tuition reimbursement from the State of New Jersey for students whose district of residence is out-of-state, or cannot be determined. We are providing for the educational needs of another 31 youngsters not including our sending/receiving relationship. They are from: Brick Township, Camden City, Cinnaminson, East Orange, Lenape, Palmyra, Pemberton, Riverside, Toms River, Burlington Township, Eastampton, Florence, Rancocas Valley, Willingboro, and Woodbury.

Even a sending/receiving relationship -- which is excluded from the appeal criteria -- makes us fully responsible for providing all special education services for all handicapped youngsters received as a result of that relationship -- in our case, an additional 24.

I am going to skip over this next portion. Our Superintendent will just give a couple of specific instances that maybe should be factored in.

To conclude my comments, let me say that we are far from perfect. Our administrators and secretaries make excellent salaries. If you and the other elected and appointed officials believe that that is where we should focus our attention, so be it. Just do it in an intelligent, cooperative manner. To condemn school districts and the professional staffs ensures great headlines, but it is not right. You regulate and mandate us to death. You want us: to submit our EIPs, to visit us monthly, to receive monthly financial reports, to submit QAAR reports, to submit two- and three-year plans and application for Perkins funds, to apply for Air

Quality Emissions Permits, for pesticide permits, for medical waste permits; to develop a plan and implement the provisions of the ADA, to develop and implement chemical hygiene plans to deal with blood-borne pathogens, to do AHERA management plans, six-month updates and three-year reinspections, to do financial reports for Chapter 1, Chapter 2, IKE, Drug Free Schools, IDEA B, Voc-Ed, Voc-E Supplemental, nonpublic texts, nonpublic nursing, Chapter 192-193 Project Completion Reports, Highway Safety Grants, Summer Work Study financial reports, ROTC application and reimbursement vouchers, the ASSA, the Fall Report, five-year facility plans and revisions, debt service reports, the A4F Report; to form strategic planning teams, to develop an Exposure Control Plan, to comply with all right-to-know requirements, to be visited by auditors who want to examine our pension records, our Child Nutrition Program and records, our Chapter 1 records, our DFSCA records, our IDEA B records, our Chapter 192-193 records, and more.

This does not even include our annual audit, which we view with tremendous gravity. You mandate so many things that are not directly associated with educating children, then seem surprised that there are costs associated with them.

As I think back over the last decade of educational policy and reform, as I look back on the policies and reforms initiated by Commissioners Cooperman, Ellis, Fitzgerald, and Klagholz, I am reminded of the words of Ralph Waldo Emerson: "Every reform is only a mask under cover of which a more terrible reform, which dares not yet name itself, advances."

Thank you for the opportunity. Dr. Edward Gola--

SENATOR EWING: Just a second, we would like to ask you a question.

MR. RYAN: Certainly.

SENATOR EWING: On these special ed children who come from other places, are you getting any tuition for them?

MR. RYAN: In some cases, Senator, we do.

SENATOR EWING: Well, why wouldn't you get tuition?

MR. RYAN: In a number of cases, children are placed in group homes by the Division of Youth and Family Services. The district of residence is not determined, or cannot easily be determined. We have to appeal to the State Department of Education for coverage.

But whether we do or we don't doesn't matter, because we are paying for those services. It is the budgeted amounts of dollars that are being part of this computation.

SENATOR EWING: Fine, but how many appeals do you have in now, waiting to hear whether you are going to get the money?

MR. RYAN: We have a number of children we are waiting to hear back from the Department of Education on. I am not sure how many.

SENATOR EWING: Well, how long have you had them under--

MR. RYAN: It takes a number of months.

SENATOR EWING: But you eventually get it?

MR. RYAN: We eventually get an answer, and we may eventually--

SENATOR EWING: No, no, I didn't ask you about the answer. I said, "You eventually get it," meaning the dollars.

MR. RYAN: We eventually get the money, yes.

SENATOR EWING: Therefore, it is not really a cost. You have to put the money out first, maybe, but--

MR. RYAN: From a budget standpoint, and from the standpoint by which these penalties are computed, it definitely impacts us negatively, because whether we collect the tuition or not is not an issue. It is whether we provide the services and pay for them.

SENATOR EWING: Are you appealing?

MR. RYAN: Yes, we are.

SENATOR EWING: Hopefully, it will come out in the wash there.

On the mandate debate, did you send a list to the Senate Education Committee, a list of the mandates you feel could be eliminated that would save you money?

MR. RYAN: No, Senator, but I would be happy to do that. This is my first opportunity, my first ever appearance here. I am a little nervous and a little anxious about being here, but I would be happy to send in a list.

SENATOR EWING: Well, no, that request was made months ago. We are trying to compile a list of mandates that schools feel are unnecessary, costly, etc.

MR. RYAN: Okay. I think we may have responded, in that case. I thought you meant separate from the--

SENATOR EWING: No. Well, will you check to see if you have responded?

MR. RYAN: Yes, I will.

SENATOR EWING: If not, then send it to us.

MR. RYAN: Yes, I will.

SENATOR EWING: Because we want to start working on the mandates. I think the School Boards Association is doing the same thing; I think the Department might be doing it, to try to weed out some of the things that are no longer necessary that are costing you money.

MR. RYAN: Thank you, Senator. I will make sure that we do that.

Dr. Gola would just like to add a couple of things.

E D W A R D F. G O L A, Ed.D.: Two points I would like to add for informational purposes.

I do want to thank Mr. Ryan for offering comments this afternoon. I am a relative newcomer to Burlington City, having been Superintendent for approximately six months.

I would like to offer two points for consideration: One, two administrative economies went into effect as of July 1, 1994. One administrative position was not filled for five months, which resulted in a savings of \$31,250. The

Superintendent now serves as Principal of a K4-3 elementary school for savings of approximately \$70,000. If either savings had been deducted from the calculations for excess administrative costs -- our penalty was \$9,232 -- we would not have been penalized.

The point is, no one took the time to find out. No one took the time to check. We fill our forms for everything else. Why couldn't someone have asked for an Amended Expenditure Data Form as of October 15, 1994? We would have been happy to provide it. We are leaner administratively than ever before, and now we are being penalized \$9232, plus the \$30,000 we would have received in terms of a reward.

The second point I would offer for your consideration is the fact that our district is the neighborhood school district. Our children walk to school. Our schools are small in size, and moderate in enrollment. We are not in a position to close any school due to any insufficient enrollment or underutilization of rooms. As a Special Needs district, we firmly believe that our students have the best opportunity for success in small schools, and research supports this belief. Small schools have a greater impact on student achievement than reduced class size. Teacher commitment to student achievement and staff morale are higher in small schools.

The point is, we understand that small schools may add to the operational costs of a school district. However, should we be penalized because this type of organization gives our special needs students the optimum environment for success? We are here to foster and support student achievement, not detract from it.

One situation I would like to share with you is my last point, and it has to do with a family that appeared in Burlington City approximately a week and a half ago. Just the fact that I had to think about administrative costs figures should make everyone in this room think. We had a homeless

family appear to register in our district with six classified special education students. Shall I tell them to look elsewhere because I am concerned about being penalized for excess administrative costs?

Thank you for your time this afternoon.

SENATOR PALAIA: Very good.

SENATOR EWING: Wait just a minute. You said, "Shall I tell them to look elsewhere?" Where else would they look?

DR. GOLA: No, it is just the fact that the thought entered my mind concerned me.

SENATOR EWING: You didn't tell them that, though?

DR. GOLA: No.

SENATOR EWING: No, you can't. You are not allowed to.

DR. GOLA: Right, exactly. Exactly.

SENATOR EWING: The child study team looked at these six?

DR. GOLA: Exactly, but with six classified students we have child study team involvement. Just with that one family alone, it is going to consume a great deal of time and effort on their part.

SENATOR EWING: I would also tell them to go to family planning.

Thank you.

DR. GOLA: Thank you.

MR. RYAN: Thank you, Senator.

SENATOR PALAIA: Hey, Bill, see, you did fine. See that? You weren't nervous.

MR. RYAN: Thank you.

SENATOR EWING: Paul Saxton, Superintendent, Demarest School District, and also Frank Chilson.

P A U L J. S A X T O N: Frank is not here.

SENATOR EWING: Oh, good.

SENATOR PALAIA: That speaks well of Frank. I am going to tell him you said it, too. I agree with you.

SENATOR EWING: I am going to tell him what you said.

MR. SAXTON: Good afternoon. First, I would like to officially thank you for giving me the opportunity to appear before you this afternoon to express the concerns of the Demarest School District regarding the administrative penalty, and also the subsequent reduction of 27 percent in school aid we have incurred.

I would like to initially echo the sentiments of Senator Ewing at the outset of this hearing today, applauding the effort of the Governor and applauding the effort of the Commissioner in seeking every school efficiency that we can possibly find. I think we would all agree that the times are changing. It is not "business as usual." We certainly have to look at ways by which we can economize.

However, it is the intent only that I applaud, certainly not the process. I feel the process the Governor and the Commissioner have employed probably resembles something more similar to an Abbott and Costello parity: "Who's on first, what's on second?" I don't think the answer has really been resolved yet.

I think, more specifically, my concerns, as I have addressed them in my paper, indicate that the Demarest School District has lost roughly \$139,000 in school aid. This, to us, is a million, three-hundred and ninety-some thousand dollars. The impact is really significant. We do have the appeal process that you alluded to, which we are in the process of applying for. We should probably be most successful with many of the items we have outlined in the report, mainly because of the reporting process and the crossover between a program-oriented budget moving into the GAAP environment. So I think we will be successful to a large extent.

However, it is the bigger picture that I am more concerned with, with respect to the related services that have

been identified as administrative excess, specifically the child study team and librarians, just to name a few that you have heard about this morning.

Looking directly to the impact on our particular district, we are a small K-8 district. Dr. Feinsod indicated, during his comments-- I think he had a pretty good spin to the whole process when he said, "You be the judge in terms of administration. Are we bloated? Are we lean?" We have three buildings. I think that is one very important variable that no one has spoken to yet today which cannot be omitted from any formula, because many of the concerns addressed by the State Department are attached to a building, and not to the number of people, students, etc. You cannot have a building without a building principal unless you have a waiver. Every time you have a building, you create a certain criteria that you need staffing to go ahead and implement a particular program, in order to be compliant with the State. So a building is a very important variable in any formula you look at in determining administrative costs, etc.

We have three buildings in our district, and we have two principals. I have an administrative waiver for one principal to be the principal of two buildings. I have one point two-tenths of a nurse. That is a nurse that works an hour and 15 minutes a day, plus one other full-time nurse for three buildings. I have one and a half librarians. I have a .5 guidance counselor. All these people are essential in the delivery of services that are required and mandated under T&E, which the State looks for in giving districts their certifications.

We are one of seven elementary districts that feed into a regional high school district, and collectively we represent the Northern Valley School Consortium. We have made a concerted effort, over the past 25 years, in terms of consolidation of our services. I will challenge anyone. I

will put our program up against any K-12 or K-12 regional program in the State in terms of its cost-effectiveness, its efficiency, and outcome based education. We plan all of our curriculums in the collaborative way. Our staff development programs are altogether -- the right-to-know programs, the blood-borne pathogen programs, and everything is done on a cooperative basis, in order to recognize every possible economy we can.

Looking toward the impact of the reduction in State aid to our district: It would cost us the elimination of the .5 guidance counselor, the elimination of two classroom teachers, which would significantly impact class size, elimination of the classroom aides we have in grade one, elimination of one school secretary, and a reduction in the appropriation for instruction materials.

The unfortunate side of this whole debacle is that for the last 16 years, I have made a concerted effort, along with staff, to build strong community support for our program. This includes 66 percent of the people -- much like the demographics throughout the State -- that do not have kids directly involved in school programs. The State Department action was so insensitive and reckless in implementing the administrative excess penalty, that it has undermined the efforts in building and maintaining community support for our program during these difficult financial times.

I think that either Senator Ewing or Senator Palaia mentioned before-- I think the comment that really stuck out in my mind, which told me that you are listening, was your comment regarding the fabric. And that is what I am talking about. It is the fabric. How can the State Department, after making this administrative excess penalty-- How can they go back to the 70 school districts where they have already damaged the fabric severely? How can they make up to those 70 school districts? How can they tell them, "We made a mistake. We did

not mean to categorize your district as an administrative excess?" How can they repair that damage and try to put the credibility and confidence back into your program after the State Department has very recklessly come out and said, "administrative excess"?

You shot all of our districts down considerably -- not you, meaning the State Department. That was an irresponsible, a reckless, an unprofessional attitude and commitment to make. I shuddered to think when Commissioner DiPatri was sitting here, and I believe, Senator Palaia, you had said to him, "Rich, if you had to do it--" You gave him the perfect opportunity -- "If you had to do it all over again--" You heard the answer. There is a mind-set. There is a mind-set right now with the State Department of Education that K-12 districts -- K-12 regional districts -- are the most cost-effective and the most efficient. That is the mind-set. Regardless of what anyone is going to say, it is very difficult to blow off that mind-set. The very opportunity and comment you made that I thought was so apropos was: "Why not provide the opportunity for all school districts to appeal?" An excellent comment.

The response was, "There are limited opportunities," because the mind-set says, "They don't have any problem with the notion of the concept." Their concept is fixed. It is a K-12 regional district, and that is going to mean most cost-effective. The only opportunity they are going to look at for review when it comes to a very narrow window, and it outlines four different areas that you can appeal under, and it is all under process. Nothing under the substantive nature of the whole formula, because that gets into what you are talking about. It gets into the fabric, and it gets into defending the philosophy underlying the opinion. There is a predisposition there. They don't even want to touch it. It is very clear from Commissioner DiPatri's comments. Again, sitting in this

very seat, making another reckless comment again about the 49th spending in the country. That is another reck-- I cannot believe when they are making comments like this that they can make such an absolute-void-of-criteria kind of comment.

Did he also say where we rank in terms of State-mandated programs; where we rank in terms of how many State-mandated programs we have to implement and pay for, and what that represents? No, that is missing from the formula. But it is a very important part of the formula.

I think we would probably rank number one in the country in terms of the number of State-mandated programs that we are required to implement. I thank goodness for the Committee taking a very proactive and aggressive approach, along with school boards and trying to resolve that particular issue.

The philosophical basis of the penalty and reward provision in the current funding formula is faulty, and it is discriminatory. There is no data that clearly defines K-12 regional districts as the most efficient and cost-effective. To the contrary, a review of the cost-per-pupil data definitely establishes that the highest per-pupil costs are those of K-12 districts -- K-12 regional districts.

Without specifically analyzing educational programs and business practices of all districts, conclusions about efficiency are arbitrary. They are misleading and they are destructive. Rather than rewarding K-12 regional districts on unsubstantiated data, provide school districts with financial support to study consolidation of services that lead to more cost-effective and efficient educational programs.

There is an old African proverb: "It takes a whole village to educate a child." The translation and application of that proverb to today's society fits like a glove. It takes a whole community/school system to educate a child, from taxpayers to bus drivers, custodians to cafeteria workers and

maintenance staff, to the classroom teachers and teacher aides; from secretaries and building administrators to the central office staff, to the child study team and central office administration, to board members, to the Commissioner, to the Governor, to the legislators, and back to the taxpayers to support our program and educate the child. Each person makes a significant contribution in the development and support of our educational environment that educates the whole child.

It is inconceivable how the Governor and Commissioner could identify programs essentially needed in delivering a total educational program for our children, many of which are mandated by our Legislature, and classifying these essential services with an administrative excess penalty.

When are we going to start working together? When can we find a way by which we can help school districts and help all the children in the State by providing quality educational programs, rather than devising negative paradigms that ultimately penalize school districts and services delivered to the children.

Also for your review, I have included a table to show you the cost impact on State-mandated programs, and to exacerbate a point, included in this would be the reduction that we have to incur. We can't go to our taxpayers and ask them to appropriate the \$139,000 we are now being cut in State aid, because the State has already alienated us from our public by telling our public that our costs are administratively in excess. So we cannot get the support there.

Take a look at the State aid. I am reflecting back-- We are looking at special education formulas dating back to the year 1992. The formula has not changed. My numbers have doubled, and I am still receiving the same amount of money in special education that I was in 1992. None of the other mandates have changed. The total district costs from in

1992-- In order to supplant and implement State-mandated programs, my district had to appropriate \$240,000, and change.

In the year 1995-1996, I am going to have to supplement the budget by \$748,939 to implement the same State-mandated programs. State-mandated programs have increased 21.5 percent. The aid for the mandated programs has decreased 35.5 percent, including this year's hit. The district obligation has increased 311 percent from mandated programs. At the same time we are trying to deal with this whole issue, we are being penalized for implementing State-mandated programs, and then we are trying to survive with restricted budget caps, because the only amount of money that you can now take to offset the lack of State aid has to be appropriated with taxation. Again, you have a constraint in terms of your budget cut of how much you can implement, and how much you can tax.

Gentlemen, the system needs severe help. Unfortunately, the ball is in your court. We wish you the best with it, because our survival depends on it.

Thank you.

SENATOR PALAIA: Thanks, Paul.

SENATOR EWING: Paul, a question: You've got down "mandated programs' benefits." Which benefits are those you are talking about?

MR. SAXTON: The employee benefits associated with implementing all the mandated programs -- State health benefits.

SENATOR EWING: Yes, but that is part of your contract, isn't it, with the teachers?

MR. SAXTON: But you need a person to implement a program, and the benefits--

SENATOR EWING: Are you paying that person \$96,000?

MR. SAXTON: No, no, no. That is the total; that is the total staff associated-- That is separated out. That is

the benefits of all the people for that particular year, not one person.

SENATOR EWING: And the other point is, you say, "tuition out of district." Is that where you send the children to high school?

MR. SAXTON: No, no, special education students out of district.

SENATOR EWING: Oh, yes. Well, that is a problem throughout the State. We have a commission, which hopefully is going to be formed, to come up with some answers on that, because it is prohibitive in many areas.

You don't think we should have special education?

MR. SAXTON: I'm sorry?

SENATOR EWING: You don't feel we should have special education?

MR. SAXTON: Oh, by all means, you should. I did not say that you shouldn't.

SENATOR EWING: But you feel it shouldn't be mandated?

MR. SAXTON: I don't have any problem -- don't misunderstand what I'm saying -- with the State-mandated programs that I have listed here. I do have a problem with the State's obligation in paying its share and supporting the State-mandated programs.

In 1992, the State said, "We are going to support the State-mandated programs at this particular level." That has been changed. The requirements of all of the programs have continued to maintain. You still have to have that particular program. The State is not meeting its part of the bargain in helping districts to support and implement that particular program, as they said they would at the outset.

SENATOR EWING: Is your special education -- the number of children in special education-- How many are in it now, do you know, roughly? Has it gone up over the years, or has it stayed level?

MR. SAXTON: Well, since 1992, the original population on which that formula -- on which we are receiving compensation-- I have added two communication handicapped classes to the district, and one more research room. Especially with the new inclusion program, we have had to put on additional special education staff to implement the inclusionary ed program.

SENATOR EWING: But the total number of children needing special ed-- Is it staying level, increasing, decreasing?

MR. SAXTON: It has increased significantly.

SENATOR EWING: Thank you.

MR. SAXTON: Thank you.

SENATOR EWING: Dr. Donald Merachnik. Am I pronouncing that correctly? (no response)

D O N A L D A. M E R A C H N I K, Ph.D.: Senator Ewing, Senator Palaia, it is very nice to see you again. I appreciate this opportunity to appear before you.

I am Donald Merachnik, Superintendent of the Union County Regional High School District No. 1. We are a member of the Garden State Coalition.

I have given you copies of my brief comments, and also a copy of the letter that I addressed to the Governor regarding this issue. I am very adamant about the penalty, because I believe the students in our three high schools will be severely shortchanged if the alleged administrative penalty is permitted to stand. Quality educational support services must not be denied, if we are to provide a thorough and efficient education for all of our students. This penalty seems to be thoroughly devoid of logic, need, and reality.

First of all, as you have heard during the bulk of the morning, the penalty is not really for administrative excess, but for providing support services -- nurses, doctors, guidance counselors, substance abuse counselors, librarians, and child

study team personnel. The penalty also accounts for library books, library equipment, college manuals and books on financial aid, nursing supplies, P.P.D. to test for tuberculosis, and other kinds of supplies. So let's not fool the public into believing that our schools are bloated administratively. They are not. Tell me I have too many principals, or assistant principals, or supervisors, and I would believe that that was top-heavy administration. But don't count support services as administration.

Last year, our district eliminated more than \$400,000 in administrative costs by eliminating the positions of assistant superintendent, assistant board secretary, three guidance directors, and a director of pupil personnel services. We are not heavy in administration costs. Yet, the Department of Education, by calling support services administrative excess, has created a problem in perception by the general public. As far as I am concerned, the credibility and integrity of the Department may be questioned.

Secondly, the support services, which are being labeled as excessive, are all mandated by code or statute. We must have them in place, or we will not pass monitoring. They are all required. For example, 18A:7A-1 and N.J.A.C. 6:8-4 include mandates for guidance and counseling services and for substance abuse prevention; 18A:40-1 calls for school medical inspectors; N.J.A.C. 6:28-1.5 requires employment of child study teams. There are also requirements for library skills programs. If the State Department of Education is suggesting we reduce the services of people such as guidance counselors, nurses, doctors, librarians, child study team staff, I suggest the codes and statutes that mandate these services be eliminated, for we should not be mandated to provide specific services at the same time that we are penalized for providing them. It is a catch-22 situation. If you provide support services, you are penalized. If you do not provide them, you

violate code and statute, because you are unable to provide a thorough and efficient education. Shouldn't we make up our minds as to what we really want?

A third error is one which I have repeatedly argued about in prior years. Being a 9-12 regional high school district with three operating high schools, we are compared with other 9-12 regional high schools. But most have only one high school, or two at most. Of the 45 regional high school districts in the State with enrollments of 1-2999 students in our comparison group, there are 25 with one high school; 8 with two high schools; 11 with one junior and one senior high school; and ours, the only one with three high schools. Since we have the largest number of operational high schools, our costs should be greater than the rest. The comparison made does not take into account the number of schools operating. How can we help being the highest cost district when you examine the comparative group? Shouldn't there be equity in the comparison group we are being compared with? The data itself is faulty.

Fourth, I think it very difficult to have a penalty imposed, for whatever reason, not knowing in advance that a penalty would be imposed. This alleged excess administrative penalty appeared in the Governor's budget message and then, all of a sudden, the Department of Education decided to invoke a penalty and take away State aid which had been counted on in developing our budgets for the next school year. Preliminary budget preparations were already underway when this penalty announcement was made. Is this fair? Where was the lead time provided to the school districts?

Lastly, I am appalled at the message the Governor and the Commissioner are giving to our quality school districts. When the Commissioner calls such districts as Livingston, Madison, Millburn, Princeton, Scotch Plains, the Union County Regional High School District, and Watchung a part of the group

of the "70 worst school districts in the state," I fear for the future of quality education in this State. Are we to believe that our students no longer deserve quality education and sufficient support services? If this is the message, the quality of education in our best districts will surely deteriorate at a time when lighthouse school districts are too few and becoming fewer each year. Do we wish to level down the top so that all will be mediocre in this State? If these alleged administrative excess penalties are permitted to stand, the eroding of quality -- in some of our best school districts -- will surely be exacerbated by a ludicrous Department of Education penalty.

For those who do not deal with adolescents each day, permit me to report that high school students of today are much different from those who passed through our schools five or ten years ago. Many more come to high school with serious individual and family problems which require assistance via support services. And, in many cases, the quality and quantity of student support services will make the difference between academic success or failure, staying in school or dropping out, being drug free or drug involved, developing mature behavior or remaining childish, passing the High School Proficiency Test or being retained in high school for an additional year, being mentally and physically healthy or plagued with marginal health, or perhaps determining whether a student will enter our correctional system or continue into higher education. The powers that be must realize that high schools in 1995 must be more than buildings with only classrooms and teachers, for the best instructional strategies for many of our students will have little impact on academic success without adequate support services.

The funds our school district spent on automating school libraries and purchasing library computers, CD-ROMS, and software, as well as providing school nurses, medical

people, guidance counselors, a substance abuse counselor, child study team specialists, and library staff permit our students to succeed. In this day and age, one cannot talk about instructional services without including student support services. Without a doubt, they are both essential if our students are to be successful in high school, in college, in the work-a-day world, and in life, given our present society and the pressures on adolescents and their families.

I implore this Committee to do everything possible to rescind this excess penalty and to change the message of the Department with respect to their desire and support for quality education. We should be lauded for providing support services to ensure that students succeed, not penalized.

Thank you for the opportunity to address you, Senators.

SENATOR EWING: Thank you.

SENATOR PALAIA: Thank you.

SENATOR EWING: I would like to add, though, that you say, "Many more come to high school with serious individual or family problems." That is true starting with kindergarten.

DR. MERACHNIK: Yes, it is, unfortunately. If you look at kindergarten kids today, they are different than they were a few years ago. That is why we must have support services; otherwise, instructional services will never succeed.

Thank you.

SENATOR EWING: Right.

Frederick Keating, Superintendent, Gloucester County Special Services School District.

F R E D E R I C K K E A T I N G: Thank you, Senator.

Is it true that I am the last one before the lunch break?

SENATOR PALAIA: You mean the dinner break.

SENATOR EWING: Before dinner.

MR. KEATING: I will be very brief, because many of my points have already been made.

My name is Fred Keating. I am Superintendent of the Gloucester County Special Services School District. As a special services school district, we felt we were part of the solution, and not part of the problem. There are eight in the State of New Jersey. The one in Gloucester County is somewhat unique, in that we took on what was an in-service commission and became a special services school district, so we are probably the epitome of regionalized services.

We are really a multicounty operation. We go as far north as Newark in some of our programs, and as far south as Cape May. So, again, we thought we were the solution. We are truly an anomaly. Unlike the vocational schools, county special services are totally unique.

We think this process of review will give us some remedy to our problem, but I felt compelled to come here to speak on behalf of my colleagues, because the fact that we even got caught in this cross fire concerned us greatly.

We have two problems with the administrative penalty. One is that as a regionalized district getting involved in migrant education and nonpublic education, we run a business computerized service for 80 to 100 school systems for their business operation, GAAP-funding personnel, payroll. We also provide child study and all the nonpublic services -- nursing. We are totally spread out, again, and regionalized.

When you put all of those pieces back into the mix, what you find happening to us is that the one component of our district that is small and growing -- special education of the low-incident population in Gloucester County, and in the surrounding counties, the Cumberland and Camden County areas, which lack a special services school districts -- we were having that formula mix in against those few children, so we appeared, so to speak, to be top-heavy. So it was a contradiction. We felt that we were doing the spread, and doing the regionalization.

The other problem is the definition. As a special services school district, as the people who have spoken before me, we are serving and are involved with some of the most seriously handicapped children in our area. The fact that we need these people is truly instructional. So, even down the road, we have a great deal of concern with the definition. Many of the people in the public school sector have spoken to it as it impacts on them, but those of us in the special services sector, with the autistic, the blind, the deaf, the multihandicapped, and the seriously and emotionally disturbed, there is an even greater impact. We have to work with those children, the most involved of our population, and we need those people as part of the formula. We have them in lower numbers, so when you divide, it appears excessive. It is not. It is based on need. Everyone has spoken to Federal and State standards and statutes. We, too, must live up to those IEPs.

The Department has responded to us. Again, we think we will not only seek, but will get relief in the appeal process by saying--

The Deputy Commissioner, I think, alluded to the enterprise system of funding. The only thing I wanted to bring up that is somewhat different from what the people before me brought up, is that the enterprise system is part of the solution, but, in and of itself, is not the solution. I am afraid the Department is looking at it and saying, "Take all of those other regional services and get them out of your current expense budget. Treat it like a business."

I guess that is true, but only to an extent. I ask the Senators to consider, when you look at this down the road, you can do that, again, but only to a point. Those other entities cannot, in and of themselves, sustain life. If we get into nonpublic programming, it has been flat-line funded now for two years. They are looking for relief by coming over the line and getting into the district as a larger entity. If they

do it, they get into our mix of current expense budget; they get into our administrative penalty. It is truly a catch-22. If we regionalize and we carry spreading regional services -- which is what this very Department asked us to do just a week ago on a diskette -- I believe every superintendent in the State of New Jersey would say, "What could you do? What could you buy from other people? Regionalize and make it more cost-effective."

We believe that we were doing that. But by spreading, we have to carry those pieces of the organization. They not only financially contaminate, but then they come in and programmatically contaminate, and we get penalized. Our choice would be not to do it, not to regionalize, not to spread it out; to bring it tighter in. But then that would defeat the whole concept of what it is the State wants us to do, and what we believe is good, effective programming costs to the taxpayers of New Jersey.

So just a caution: The Department, again, says "Enterprise, enterprise, get it out of your current expense." That is only a partial truth, because there is a point when that enterprise account has to come back over and get relief from the superintendent's office and the business office. Therein lies the penalty. So it is not totally a clean solution.

The other thing is, they say, "Use the United States Department of Education definition for excess administrative costs," which brings in the people you have been hearing about for hours. My only concern, as a special educator, and one who is maybe here specific and unique to handicapped children, is that the United States Department of Education, with Federal Laws 94-142 and IDEA, gives a more general overview of the requirement of service for the children. Our Administrative Code is far more specific. Our child study team has a three-part mandate with a medical component right out of the

gun. The Federal does not relate to that. They give it a multidisciplinary, but they are not as specific as New Jersey. So New Jersey is telling us, "You must have these people in 'X' numbers," unlike the Federal definition.

Also in New Jersey, we are told we have a time line to live under: a 60 to the table, 90 to IUP and to placement. The Federal government does not relate to that as well. They put a reasonableness to the time line. So my point is, the United States Department of Education definition of "administrative" that reaches into special ed and special ed people, is really not a true definition, because the Federal regulations are not as restrictive as the New Jersey regulations. So when you put the two together, they do not marry up either. We are being held to a harder level of accountability of people, and people get into the administrative costs.

So even though we think we will seek relief as an anomaly, probably the one and only true anomaly in the State of New Jersey, special services and a commission joined together in the whole southern region type approach program-- We are fearful that if this administrative penalty, as it is certainly put together-- These two points will continue to come back, and will even bite a district like ours.

In summary, we agree with the concept, just as everyone else who has been up here has. We think it is a good idea to look at top-heavy organizations. But in this case, it is penalizing regionalization, because we are not a top-heavy organization. By getting those people in, by letting enterprise accounts leak over the line, it defeats the very purpose that the State is putting out to us as good accountability.

Our appeal is more so down the road that this Committee look at this formula as it is amended, because it is apparent that there would probably be some amendment to it, and

that those two factors be kept in mind for fear that down the road it would backfire once again.

I only appeal to the Senators for their consideration. We felt we were the solution. We felt we were the solution, and it has crossed over the line. I think, Senator, as you alluded to, it is just something that was not thought out. I think if it could be pulled back, organizations like ours would not be penalized.

Again, working with the most severely handicapped children, we are due to lose \$136,000 of State aid. We were poised and ready to -- again on a county and regional multicounty basis -- open up programs for autistic, deaf, emotionally disturbed, and multiply handicapped children. Because of this cross fire of definition, even with the enterprise escape, which will not be our total way out, those programs are at risk. The number of handicapped children, and the complexity of these children in this State and in this society, will continue to rise. We are part of the solution; we are not part of the problem.

Thank you.

SENATOR PALAIA: Thanks, Fred.

May we have now Michael Kistner, Englewood Cliffs Board of Education.

M I C H A E L K I S T N E R: Thank you, gentlemen.

My name is Michael Kistner. I am the Business Administrator/Board Secretary at the Englewood Cliffs Board of Education.

It is now obvious to me why the State mandated the GAAP accounting system a couple of years ago. Now that the State has what it considers to be comparable data, everyone seems to agree -- I'm sorry -- everyone-- I'm a little nervous. Now that the State has comparable data, it appears as if they have taken all of this information and fed it into the computers, and now they are playing "gotcha" with those

numbers. They have crunched them, massaged them, and have come out with an amount of money to assess as an administrative penalty to match the number they have rewarded to the K-12 districts. I think they probably ran multiple simulations through the computer until they found the right combination. When they came out with an amount that they could see as a penalty to offset the rewards, then that is where they ended up.

I plan on referring to the appeal process. I plan on appealing our administrative penalty, which worked out to be about \$75,000 this year. There was a fax that came through from the New Jersey Association of School Administrators which asked the 70 districts how many were planning on appealing. We responded to that. I don't know if there is anyone who is still here who has the number with respect to how many, as of today, plan on appealing.

I think the appeals can be justified. Of course, I am going to have to admit that I made a mistake; that an error was made in technical data that was submitted to the State Department of Education, that technical data being the budget -- the 1994-1995 budget. What happened, from my perspective -- and I think it may apply in a lot of other districts -- is that salaries, or at least a portion of them, can be recoded into instructional accounts. These changes that I propose to submit can be supported by teaching schedules.

For example, what I did was, to be consistent with the 1993-1994 budget that was submitted to the State and approved by the State, in my 1994-1995 budget I budgeted my nurses' salaries -- my full nurses' salaries -- in health services, which the State now considers to be part of the administrative penalty; when, in fact, a portion of their time is spent in the classroom teaching health. They are actually in the classroom teaching health. I budgeted a portion of a gym teacher, who also teaches health, in health services, when I should have left him in instructional costs. The same thing happened with

the librarian. My full librarian salary is budgeted in media services, when, in fact, she is in the classroom. She is in the library with children teaching library skills. So it seems obvious to me that if I just move that money, or if I had moved the money, I would not be here. If I had moved the money prior to this, that money would have been over in instructional costs.

Another example: After the budget was approved and submitted, changes in schedules due to enrollment shifts took place which required reduced child study team services, which are also considered part of the administrative penalty, and an increase in the time the teacher now spends with the children in the resource center. So this person's salary is now being expended in the resource center, which is not part of the penalty, when she was budgeted in the child study team. So I plan on doing that.

Now we hear that the Governor wants to shift the focus from how much a district spends to one that looks at how the money is spent. In the words of Commissioner Klagholz, "We are proposing an approach that will shift discussions of school funding from a primary emphasis on dollars, at least for the time being, to a primary emphasis on educational results, quality programs, efficient organization, and accounting ability.

At first glance, that sounds like the districts that produce results, have quality programs and efficient organization would be rewarded. But, in fact, if history is any indication, the exact opposite is more likely. The State's MO in the past has been to throw more money at the districts that do not measure up. Where is their incentive to get better? "If we improve, we get less money? Wait a minute, slow down. What do I really want to do here?" I think, perhaps, that that is the mind-set that exists in some districts.

Let me take a moment to protest how the reduction in State aid was sold to the public. When I first heard that there might be a penalty due to administrative excess, I said, "Well, we shouldn't have anything to worry about. When I look at the salary of my superintendent, my own salary, and the salaries of the two building principals we have in the district, I know, in fact, that they are below the State averages." If that was the criteria, we would not have had a problem at all. But the State Department of Education deliberately sold this as administrative excess, when they knew it was really noninstructional support costs.

"Of course, support from the public and the Legislature would be all that much easier to garner if it could be rationalized as a penalty that punishes administrative bloat and top-heavy school districts." Those were the headlines. To sell it as an administrative penalty due to bloat, when, in fact, it included such services as: health, the media center, the resource room, attendance and social worker, and the cost of my audit -- my annual audit -- among others, is, in my opinion, deliberately misleading.

Speaking of waste, I must say that The Star-Ledger Sunday article about the goings on with the Newark School Board were very interesting. Here I am waiting for Diet Coke and Diet Pepsi, whichever is on sale-- We are waiting for the price to go to \$3.99 a case before I buy it, so I will have refreshments for my Board members at executive sessions. And I read at the same time what some school boards are doing. I can get that Coke for 17 cents a can. I would have brought some if I had known we were going to go this long.

At this point, what I would like is the opportunity to justifiably reclassify -- supported by teaching schedules -- those salaries that I spoke about. I hope that would be considered to be justification in this appeal process.

Again, the appeal process requires me to go to my Board of Education, go to my community, and say that we made a mistake. Now I have to eat some humble pie, and I have to say that we are appealing it and we hope to have those moneys rescinded. But if that is what needs to be done, then I will do that.

If this is not done, my local tax levy will have to be increased by \$75,000 to make up for these funds. This will dramatically increase the changes of a budget defeat, despite coming in at what the State considers to be a reasonable increase -- the cap. Last year, we came in at less than the cap, which the State would have to consider more than responsible. Yet, the budget was defeated. In consultation with the Mayor and the Council, the entire tax increase was eliminated through a combination of appropriation cuts and increased funding from fund balance.

If I may just quickly digress on that issue, let me just also say that I find the process of voting to increase my taxes through voting for the school budget, two or three days after I just wrote out a check to the IRS, ludicrous. Could the timing of the school budget be any worse than it already is? I don't think so. If the public had the opportunity to vote on the Federal budget, the State budget, the county budget, the municipal budget, somebody else's budget, they could take out their frustration. But when I have to vote to increase my taxes just after I have written out a check to the Internal Revenue Service, it gets to be a difficult thing to do.

What I would like the Committee to do -- and I think you have indicated that you plan on doing this, and I hope you will follow through on it -- is to go back to the Commissioner and the Governor and ask them to rescind this penalty immediately, so that I will not have to go through the review process, if I could avoid that. Restore those funds to the State aid. Ask them to admit that maybe they acted hastily and

maybe they made a mistake. However, based upon the Deputy Commissioner's comments today, I believe they have begun to circle the wagons. I think it is going to be difficult for them to come forward and admit that they may have acted hastily, may have made a mistake, and that they will, in fact, review what they have done and postpone this process for one year. Lay out the ground rules for next year, and let us know what we should and what we shouldn't do, and take a second look at what truly could be considered to be excess in the next school year.

Thank you for your time.

SENATOR PALAIA: Thanks, Michael.

Robert Smith, Superintendent, Ridge School District, and Regina White, Principal, Ridge High School. Regina, how are you?

We have some very nice school districts here today, Ridge included, a good school district. Wood-Ridge, I'm sorry -- Wood-Ridge School District.

ROBERT E. SMITH, Ph.D.: Yes, we are Wood-Ridge, in Bergen County.

SENATOR PALAIA: Yes, right, Bob.

DR. SMITH: We are often confused with several other districts, so I want to make that clear.

SENATOR PALAIA: Okay. We have Bob Smith and Regina White.

DR. SMITH: I am Bob Smith. I am Superintendent of Schools in the Wood-Ridge District. With me is Regina White, who is our high school Principal. We have given the Committee testimony in written form, and we are going to hit just a few of the highlights of that testimony, in order to save time.

I have three areas of disagreement with the assessment of a penalty for spending beyond a limit in accounts which have been designated as "administration." The first is the lack of fairness in assessing a penalty for violation of a guideline

made known after the fact. This reflects a "gotcha" mentality on the part of the Department of Education.

My second area of disagreement is with targeting student services. The implication is that the State encourages reduced spending for those services. My district spends only \$154,000 for librarians and materials. It spends \$170,000 for two guidance counselors, a guidance secretary, test materials, office supplies, and other materials. It spends \$112,000 for health services; it spends \$215,000 for operation of a child study team. These are not exorbitant expenditures.

My third area of disagreement is the label of excess administration which was attached by the Governor to this area. Of the costs for my district which the State identified as administration, only 44 percent are truly administrative in nature. The administrative staff in my district includes myself and a business administrator. We have three buildings. There is one principal to cover the two elementary schools. We obtain a waiver each year to permit that. There is one principal to cover the high school, and we have a part-time coordinator of our child study team. There are no other administrative staff in the district.

Most of the remaining 56 percent of the so-called administrative expenses are costs for student support services and other essentials such as: telephones, four issues of a district newsletter, annual school election expenses, required dues to the New Jersey School Boards Association, required part-time treasurer of school money, in-service workshop to improve faculty performance, payment to teaching staff for summer work to develop curriculum, architect fees for projects to maintain facilities, and leases and contracts for instructional and office equipment.

The use of the label "administration" for this diverse collection of expenses and the assessment of a penalty, have

caused irreparable damage to public relations between the school system and the community.

If there were truly a desire on the part of the Governor and the Commissioner of Education to spend a smaller portion of school budgets on support services and to spend a larger portion on academic classroom instruction, that intention would have been publicized in advance of budget construction, and not six months after budgets were finalized. It takes State mandate and no State pay to a new level. Now we have State mandate/local pay, and State penalty for that payment.

The impact of this penalty almost certainly will be a reduction in materials and staff. The administration and Board are considering a reduction of the budget by the amount of the penalties, so that local taxpayers will not be burdened by it. If that action is not taken, the taxpayers probably will reject the budget, rather than agree to an increase of the local share of education costs above the 88 percent they now pay. The effect would be the same in either case.

I appeal to you to correct an unfair, harmful, and misinformed course of action.

Thank you.

SENATOR PALAIA: Thank you.

R E G I N A T. W H I T E, Ed.D.: I am Principal of Wood-Ridge High School, which is a 7-12 school with 327 students. I have to wear several hats, because there are no other high school administrators or supervisors to assist. I have no assistant principals, no department chairpersons, no curriculum supervisors. I fulfill all these duties and responsibilities, in addition to all other duties and responsibilities as high school Principal.

Observations and evaluations of staff must be done. I do the majority of these observations and evaluations. I also chair the department meetings, oversee curriculum development,

and direct textbook selection. Larger districts have department chairpeople and curriculum coordinators to assist with these tasks.

In order to accomplish all these required tasks, I am in school, or at school-related events 60-plus hours per week, and a majority of my weekends -- as was this last weekend -- are spent doing the paperwork that cannot be completed even during these long working hours. During the school day, I spend the majority of time interacting with students, staff, parents, and community members. I am in the classrooms and working with students. I am an educational leader, not simply an "administrator."

One area in this formula that I have not heard mentioned here today is curriculum development, which has been labeled as an administrative cost. The time and effort for curriculum development are the same for similar courses, regardless of the size of the student population. If the same amount of money is spent by both Wood-Ridge and a larger district for developing curriculum for a similar course, we will be penalized. The cost percentage for us will be greater due to our size, yet the curriculum content cannot be reduced.

We have heard talk about the social worker and attendance, but I would like to reinforce what my attendance secretary does. She does a Herculean job. She knows where each of our students is each period of the day. She immediately knows if a student has cut a class or left school; therefore, we are able to notify parents and take action before there is a serious problem. Our social worker and child study team help us to identify student problems before they become severe.

In the area of staff development, this is extremely important if we want to make our students contributing citizens of the 21st century. Our faculties must be trained for these changes, especially when you have a veteran staff. Technology

has become an important component of today's education. Teachers must learn how to use this new technology and transmit this this knowledge to the students. How can we label these moneys to train teachers as "administrative expenses"?

Much has been said about libraries. The libraries are used directly by the students. I invite you to come to see our library facilities. Our library is located in an area equal to only two classrooms. It is far below the standards required by the State, but you will see it full of students each day. We have created a new program this year that encourages the students, because the library is the center of the program. Every student who is not in remediation takes Enrichment, which permits them to do independent study in an area of their choice. We have thus eliminated study halls. So the students are doing meaningful work which will prepare them for the future. Therefore, they are constantly in the library, and the library is jammed. We do not have enough current resources for this work. If these moneys are reduced, there will be fewer current materials available for the students.

Another area which has not been mentioned today is communication between the school, the home, and the community, which is vital. We send out a monthly newsletter to keep parents and the community apprised of activities, student achievement, and classroom happenings in our school. Student progress reports and attendance information are sent to parents, yet postage is one of the items under "administrative costs." Do we now eliminate sending these things?

Prior to this administrative penalty being instituted, it is vital that you truly examine what is included and who will really be harmed. In the case of the Wood-Ridge School District, we are not talking about the elimination of administrators. There are no more to eliminate. We are working with the bare bones of administration. It is our

students who will be the victims. Is this what you and the Governor want?

SENATOR PALAIA: Thank you, Dr. White and Dr. Smith.

I can allude, Dr. White, to your principal's duties, because I was a school principal for 27 years, and I did everything. I was the greatest Bactine and Band-Aid man you would ever want to see, because I was the nurse, and I was everybody. There was not another soul in that school, but I had a great staff and great cooperative parents, and we got through somehow. I know your school district, and you do a very good job. I commend you for it.

We thank you for coming here today. We apologize for the lateness, but this is the way we work here in Trenton.

DR. SMITH: Well, we appreciate the extraordinary amount of time the Committee has put in today to hear from the field.

SENATOR PALAIA: The statement was made before by one of the people testifying about it being a rubber stamp. You can forget that. That is just not going to happen. We have an agenda that we talk about ourselves here, both Democrats and Republicans. There isn't any other way to look at this except as what is in the best interest of the children, and that is what we will do.

Again, thank you both for coming, and for taking your time.

DR. SMITH: Thank you very much.

DR. WHITE: Thank you very much.

SENATOR PALAIA: William Kuhms, from Tenafly -- President, Board of Education.

W I L L I A M G. K U H M S: Thank you, Senator.

I am Bill Kuhms, President of the Board of Education in Tenafly. I have with me Dr. John Fitzsimons, our Superintendent.

We are a district of 2500 students, four elementary schools, a middle school, and a high school. We are intensely interested in efficiency of education and in reducing administrative costs.

As I recall the opening statement of Chairman Ewing, we would endorse that totally. In fact, over the past two years, as reflected in our 1995-1996 budget, we will have reduced administrative positions by 30 percent over that two-year period. We are not finished. We are trying to combine functions, reduce that element, that part of the program, as much as we possibly can, consistent with maintaining educational quality.

You heard a lot of examples that demonstrate the outrageous quality of what has been done, really, and that is a word you use on it. I had a moment for lunch when you people established the schedule, and I came up with a paraphrase that means no disrespect to the Commissioner, but I think he has created a "klagmire," if I may use that term. (laughter) It is a mess. One of the qualities in my long life that I have found in distinguished leadership and efficiency -- in fact, in this, excellence -- is the ability to recognize mistakes, to profit from those mistakes, and move on.

They made a beauty. I have made some in my life, and maybe you have, too. We all do. I think this is the time for them to really reflect and move on. Political considerations, of course, are involved in anything like this. Nobody likes to admit a mistake. If someone wants to put a spin on it -- and maybe this isn't a good suggestion -- but consider turning it back to the districts to be refunded or credited to the taxpayers, or something. It would give a benefit, a recognition that these are moneys that should not be taken away from the communities involved.

Commissioner Klagholz talked about the Governor Whitman program wanting to achieve fiscal and programmatic

parity. Those are great goals. I think most people would agree that a thorough and efficient education involves more than dollars. I think it is also obvious that it involves a lot more than instructional versus noninstructional spending. We need better definitions. We need the input of people like you, people like you have heard from today, and the people you will hear from later today.

We beg you, please, try to get them to correct their mistake, if you will.

Dr. Fitzsimons, do you want to--

J O H N T. F I T Z S I M O N S, Ph.D.: Sure.

You have heard some rather eloquent and strong arguments as to why the current administration should reconsider this notion of a penalty. I just want to make one point that I find troublesome and somewhat puzzling.

In Tenafly, there is a strong demand for us to stay abreast on what is happening in education. There is an expectation on the part of our community that we are somewhat progressive. What I find troubling about this penalty is the notion of what is considered noninstructional. As a matter of fact, many of the things that are termed noninstructional, I see as essential to the instructional program. I am particularly upset about the notion of what we do in the area of technology.

The model that has been presented, at least from the point of view of the State Department of Education, is that-- It views schools as egg crates, where you have a teacher in the classroom addressing 20-25 students. We have long since tried to move away from that model. Many districts take great pride in having library media centers and having the notion of breaking down the classroom walls and providing kids with resources, which, because of the technology that is there, they might not otherwise have had. That is exciting to me in education. I find that if the State Department of Education

would work a little more collaboratively and cooperatively with the superintendents in the field, I am sure we could come up with better definitions and ways of dealing with some of the fiscal constraints the State is faced with. No one wants to deny that problem. But to do it in isolation and unilaterally is really quite disturbing.

Furthermore, for those districts like Tenafly, which is trying to move forward, it is almost regressive in its approach. So we would hope that the Department would reconsider.

SENATOR PALAIA: I think the most important thing is what has been said by Bill and everybody else. I think it sets back the problem we have with the general public when it comes to voting on school budgets now. You talk about "gotcha." I am going to say, "I told you so."

MR. KUHMS: That's right.

SENATOR PALAIA: That bothers me. I think it is going to take some doing to reestablish that after what we have done all these years to show the general public that we were working with a minimum amount of money, but we were making some progress.

But now I can see this being regressive with the general public.

MR. KUHMS: Absolutely, absolutely.

SENATOR PALAIA: It bothers me that we had made some progress, at least budgets were only going down at about a 50 percent rate, you know. Word like this gets out, who knows that it won't be up to a 60 percent or 70 percent rate, which would cause even more problems.

We appreciate both of you coming in.

MR. KUHMS: It is very serious.

I did want to mention one thing that I forgot about.

SENATOR PALAIA: Sure, Bill.

MR. KUHMS: The Governor and the Commissioner announced public hearings to be held in the next month -- starting next month on funding. It would be easy to fold spending into that, or have sort of a companion subject. Spending is as important as funding, and it deserves the input from the public, from the educators, from the professionals.

SENATOR PALAIA: Well, on this particular issue, I just think there should have been a lot more input -- like we had this input -- before the concept even began. I think we would have been better off.

MR. KUHMS: Exactly, exactly.

SENATOR PALAIA: Thank you both for coming in.

MR. KUHMS: Thank you very much.

SENATOR PALAIA: Nancy Makowski -- how's that? -- Board Secretary, Lebanon Borough School District. Also, Leon Thornton, member of the School Board. Mr. Thornton, are you going to speak first?

LEON D. THORNTON: Yes.

SENATOR PALAIA: Good.

MR. THORNTON: Senator, I don't know how much I can add to what you have heard from the many bright people who have spoken here today. But I would like to talk a little bit about Lebanon.

We are one of the districts mentioned by Senator Schluter as being in Hunterdon County. The only reason we are here is because we are small. In fact, we did a calculation. The students we send out-of-district right now, if they were counted as part of our enrollment, I would not be sitting here. We think it is unfair that those students were not counted as part of this formula.

SENATOR PALAIA: Are you K-8?

MR. THORNTON: We are a K-8 district operating a K-6 school.

SENATOR PALAIA: Okay, all right.

MR. THORNTON: Well, 22 percent of our budget is sent to Clinton Township to pay for 23 seventh and eighth graders.

SENATOR PALAIA: Okay, I see. I understand.

MR. THORNTON: Okay?

The other thing I would like to point out is that nobody in our district is purely administrative. We are just too small. Everybody, including Nancy, has interaction with children every day. If the kids don't learn something from it, then we really have a problem.

All the support services that everyone has mentioned, we have them, too. The reason we are here is because we have them and our divisor is so small.

Most of the administrative costs we have are mandated. The child study team is mandated; the school nurse is mandated; everything that involves us being here is mandated. Basically, we believe we are here because we are small, and we believe that this action was done on the part of the State as a backhanded attempt to force regionalization.

We, in Lebanon, do not have any problem with that. In fact, in 1978, we went to a regionalization study with Clinton Township, and that Township voted it down. We are more than willing to talk to the surrounding districts about regionalization, but it is a political situation and it is very, very difficult to get a number of towns to go for one thing at one time.

That is basically all I have to say.

SENATOR PALAIA: Okay.

Nancy?

NANCY MAKOWSKI: Mr. Thornton covered it.

MR. THORNTON: We thank you for your time.

SENATOR PALAIA: No, we thank you for coming down. We appreciate it. Thank you, Leon. Thank you, Nancy.

Bruce Quinn, my friend, Board Secretary, Red Bank.
Hi, Bruce.

B R U C E M. Q U I N N: Senator Palaia, my name is Bruce Quinn. I am Assistant Superintendent for Business/Board Secretary for the Public Schools of Red Bank, in Monmouth County.

Obviously, we know why we are here today. We have been informed that we should anticipate nearly \$217,000 less State aid in 1995-1996 because of the penalties Commissioner Klagholz intends to levy against our school district.

Let me tell you what this means to the property owner in the Borough of Red Bank. One penny on our local tax rate generates \$65,766. For every \$100,000 in assessed property values, our property taxpayers will have to pay \$33 to make up for the lost State aid.

These property taxpayers will have to pay this no matter what our local Board of Education does with our 1995-1996 budget. The Board could remove every item that the Commissioner has deemed excessive, and the taxpayers would still pay an extra \$33 per \$100,000 in ratables in next year's school tax bill for the services now contained therein, or whatever level we determine. This is because this penalty was based on our approved, beginning 1994-1995 budget, over which we no longer have any ability to modify. Further, during the entire budget development process for 1994-1995, no notice concerning potential penalties was ever mentioned.

Let me go on to some other areas: Our proposed 1994-1995 budget was defeated by our voters. Our voters chose to appeal a portion of the tax levy reduction ordered by our municipality. They accepted part of it as well. Commissioner Klagholz reviewed our appeal and restored three positions cut by our municipality to our budget. He denied three other classroom teaching positions. I might point out that those were designed to improve instruction and to reduce class size, and would have increased the percentage spent on instruction in our budget.

Because we were above the 3 percent surplus level, he ordered them paid for from surplus, not tax levy. However, the Commissioner's own action to restore two of the positions for a substance awareness coordinator and for a part-time psychologist for the child study team, as necessary for us to provide a thorough and efficient education, had the effect of increasing our penalty through this program. Therefore, positions which even the Commissioner called necessary, now will be paid for a second time by our taxpayers through the loss of State aid.

The Commissioner has now gone on record, in his explanation regarding this program, to say that taxpayers in other communities should not be funding these "excesses." There is a basic premise built into that statement that says the taxpayers of the State, not the local municipality, were paying for these positions and services the first time. That is simply not the case.

Look where we are receiving our penalty. We have a normal entitlement of only \$6747 in Transition Aid. We received no Foundation Aid. This is a general purpose aid designed to gradually reduce the impact of the change from the Chapter 212 funding formula with the provisions of the Quality Education Act. The penalty reduces that \$6700.

We have an entitlement of \$105,714 in Transportation Aid. This aid was designed to have the State pay a portion of the cost of transporting students deemed remote from school by State definition, for special education students, their placements, and their individual education plan, and for nonpublic school students up to an amount of \$670 per child. Our penalty eliminates all of our aid in this category as well. Our taxpayers will now pay 100 percent of all the transportation costs in the district. Is this fair and equitable?

Finally, we have an entitlement of \$523,887 in Aid for At Risk Pupils. This aid was designed to give State funding to programs and services for pupils who, because of the poverty level conditions in which they live, are in need of such additional services. Our penalty reduces this aid by almost 20 percent, a total of \$104,000. Are these the kinds of programs and services in Red Bank that the Commissioner is saying other communities should not be paying?

I will skip over a couple of points that I make in my formal written testimony and go on and tell you a little bit more about Red Bank. Let me tell you about the Red Bank public schools.

We are a K-8 school district presently serving 870 students in two schools. We have over 70 percent of our students receiving free and reduced lunch, the second highest percentage of poor students in Monmouth County. Our percentage of poor students exceeds that of three of the four special needs districts in our county. We come from a racially and socioeconomically diverse community.

On the high school level, our graduates go on to compete with students from our wealthy neighboring towns of Little Silver and Shrewsbury at Red Bank Regional High School. Because of the continued excellence of these other elementary programs and their student performance, we must provide a challenging and enriching curriculum for our children, after first needing to overcome the poverty that our children have experienced in their lives. We continue to attempt to deal with the disruptive social conditions they face.

We share much more in common with our special needs neighbors than we do with the typical K-8 transition district. The problems we must overcome are far more severe than most. Through enlightened leadership, the Red Bank Board of Education staffs its two schools with a principal in each building, a counselor in each, a school nurse in each, and a teaching

librarian in each. We have a child study team with a director/psychologist, a part-time psychologist -- restored by the Commissioner in the 1994-1995 budget appeal as necessary for T&E -- a learning disabilities teacher consultant, and a social worker. Our budget also provides for a substance awareness counselor -- restored in the budget appeal -- to deal with a documented drug abuse problem for our students and the community.

At the central administration level, we have a Superintendent of Schools and a Board Secretary/Assistant Superintendent for Business. In addition to these two positions, our budget provides for a supervisor of curriculum and instruction position, which has been vacant since a resignation occurred in September.

Our budget also provides for the local share of our Urban Schools Service Corps members. We are one of only 10 schools in the State to have this program and one of only two nonspecial needs districts. The mentoring and support that these young people offer our students has been invaluable, as well as nationally recognized.

Other than our secretarial staff and an instructional assistant who assists the Middle School building principal with discipline, that is the total of our "administration." We would assert that we are far from being administratively top-heavy. We provide the services and support to our students and our teachers that are necessary, given the nature of our district.

Timing, of course, is critical now. On March 8, school budgets must be in the hands of the County Superintendent of Schools and the revenue in those budgets must match the entitlements provided by the Governor through the Commissioner. We would ask that you do one of three things:

- 1) Meet with the Governor and prevail upon her to eliminate this penalty system.

2) Pass legislation either removing the penalty or funding it with a supplemental appropriation.

3) At least send a letter to each county superintendent that it is the intent of the Legislature to restore these penalized amounts in the Appropriations Act and allow the county superintendents to accept such budgets with their full regular entitlement without such penalties.

In summary, for the short term we must eliminate this penalty system, but in the long term this State needs a revised fair State aid formula.

I thank you, on behalf of the children and taxpayers of Red Bank, and on behalf of all other communities with whom we share a common need.

SENATOR PALAIA: Thanks, Bruce.

SENATOR EWING: As far as letting the county superintendents know, the only way we can put it back in, unless we can get the administration to delay the whole program, is to put it in the budget with language that it can be spent immediately, and not be put into surplus.

MR. QUINN: I understand.

SENATOR EWING: But that always faces the redline. So we have to ascertain from the administration how they feel, if they will go along.

MR. QUINN: Thank you, Senator.

SENATOR PALAIA: Thanks, Bruce.

SENATOR EWING: Thank you.

SENATOR PALAIA: I want to apologize to those who still have to speak, but I have to get back to my district. It is going to take me a good hour to get there, so I apologize. I thank you, in advance, for coming down and for staying so long to testify on something so important.

Thank you very much.

SENATOR EWING: Thank you, Joe, very much.

Mathew Glowski.

MATHEW R. GLOWSKI, Ed.D.: I admire your stamina.

SENATOR EWING: Oh, no, I have been out a couple of times.

DR. GLOWSKI: My name is Mathew Glowski. I am a resident of Teaneck, and currently serve as the Chief School Administrator for the Alpine School District in Bergen County. Years ago, I had the opportunity to serve as a Field Service Representative for the New Jersey School Boards Association, and had the opportunity to work very closely with a good friend of yours, I know, Senator Feldman.

I am here to comment on the recent school aid provisions known by several different names: School Efficiency Program; Excessive Administrative Expenses; Penalty for Excessive Administrative Appropriations; and the computer printout QEA ADMIN PEN.

I'm sorry. I did not give you a copy of this document. (gives copies to Senator Ewing) I will work off the document you have been handed. Plus, I do have one copy, which I will hand in later, of our appeal.

SENATOR EWING: You have done your appeal, good.

DR. GLOWSKI: Twelve pages. I won't go through that, I promise you.

I think one of the telling things, right off, is the fact that this administrative penalty, or this School Efficiency Program, or the Excessive Administrative Expenses, or the QEA ADMIN PEN, as the computer printout refers to it-- There are so many different names to this. What is it really? That, in itself, I think, is telling.

It appears that the real source of the State aid reduction to districts spending 30 percent above the median of administrative appropriations is truly the decision of the State's Supreme Court on measuring equity in public school education in terms of money expended per pupil. The executive and legislative branches of New Jersey government are under

court order to find ways to narrow the spending of wealthy and nonwealthy districts.

The proposed State aid reduction to districts spending 30 percent above the median, on its face, seems like a good idea. In the past, efforts were made to find ways to raise the level of spending of low-income districts in the State, but because budget caps in high-income districts could be exceeded by the vote of the public, it remained unlikely that the gaps could be closed.

I, just for a moment, would like to say I finished typing this at 1:00 this morning, so there are several typos.

However, the proponents of the State aid reductions have not crafted an idea that is selling itself. This certainly isn't a Honda, because you have people coming from everywhere to complain about this. As a result, comments that are coming forth from various Department sources take on the tone of browbeating the 70 districts alleged to have excessive administrative costs. Unfortunately, a divisive atmosphere is developing at a time when we should be pulling together to solve this problem, as it has been identified by the New Jersey Supreme Court.

The strategists who designed the QEA ADMIN PEN formula have something in common with the strategists of the Florio administration who designed the QEA a few years ago. Both worked out of the purview of the public eye, and both launched their ideas before field testing them for validity and reliability. The Florio QEA failed, in part, because the statistical strategists who developed the funding proposals after "working the numbers" on their computers, lacked the understanding of the history of the TPAF. Their statistical analyses could not measure the betrayal that was felt by certified teachers in school districts throughout the State of New Jersey when funding was to be taken out of the State's hands and put into local hands.

Today, the statistical strategists have again "worked the numbers looking for a bottom line." And again they have erred, for they have not measured the very thing they criticize -- efficiency in the schools. In addition, the statistical strategists have formulated a rationale that does not hold validity, at least it does not hold validity for the community of Alpine, and I believe that further analyses will show that the rationale is not reliable in its assumptions for the communities of Tenafly, Demarest, Haworth, and even Englewood Cliffs, all school districts around the Alpine area.

Attached to a memorandum on the subject of "Review Process for the School Efficiency Program," distributed on February 9, 1995 under the signature of Commissioner Klagholz, was a document entitled "School Efficiency Program: Questions and Answers."

Let's look at some of the terminology in this document and see if it does not make one wonder if the people who crafted the document checked the numbers they worked for validity.

The Q and A document on page 1 states: "Not all districts are responsible for the State's high spending. Some districts do an effective job of educating students for around \$7000 per pupil, but other districts spend as much as \$16,000. These higher rates of spending are unjustified. They reflect inefficiency and excessiveness. Yet, because public education is funded partly by State taxes, citizens in other communities, through the State, must pay part of the bill when a particular district spends excessively.

"This is unfair. Taxpayers, particularly those who avoid excessive spending in schools of their own communities, have a right to expect that all school districts will use public dollars prudently and efficiently. The State has an obligation to protect the rights of these taxpayers to efficient operation of public institutions.

"Therefore, the proposed State budget reduces State funding for those 70 school districts of the State's 600 districts that spend the most per pupil on noninstructional staff and materials. The noninstructional spending of each of these districts is more than 30 percent above the average for similar districts."

As I go on, I would like to point out that one of the problems we have had with the review process is that we are guilty until we prove ourselves innocent. I think there is a problem with our democratic process.

There should also be a concern on the review process that this document was distributed by Commissioner Klagholz's Office on February 9, and was due 15 workdays later, on February 28. I think that puts a great deal of pressure and difficulty on many school districts, especially when many are closed this week for February break and many boards of education are not able to be called together.

Going back to the three paragraphs that I just read, I think there are some questions that have to be raised. The first one is: There are no definitions about an effective job of educating students. The author has used the term "effective" in this sentence, but then switched to "inefficiency and excessiveness." There is a lack of consistency on the way they approach things. What are the standards in the performance of the schools that the authors are using to determine inefficiency and excessiveness? They are not provided in any of the explanations.

There is no data presented on student achievement in the cited schools. As we know, it is possible for a school district to be efficient and not effective. It is also possible for a school district to be effective and not efficient. Yet, there is even another issue, the issue of quality. The expenditure of larger sums of money for an object or service does not mean that higher costs necessarily mean

inefficiency. When Harvard charges over \$30,000 a year for tuition and room and board, and Arizona State University charges only \$15,000 a year, is Harvard University considered inefficient and excessive? If someone chooses to spend \$52,000 for a Lexus and someone who is equally as able financially chooses to spend \$15,000 for a Neon, does that make the owner of the Lexus inefficient or excessive?

Unfortunately, the authors of the Q and A document, whom I presume are the same authors of the QEA ADMIN PEN, are not consistent in their terminology nor do they define the terms. It is next to impossible to solve a problem when it is unclear as to what the problem is. Is not the problem really the measure of funding equity that is used by the New Jersey Supreme Court? If it is, let's stick to that problem and not try to create -- as Mr. Kuhms used the term -- a "klagmire," a new one.

Some other questions arising from these three paragraphs include: How many districts are the "some" who are "doing an effective job educating students for around \$7000 per pupil"? Out of the 600 school districts, are half spending at the \$7000 level, or are 20? They do not indicate that. Who are those districts? And wouldn't this give you better insight if we could do a content analysis of these districts to find out how they are spending their money?

I know this: This is my twelfth year in the Alpine School District as the Chief School Administrator, and never, in any of those years, has anyone from the State Department of Education, the New Jersey Law Center, or the courts contacted Alpine to discover why Alpine spent what it spent. Yet, we were often referred to in all the litigation that was going on in Abbott v. Burke et al. Yet, in this document, Alpine's expenditures are decried as being unfair to taxpayers in other communities which, according to the Q and A document, "must pay part of the bill when a particular district spends excessively."

If the inefficient and excessive districts have never been contacted nor studied by anyone to determine inefficiency and excessiveness, how are the authors of the Q and A document justified in stating that, "These higher rates of spending are unjustified"?

Each year, Alpine and all school districts throughout the State are required to examine the achievement of their students and report it to the public. This past school year, 100 percent of Alpine's third, fourth, and sixth graders met or exceeded State standards in reading, mathematics, and language arts. In the EWTs, 100 percent of eligible pupils were above the State's minimum level of proficiency in reading and math, and only one pupil fell below in writing.

A closer examination of the EWT results shows that Alpine's students achieved in the top third of all schools in the State for their students in reading and writing. In mathematics, Alpine's students scored the second highest of the 660 schools reporting.

In 1993-1994, the K-8 students maintained an attendance rate of 96 percent.

Seventy percent of the students in grades four through eight were eligible for programs for the academically talented at Montclair State University.

Based on these data, officials in Alpine were taken aback when they read in the Q and A document that the district was inefficient. The achievement data of Alpine's pupils does not suggest inefficiency. It suggests a higher level of quality.

Let us look, also, to the concrete fiscal data from Alpine. In 1993, the school district and the Borough of Alpine received the following amounts of State aid:

* \$267,347 in direct aid to the school district for all State-mandated programs such as Transportation and Special Education.

* \$202,874 into the Teachers' Pension and Annuity Fund and FICA.

* \$80,574 to the Borough of Alpine.

A total of \$550,795 was given in aid to the Alpine school district and the Borough in 1993.

According to the Department of the Treasury, Division of Taxation, the last available year on which State income tax information has been compiled is 1992. In that year, 841 State income tax returns were submitted by the residents of Alpine. Alpine only has 600 residences and a population of about 1700.

The 841 Alpine residents paid New Jersey State income taxes totaling \$9,246,000, an average of nearly \$11,000 per taxpayer. Consequently, Alpine's taxpayers saw \$8,695,205, or 94 percent of their State income taxes going to communities and programs other than Alpine.

So, again, the argument put forth by the authors of the Q and A document that money from other communities supports Alpine's expenditures is simply not true.

Similar figures can be obtained for four other QEA Administrative Penalty districts close to Alpine -- Englewood Cliffs, Tenafly, Demarest, and Haworth.

It is clear from the information presented above that the assumptions underlying the QEA Administrative Penalty were not checked to ascertain validity. It is obvious that if there are such major misrepresentations in only three paragraphs of the Q and A document that the QEA Administrative Penalty holds the potential for being seriously flawed throughout, and should be stopped.

Another questionable practice undermining the credibility of the QEA Administrative Penalty is the use of the term "median administrative cost." Those of us who have studied statistics had to learn the definitions of three terms -- mean, median, and mode. The mean is the average. It

reflects the impact of the highest and lowest and frequency of all the numbers from lowest to highest.

The median is the midpoint in a sequence of numbers. It reflects nothing other than that there is an equal number of numbers above and below the midpoint. It does not reflect impact of lowest or highest nor the impact of frequency of appearance of numbers. While it is possible for the mean and median to be the same, it is not uncommon for the two to be different. The mode is the number which appears most frequently. It does not come into play in these discussions.

What makes one stop and question credibility is that the printout of the QEA Administrative Penalty uses the term "median administrative cost," whereas the Q and A document uses the term "State average." The question becomes: Which is it -- the median or the mean? And what is the average as opposed to the median or the mean?

Averages or means should really be used in these computations, if there are going to be computations, with the use of two standard deviations from the mean as the standard for determining whether there are statistically significant differences.

School district officials in Alpine were taken aback to read that the State said it was spending \$610,000 in administrative expenses in a \$3.5 million budget, nearly \$400,000 of which goes to Tenafly. Another \$400,000 has been involved in capital projects. We are a sending district to the Tenafly High School.

Our penalty is \$61,000. Not wanting to have this penalty, several scenarios have been examined.

Scenario 1: A shared superintendency. An analysis of the figures showed that at most the district of Alpine would save about 20 percent of the Chief School Administrator's salary, but lose 50 percent of his time. There would still be an administrative penalty.

Scenario 2: Eliminate the part-time assistant principal who also serves part-time as the chairperson of the child study team. Seventy percent of her time is child study team related. Services would have to be purchased outside the district for child study team coordination and administrative responsibilities related thereto. The savings might be 25 percent, but the loss of an on-site person would seriously impair responsiveness.

Scenario 3: Eliminate the business office. However, services would still have to be purchased outside the district and the Board Secretary would remain. The savings might amount to 25 percent, but the penalty would still remain.

Scenario 4: Eliminate all certificated administrative personnel. This would, in effect, get rid of the penalty, but the school district would no longer exist.

So what was discovered as the administrative penalty was closely examined was that the penalty in Alpine had more to do with its small enrollment than with administrative inefficiency and excessiveness.

In Alpine, many parents have the financial ability to place their children in prestigious private schools, at which, by the way, tuition is about \$13,000 a year. About one-third of Alpine's elementary students attend schools other than the Alpine Public School. If these students attended Alpine, the administrative penalty would almost disappear, but it would not be eliminated entirely. It is also clear from the way this formula works, that the taxpayers of Alpine are expected to raise even more taxes for every child that attends a school other than the Alpine Public School.

The very question of the existence of the Alpine Public School in its current pre-K through Grade 8 organizational pattern, was hotly debated in 1983 and again in 1993. Each time, school elections were won by a majority of candidates who wanted to keep the Alpine Public School as it

is. Parents like the fact that in the small school someone is paying attention to their child. They also want their children to have a quality program that competes with the prestigious private schools. Consequently, Alpine offers:

- * Spanish and French three times a week in grades four and five, and five days a week in grades six, seven, and eight.

- * Art, music and computer classes for all grades.

- * Instrumental music and band for students four through eight.

- * Daily enrichment -- a second teacher in the room daily for an hour in grades three, four, and five.

- * In-class supplemental teachers for students in need of support.

- * Small class sizes dependent on the needs of the children.

- * Weekly progress reports in grades five, six, seven, and eight.

- * \$30,000 annually into technology upgrading.

- * About \$200,000 for the past three years and the next four for building improvements.

I have also brought along with me for the record an uncorrected copy of the 12-page appeal that the Alpine Board of Education is submitting to the State Department of Education. I will briefly refer to sections of that document right now.

As the gentleman from Lebanon said, no one in Alpine is purely an administrator 100 percent of the time. As Chief School Administrator, I serve as an Administrative Principal. That means that I fulfill the functions of both Superintendent and Principal. But, in addition, I am called upon to do many things. I also have instructional responsibilities, including: the planning and chaperoning of a three-day program each year with sixth grade students at Camp Bernie; planning and chaperoning two and a half days of Interscholastic Problem Solving with the communities of Cresskill, Englewood Cliffs,

Tenafly, and Englewood with grades six, seven, and eight each year. In grade five, I teach family life education for an equivalent of one day a year. I am also called upon to substitute teach when we cannot get someone in, or our schedules are botched up.

Instructional time of the Chief School Administrator is equivalent to 11.5 days. Now, the State Department of Education says you can appeal this, because it is not a proper line item. Well, we are only in our second year right now-- All school districts are in their second year of GAAP accounting, so there are some new things we have to learn. If this is the way the State wants us to microaccount our funds, then that is what we will do. So my Board of Education, last week, transferred part of my salary into those instructional accounts. The same thing with the school nurse. Part of her time is in instruction, so we transferred her time in the classroom into instruction; the same thing with the librarian.

But there are some other factors that affect the Alpine Public School. These are, very quickly:

* Nonpublic school transportation: Seventy-five students, which includes high school students, go to nonpublic schools. We have to take care of that whole process of finding routes or providing payment in lieu of transportation. Those children are not on the roll, and their costs affect our penalty.

* High school transportation: Again, those students are on the roll, but it affects our penalty.

* Special Education: We have 14 students that we send out of the district. We are not allowed to use those in the figure. Special educations sent out of the district are not considered part of our responsibility, yet we have to do all of the IUPs on those kids, and all the evaluations on it.

Part of my responsibilities in the business office are in borough recreation. We have expenditures, again, for our students who are not on the roll.

Another expenditure we have is, we have a pre-K summer camp for three- and four-year olds. Those students are not on the roll. We also have a pre-K program for--

SENATOR EWING: That is an optional program, isn't it?

DR. GLOWSKI: Parents pay tuition for it, but it doesn't matter. They are not asking you about your income. They are only asking you about your expenditures. Because those numbers get worked into and a lot of time is spent on that, it affects the formula.

SENATOR EWING: You don't show the income?

DR. GLOWSKI: We show the income, but we don't show it where they are suggesting now that we show it, in the-- I forget the name of the account.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Enterprise.

DR. GLOWSKI: --Enterprise account, because our auditor says it does not belong there.

SENATOR EWING: But on the high school student count-- You are getting money from the State for them, aren't you? You said they are not enrolled.

DR. GLOWSKI: What I am saying is, the income and the expenditures are two different ideas. While we get money from the State for the transportation, the time of the school business administrator that is involved in putting together the routes, sending out the notices to parents, being in contact with the high school-- This is an involved process. We have 60 students going to the high school. Putting together those routes every year is time-consuming. Now, it does not amount to a lot of time, but the State Department of Education is not allowing us -- or did not remove those figures. So we are asking that at least a part of that time be removed--

SENATOR EWING: I see, okay.

DR. GLOWSKI: --in our appeal process.

We also run a pre-K program during the year that is tuition based, but it is for three- and four-year-olds. It is

based on the statute, N.J.S.A. 18-A 44-1. That allows us to have three- and four-year-olds, but the State will only allow us to count four-year-olds in our enrollment. So there are 10 three-year-olds in the program who do not get counted, and that also affects our--

SENATOR EWING: Have you ever applied to the Legislature to put in something so you could have the three-year-olds come?

DR. GLOWSKI: We have never gone through the Legislature, but every year we have gone to the State Department of Education and asked them.

SENATOR EWING: Well, why don't you go to the Legislature to see if we can put legislation-- I am not saying we can--

DR. GLOWSKI: We will.

SENATOR EWING: Well, I mean, you know, that is the sort of thing we want to know about. Every year if you have been--

DR. GLOWSKI: It didn't have an effect until this year. It didn't have an effect.

I think what bothers me the most about this whole thing is, if the State wanted to save \$12 million, fine. Say to Alpine and the other districts that are spending in excess of whatever figure you want, "You are going to be cut \$50,000 in aid." We would work on it. We would find a way -- the community supports the schools -- and we would do it. But to suggest that we are inefficient, that we are excessive in administrative costs, is silliness. You did not have to do that. "If you need to save \$12 million, we have to cut at some point, so here is the cut."

I also think that this is an imposition on you, on the Legislature, and on us. I mean, this is my fourth full day on this issue. I think there are so many other people here, and they, too, have also been taken away from the kids. So if you

talk about what is inefficient and excessive, it is this effort by the State Department of Education.

SENATOR EWING: That is our democratic process. Would you rather we didn't have the hearing?

DR. GLOWSKI: No, I appreciate it, but I am just suggesting that it could have gone another way.

In my concluding remarks, I can't help but think and remember a quote from Charles Dickens in a book called "Hard Times." In it, a businessman by the name of Grandgrind was often "working the numbers" to make sure that the people in his shop were efficient. Dickens described Grandgrind at work on his numbers in the following lines: "He sat writing in the room with the deadly statistical clock, proving something no doubt -- probably in the main, that the Good Samaritan was a bad economist." I think the authors of the QEA ADMIN PEN could also prove that "the Good Samaritan was inefficient and excessive."

Thank you for your time.

SENATOR EWING: Thank you.

Don Lucas, Superintendent, Mount Holly; also, Theresa Gamble.

D O N A L D P. L U C A S: I would like to thank Senator Ewing and the Committee for giving us an opportunity to speak. Since everything has probably been said that could be said and there are people behind me who are probably more antsy than I was, I put things pretty much in perspective here with just a two-page profile. But one thing has not been spoken to that is unique to me.

In the appeal process there are four areas. One was "Unique Circumstances." What I would just like to speak to is the county seat. Mount Holly is the county seat for Burlington County. In the past six years, I have witnessed that town transform itself. Because of the services that a county seat offers, it attracts more -- I don't know whether "attracts" is

a good word -- but it brings to it many families that are needy. With them come children to provide services for.

As you can see, we are not unaware, just like any school district in the State, of the initiatives of the DOE as far as doing more with less, trimming your budgets, and meeting the taxpayers' call for reducing real estate taxes when it comes to schools. Since we are the only budget they can vote on, the sentiment of the public is that if they have a chance to say "No," they are very well going to say "No." So we seem to be the one in the line of fire every year.

As you see our budget in 1991-1992, it was approximately \$12.1 million and our State aid was \$7 million. This current year, our budget is \$11.9 million and our State aid is \$5.7 million. So you can see that we made every effort possible to trim the budget and to meet those taxpayer demands.

The bigger problem is with the fact that the profile of Mount Holly lies as a District Factor Group "B," and 50 percent of its students are classified as "at risk."

Another important factor is, being a county seat, the transiency within my student population reaches approximately 30 percent.

The Mount Holly Hispanic student population exceeds the State mandate cutoff of 20, which makes my district one of two in Burlington County that is required to have a full bilingual program.

To speak on that just for a second, I receive \$49,000 a year aid for a bilingual program, and the program costs me a quarter of a million, of which there is no retribution when it comes to me providing those services if they are mandated by law.

You can also see that as I contacted the Department of Ed to get publication of special education statistics, I wanted to give you factual data regarding a small K-8 district of 1300 students in the county seat of Burlington County. We are two

square miles, and we make every regional effort we can with sharing special ed services -- transportation, whatever. The bottom line is that I have the highest special ed population; 25.2 percent of my students are classified special ed students in Burlington County.

When I talked to the lady at the State Department just to verify, I am probably one of the top five in the State as far as percentage of students. Now, that comes from a couple of factors. I believe the population of parents who are needy, who are looking for social services, bring with them to Mount Holly the kind of student that I have to provide an educational program for. Within that administrative assessment that we have been hit with -- \$92,000 -- it equates to about 1.4 cents on my tax base. You are looking at the fact that within that special ed population, the majority of my expenses lie within providing pupil services. I added one day to a part-time team. I had a principal who was on a medical leave of absence, and I had to replace him. And I added one more day to the guidance service so I could have one guidance counselor in each of my three schools, a middle and two elementary.

If I extracted those costs -- the business administrator and I put them into the formula and they gave us the sheet -- we would be below the per pupil cost -- below the 30 percent, above the per pupil cost, we would have no penalty at all. So if they would have just made one effort to say, "What is unique in your budget in Mount Holly?" or if they had listened to me four years ago when QEA I, II, III, IV went into effect -- can't decide which one -- when we were not considered a Special Needs district, when I called Mel Wyns and tried to find out what that secret formula was all about, when Burlington City on one hand and Pemberton down the road were Special Needs, and the reason they are considered Special Needs is because they are K-12-- I am a K-8 county seat, and I am

part of the Urban Superintendents' Coalition. I have the same problems the cities do, but I only have 1300 students.

This is very simple. Sitting back and watching us every year juggling staff, moving people around, cutting guidance, cutting administrators, cutting cocurriculars-- I mean, we can do all this junk, but the bottom line is, we have had three Governors and four Commissioners in six years. Education has become politics and money. The taxpayers are angry, and when they have an opportunity to vote on our budget, and when a Commissioner does this, puts those kinds of implications out that we are mismanaging funds-- No one has come to Mount Holly. No one has come there to take a look at us at all.

I wrote letters to Commissioner Fitzgerald to come down during the interim that she was there, just to take a look as to why we were overlooked. What is the point of overlooking Mount Holly? Take a look at my stats compared to the State on the services I provide for needy children. One of two districts in all of Burlington County to have a bilingual program.

If I have a population that is representative of a city -- it is called urban/suburban-- That is a catchy phrase. That is what they told me I was, but don't give me a penny. They cut my State aid from \$7 million to \$5.7 million, and then gave me a penalty on top of trying to get my community to support the services I provide for their children. It will take us years to bridge the integrity breach that has been there. Our Board of Education is humiliated. It is really a sad state of affairs.

But you can't have four Commissioners of Education in six years and expect any kind of continuity, any kind of consistency, any caring for each individual district's needs. Every gentleman who came before me, I listened to, and everyone has their story.

We do a wonderful job with our programming for our children. Come and talk to our parents. But when it comes to voting on taxes, they pull that screen behind them and they don't want their taxes to go up. We are the only budget that is voted on.

I could go on, but I am sure that someone else will. I just want to thank you very much for your time. I think I have made my point.

SENATOR EWING: When you talk about the average number of special education students you service out-of-district-- You are sending them out because of their disabilities?

MR. LUCAS: Right. I have 356 special ed students right now, out of a population of 1300 students. I service 156 in-house. I have 14 special ed classes. I have resource rooms -- resource centers. We have gone over all of the special ed compliance to try-- I spend \$1.2 million a year for students to leave Mount Holly and go to a setting which our child study team and the parents can agree on, that we cannot service in-house. That is not counting the transportation.

SENATOR EWING: Are many of those out-of-state?

MR. LUCAS: No; right now, no. Not this year. Every year it changes.

SENATOR EWING: Have any of those cases been decided by an administrative law judge?

MR. LUCAS: We have gone to due process about 14 times in six years, and every time--

SENATOR EWING: And you lost all of them?

MR. LUCAS: Well, sure. Parents have a right to make a choice.

SENATOR EWING: That's right.

MR. LUCAS: All we try to do now is hold on to the residential placements. Residential placements will kill us. We registered 28 children in our Middle School in the month of January this year. I keep track of the new ones -- 30 percent

mobility. Twenty-eight children, seven of which are going to be in special ed classes, when you are have a 90-day compliance. We shoot for 60, so we have 30 to play with. We have to contract out for our LDs, for out site jobs, or whatever. Our team cannot keep up with it. The first time you are not in compliance, you go before an administrative law judge. He does not want to hear it.

SENATOR EWING: No.

MR. LUCAS: He does not want to hear it.

SENATOR EWING: What is the total number of pupils in Mount Holly?

MR. LUCAS: Thirteen hundred.

SENATOR EWING: What was it in 1991?

MR. LUCAS: In 1991?

SENATOR EWING: Roughly, yes. How many students?

MR. LUCAS: I have been there for six years. It has been between 1250 and 1370. We had an apartment close down.

SENATOR EWING: Not a big fluctuation.

MR. LUCAS: No. Let me give you an example -- one little statistic: I went back and pulled the child study team records from 1984. We did 86 evaluations and reevals. Some of them, every three years they have to be reevaluated. Eighty-six total, our team did. In 1994, we did 269. In that 10-year span, the community, culturally, civically, whatever-- Twenty-eight percent of the land is nontaxable. We have a hospital, all of our county courthouses. I have homeless shelters -- people love that. They take the homes. They go to nonprofit. They have a homeless shelter, all nontaxable. My net value taxable went from \$329 million -- my denominator -- to \$327 million, on top of the losses you see here in State aid and in the budget.

SENATOR EWING: Paterson has the same problem.

MR. LUCAS: We are down to nothing. I thought this year we were going to be down to nothing and we would go to the

taxpayers with a reasonable increase and salvage what little bit of free balance we have. I walked into a public meeting with all of my peers, and my county superintendent said, "By the way, you have been penalized." The paper called me an hour later and said, "I heard you got fined."

SENATOR EWING: And you are one of the worst districts.

MR. LUCAS: One of the worst districts in the State. In a month or two, I am going to go to the taxpayers for a budget that-- Our Board does not know what to do. If we go with zero, they will say, "Well, you should be \$92,000 less than zero." It is called "dismantling a school district, without taking into consideration its uniqueness." I use that word not as an excuse. It is just uniqueness. A county seat has its own set of problems within the social structure today.

SENATOR EWING: Do you feel that people come to a county seat and live there simply because--

MR. LUCAS: I have watched, in the last six years, what has happened with the open residences that have become available for purchase, whatever they are. Nonprofit organizations, which can very well -- however they do the paperwork -- take over a residence, renovate it, and get it approved to be a shelter for the homeless. My homeless population-- Earlier you heard from my colleague from Burlington City. We share some of the same problems as Burlington City -- homeless shelters. I mean, these students come and go -- 30 percent mobility. I will look into my kindergarten and I will see 19 children. Out of those 19, I know that 5 1/2 or 6 will be gone by January, and I will have 5 or 6 new ones. The cycle is there because of the transience that goes with the social problems and the attraction to where the social services are.

SENATOR EWING: Thank you very much.

MR. LUCAS: You're welcome.

Was I quick enough?

SENATOR EWING: For whom?

Dr. William DeFabiis.

W I L L I A M D e F A B I I S, Ed.D.: Senator, I am going to be pretty short, but I think my message is going to be a little bit different than what has been brought before you. I think that the many people who have come before me have expressed eloquently some of the thoughts that I was going to express.

I believe that this is not a question of product, but a question of process. I am glad to see that you are considering this process, particularly the methodology that is employed, its integrity, and also its intellectual honesty.

But the part of the puzzle I would like to bring to you is, I feel that the real intentions of this movement have not been uncovered. Everybody is addressing the issues of their particular districts and are reacting to what has happened to them. But I really feel that there is an issue, and an agenda, that are being camouflaged here by this particular motion.

That is my different message to you. I think there is a distorting of the truth, a distorting of intentions, which have led to many people's time being, I think, misdirected.

I look at my district in South Hackensack as a very small community in Bergen County. I am glad to see that one of the Senators mentioned -- that the term "administrative" was brought up. My eyebrows went up, too, when we were cut, or penalized, because I am the only administrator in the district. People in our community are thinking that we have too many administrators -- right? -- but I am the only one.

I think this is just a nomenclature. That is what started off my thought processes about why I think this is camouflaged. The nomenclature gets people's backs up. I really feel that whoever devised this plan knew it was noninstructional from the beginning, but yet they called it "administrative," and it was put into the headlines of the

media as "administrative" for a purpose -- for a real purpose. I think that is misleading to the public and misleading of the district's trust, let alone being erroneous.

I also think that the excessive administrative penalty was devised and imposed on districts without -- as everybody said -- giving notice, and without affording appropriate input, for a reason. This is diametrically opposed to everything the State has told districts to do. The State said, "No matter what it is -- curriculum -- get input from the community," but yet, on a very key issue like this, a very key move like this, the State seeks no input from anybody.

I am happy you are calling the Commissioner to task. Regardless of his commitment in New York, I believe he should have been here. Is his commitment still going on? He could have come now.

I also believe that he knew, when he had his convocation for superintendents, about this plan. He had a perfect forum to tell all the superintendents in the State exactly what his intentions were, and what the intentions of the State Department of Education were. He chose not to do it. People asked, after his presentation, something about "When are we going to get our information about our budget -- State aid?" A perfect response-- The leadership was lacking. I really feel it was lacking. He could have stood up and said, regardless of whether everybody in that auditorium went crazy, "This is my plan." He is entitled to a vision by the office he holds.

SENATOR EWING: When was that convocation?

DR. DeFABIIS: It was a few weeks before -- maybe two or three weeks, maybe a little bit longer, maybe a month before-- He had a convocation for all the superintendents, in East Brunswick, and it was packed with all the chief school administrators from around the State. I really feel that was

irresponsible, his being the leader of our State, not to make a statement about what his intentions were.

On a side note, our district has been working very hard to address -- because I take seriously what your Committee and what the State have intentions of doing to save money. Our district being small, we belong to-- I don't know if you are familiar with the South Bergen Jointure Commission that was formed recently. But we are looking to get such things as: joint purchasing, centralized services, service contracts, curriculum development, staff in-service, grant applications, and utilization of personnel to better expend the dollars that come from the citizens in our community through this South Bergen Jointure Commission, which is a commission of 13 districts in Bergen County.

I also feel that our district budget was passed just like everybody else's, and no mention was made of excessive administrative expenditures.

I also feel that this leadership-- I hope it is going to change, because the leadership has taken a very negative approach to something where they should have taken a positive approach. We are being penalized for something that we had no input into, and no realization of.

I will give you one small example in our district: We care about our children, particularly our special education children -- but all of them. We have a person who serves many purposes, but one of her jobs was to be the chairperson of the child study team. She is also our LDTC; she is also our gifted and talented teacher; she is also our basic skills teacher. So she serves in many ways. She was retiring in January. I went to the Board last year when we were making our budget and I asked them, out of consideration for the children and the continuity of the programs and services in those particular areas, if I could include them in our budget. I would hire

another person to work along with this person to get to know all the different aspects of the job. The Board agreed to do that. That, to me, was an unbelievable statement on their part about their commitment. They agreed to do that.

I'll tell you right now, sitting before you, Senator, that if I had known that this was the intention of our Commissioner, to recommend this statement to work with our Governor, I would not have made that statement. I would not have made that statement, because that is what put us over the bind. We went for a top-notch person, because I needed a top-notch person.

I also want you to think about if you had two districts similar to ours, and just by the roll of the dice one district had a higher level of administrative experience in their positions in health, the librarian, the secretaries, and all the positions that have been mentioned today, two exact same administrative structures, and one would get penalized and one would not. I think that is with all processes.

But, to me, I really feel-- I am hoping, and I know, and I am very, very satisfied with the statements that were made today, especially if they are followed up. But I really feel that there is a higher agenda in the minds of the people who are key in the State, and it is being camouflaged by this statement. I am hoping that-- I know you have to attend to this situation immediately, but I also hope that the Commissioner is held accountable to the people. As you are asking us to be accountable to the people in our districts, I ask that he be accountable to the people by making his intentions known, whatever they are. He has the right, as the educational leader, to have a vision for the State.

Thank you for your time. I ask that you consider my request and my thoughts, which go beyond the immediate need.

I feel very upset for another reason, because I am out of my district today for the whole day. I am very, very happy

with the process, but I really feel that being the only administrator in that district, the children look for me to be there; the teachers look for me to be there; and I want to be there. But this is important, because I think it is going to affect us in the long run.

Thank you.

SENATOR EWING: Thank you very much.

It looks, tentatively, as though we will have another hearing on the 27th, at which Commissioner Klagholz would be present. It will probably be around 1:00, approximately.

MR. LUCAS: Well, I would like to ask him about his intentions for the State.

SENATOR EWING: No, it would be before-- It would be around 11:00. I'm sorry.

MR. LUCAS: If he knew about this particular program -- which I feel he had to know about within a short period of time -- I really feel he has an answer to give to the field people, the field leaders, about why he failed to mention that to them, when he had a perfect forum to do it.

Thank you, Senator.

SENATOR EWING: Thank you.

Marlene Leeb, Chief School Administrator/Secretary, Stockton Borough. You are also the Superintendent and the Principal, aren't you?

MARLENE LEEB: Yes, I am.

SENATOR EWING: And the nurse, and part-time teacher, and homemaker.

MS. LEEB: Part-time homemaker anymore. Everyone is gone.

SENATOR EWING: No longer? Do you eat at Burger King?

MS. LEEB: Yes, and I don't do windows. I do put out the trash sometimes, and I do have to put out rock salt. And two weeks ago, I had to unfreeze frozen pipes, and sometimes drain the boiler. But at windows, I draw the line.

First, let me introduce our PTO President and former Board member, Barbara Webb.

The Stockton Borough School District has two distinct factors. I have included our appeal -- we are not allowed to use the word "appeal" -- our request for review in this little packet of papers. These factors give the Stockton Borough School District a uniqueness entity among New Jersey public schools. One is the number of students -- 53. Two is, one administrator, and one secretary who serves in the dual capacity of Board and school secretary.

I will paraphrase my written testimony. I am not going to read it to you. The hour is late, and there are still people who have to be heard.

It is impossible to divide 53 students into any multiple accounting of administrative costs and arrive at a figure that is not considered excessive by the State formula. I tried it.

The school operates New Jersey's smallest and oldest kindergarten through sixth grade school. It was built in 1832 as a school, and has been in operation since that time.

You have all read about my dual role, so I won't go into that. The difficulty lies not in the excessive expenditures, costs for personnel, but in the fact that a comparatively small number of students is divided into overall administrative cost figures, many of them mandated, resulting in a cost per pupil that appears, on the surface, to be excessive, but, in reality, is, indeed, not.

I would like to read to you a letter sent by one of our parents, a father, a daddy, from Stockton Borough, Gregory Danese. He sent a letter last year to Governor Whitman, because he could not understand that our State aid funds continue to be cut. Every year, they are less and less and less. I will read some of his paragraphs:

"I am attaching a copy of the State of New Jersey's school report card for the Stockton Elementary School. In the area of student assessment, 100 percent of all third and sixth graders passed the standardized achievement test approved by the State." And we have done this year after year. "It needs to be noted that the school continues to score in the highest third percentile on all standardized tests. We have a model gifted enrichment program for all students in first grade through sixth grade," because every child, in my opinion, is gifted. We do wonderful things with cooperative learning, and attract a 20 percent tuition enrollment.

"The school report card reveals a fact which is the purpose of this letter. The State of New Jersey awards the Stockton Elementary School, a school so successful that it attracts tuition students, only 8.4 percent aid, compared to 37.5 percent for the average school."

Mr. Danese goes on to say, "Since 8.4 percent State aid is apparently due to some State formula that classifies Stockton Borough as affluent, I then suggest that the law be changed so that a school district such as Stockton's, regardless of its affluent designation, receives at least the average amount of State aid." This year, we not only do not receive the average amount, we will only receive 8000 and some-odd dollars.

Now, that letter was sent to Governor Whitman. Governor Whitman requested that Commissioner Leo Klagholz -- poor Leo, his name has been used in vain today -- reply to the letter. I will just read one paragraph from that letter:

"The Governor's Education Task Force has just released for consideration a school funding proposal to replace the QEA. I will only endorse it if it is both educationally and financially equitable for all school districts, not just the Special Needs Districts. Additionally, it must emphasize and reward quality of effort and results achieved, as you have recommended."

The Stockton Borough School is a quality little school. Its only fault lies in that it has a small enrollment. We cannot continue to suffer this kind of penalty year after year, and this one was the final blow.

Our taxpayers pay taxes to the State of New Jersey, and their children deserve a free public education. They should not have to pay more than other school districts.

Barbara, did you want to say a few words?

B A R B A R A W E B B: Yes. I have a letter that was sent to Commissioner Klagholz from community members:

"As citizens of Stockton, New Jersey, we are outraged that the Governor and the Commissioner of Education could jeopardize our tiny elementary school the way it has. As it is, we are only receiving 8.4 percent of our \$350,000 budget from the State. The rest is the responsibility of our taxpayers.

"Now they are going to penalize us by taking away 66 percent of our total State aid for the next year, because of supposed high administrative costs. The message is clear. They are trying to force us to close our doors for no other reason than that we are small.

"Yes, we are small. We are the smallest and oldest public school left in New Jersey. Our three-room schoolhouse has been educating the children of Stockton since 1832. Our three full-time teachers each teach two grade levels simultaneously. We also have a part-time kindergarten teacher and several part-time teachers who come in one or two days a week to teach the special subjects such as art, music, gym, and health. We have one Chief School Administrator/Principal/School Business Administrator, Ms. Leeb. She is the one person who does all three mandated jobs. We also have one secretary/Board Secretary. This is a school with no gymnasium, no cafeteria, no library, no special

computer labs, nothing but teachers, classrooms, and 53 children.

"But do not let the fact that we are small and lacking in the fancy amenities that much larger schools have fool you. This school provides an education that we believe is unsurpassed by any standard. All of the students, regardless of their academic level, benefit from an enrichment program usually reserved for gifted students at other schools. When our children are assessed, they score far above the average for the State, as well as the nation. In most years, we have between seven and ten children from outside our district whose parents choose to pay tuition for their children to attend our school. Instead of being labeled too fat and inefficient, the Stockton School should be held out as an example of what can be accomplished with very little.

"We urge you to take another look at the Stockton School and its budget. We are certain you will feel the way many do, that this tiny and historical school is a place to nurture and encourage, rather than punish and discourage."

SENATOR EWING: Are you making an appeal?

MS. LEEB: Yes. The appeal is here. You have a copy of it. But I was told by people in the county office that I cannot call it an "appeal." It is a request for a review.

SENATOR EWING: Is that what it is? Okay.

MS. LEEB: That is what they call it.

MS. WEBB: I think it should also be noted that Stockton is penalized more than any other school in the entire State, about 67 percent. That is the highest penalty received by any school.

SENATOR EWING: From what point of view-- You say 67 percent?

MS. WEBB: No, 66 point something.

SENATOR EWING: Oh, 55.27 penalty and percent of total aid.

MS. WEBB: Well, depending on what list you look at, it was at 1.61 -- 66 point something. I think we were at the top.

SENATOR EWING: Stone Harbor is 76.

MS. WEBB: Oh, okay.

SENATOR EWING: You only got second place.

MS. WEBB: I want to make one other point, and it was mentioned earlier. We, like a lot of communities struggle to keep the Stockton School viable to the community. We have a fair number of retired citizens who, in their opinion, do not see a use for a school anymore. Some of them would actually like to see our doors close, and for us to send these children out to larger districts, none of which, in our area, have room for us. But that is beside the point. It has been looked into somewhat.

Every year, these senior citizens go to the polls and take out their frustration on the school. It wouldn't necessarily cost them any less to ship these children out to somewhere else, but it is a place for them to say "No." Having this penalty slapped on us makes it all that much more difficult for the School Board and the people who are passionate about the school to continue to have a viable argument for it. We are very, very passionate. People move to Stockton, young families, for no other reason than this school.

That's it.

SENATOR EWING: Thank you very much.

MS. WEBB: Thank you.

MS. LEEB: We thank you for hearing us today.

SENATOR EWING: Judith Cambria, The League of Women Voters of New Jersey.

J U D I T H C A M B R I A: Well, we are getting close to "good evening," but not quite. So "good late afternoon."

As you know, it has really been very moving to sit here today and to listen to the individual stories of the

districts. As you know, The League sees it from a slightly different aspect. We are not an educational organization. We are a citizen education group, and we are people concerned about participation in government. So we looked at it-- I am not going to go through this testimony line for line. Forget that, we've done it. No way--

SENATOR EWING: Thank you.

MS. CAMBRIA: --except to say, of course, we support the idea of increased efficiency and the better use of funding. Everybody does.

Secondly, we are concerned that there was an attempt to legislate this through the budget. We do not think that is appropriate for a major thing such as this.

We agree totally that the evaluation measure is totally inappropriate. The testimony today has just shown that it was a totally inappropriate way to evaluate. That is a little scary for the Department of Education, which is responsible for evaluating the lot of children, that they know so little about evaluation.

But the thing that I would like to particularly talk about that no one else has really focused on completely, is the issue of who is actually paying for the presumed excess costs that this program is talking about. Some people quoted, earlier, some of the explanations by the Department, and I have some of them here: "Because public education is funded partly by State taxes, citizens in other communities throughout the State must pay part of a bill when a particular district spends excessively." And Governor Whitman said, in a public statement: "Our message to these districts is clear. If you waste money and run up huge bills, don't expect the State's taxpayers to pick up the tab." Then we have another one from Commissioner Klagholz, and I could give you six more I have.

But what they have totally failed to tell the public, and what they have totally failed -- what they have ignored is

the fact that 72 percent of these school districts -- the 70 -- which is 51 of them, are wealthier districts, but are not eligible for, and do not receive State Foundation Aid. That is the only aid that provides support for the general education part of the budget; that provides support for these costs we are talking about, whether they be administrative, or whether they be student support services.

In fact, I went through the list and I looked at every single one of these districts. I found that none of them receive anything except Special Education Aid, Bilingual Education Aid, At-Risk Aid, and Transportation Aid. Some did not receive all of those, but that is all they received. A few of them had some Transition Aid that was left, but not many.

Based on this fact, the argument of the Governor and of Commissioner Klagholz, and anything that is written by the Department, is absolutely fallacious. Nobody else in this State is paying for any of those costs in those districts. As a matter of fact, by penalizing them they are taking away money that is designated to them, because they have identified children with specific needs, which State law says we will give them money for to meet those needs. So they are already paying for it once, and now when we take away this money, they are going to pay for it twice. I think that is really outrageous.

What we really saw, and we wondered about what was going on-- Then, on Friday, I received a copy of the "Comprehensive Plan for Educational Improvement and Financing." I had the opportunity to read this over the weekend. What became clear to me was that this is the first shot over the bow, that they jumped the gun, they telegraphed their punch about what they are going to do, what they are calling for to be done in the new school funding formula. If you go through this, you will find that it is suggested that special education no longer be a categorical program, except for the few very, very high cost students; that it be folded

into regular education costs. They are also suggesting that At-Risk Aid not be provided to any districts except the special needs districts.

If you have that rationale as to what you are planning for the future, then it does not matter that you are stealing from the districts this year and penalizing them in moneys that come for those. It is a precursor of what we have here.

I also would like to point to the impact of the reduction of State aid on specific districts. When you read the rationale that was provided by the Department of Education for this, they said, "Well, this will not hurt them very much, because we are only penalizing them 10 percent of their excess amount over 130 percent." That was what they said. Well, that was fine, except then they never went back and looked at what that did to the specific State aid allotment of that district. It didn't sound like much, but as Stockton Borough just told you, it meant that out of their approximate \$21,000, they were going to lose \$14,000, almost two-thirds of their money -- of their State aid. That is really an excessive penalty.

Somerset Hills is going to lose 60 percent; Livingston, 53 percent, Florham Park, 48 percent. None of these are Foundation Aid districts. These large sums are coming straight out of the moneys that are supposed to be provided for the specific needs of specific children.

I think, again, that we can also-- Some earlier people have alluded to the fact that the reason we are doing this has a lot to do with Abbott v. Burke, and that is true. Commissioner Klagholz certainly recognized it, because he is quoted in the press in the following way: "If we can't do this" -- which is the proposed penalty -- "we are not going to be able to face up to the real problem. The real problem," he said, "was the link between spending by rich districts and spending by poor districts.

"The State Supreme Court has demanded parity in spending. If the spending of wealthy districts is not contained," he said, "there will be a hydraulic effect on spending everywhere in the State." So what we have here, again, is -- leading up to what is coming -- that we are looking at ways of holding down costs in the wealthier districts, and this very poorly designed, very ill-conceived program has been done. Clearly -- listening to the testimony -- it has done extreme damage to local school districts. Frankly, I think it has done extreme damage to the feelings about the integrity of the Department, and it has to reflect on the Governor, in some ways. That is not a good way for us to start out on what should be, and needs to be a really serious effort to use this opportunity to improve our schools. We need to do that. Reform is essential.

We know there are districts that are not spending well and are not teaching well. The League, for one, will go forward from here in hopes that our participation, and the participation of others, will move us to a really good program for the education of our children, and appropriate dollars to fund that. We think it is appropriate to tie them together, as this document indicates they need to be. They do need to be, but if the overarching consideration is reducing the costs of public education and School aid to the State, that is not what we are going to come out with.

The League has said before, and we continue to say, that cutting the income tax, which is the major source -- in fact, it is virtually the source of funding for schools -- leaves us with nothing but pushing the costs onto the local school districts, increasing the local property taxes, and increasing the regressiveness of our tax system. That is the wrong way to go, and we will not be able to fund a high quality education if the first goal is reducing the income tax and keeping the State amount down as low as it can possibly be.

Thanks a lot for listening to us so late in the afternoon. I appreciate your tenacity.

SENATOR EWING: Thank you for coming. We appreciate it.

MS. CAMBRIA: All right.

SENATOR EWING: Dale Briggs, Superintendent, Bloomsbury School District.

D A L E B R I G G S: Senator Ewing, I would like to take this opportunity to, number one, thank you for holding this hearing today; number two, to tell you how much I admire your endurance; and number three, sincerely, from my heart, to say that I feel you have listened to every speaker this afternoon, not just heard them, but listened to them. I appreciate that.

My afternoon was also positively enlightened by listening to my colleagues. The Bloomsbury School is a single administrative district. My title is Administrative Principal and, as you have heard from a number of people today, my tasks are multiple. But I do think my time out of the district was well-spent to hear the varied efforts and the hard work of the colleagues -- educators in New Jersey working to improve their school systems.

I think if a point can be made, it is that: that you cannot throw one blanket over all of the schools in New Jersey, pick a few and say that they are inefficient, and pick another few and say they are efficient. I think we have heard so many incredible stories of efforts, innovation, and creativity to improve education today, that each individual district merits a look on its own -- merits, if you will.

The Bloomsbury School District is a preschool through eighth grade school district, a 97-student, single administrator district. Our 1994-1995 school budget was approved by the State Department of Education through the Hunterdon County Superintendent of Schools, Robert Sopko. At

that point, our Board went forth and put into effect the programs, staffing, etc. that make our school a quality school.

We find it terribly unfair to hear, in the winter months of this year, that our budget last year, indeed, was not acceptable to the State Department of Education. Indeed, now it is termed "excessive." The rules are being called after the game has been played. Now we must cope with those rules.

The penalty, as you have heard, excessive administration -- I do not need to belabor this point -- has caused extreme public relations problems for the school districts. When I found that my district was one that was being penalized, I became proactive. You heard Senator Schluter earlier today. The three districts in Hunterdon County -- Stockton, Lebanon Borough, and Bloomsbury -- asked Senator Schluter and Assemblyman Lance to meet with them. Much to his credit, we spent a good two hours in Assemblyman Lance's office discussing the situation as it is.

I was most amazed, at that meeting, to understand that the Congressman (sic) had little or no insight into what the excessive administration penalty was all about, what it included, why it was imposed, etc. They were very honest and open with us in that regard. I think, truly, that we enlightened them that day. I find it totally incomprehensible that the administration -- that the Governor and the Department of Education would do something like this without the input of the people in the field, educators or legislators.

I would like to add-- I am scanning my testimony attempting not to be repetitive. Again, I feel the Bloomsbury School District is one that is not excessive in its costs. If you look at what I have put in writing for you, you will see that our staffing consists of: one Administrative Principal, with multiple purposes and multiple duties, one part-time nurse, a part-time child study team, a part-time guidance

counselor, a part-time custodian, a full-time school business administrator, and one school secretary.

The salaries in the Bloomsbury School District, as compared to Hunterdon County, rank at the very bottom. How they can call this "excessive" is beyond me.

The Bloomsbury School District has attempted to produce efficiencies by going into consortia with other districts, and by using our ESC -- Educational Services Commission -- in the county to do cooperative sharing and cooperative purchasing.

We also consider the goal, consolidation and regionalization, a worthy one. Since 1970, the Bloomsbury School District has been involved in five formal studies for regionalization with the Phillipsburg School District. Phillipsburg, by the way, is a Special Needs District, and five elementary schools of or about the Bloomsbury School District size feed into Phillipsburg.

Please note that five formal studies since the '70s have been put forward in this regard. None of them have been successful or have come to fruition. The most recent was in 1993. This one at least made it to the State Department of Education, where it was not approved by the Department due to its nature of being a limited-purpose regional; that is, it was a 6-12 regional, rather than a K-12. Our studies show that cost efficiencies and savings, plus better quality education, could have been afforded by that being approved.

Let me skip right to my conclusions. You can read the rest.

The impact on the Bloomsbury School District of the \$26,000 penalty incurred equates to 5 cents on the local tax rate. The probable impact of this penalty will be a reduction in our already meager staff, elimination of certain programs, and passing the increased taxes onto the public. When the public gets those increased taxes, chances are they will not

see the relationship between the reduction of their income taxes, which was very favorable to them, and the increase of their school taxes. They will not see the one-to-one tie-in, that to pay Peter, you must rob Paul. Our net result will be decreased services to students.

I would strongly recommend to you that the State Department of Education pursue their goal of consolidation and regionalization of school districts. However, do not pursue it through the backdoor under negative auspices. I would much rather see the money that is going out to rewards for school districts, or for penalties, be put forth for truly good, purposeful monetary incentives to school districts. Dangle the carrot. Make it worthwhile to consolidate and regionalize. Remove the bureaucratic morass and obstacles that are often in the way of doing this. I think perhaps their goal could be achieved that way, by attracting more flies with honey, than trying to get them with a flyswatter.

I would also hope that the budget review of 1995-1996 school budgets-- I would hope that the rules are in place, so that when we submit our budget to the county superintendent of schools on March 8, there will be no surprises next year; that if our budget is approved, we will know it is approved, and we can work from there, again, with no surprises. If it is not approved, I hope we will be given legitimate and purposeful reasons why not, under the rules that have already been called, not new rules being made.

The review process that has been established for this excessive administrative penalty, I feel, is not appropriate. I do not feel it is sincere. I do not feel it is heartfelt. Rather, it is a reaction to public pressure on the part of the administration and the Department of Education.

Likewise, let me just reiterate my colleagues oft-mentioned comments today. I find it bizarre that the State Department of Education -- that the Commissioner of Education

chose not to come here today. Deputy Commissioner DiPatre, I think, was courageous. Let's face it: We see through the smoke screen. There was no one who was going to be here, until someone got the word back to the Department that, "Someone better get down here to represent the Department." That is why Rich DiPatri was here. He was unprepared to answer the hard questions, but he showed up like a good soldier.

I think the honorable, right, and appropriate measure, at this point, is to repeal the penalties. As you said before, "Retreat, rethink, and redo," is appropriate at this particular point. If that is not possible, I would encourage you to keep a close eye on the review process to see what truly happens in that regard. You heard today a myriad of school districts. I sat back there with honor hearing my colleagues speak from the heart, speak sincerely, not just to show up and get their names on the docket.

Again, what time is it -- 4:20. You have been courageous; we have been courageous. We are here for a purpose. I trust you will do the right thing.

Thank you for your time today.

SENATOR EWING: We will certainly try to do the right thing.

Thank you very much.

Denise Gill, Morris Plains Board of Education.

D E N I S E G I L L: Right.

SENATOR EWING: We are getting down to the end. Is Andrea Aughenbaugh here? Yes, Andrea is here.

UNIDENTIFIED SPEAKER FROM AUDIENCE: William Presutti, from Roosevelt, is here.

SENATOR EWING: Just a minute, please. I am still the Chairman.

We have two speakers left.

MS. GILL: I am Denise Gill. I am a member of the Finance Committee of the Morris Plains Board of Education. I

would just like to let you know what is happening in Morris Plains since we were hit with our penalty.

Morris Plains is an excellent K-8 school district with 468 students. We presently operate two schools, each with a principal. In recent years, the Morris Plains Board of Education has felt increasing pressure from the residents of our town to contain costs while providing funds for programs that will prepare our children to meet the challenges of the next century. We have been balancing both these issues and have made many changes in the district, including closing a school in order to slow the rate of budget increases. Last year's school budget reflected only a 2 percent increase over the previous year. Despite fiscal constraints, we are managing to deliver a quality education. This is demonstrated by our eighth graders, who perform consistently well on the Early Warning Test, ranking third in Morris County last year.

Morris Plains has been assessed by the Commissioner of Education a \$136,000 penalty for \$300,000 in excess administration expenditures. Apart from aid for special education, the penalty wiped out all of our district's State aid. Our Board would like to restore this funding, but we are not sure if the Commissioner will use the same punitive State aid formula next year. Therefore, we began to assess what we could eliminate from the administrative budget lines, weighing cuts and consequences in light of the impact on our children. In doing so, we found that we would have to eliminate necessary personnel and services in order to trim \$300,000. The Board would have to cut a part-time nurse, a librarian, aides, a principal, and restructure the child study team to come close to reaching the Commissioner's expected goal. These staff members have a direct impact on the health and well-being of our students, and we determined that an attempt to reach this financial goal would have an adverse impact on our schools.

The size of our district greatly magnifies the impact of the penalty. It also increases the likelihood of our being penalized under any formula that is determined by per pupil cost, since we need to provide our students with the same basic services as a larger district. If our district had only 137 more students -- 605, instead of 468 -- under the Commissioner's "per pupil administrative expenditure" formula, we would not have been penalized.

However, much worse than losing the funding, is gaining the image that we indulge in "excessive" spending. How can an educator consider a nurse or librarian excessive? This labeling has distorted our community's view of the school system. It implies that we, on the Morris Plains Board of Education, have not been doing our jobs and that we deserve "sanctions" and "penalties." Unfortunately, if the State says in the media that we are spending excessively, the public, desiring to cut property taxes, is ready to believe it. Residents of our town are planning to campaign against the school budget no matter how much we cut it. They are asking us to remove an additional \$400,000 from an already flat budget. In the end, our \$136,000 penalty may result in a loss to the school district of over \$500,000.

Our Board is responding to the elimination of State aid by cutting the administrative budget \$112,000. We are eliminating the position of Director of Special Services and cutting back on the availability of the child study team. We will cut secretarial positions, aides, and some curriculum writing. In response to our community's demand for further cuts, we will be looking at every budget line.

We feel that a school budget should be the reflection of a district's education goals. Why should a district be punished for reaching for those goals? We ask the Senate Committee to please consider a less injurious way of determining which districts receive aid. Base State aid not on

how much a community spends or is willing to spend, but on academic achievement and how much a community is able to afford. A punitive formula like the current one will result in defeated school budgets and a lower level of education in successful districts.

Thank you.

SENATOR EWING: Denise, are you going to be appealing your penalty?

MS. GILL: We were not going to appeal, because the guidelines for the appeal were so strict. It had to be some kind of an accounting -- a mistake that made you over. But I am going to go back and ask our business administrator to look at the whole thing. I understand from certain people who came forward that maybe you can split, like, a nurse's time between the time she is teaching--

SENATOR EWING: Right.

MS. GILL: We called the State, and they said that we could not split the time. But if other districts are going to be able to, then we will try again, and we will split the time. We wanted to move our aides from aides to technicians, and they would not let us do that either. So, you know, it is worth a try, I think. So I will tell our business administrator to start looking at filing an appeal.

SENATOR EWING: Shouldn't the Department have sort of a pamphlet on the definitions of who can be put where and what can be split and not split?

MS. GILL: I have not seen anything written. I am going by what our business administrator has said about when he made calls to find out what we could do. I haven't seen any documentation on that. I have seen the documentation on what kind of items you can appeal on, but not on how things can be done.

SENATOR EWING: I said earlier, to the Department, that I thought anybody should be allowed to appeal, but they

said, "No." They sort of defined it, but I thought it was too narrow. Because you do not have available to you-- Does any school district have available information as to how things should be categorized, how you can split nurses if they are teaching, or not?

MS. GILL: Does anyone know that?

SENATOR EWING: Does anyone who is left know that?

UNIDENTIFIED SPEAKER FROM AUDIENCE: There is a listing from GAAP.

SENATOR EWING: What?

UNIDENTIFIED SPEAKER FROM AUDIENCE: There is a listing of what goes in each account, but it is left up to some interpretation, as part of the GAAP.

SENATOR EWING: Yes, but if a nurse is teaching part of the time, can't that be split?

UNIDENTIFIED SPEAKER FROM AUDIENCE: I am not sure if that split is in there or not, but there is a guideline for people to follow, though.

SENATOR EWING: For GAAP?

UNIDENTIFIED SPEAKER FROM AUDIENCE: For GAAP.

SENATOR EWING: And everybody is on GAAP now, or do we still have some old businesspeople who can't do it?

MS. GILL: No, we were on GAAP.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Everyone is on GAAP.

MS. GILL: We had to hire a consultant on the administrative budget to get us on GAAP. If we had had some warning that it was going to come down, we could have looked at the budget in a different way.

I have a request, and that is: If they are going to -- as the Deputy Commissioner said -- encourage regionalization, could they give some financial incentive for us to have a regionalization study done, because I understand that a study can cost upwards of \$80,000. We are a small

district, and we do not have any districts banging down our door to regionalize with us. So we would have to go and seek out districts actively, and we really do not have the funding for that.

Also, if the Commissioner would like us to conform to some kind of an administrative standard, if he could come up with an administrative model that, "If you have such and such a size district, this is how we expect your model to be"--

SENATOR EWING: A matrix that would say, "For every 200 children, you can have five nurses and six librarians," and so on.

MS. GILL: Right, or not even by children. Like, we have two schools, and now our town feels that we can do without a principal. Why don't we have, like, a superintendent/vice principal? Right now, the two principals work for us, but if the State were to come down and say, "If you have two schools with this many students, you should have a superintendent/principal," then I could say, "That would be great." But right now, we have no standards. It makes it difficult.

Thank you.

SENATOR EWING: Thank you very much.

Andrea Aughenbaugh, New Jersey State Nurses Association.

A N D R E A A U G H E N B A U G H, R.N.: Thank you, Senator.

My name is Andrea Aughenbaugh. I am from the New Jersey State Nurses Association. I very much appreciate this chance to get on the record.

We appreciate all the statements -- I have heard almost all of them today -- in support of school nursing. It is very gratifying to hear. From time to time, in different districts, we have had to defend the whole idea of school nursing, and it just sent a chill up our spines when we heard

that the administration was considering school nursing as an administrative cost, rather than as supportive to the instructional activities that go on in schools.

I want to reiterate that school nurses do instruction in the classrooms; they do help teaching. They are, of course, there for the daily first day that is required when any large number of people get together. I believe that in some schools they probably do some employee health work with the teachers. It may be informal, but I am sure they do it. They do a great deal of record keeping, which is essential for professionals to do because of the requirements of physical examinations and immunizations as children come into school.

Now, daily medication administration, which the Superintendent from Upper Saddle River -- if that is the name of it -- was talking about, has become much more common in the last 10 years, as there has been a great deal more medication required for chronic illnesses of children. It is, by law, required that a registered nurse be in charge of any administration of medication. It can be delegated, but she is still in charge of it.

The other issue about chronic illness I want to put on the record, too, is the issue of HIV infected children. Now, we know that universal precautions are able to keep HIV infected children from infecting any other children, but you need a professional health person on staff to be able to keep the training and education level to the point where everybody is capable of understanding what universal precautions are, and carrying them out. It keeps the level of fear down when you have someone who is very clear about what universal precautions are.

SENATOR EWING: Excuse me for interrupting, but they are not allowed to give out-- Do they know which child might be HIV?

MS. AUGHENBAUGH: You know, that is a--

SENATOR EWING: How do they know that little Willie down in the prekindergarten or kindergarten bit some other child?

MS. AUGHENBAUGH: They may or may not. That is why universal precautions. If they understand that there could be HIV-infected children in the system, then universal precautions are something a nurse should be teaching all the people who are in contact with the children. They do not have to know, no.

SENATOR EWING: She can't say to Mary Jones who teaches that kindergarten class, "If Willie bites someone, let me know"?

MS. AUGHENBAUGH: No.

SENATOR EWING: Okay.

MS. AUGHENBAUGH: But one of the things that helps is to know that a bite is not a major problem. I think that is what it is.

SENATOR EWING: But there is body fluid in the mouth, saliva.

MS. AUGHENBAUGH: But it is not a major problem. That is where nursing can help everybody to understand. That is really my point.

The other issue is the handicapped children. The goals of modern education now seem to be for inclusion of everyone. It is interesting. I received a call about six weeks ago from a nurse who asked me what her liability is for DNR orders, which is "Do Not Resuscitate" orders.

SENATOR EWING: What's that?

MS. AUGHENBAUGH: DNR. That was the first I had heard that they had anyone in the school system that might be under DNR orders. So that is an issue, too. That really needs to be in the hands of a health professional. That is another reason why you--

SENATOR EWING: But does a nurse have a formally signed statement from the parents, or something?

MS. AUGHENBAUGH: That would be what that would be, yes.

SENATOR EWING: Do they have that nowadays, or not?

MS. AUGHENBAUGH: They do. Evidently it is coming up in a few schools with a few of these kids, yes. We are all just shaking our heads.

What we want to say, also, is that the process is not really the issue. It is just the whole idea. I don't think we would be any happier had the school systems known ahead of time that the administration was going to consider nursing an administrative cost, because then there may have been some thought about eliminating some of the nursing hours. We are very disturbed about this whole thing.

We want to thank you, Senator, for opening this debate to the public. We really appreciate a chance to speak on this to get it out to the public. It has been very helpful for us to hear the different viewpoints on how everyone feels about school nursing. So thank you very much.

SENATOR EWING: Thank you.

Last, but not least, Bill Presutti, Roosevelt Board of Education. Where is this Roosevelt?

W I L L I A M N. P R E S U T T I: Roosevelt is in western Monmouth County, right on the border of Mercer.

SENATOR EWING: Okay.

MR. PRESUTTI: I want to thank you for your patience and your time.

I feel it is important to say that both the Board of Education and the Council in the community feel pretty strongly about this issue. They really asked that I come to this hearing.

Roosevelt is a small district. There is one school. We have 85 students, K-6, and we send out 53 students 7-12 to a

neighboring district in a sending/receiving relationship which we pay tuition for.

We received a penalty from the State for excessive administrative costs. I feel that our small size has influenced this outcome, as well as the methods by which they came up with the numbers.

I am not going to go through all of the reasons, but they are very similar to the other small districts that came forth, especially the last few this afternoon.

The district has one business administrator/Board secretary and myself. We are the administration. We perform many roles beyond the traditional titles we hold, because we are small. This comes with the territory, and we expect that when we accept these positions. I think it is safe to say that we are probably the lowest paid administrators in Monmouth County. For our two administrative positions, the costs are far below the county average.

We employ only part-time support services people. We have a part-time nurse, and a part-time learning consultant/social worker. When we need a psychologist, we do it on a per diem basis. We have no librarian, and we have no guidance personnel.

SENATOR EWING: Do you have a library?

MR. PRESUTTI: We are in the process of getting a library set back up again. For a long time, we have not had one.

SENATOR EWING: How many children do you have?

MR. PRESUTTI: We have 85 children in the district.

The library will be kept up by volunteers.

SENATOR EWING: Right.

MR. PRESUTTI: So we feel we really have a bare-bones budget, yet we run a quality district.

The community is supportive of the school and the Board of Education. Because the community is so small, they

ensure that we spend every penny wisely. As much as possible, they want the money spent directly on the children, and that is only the way it should be. Of course, there are mandates that we have to meet, and part of the money has to go there. The community is already paying a very large sum of money in taxes to support the school. As stated, during a public Board of Education meeting last week, the Board agreed to file an appeal. The public, the Mayor, and one of the Council members are really outraged by the penalty, and they are pursuing things on their end as well.

In reality, to fall below the threshold, according to the methodology we received, we would have to make major cuts, and some of those would have to be mandated programs; for instance, treasurers of school moneys, and things like that, because we have such a small base we are working with.

As everyone said here today, we all agree that we must be efficient. Roosevelt is currently in a regionalization study with three other districts to see if that is something that could be possible, so that is something we are pursuing.

I have only been in the district for less than three weeks. I am the Chief School Administrator. I kind of got baptized by fire with this penalty. The business administrator has been there since August. We are both really looking to do much more with shared services and on the bigger bidding type items, so we can save money for the district in that way.

As one member of the community stated, instead of the Department giving us a penalty, perhaps they should provide us with some help on how to be more efficient.

In closing, when working with students and with teachers on behalf of students, I have a saying I use. I say, "Fair is what each child needs." Fair is not equal. What is good for one child is not going to be good for another. I think that is something, perhaps, that the State should begin to look at a little bit -- the Department of Education. This

broad stroke of excess costs for all districts as being the same is just not going to work when we have such large differences in districts.

I thank you for the opportunity to speak.

SENATOR EWING: Thank you very much for sweating it out. You must have learned something today listening to all these people.

MR. PRESUTTI: I did.

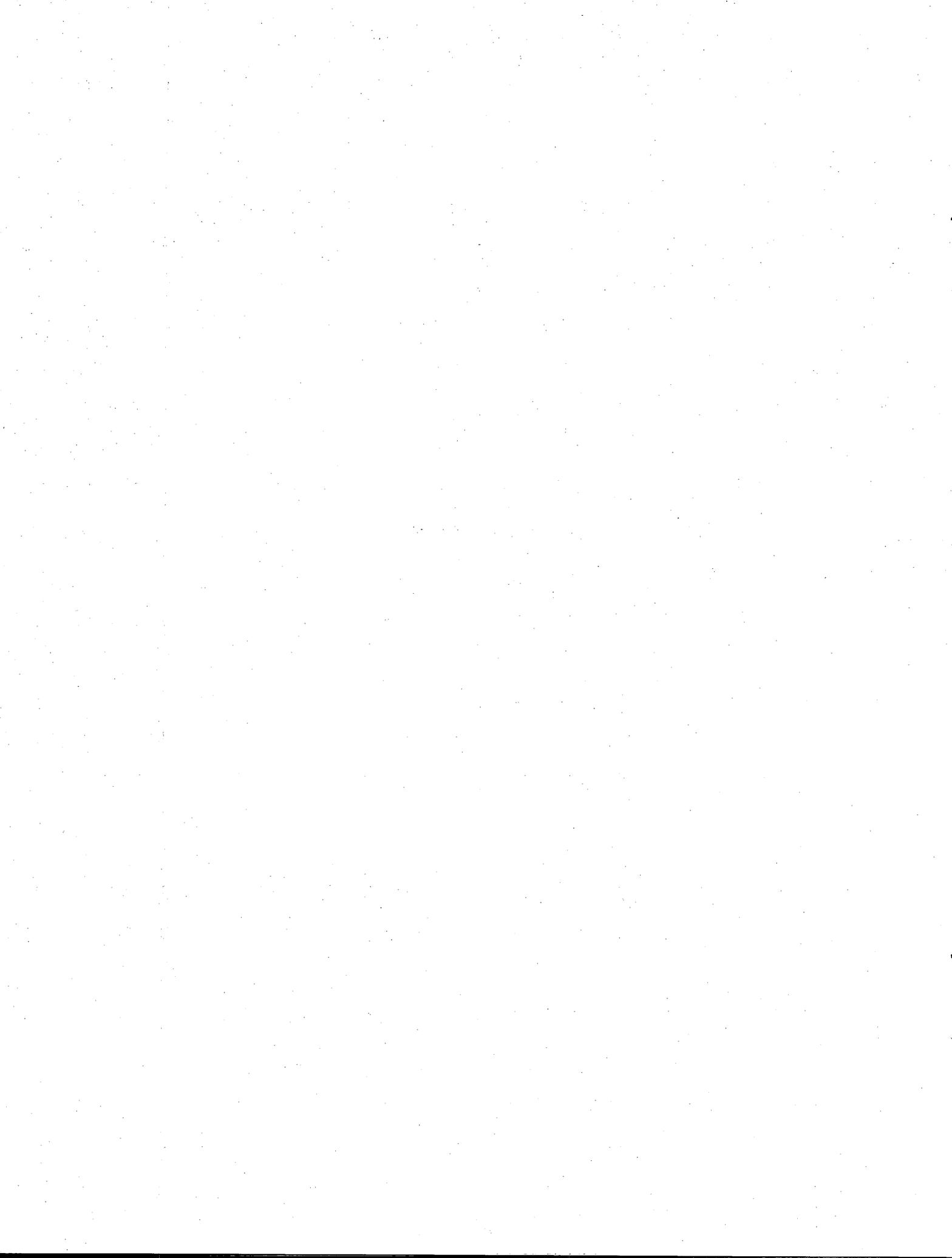
SENATOR EWING: This ends the hearing. We will probably have the next hearing on the 27th, at around 11:00 a.m.

I want to thank the hearing reporters very much for all the work they have done sitting here all these long hours.

Thank you very much.

(HEARING CONCLUDED)

APPENDIX





New Jersey School Boards Association

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Summary of Local District Responses Governor's FY 1996 Budget Proposal for Education

Issues of General Concern:

All respondents raised three basic issues: changing the rules, errors in assumptions used for calculations and use of the median.

Changing the Rules

The districts are very concerned that this penalty has been imposed upon them after the fact. The assumption made by the State that they can penalize a district, without giving proper due notice and without affording appropriate input, is diametrically opposed to the inclusive processes which the State has always recommended local education associations (LEA's) follow. The word "blindsided" was used by one district to describe the action.

In good faith, districts developed their 1994 - 1995 budgets, following the process established by law and regulation. They complied with the criteria given to them by the Department of Education. These budgets were approved by the local board of education and signed off on by the county superintendent, before going to the voters, as appropriate to provide a thorough and efficient education. We are unaware of any of the penalized districts being cited by any county superintendent, during the approval process, for "administrative excesses". Now, the very budgets under which districts are presently operating are being used as the basis for proposed state aid reductions for 1995 - 1996.

Errors in Assumptions

In the past, the Department of Education has used "actual expenditures" to calculate district spending. To calculate this proposed administrative penalty, the department used budgeted appropriations. Many items are budgeted at the "best-estimate" if they are non-contractual, so actual expenses may be lower.

To make matters worse, however, it is obvious that many of the areas cited are instructional. The staff listed in these areas actually teach or provide services directly to students. In many cases, they are actually mandated by law and many are required by the DOE in order to be certified under current state monitoring regulations.

Use of Median

The use of a *median* figure (which is the number in the middle -- 50% of the districts above, 50% below) as a basis for the penalty and a 30% cutoff, means that depending on the spread, some districts could always be spending at an "excessive rate".

Child Study Team

- "State law says we must have a child study team ...(we have) one with a masters degree +30 credits and the other with a doctorate...Another district could have individuals with little experience...Are we to be penalized for having experienced personnel?" *Red Bank*
- "Two positions now included under 'administrative excess' were restored to the 1994-95 budget by the Commissioner, e.g. one part-time psychologist and a Substance Awareness Coordinator." *Red Bank*

Curriculum

- "Memberships for staff development reflect costs for consortiums (shared services)." *Riverdale*

Health Services

- "We employ one school nurse who also teaches health and the mandated Family Life and HIV/Aids curriculum. We contract through Monmouth County for the shared services of a child study team. Not only do we not consider this area administrative, we also do not consider the costs to be excessive." *Avon*
- "A school district who assigns the teaching of the health curriculum to a physical education teacher (instead of a school nurse) would not include the salary in this account, but in instructional salaries. The school nurse is also the Substance Abuse Coordinator (a mandated position)." *Avalon*

Vocational Assessment Services

- "Services to sending..districts for the evaluation of prospective special education students." *Mercer County Vo-Tech*

Question 2. Errors in the numbers used or assumptions made by the state about budgeting.

Errors in Numbers Used

- \$237,942 overstated in total benefits. \$18,646 overstated in General Administration. Resulting in \$75,740 administrative penalty overstating. *Morris School District*
- \$5,355,570 mistakenly coded (by district) as Purchased Technical Services (included in "excess") instead of Other Employee Benefits (not included). *Piscataway*
- \$1,266,860 spent for Other Employee Benefits but charged to General Administrative Costs. "...irresponsible and unfair..to be penalized \$421,160 for a classification error between line items." *Somerset Hills*

Errors in Assumptions

- Transportation and other related costs remain the responsibility of the local school district even when students attend special education programs outside the district or other independent schools. All students for which districts are responsible should be counted in any

- To cover the cost of *Livingston's* penalty would require an increase of 33.54 tax points.
- In *Mercer County's Vocational Technical Schools*, four positions will be eliminated in student support services, contracted services for a substance abuse counselor will be eliminated, a work study program for 40 students must be cut, a principal's position will be lost, the School of Performing Arts will be eliminated, and all professional improvement activities will be cut.
- Minimally, *Salem County Vocational Technical Schools* will eliminate the Diesel Technology and Graphic Occupations programs and one or two instructional positions in the Environmental Technology program.
- "Four positions eliminated, including social, nursing and occupational services, work study program eliminated, School of Performing Arts eliminated, summer career exploratory program for sending districts eliminated." *Mercer County Vo-Tech*

District Testimony

"The assumption made by the State that administrative expenditures and non-instructional expenditures are synonymous is erroneous and is misleading to the general public."

South Hackensack

"It is incomprehensible, that an educator would label health care, child study team and library services something worthy of penalty...We provide a five day a week nurse, a Drug/Alcohol Program, Classroom Aides and Family Life Education. (All mandated by the state incidentally.)"

Bass River Township

"The formula itself is inequitable and contradicts the very concept of improvements that have been demanded of school districts by County Superintendents, the State Board of Education, education reformers, and the State Supreme Court in *Abbott vs. Burke*.

Red Bank

"The 1994-1995 school budget was approved by the State Department of Education last year. How can it now be judged excessive? Isn't that something that should have been brought to the district's attention last year?"

Bloomsbury

"Should the fact that our original Educational Improvement Plan, approved by the State Board of Education, included expenditures in areas that the same State Department of Education now claims should be included in the excess cost computation, be held against us eight months later?"

Burlington City Board of Education

"If *Downe* did not continue to provide "share services" because of the current penalty policy of the state, 8 districts would have to find placement for 59 students."

Downe Township Superintendent

To the Senate Education Committee:

You will hear much today about the injustice to schools of surprise retroactive penalties. I wish to point out that injustice has also been done to you—to this committee, to this legislature, and to all the citizens you represent.

The "excessive administration penalty" was conceived without your input, and brought forward with massive publicity before you were ever consulted or informed. Look around at your fellow Senators here, consider the years of experience and dedication represented in this room, and ask yourselves, is this how we want education policy to be made?

But this is the way education policy will be made, next year, and every year that follows, if the legislature lies tamely down to rubber-stamp this poorly-crafted and unjust policy.

Governor Whitman's goal is an excellent goal: controlling school costs. But the goal of Governor Florio's QEA—creating more equity—was also an excellent goal. The excellence of his goal did not prevent havoc when Governor Florio's team went on to usurp the role of this committee and this legislature in writing new school laws.

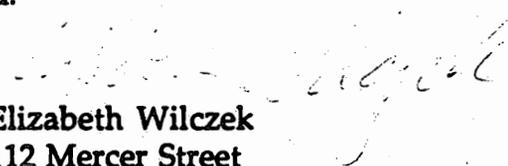
Without the appropriate legislative process of consultation and consent, the QEA led to disaster, both legally and politically. You might ask some of the many Democratic legislators who rubber-stamped their Governor's QEA just how they feel about that vote today.

The Senate Education Committee, under the Senator Ewing's leadership, has worked for years on cost-effective ways to provide a "thorough and efficient" education to NJ's children. I am grateful for the new bilingual education laws you have brought forward, and for the reworking of special education that Senator Ewing intends.

Education policy as made by you has two important features that these proposed penalty cuts are sadly lacking: you have your own substantial experience with public education to draw upon, and you remain open to the concerns and input of citizens throughout the state.

So here is my input: I favor cost control, and I look for your guidance on ways to achieve it. But let all the rules be made evident in advance, and let them be based on clear educational goals.

The "excessive administration penalty" does not meet these standards. I submit that it does not meet your standards. I ask you to speak to your colleagues against it. Your Committee can make better educational policy than this, and I ask you to be the ones who do it. Thank you.


Elizabeth Wilczek
112 Mercer Street
Princeton, NJ 08540
Member, Board of Education, Princeton Regional Schools



LAWRENCE S. FEINSOD, Ed. D.
SUPERINTENDENT OF SCHOOLS

Madison Public School District

OFFICE OF THE SUPERINTENDENT
359 WOODLAND ROAD
MADISON, NEW JERSEY 07940

TELEPHONE
(201) 593-3100
FAX
(201) 593-3161

TO: Members of the Senate Education Committee

FROM: Dr. Lawrence S. Feinsod, President, Garden State Coalition of Schools and Superintendent of the Madison Public School District

DATE: February 21, 1995

My name is Larry Feinsod and I am president of the Garden State Coalition of Schools (GSCS) as well as superintendent of the Madison School district. Our coalition represents 107 school systems across the state of New Jersey, enrolling approximately 225,000 students.

Outrageous is the best term to describe the state's announced cut in education aid categorized as an administrative penalty for top heavy and/or excessive costs for managing a school district. This description is an example of distorting the truth and misleading the public. Indeed, the state's unique definition of administration, as reflected in the penalty, includes some of the following:

- school nurses and costs for health supplies
- guidance counselors
- librarians - library books and related costs
- child study teams (mandated by law)
- secretaries
- staff development
- school board dues (membership to the New Jersey School Boards Association is mandated by law)

To label nurses, guidance counselors, librarians, and their accompanying operating costs as well as members of the child study team as administration, or part of a school system's management team, is preposterous. In fact, the state has changed its own standards. The last state report card, issued for the 1992-93 school year, defined instruction as "...includes certain costs as guidance office, child study team, supervision of instruction, teacher training, curriculum development, and library and other educational media that are classified as support services. Student services includes budgeted expenditures for attendance and social work, health services..." As chief operating officer charged with making budgetary recommendations, it's difficult enough to be blindsided and even more frustrating when the rules are changed without notice.

Allow me to give you some information about the Madison school district, where, as you know, I am superintendent. Recognizing the need to reduce spending, my district has cut more than one million dollars in personnel costs since 1991. The following positions no longer exist:

- administrative assistant
- K-8 science coordinator
- staff development specialist
- subject supervisor
- guidance counselor
- assistant principal
- two custodial positions
- two permanent substitute positions
- approximately 13 teaching positions
- operations manager in business office

In our search to find additional areas in which to reduce costs, we have also computerized all of the school districts power sources since 1992. Our estimated savings in this area is in excess of \$200,000. Additional cost savings have been instituted in a number of other areas as well.

A recent article in the Star-Ledger noted that "...some of the best school districts - those with the highest standardized test scores, graduation rates, and college-bound graduates" were on the penalized list. When asked why the state's largest cities were not penalized, Commissioner Klagholz stated (Star-Ledger, 1/26/95), "the wealthier districts may show up because they hire too many librarians." He continued his response by pointing out that city districts may not hire librarians. This factor, in addition to the variable of larger enrollments, creates a buffer against penalties for urban districts, the Commissioner explained. I do not make note of the aforementioned to suggest our city districts should be penalized. The incredible efforts put forth daily by urban educators only deserve our adulation. The point I do want to make is simply how wrong it is for the state to think in terms of punishing school districts that encourage the use of books, as well media centers or have a library with a librarian in each school.

Let's take a look at the major areas cited by the state. Madison has five operating schools, administered by five principals and one assistant principal. Each school has one nurse and one librarian. Madison Junior School has one guidance counselor and Madison High School has four guidance counselors. The elementary schools do not have guidance personnel. MHS has an athletic director and six teaching subject supervisors. The elementary schools and junior school do not have any subject supervisors or assistant principals.

The Child Study Team, a legally-mandated entity in every school district, has a Director, one full-time psychologist, a part-time psychologist, two social workers (one assigned to high school), three learning disabilities teacher-consultants, two full-time speech therapists and one part-time speech therapist. These individuals work with our most vulnerable population, namely; children with special needs. They also work with parents and teachers to ensure that every child with a handicap receives the best possible education.

Madison is one of New Jersey's leading school systems because our educators and staff work hard to provide each child with the opportunity to succeed. They truly care about children. Nevertheless, I am very, very worried. In the name of tax cuts, the state is sending a frightening message. The message is clear. Achieving school districts will be leveled down, quality education will be sacrificed, and the needs of kids will not be a part of the equation.

The GSCS is simply advocating a fair plan and clear definition regarding school funding that can be used by all to project costs and inform the public. We are also very cognizant of the need to maintain quality schools within a fiscally efficient manner. The way in which the state leveled the administrative penalty is totally unfair. We sincerely hope that you, the members of the Senate Education committee, will work to repeal this penalty and restore the eleven million dollar loss.

THANK YOU.

LSF:aml



BERGEN COUNTY TECHNICAL SCHOOLS

200 Hackensack Avenue • Hackensack, NJ 07601 • (201) 343-6000 ext 200

Office of the Superintendent

STATEMENT TO THE N.J. SENATE EDUCATION COMMITTEE

PROPOSED "EXCESS ADMINISTRATION" PENALTY

Attached are:

1. Our letter to Bergen County Superintendent Anthony Scalzo initiating an appeal of the "Excess Administration" penalty, and
2. The Board of Education's resolution authorizing the appeal and providing supporting reasons.

In summary they set forth Bergen County Technical School's position that this new State Department of Education initiative is especially unfair to Bergen County Technical Schools where:

1. More than 54 percent of many "administrative costs" are associated with adult, extension, community and cooperative service programs outside the mission of the typical school district and service a population which are not carried on the district's registers and do not earn state aid.
2. More than half the districts high school students are handicapped and the district is required to provide special services and accommodations for them. In addition, two of Bergen County Technical Schools' facilities are shared-time. The district only receives credit for half the students attending but must provide services for all of them. It is hard for us to believe, therefore, that Bergen County Technical Schools has been compared with "similar districts."
3. Finally, Bergen County Technical Schools has been supported and recognized by the State Department of Education for initiating computer assisted instruction; establishing a high tech magnet school, cooperative interactive educational television network and county-wide teacher inservice program; and providing educational and support programs for displaced homemakers, gifted and talented elementary school students, inner-city minority children, county jail inmates, and handicapped adult group home residents. Some of these innovations are inherently expensive but their cooperative nature make them as cost effective as possible.

We urge you to consider Bergen County Technical Schools' position and prevent the implementation of the proposed "excess administration" penalty.



BERGEN COUNTY TECHNICAL SCHOOLS

200 Hackensack Avenue • Hackensack, NJ 07601 • (201) 343-6000, ext 200

Office of the Superintendent

February 16, 1995

Dr. Anthony C. Scalzo
County Superintendent
327 Ridgewood Avenue
Paramus, NJ 07652

Dear Dr. Scalzo:

The purpose of this letter is to initiate an appeal of the "excess administration penalty" imposed on Bergen County Technical Schools which reduced the district's state aid \$882,500.

You have advised us on behalf of the Commissioner that this penalty may be appealed if the district identifies anomalies or factual errors which make its calculation inappropriate or unfair.

Please consider the following anomalies and factual errors and the corrections we request:

Anomaly #1: The Bergen County Technical School's budget includes provisions for part-time Adult and Post-secondary students, Gifted & Talented and other elementary school students, customized training for Bergen County employers, Math and Science exploration programs, and a teacher training component. None of the students enrolled in these programs are included in the "Pupils on Roll" from the 1995-96 for State School Aid Data Listing used in the formula. The programs and services required by these students cost as much as, and in some cases more than, the regular high school students who are in the formula.

The district's enrollment during the last completed year is analyzed in the attached. It shows a full time equivalent (FTE) enrollment for the year of 3289.3 of which 1,576.3 or 47.9 percent were high school and full time post-secondary students and 1,713 or 52.1 percent were adult and extension program.

Anomaly #2: Two of five Bergen County Technical High Schools are shared time. This means the district receives credit for only half of the students enrolled there.

In reality, certain support services associated with these students must be delivered to each person even though he/she attends only half of each day. Attendance, health, guidance, child study team, and accounting are such services.

The 1995-96 Application for State School Aid-Data Listing included 623 such students. The "Total Pupils on Roll" in the "excess administration penalty" formula should include all these students.

Anomaly #3: The Bergen County Technical School budget also reflects its responsibility for certain community and shared educational services which it has been assigned by the Board of Chosen Freeholders or has undertaken at the request of other Bergen County School districts. These include a Day Care Center, a Career and Life Counseling Center, a County Auditorium, an Interactive Educational Television Network, a Supervised Parental Visitation Program and a Cooperative Library Service. Last year \$678,824 or 2.2 percent of the district's total expenditures was for community and educational services.

Factual error: Budget line 684 includes six positions not related to the state chart of accounts definition for improvement of instruction. They were accounted for here after consultation with the State Department of Education County Office because the State mandated budget diskette did not provide for them. The positions and an alternative position are:

Academy Director (Principal)	\$102,908	Line 700 School Administration
ITV Director	102,908	Fund 13
EMS Lead Instructor	81,088	Fund 13
EMS Lead Instructor	51,007	Fund 13
Day Care Lead Instructor	52,000	Fund 13
Adult School Principal	86,215	Fund 13
Career & Life Counseling Director	<u>74,808</u>	Fund 13
TOTAL:	<u>\$550,934</u>	

A recalculated formula correcting for these anomalies and errors would look like the attached.

Sincerely,



John Grieco, Ed.D.
Superintendent

ESG:JG:js
enc.

State School Aid for 1995-96 School Year: An analysis and proposal in support of an appeal of the "excess administration" penalty.

<u>Penalized Services Analyzed</u>		<u>District Proposals</u>				
<u>Budget Line</u>	<u>Description</u>	<u>District Services Included</u>	<u>Amount</u>	<u>Proposed Correction</u>	<u>Correction Amount</u>	<u>Revised Amount</u>
<u>STUDENT SUPPORT SERVICES</u>						
642	Attendance & Social Work	None	0	—	0	0
648	Health Services	3 nurses 1 part time physician Related expenses	233,800	—	0	233,800
657	Student Support Services (Reg.)	3 substance abuse counselors 7 guidance counselors 2 secretaries Related expenses	676,300	—	0	676,300
668	Student Support Services (Special)	4 child study team 2 learning consultants 1 supervisor of pupil services campuses. 4 secretaries Purchased services Related expenses	1,120,856	—	0	1,120,856
	SUB-TOTAL		2,030,956	—	0	2,030,956

13X

State School Aid for 1995-96 School Year: An analysis and proposal in support of an appeal of the "excess administration" penalty.

Penalized Services Analyzed		District Proposals		
Budget Line	Description	District Services Included	Proposed Correction	Revised Amount
		Amount	Correction Amount	
IMPROVEMENT OF INSTRUCTION				
684	Improvement of Instruction	Off. of curric. & instruction (6 persons) related costs Supervisor of Academy, ITV, ECMS(2) Day Care, Adult School, Career & Life Counseling	Remove incorrect costs Allocate 52% of remainder to Adult & Extension Progs.	(550,934) (246,855)
		1,025,656		227,867
690	Media Services/ School Library	1 librarian Library books & Audio Visual materials 3 computer specialists Computer repairs & maintenance Software	Allocate 52% to Adult & Extension Progs. Allocate 2.2% to Community & Shared Services	(245,336) (10,380)
		471,800		216,084
700	General Administration	1 Superintendent 1 Deputy Superintendent 1 Board Secretary Legal services Architects, Auditor, Engineer NJSBA Telephone Insurance Related expenses	Allocate 52% to Adult & Extension Progs. Allocate 2.2% to Community & Shared Services	(744,224) (31,486)
		1,431,200		655,490
709	School Administration	7 principals 12 secretaries Computer service Copiers & supplies Linen service, testing & other related expenses	Add Academy Director (Principal)	102,908
		<u>1,410,600</u>		<u>1,513,508</u>
	SUB-TOTAL	4,339,256		(1,726,307) 2,612,949

X 1

State School Aid for 1995-96 School Year: An analysis and proposal in support of an appeal of the "excess administration" penalty.

Penalized Services Analyzed		District Services		District	Proposals	
Budget Line	Description	Included	Amount	Proposed Correction	Correction Amount	Revised Amount
<u>BUSINESS & OTHER SUPPORT SERVICES</u>						
		Business Office (14 persons)		Allocate 52% to Adult & Extension Progs.	(499,200)	
		Personnel Office (3 persons)				
		Public Information Officer				
		Advertising		Allocate 2.2% to Community & Shared Services	(21,120)	
		Computer service				
		Copying & other related costs	<u>960,000</u>			<u>439,680</u>
	SUB-TOTAL		960,000		(520,320)	439,680
Benefits for Administration	5,338,512 x .289067(?) (See attached)		1,544,789	\$3,297,247 x .289067	(591,664)	953,125
Less Judgments			<u>(50,000)</u>	—	0	<u>(50,000)</u>
TOTAL ADMINISTRATION EXPENDITURES			8,825,001		(2,838,291)	5,986,710
Pupils on Roll			1,511.5	Count shared time students per capita	311.5	1,823
Per pupil administrative expenditure			5,838.58			3,283.99
130 percent of median per pupil expenditure for district type						<u>3,727.59</u>
Excess administrative expenditure						(443.60)

State School Aid for 1995-96 School Year:
Worksheet "Benefits/Administration"

<u>Line</u>	<u>Salaries</u>	<u>Amount</u>	<u>Correction</u>	<u>Revised Amount</u>
637	Attendance	0	0	0
643	Doctor Nurses	192,100	0	192,100
649-651	SAC: Counselors Secretaries	676,300	0	676,300
658-660	CST's Library Consultants Secretary	1,053,156	0	1,053,156
675-678	Curriculum Office, Academy, Day Care ITV, EMS, Adult Secretaries	929,656	550,934 does not apply 48% of remainder does 181,787	
685	Library Computer Specialists 160,800		48%high school	77,184
691	Supt./Deputy Bd. Secretary Secretaries	561,300	48%high school	269,424
736	Business Office Personnel Office Public Information	772,400	48%high school	370,752
701-704	Principals Secretaries	<u>992,800</u>	48%high school	<u>476,544</u>
	TOTAL	<u>5,338,512</u>		<u>3,297,247</u>

16x

Enrollment Review 1989-94

HIGH SCHOOL & FT POST-SECONDARY

	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
<u>HIGH SCHOOL</u>					
BCVTHS	600.9	584.7	564.2	462.0	467.7
Academy	—	—	—	71.7	109.4
Paramus TEC	153.4	161.7	158.5	118.6	111.1
Teterboro TEC	230.4	222.4	252.2	213.7	209.0
Paramus SN	180.2	170.5	174.8	174.6	176.2
Teterboro SN	<u>196.2</u>	<u>204.1</u>	<u>195.4</u>	<u>183.3</u>	<u>203.4</u>
Sub-Total High School	1,361.1	1,343.4	1,345.1	1,223.9	1,276.8
Full time Post-Secondary	<u>196.5</u>	<u>187.0</u>	<u>283.6</u>	<u>290.1</u>	<u>299.5</u>
SUB-TOTAL H.S. & P-S.	<u>1,557.6</u>	<u>1,530.4</u>	<u>1,628.7</u>	<u>1,514.0</u>	<u>1,576.3</u>

ADULT & EXTENSION PROGRAMS

Evening Vocational School

Apprenticeship	253.4	240.1	245.4	204.0	197.4
Trade Extension	588.4	482.5	483.7	487.7	511.5
College Coop	10.4	11.4	8.9	6.6	8.5
Special Needs	34.9	54.1	35.2	49.1	77.1
Pharmacy	—	—	—	—	42.0
Auto Clinic	—	4.2	6.7	2.7	1.8
SUB-TOTAL EVENING	887.1	792.3	779.9	750.1	838.3
<u>Detention Centers</u>	22.8	22.5	28.0	0	0
<u>Academy Extensions</u>					
High Tech Enrichment (Gifted & Talented)	6.8	20.5	53.7	NA	6.7
ECEMS	—	—	—	—	21.4
Period 0	—	—	—	—	8.3
Apple Academy	—	—	—	—	32.1
Minority Access	—	—	—	—	1.0
<u>EVS</u>	378.1	413.4	445.6	531.7	556.5
<u>Customized Training</u>	—	—	—	—	—
<u>CDCW</u>	NA	NA	50.5	213.9	217.7
<u>Bergen County Jail</u>	—	23.0	27.0	32.0	31.0
SUB-TOTAL ADULT & EXTENSION PROGRAMS	<u>1,294.8</u>	<u>1,271.7</u>	<u>1,384.7</u>	<u>1,527.7</u>	<u>1,713.0</u>
GRAND TOTAL	<u>2,852.4</u>	<u>2,802.1</u>	<u>3,013.4</u>	<u>3,041.7</u>	<u>3,289.3</u>

APPEAL OF "EXCESS ADMINISTRATION" PENALTY

RESOLUTION

WHEREAS the State Department of Education has notified Bergen County Technical Schools that it is being penalized \$882,500 for alleged "excess administration expenditures", and

WHEREAS the Board of Education is outraged at both the form and substance of this penalty because:

1. The State Department of Education provided no advance notice of its concerns about local spending determinants.
2. The State Department of Education encouraged Bergen County Technical Schools to create new and innovative programs such as the Academy for the Advancement of Science and Technology, Career & Life Counseling Center, Tech Prep, an interactive educational television network, and other unique programs and shared services in cooperation with other local school districts.
3. The State Department of Education has adopted special education regulations which require extraordinary levels of student support and limit class sizes for the classified, handicapped pupils which constitute more than half the district population.
4. The State Department of Education data collection procedures did not provide for allocation of costs to programs and services associated with persons not carried on district registers or eligible for state aid support and directed that some of these costs be included in budget lines which impact heavily on the formula to determine the "excess administration penalty".
5. The State Department of Education did not take into account the extent to which the "administration costs" in the calculation were associated with adult and extension programs which constitute more than half the district's efforts, and

WHEREAS the Commissioner of Education has initiated a review process relative to the "excess administration penalties" which process "will be available for four specific situations only", now therefore be it:

RESOLVED the Board of Education hereby formally approves the following detailed narrative explanation of the items requiring review, directs the Secretary to spread this resolution in the minutes of the board, and directs the Superintendent of Schools to submit this resolution and supporting documentation to the County Superintendent by February 28, 1995, along with the request he review this request and grant or recommend the relief indicated:

In regard to situation 1 ("Technical errors made by the department in the calculation of the penalty;")

No technical errors identified.

In regard to situation 2 ("Technical errors made by the district in classifying and/or reporting the financial data to the department;")

Budget line 684 includes seven (7) positions not related to the state chart of accounts definition for improvement of instruction. They were accounted for here after consultation with the State Department of Education County Office because the State mandated budget diskette did not provide for them elsewhere. The positions and their alternative classifications are:

Academy Director (Principal)	\$102,908	Line 709	School Administration
ITV Director	102,908	Fund 13	Other Special Schools
EMS Lead Instructor	81,088	Fund 13	Other Special Schools
EMS Lead Instructor	51,007	Fund 13	Other Special Schools
Day Care Lead Instructor	52,000	Fund 13	Other Special Schools
Director of Continuing Education	86,215	Fund 13	Other Special Schools
Career & Life Counseling Director	<u>74,808</u>	Fund 13	Other Special Schools
TOTAL:	<u>\$550,934</u>		

In regard to situation 3 ("Costs contained in the affected line accounts which are not related to students on the district's school registers;")

The Bergen County Technical School budget includes provisions for part-time adult and post-secondary students, elementary school children, and private sector employers seeking customized training for their employees. None of

these are included in the "Pupils on Roll" on the 1995-96 State School Aid Data Listing used in the formula. The programs and services required by these students cost as much as, and in some cases more than, the regular high school students who are in the formula.

The district's enrollment during the last completed year is analyzed in the attached. It shows a full time equivalent (FTE) enrollment for the year of 3289.3 of which 1,576.3 or 47.9 percent were high school and full time post-secondary students and 1,713 or 52.1 percent were adult and extension program.

The Bergen County Technical School budget also reflects its responsibility for certain community and shared educational services which it has been assigned by the Board of Chosen Freeholders or has undertaken at the request of other Bergen County school districts. These include a day care center, a career and life counseling center, a county auditorium, an interactive educational television network, a supervised parental visitation program and a cooperative library service. Last year \$678,824 or 2.2 percent of the district's total expenditures was for community and educational services.

In regard to situation 4 ("Any unique or extraordinary circumstance that might cause accurate, complete financial data to be misleading.")

Two of five Bergen County Technical High Schools share the responsibility of education with local district high schools. This means the district receives credit for only half the enrollment although, in reality, administration and support services must be provided to each of these students even though he/she attends only half of each day. Attendance, health, guidance, child study team, and accounting are such services.

The 1995-96 Application for State School Aid-Data Listing included 623 such students. The "Total Pupils on Roll" in the "excess administration penalty" formula should not be reduced by 50 percent.

ADULT & EXTENSION PROGRAMS

	<u>Headcount</u>	<u>Poss. Days/ SCH</u>	<u>Spec. Populations/ FTE/ADE Handicapped</u>	
<u>Evening Vocational School</u>				
Apprenticeship	1,234	88,848	197.4	—
Trade Extension	4,010	230,160	511.5	—
College Coop	85	3,825	8.5	—
Special Needs	680	34,680	77.1	680
Pharmacy	270	18,900	42.0	—
Auto Clinic	<u>270</u>	<u>810</u>	<u>1.8</u>	-----
SUB-TOTAL EVENING	6,549	367,223	838.3	680
<u>Detention Centers</u>				
	—	—	—	—
<u>Academy Extensions</u>				
High Tech Enrichment (Gifted & Talented)	283	7,783	6.7	283
ECEMS	3,083	24,996	21.4	—
Period 0	54	9,720	8.3	—
Staff Development (Apple Academy)	1,222	14,432	32.1	—
Minority Access	91	7,735	1.0	91
<u>EMS</u>	8,943	250,425	556.5	—
<u>Customized Training</u>				
	—	—	—	—
<u>CDCW</u>	8,225	97,951	217.7	—
<u>Bergen County Jail</u>	<u>31</u>	<u>=</u>	<u>31.0</u>	<u>31</u>
SUB-TOTAL ADULT & EXTENSION PROGRAMS	<u>27,481</u>	<u>780,670</u>	<u>1,713.0</u>	<u>1,085</u>
GRAND TOTAL	<u>29,605.9</u>		<u>3,289.3</u>	

Bergen County Technical Schools

Enrollment Review 1989-94

HIGH SCHOOL & FT POST-SECONDARY

	<u>Headcount</u>	<u>Poss. Days/ SCH</u>	<u>FTE/ADE</u>	<u>Spec. Populations/ Handicapped</u>
<u>HIGH SCHOOL</u>				
BCVTHS	467.7	84,183	467.7	70.0
Academy	109.4	21,108	109.4	0
Paramus TEC	222.2	20,000	111.1	156.0
Teterboro TEC	418.0	37,626	209.0	293.0
Paramus SN	176.2	31,709	176.2	176.2
Teterboro SN	<u>203.4</u>	<u>36,613</u>	<u>203.4</u>	<u>203.4</u>
Sub-Total High School	1,591.9	231,239	1,276.8	898.6
Full time Post-Secondary	<u>533.0</u>	<u>53,910</u>	<u>299.5</u>	-----
SUB-TOTAL H.S. & P-S.	<u>2124.9</u>	<u>285,149</u>	<u>1,576.3</u>	<u>898.6</u>

NEW JERSEY COUNCIL OF COUNTY VOCATIONAL SCHOOLS

POSITION

ON

SUPPORT FOR IMPROVING SCHOOL EFFICIENCY AND COST

CONTAINMENT

The current controversy about the Department of Education's "penalty" for excess spending by local school districts is an example of good idea gone bad through clumsy, bureaucratic implementation procedures.

First, it should be clearly stated that the Governor's proposed education budget is a reasonable and thoughtful request to the Legislature, given the economic climate for the school year 1995-96. Governor Christie Whitman should be commended.

The problem with the "penalty" provision of the proposal lies not with the idea itself but in the flawed calculations and implementation steps taken by the Department of Education. In short the DOE has handed the Legislature a sirloin steak made out of mud pie.

Issues

Let's briefly examine the proposal and make some recommendations to support the Governor's intended purpose:

1) The Governor's proposal laudably seeks to restrain administrative costs in local districts. However the DOE has broadened the catchment area by including line item expenditures in the budget for support services such as guidance counselors, librarians, child study team members, drug and alcohol counselors, school to work advisors and many other special positions which serve to improve learning opportunities for children. The irony of this DOE policy is that New Jersey statutes and Department regulations require districts to provide these support services...they are not optional. Thus the DOE's decision to include these services in the administrative penalty count is contradictory policy and nonsensical.

2) Additional expenditure areas are inadvisably caught in the catchment area of this definition. Again, the DOE calculations create significant contradictions in state policy directions. Also penalized in this proposal are districts, especially county based vocational and special services districts, which

provide programs and services to many local school districts on a consolidated basis in order to save money for local taxpayers. For example, a county school district provides computer services to 80 local districts (e.g., automated payroll) thus, saving the districts time and money and avoiding duplication. In another case, a county school, through their technology resource center, generates revenues to support educational programs. The same district coordinates an E-mail network between all county school districts, the community college and county office of education. Some county governments have encouraged county schools to offer programs and services in emergency medical training, corrections education, day care centers and adult career development centers. Such regional cost-cutting programs have been penalized by the Department's poor implementation of a good idea. County vocational schools were established by statute to provide high cost technical programs on a county-wide basis that cannot be offered in local school districts in a cost-effective manner. Because county vocational schools are the only school systems in all twenty-one counties that provide services on a county-wide basis, these schools become a vehicle to provide cost-efficient programs and services. Such consolidation saves tax payers money and should not be penalized.

3) The calculations made by the Department are based on a false premise, specifically the use of the "median" to determine those districts which are to be punished. The median is that point above and below which 50% of the districts fall with respect to the areas targeted by the DOE. If it is the Governor's desire to restrain administrative costs, use of the median will not accomplish this purpose. The Department proposes that all districts spending at a rate of 30% or above the median should be penalized. Since the median is the midpoint, there will always be districts caught in the 30% range regardless of their frugal spending. If it became state policy to deport all citizens 30% above the median height there would be an ever declining midpoint until no one would be left in New Jersey. This is a mathematical certitude for citizens as well as child study teams and librarians. This, therefore, is a policy, not of restraint, but of elimination. While there are many similarities between county vocational schools, differences in delivery, such as shared-time versus full-time, need to be taken into consideration. Further, because county vocational schools receive foundation aid based on the county average, state aid and county aid varies significantly based on the wealth of the county. Finally, many county school districts service large numbers of adults in addition to secondary students. Therefore, any costs or calculations associated with such programs should be prorated so as not to penalize these districts.

Recommendations

- Implement the Governor's budget proposal but in an appropriate manner.
- Redefine administrative costs in a sensible way that school communities and the public can understand...Building principals, assistant

superintendents, superintendents, vice principals, etc. Stop playing games with budget-speak.

- **Use the "average" costs not the median unless it is really intended to eliminate these expenditures in public education. Using the average will force districts to pull in around this measure. In addition the average is what people think is currently being used, so use it.**
- **County vocational schools are an anomaly used to provide regional services to local districts. The present excess administrative cost formula should be applied to these districts in a unique manner so that cost-efficient practices are not penalized. These districts should also be eligible to receive bonuses based on costs savings that are realized when their services are utilized to consolidate and/or coordinate services within and between counties.**
- **These recommendations can be considered and adopted by the appropriations committees of the Legislature.**

Final Rev. 2/7/95

YOUR GOOD MORNING NEWSPAPER

TODAY'S SUNBEAM

100th Year, No. 144

USPS No. 358940

SERVING SALEM COUNTY, N.J., SINCE 1819, FRIDAY, FEBRUARY 25, 1994

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Vo-tech biggest bargain

*Second lowest
in per-pupil cost*

By **SUSAN COULBY**
Staff Writer

MANNINGTON TWP. — County taxpayers are getting the second-best bargain statewide when it comes to providing vocational and technical education to local students.

According to the New Jersey Department of Education's 1993-94 school profile report card, the Salem County Vocational Technical School District finished second to the Camden County Vocational Technical School District in the cost-per-pupil category by \$103.81.

EXTRACTED FROM COMPLETE ARTICLE.

Gloucester County Vocational Technical School District

**Position
On**

**New Jersey Department of Education
Proposed
School Funding
Awards and Sanctions**

**Presented to the New Jersey
Senate Education Committee**

February 21, 1995

by

**Victor C. Morella, Superintendent
Gloucester County Vocational Technical School**

**Daniel Ball, Certified Public Accountant
Ball and Buckley**

**Meredith Flynn, Assistant Superintendent for Student Services
Gloucester County Vocational Technical School**

Introduction

The Governor and the State Department of Education are commended for their efforts to fund education at the proposed levels and to encourage cost effective education through consolidated services and regionalization, and to look at the impact of high cost, minimally effective regulations.

The Gloucester County Vocational Technical School District is a county school of choice with cost effective, regionalized and consolidated services to students and the community. This school district, due to a quirk in the state formula for awards and sanctions, is being reduced in state aid by \$307,000 and is not eligible for awards. This is due to a little known or understood quirk in the formula used to calculate administrative costs per student. This document will show that the district meets or exceeds the goals of cost effective vocational technical education in Gloucester County and that the district should be eligible for awards, not sanctions.

Gloucester County Vocational Technical School
Board of Education

James H. Dundee, President
Dr. Barbara R. Shellenberger, Vice President
Dr. John M. Sherry, County Superintendent
Floyd D. McLean
Joseph M. Sori

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MISSION

Comparison

Gloucester County
Vocational Technical School vs.

Comprehensive
High School

Enroll

Educate

Employ

Educate

Actual Students Served

vs.

State Aid Based Students

GCVTS Students Served 3,825

or

FTE 1,134

vs.

State Aid Based Students 777

Facility Utilization

Comprehensive
High School

Gloucester County
Vocational Technical School

180 Days

x 7 hours =

1260 hours
per year

240 Days

x 15 hours =

3600 hours
per year

Utilization = 3 times other schools

Administrative cost associated
with optimum utilization has not
been considered in the state formula

*Utilization is based on serving
a student population of 3,825*

GAAP Reported Administrative Cost
(Total Admin. Cost Associated with All Programs)

Admin. Cost (GAAP) Reported and Utilized by
Department of Education - \$3,215,061

State Calculation:

$$\frac{\text{Admin. Cost}}{\text{State Aid Students}} = \frac{\$3,215,061}{777} = \$4,137.79$$

Vocational Calculation:

$$\frac{\text{Admin. Cost}}{\text{Total Student Body}} = \frac{\$3,215,061}{1134} = \$2,835.15$$

130 percent of median per pupil expenditures
for district operating type (per State) \$3,727.59

$$\frac{\$3,727.59}{130\%} = \$2,867.38 = \text{Median Operating Expenditures}$$

Median Operating Expenditures = \$2,867.38

GCVTS Operating Expenditures = 2,835.15

Under Median \$ 32.23

**Programs and Services Provided
 by
 Gloucester County
 Vocational Technical School**

**Administrative Costs
 Support the Total Student Body!**

	Students	FTE
* Child Care Center	47	69
* Adult Evening and Saturday Programs	1,800	216
* JTPA Skill Center	200	36
* School Based Youth Services	488	22
* Campus Boys (40 students) (Correctional Program)		
* JTPA Summer Youth	44	14
* Secondary Shared Time	624	} 777
Special Ed Shared Time	275	
Day Adults	270	
Adult Regional HS	77	
Total Student Body	3,825	1,134

GLOUCESTER COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT TOTAL STUDENTS SERVED

Regular Secondary	697	624	561	549	632	603	645	624 *
Special Ed Secondary	303	335	236	311	285	305	310	275 *
Adult	32	193	155	239	269	262	299	270 *
Adult Regional High School			48	60	52	65	54	77 *
Skill Center						36	98	200
School Based Youth Services		300	400	450	475	478	480	488
Child Care		30	41	50	60	45	46	47
JTPA Summer Youth	40	36	42	36	38	34	40	44
Total Enrollment Day School	1072	1518	1483	1695	1811	1828	1972	2025

1986-87 1988-89 1989-90 1990-91 1991-92 1992-93 1993-94 1994-95

*These numbers equal 777 Full Time Equivalent Students On Roll Oct 15, 1994

**TESTIMONY BEFORE THE
NEW JERSEY SENATE EDUCATION COMMITTEE
on
SCHOOL-BASED YOUTH SERVICES**

**by
Meredith M. Flynn, Assistant Superintendent for Student Services
Gloucester County Vocational Technical School District**

I truly appreciate this opportunity to speak to the Senate Education Committee on the role that student support services such as School-Based Youth Services have upon the lives, educational success and career development of students enrolled in vocational technical programs.

By definition and Federal mandate, vocational technical education serves those special populations within our community described as "at risk". These are the youths and adults who possess significant barriers to employment and successful assimilation into the community as a whole. They are economically and educationally disadvantaged, teen parents, substance abusers, handicapped and limited English proficient. They come from single parent or dysfunctional families where frequently no work ethic exists. They are kids who have generally not been successful in the traditional education system.

In New Jersey, students elect to go to a county vocational technical school. No one has to attend our schools; we have no resident base to project upon. We do find, however, that we can count on school districts sending to us their less successful students. These are the students who pull down their HSPT test scores, the ones who are disruptive, disaffected, or unmotivated. Our educational system is failing these students; but all too frequently the system's response is to shuffle them off to what is viewed as a less challenging school for the less able.

Vocational Technical Education embraces these students is quite successful in preparing them for a careers and participation in the mainstream of society. This process, however, cannot be accomplished in the same type of classroom in which they were previously unsuccessful. These students need supportive counseling and referral services, job coaching, and employability skills. They need to develop their self esteem and confidence that they can succeed. This process requires a team of professionals dedicated to all facets of the students' development, including the teacher, counselors, child study team members and job developers.

At the Gloucester County Vocational Technical School District I have the privilege to supervise a team of 16 professionals who provide these services as part of our School-Based Youth Services program. Our team includes two vocational evaluators who assess over 250 special needs students annually to determine their career potential and develop a career path for them. We focus upon these students ABILITIES, not their DISABILITIES.

The District enrolls 275 classified special education students in full and shared-time occupational programs. These students are supported by a child study team who monitors their academic performance, the direction of their career plan and their eventual transition from school to adult living. This is a collaborative effort with the students' resident high schools; these team members spend 95% of their working day counseling students, working with teachers and parents.

A counselor/recruiter works with our 16 sending high schools to identify students who would benefit from vocational education. He works directly with counselors, students and their parents to identify the most appropriate career path and assists students in accessing the appropriate training program. Since most high school guidance counselors lack exposure to the world of work, he becomes an extension of their career counseling services.

Three vocational guidance counselors provide supportive services for the 824 adult and regular high school students on rolls. Their caseload exceeds the recommended maximum counselor/pupil ratio of 1 to 200. They too spend 95% of their working day counseling students, working with teachers, parents and home high school staff to assure the students' success. Although our shared-time students also have assigned guidance counselors at their home high schools, they rarely see them. These counselors, unfortunately, devote most of their time to scheduling and assisting students with college applications and scholarships. Our counselors address issues of self-esteem, decision making, conflict resolution and career planning. They also assist students with college planning through our Tech Prep and School-to-Work programs. Our students must be provided with creative alternatives to the traditional college preparatory route.

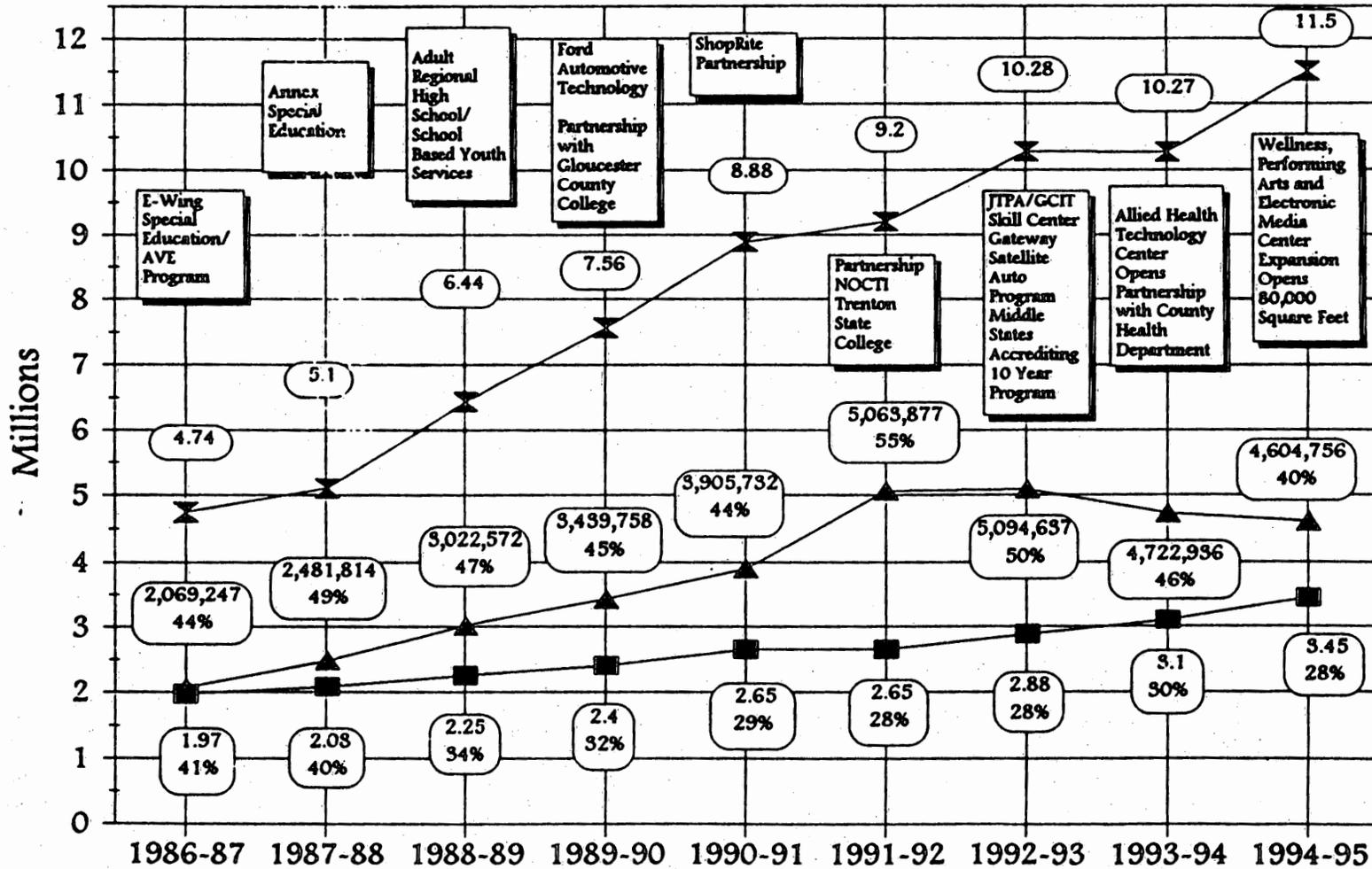
For our adult students, we have a financial aid officer who assists in obtaining the tuition resources needed for many to attend. We also have a Special Populations Coordinator/Adult Counselor who assists our JTPA, REACH and FDP clients in their training and transitional program. She works closely with public agencies to assure the needed resources are available. These two positions are critical to serving the needs of the unemployed, underemployed and those in our community on public assistance to change their circumstances and become tax paying members of our community.

Through funding from the New Jersey Department of Human Services, we are also fortunate to provide specialized crisis counseling services to those most needy students. These staff include 2 Student Assistance counselors who work with our students who have substance abuse issues, are HIV positive, depressive or suicidal. We have a social worker/family therapist who works in the day and evening with students and their families; and we employ a teacher who facilitates cultural and recreational activities to expand our students' personal exposures, tutors and conducts an extensive employability skills and job placement program. These staff alone have counseled 488 students this school year. The average number of counseling hours spent with each student is 32.

Ladies and gentlemen, let me assure you that these School-Based Youth Services programs and staff are not administrative frills. They are as critical a component of the educational process at the Gloucester County Vocational Technical School District as the teachers, the Principal or the maintenance staff. We function as an educational team; our product is the whole student. For "at risk" students to become successful in our society and economy, we must teach new interpersonal behaviors, personal outlook and redefine goals as well as provide educational access. The counseling and referral support this requires cannot become the basis for sanctions.

GLOUCESTER COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT

FUNDING SOURCES FOR BUDGET



State Aid in Millions
 Annual Budget in Millions
 County Support in Millions

6
X 288

Servicing a 3,825 diverse student population is much more administratively labor intensive than a traditional day school population of 777 students.

Advancing technology requires frequent staff professional development, curriculum updating and equipment/facilities upgrades to effectively educate students for employment in technical careers.

Administrative costs relating to the above are unique to the vocational technical education experience.

At Gloucester County Vocational Technical School we have pursued outside sources of revenue which equates to 32% of our total anticipated revenues. The total administrative costs reported in our budget include costs required to procure and administer programs for 3,825 students. The outside revenues lessen the burden that would have been placed on state and county government had we not sought out alternative funding sources.

Utilization of the facilities over the last five years has increased three fold while state participation in funding our budget has decreased in both dollars and percentage. We have effectively shifted the burden towards local resources to the benefit of the state. We should not be penalized for implementing exactly what the state legislature and Governor desires that school districts do--regionalize and consolidate services.

FTE Calculations

Regular Day Students

1 FTE student = 180 days/year x 5 hours/day = 900 student hours/year

Evening School

1,800 students x 3 hours/day x 1 day/week x 36 weeks/year =
194,400 student hours/year

194,400 student hours/year + 900 = 216 FTE students

JTPA Skill Center

200 students x 4 hours/day x 5 days/week x 8 weeks/year =
32,000 student hours/year

32,000 student hours/year + 900 = 36 FTE students

Child Care Center

47 students x 6 hours/day x 5 days/week x 44 weeks/year =
62,040 student hours/year

62,040 student hours/year + 900 = 69 FTE students

JTPA Summer Youth

44 students x 7 hours/day x 5 days/week x 8 weeks/year =
12,320 student hours/year

12,320 student hours/year + 900 = 14 FTE students

School Based Youth Services

488 students x 40 hours avg. contact time/year =
19,520 student hours/year

19,520 + 900 = 22 FTE students

Highland Park Public Schools

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"Building on Excellence"

A STATEMENT ON

THE PENALTY FOR EXCESSIVE ADMINISTRATIVE COSTS FOR THE HIGHLAND PARK SCHOOL DISTRICT

by Peter J. Bastardo, Superintendent of Schools

Over the past several years, the Highland Park School District has undertaken several significant initiatives to reduce administrative costs while allowing the district to continue to provide a high quality educational program. These initiatives, which have saved taxpayers several hundred thousand dollars, include:

Reduction in the number of administrative personnel. The percentage of Highland Park's budget for administrators is slightly below the State average for districts of comparable size. The district spends more on instruction, more on student services and less on administration than the state-wide average for comparable districts, based on the State Department of Education's latest Report Card.

Privatized services for food service, busing and building maintenance.

Participation in shared services with other districts and joint purchasing with over 200 other districts in New Jersey.

Inclusive education programs, reducing the need to pay high out-of-district tuition and transportation costs for disabled children.

Reduction in the Highland Park per pupil cost by \$750 over the last two years, as calculated in the 1993-94 Cost of Education Index of the New Jersey School Association.

As part of the 1995-96 state school aid package, the Governor has proposed the imposition of penalties on certain districts based on the State's unconventional calculation of administrative costs. These penalties result in a reduction in the amount of state aid for a district. The penalties range from a few thousand dollars to over 1.2 million in some districts. Highland Park's penalty -- one of the lowest penalties in the State of these 70 districts K-12 -- is based on inappropriate and mislabeled data used by the State.

The State included many areas under "administration" (see attached) that most professional educators consider vital parts of instruction, such as librarians, child study team members (social worker, psychologist, etc.), the cost of training teachers in new curricula and library books. Many of these positions are mandated by the State.

Effective classroom instruction depends on support for libraries, media, curriculum development and counselors to help students. In successful districts, a substantial

amount of resources can be understood as integral to instruction because without them the classroom is impoverished.

The State has been inconsistent in its own definition of instructional vs. non-instructional costs. In the last Report Card issued by the State it said, "Instruction also includes certain costs (guidance office, child study team, supervision of instruction, teacher training, curriculum development and library and other educational media) that are classified as support services. Administration includes budgeted expenditures for both general and school administration related to offices of the Board of Education, superintendent, principals and business along with certain fixed charges such as legal fees, insurance, employee benefits for all employees and interest on loans."

With this penalty, the State has decided to change the rules in the middle of the game without giving districts the courtesy of any notification that the rules have been changed.

At no time were the State's new definitions of instructional versus non-instructional (administrative costs) shared with school districts. Districts were completely blindsided by this change in funding. The Commissioner did not consult with the educational community, the legislature or even the general public about any part of this program to reduce aid to school districts. The State provided no opportunity to any school district for input or verification of data. Had Highland Park been able to do so, the penalty would not have been imposed.

By labeling a district as having excessive administrative costs, the State condemns a district and identifies it as guilty until it can successfully appeal the penalty.

The financial information used by the State to determine the expenditures was an unaudited, advertised, proposed budget. This budget was the first one prepared in the new State mandated GAAP accounting system format and not the actual audited expenditures.

Several alternative choices had to be made about where in the budget to place certain items. As part of the transition to contracted services, Highland Park listed expenditures related to custodial supplemental salaries and benefits in a "so called" administrative category which now, we find out one year later, is counted by the State as a penalty category. The district could have just as appropriately and legally listed this expenditure in another category (custodians salaries) that would have reduced the total administrative benefits line. This change, along with a reallocation of 20% of a supervisor's salary to an instructional salary line, would have brought the district below the State's newly established median threshold.

The legal appropriation of approximately \$44,000 to other lines in a 15.5 million dollar budget may seem insignificant in terms of the overall impact on a budget. However, this small amount was enough to move Highland Park into the penalty side of state funding. Our penalty is equivalent to \$19,151 in reduced state aid, rather than hundreds of thousands of dollars or even a million. Had we known the rules, we could have easily and legitimately avoided the penalty. That aside, we have more than enough rationale and documentation to share with the State and have initiated the appeal process.

The penalty and allocation of State aid includes no index of quality. Decisions are

made solely on the basis of numbers and costs, not on how well a district prepares its students for productive lives. The 70 districts penalized also happen to be some of the highest achieving districts in the State including Princeton, Livingston, Millburn, etc.

It seems that the goal of the State's new proposed penalties is to free up additional resources to reallocate to the urban special needs districts in order to close the gap in spending, not to improve provision of instruction for all students.

There are several disturbing issues related to the process used by the Department of Education to determine the penalty:

1. How can a budget that was approved last spring by the County Superintendent of Schools (on behalf of the Commissioner of Education) as thorough and efficient, then subsequently approved by the voters, now be penalized?
2. How can districts be penalized one year later for line allocations in the budget that were approved last year.
3. How can another local district, whose defeated budget appeal resulted in an additional cut of \$500,000 by the Commissioner, receive an award under this plan?
 - * Highland Park's budget approved by voters is penalized.
 - * Another budget defeated by voters, cut by council, and cut by the Commissioner is rewarded.

The Department of Education ignored a report done on behalf of the N.J. Commission on Business and Industry conducted by Eagleton Institute of Politics at Rutgers University, which shows administrative costs in New Jersey school districts to be on par with costs throughout the U.S.

The findings include: "ADMINISTRATIVE SPENDING LEVELS (1) Taken as a whole there is no significant variation, over time, in the proportion of local budgets spent on administration by New Jersey School Districts. This indicates that, generally, administrative spending is not driving the increase in local education expenditures."

The recommendations also suggest: "In order to redirect resources to the instructional side of the budget, the State should study methods to control insurance and other fixed charge costs."

A spokesperson for the Department of Education was quoted in a Highland Park newspaper on the topic of penalties in Non-Instructional areas:

"It's where one district stands in comparison to another. If one district has 10 librarians and another has 3, it's possible the first is spending excessively."

Rather than focus on spending, one should assess outcomes, such as student achievement; research skills; increased enjoyment of reading and reading skills; increased circulation and other variables -- as opposed to simply counting the number of staff needed to check out books -- a truly naive view of an Instructional Media Center and the people who work in them.

Finally, I believe that the reward/penalty system has been established by the current Department of Education's administration to meet another goal. In his initial description to the press, the Commissioner explained the reduction in state aid as penalties for "excessive or bloated administration." Those comments were made so that the ordinary citizen could read and interpret his remarks to mean "too many highly paid administrators" rather than understand the many other non-instructional categories included. If that was not his purpose, much could have been done to avoid this attack on some of the highest achieving districts in the State. Giving state aid figures and a new penalty system to the press at the exact same time it is given to school districts results in putting school districts immediately on the defensive, unable to explain a program we know nothing about. This is a prime example of the lack of incorporating a collaborative process on behalf of the Department of Education with school districts. A process that must be instituted if we expect all school districts in New Jersey to improve.

School districts and administrators must work within collaborative processes to achieve goals. The Department of Education, which is supposed to provide leadership for the State's public school system, should foster such collaboration, rather than purposely antagonizing school districts. At the minimum, it should provide the rules before playing the game. In addition, the Commissioner should provide vision, leadership and advocacy for education, not just be a "good soldier" as he was recently characterized by an education editorial writer.

We share the State's concerns for achieving more administrative efficiencies, as evidenced by our own initiatives in this area. However, we also understand the need to balance efficiency with providing quality instruction. We offer to work with the State to develop more appropriate categories in which to measure district spending related to achievement.

In the meantime, the district is appealing the penalty and working through appropriate associations to alter the process and categories by which the State decides which districts to fine.

**NEW JERSEY DEPARTMENT OF EDUCATION CATEGORIES INCLUDED IN
1995 "ADMINISTRATIVE COSTS"**

NURSES

DOCTORS

HEALTH SUPPLIES & MATERIALS

GUIDANCE COUNSELORS

GUIDANCE SECRETARIAL SUPPORT

TESTING MATERIALS

CHILD STUDY TEAM STAFF

***SOCIAL WORKERS**

***PSYCHOLOGISTS**

***LEARNING DISABILITY TEACHERS**

DIRECTOR OF SPECIAL SERVICES

SECRETARIAL SUPPORT FOR ED SERVICES

CURRICULUM DEVELOPMENT

KINDERGARTEN SCREENING

LIBRARIANS

LIBRARY/AUDIO VISUAL SUPPLIES AND MATERIALS

SALARIES OF PRINCIPALS/ASSISTANT PRINCIPALS

SECRETARIAL SUPPORT FOR SCHOOL ADMINISTRATION

LEASES AND MAINTENANCE ON COPIERS/COMPUTERS, ETC.

SCHOOL OFFICE SUPPLIES

ELECTION WORKERS

CENTRAL OFFICE ADMINISTRATORS

CENTRAL OFFICE SECRETARIAL SUPPORT

LEGAL/AUDITOR/NEGOTIATOR

NEW JERSEY SCHOOL BOARD ASSOCIATION DUES

CUSTODIAL/MAINTENANCE SUPPORT

REPAIR OF INSTRUCTIONAL EQUIPMENT



City of Burlington Board of Education

518 LOCUST AVENUE, BURLINGTON, NEW JERSEY 08016 • (609) 387-5877
FAX (609) 386-6971

RICHARD G. BALLARD
PRESIDENT

WILLIAM F. RYAN, JR.
SECRETARY/BUSINESS MANAGER

TESTIMONY BEFORE THE SENATE EDUCATION COMMITTEE 2/21/95

Submitted by Wm. F. Ryan, Jr.
Secretary/Business Manager
City of Burlington Board of Education

“That which does not kill me, makes me stronger.” These words, spoken by Frederick Nietzsche over 100 years ago, symbolize how we feel when issues such as these are thrust upon us. Thank you for the opportunity to testify today. I am pleased that discussion on educational policy and issues in the State of New Jersey has not been entirely eliminated by the Department of Education. (DOE). I am certain you will hear important and meaningful comments by those testifying today. My message won't be as eloquent, and may offend some, but it is simple and true.

What the DOE did was wrong! Period. What they have done since they implemented this Excess Administrative Cost Penalty, now called the School Efficiency Program, is wrong. This program was crafted in secrecy, by a hand full of people. No indication that this was to happen was given, no discussion was permitted, no explanation was provided. In fact, when we inquired as to why we weren't even given the courtesy of being informed that we were being penalized, before it was announced publicly in front of hundreds of our peers, we were advised that strict orders were given to maintain secrecy. At the same time penalties were being devised, rewards were given to K-12 districts, basically for existing. If you were open and had kids, you were given either \$30K or \$60K. Editorials indicate these districts were rewarded for “making strides towards regionalization--sharing services and expenses with neighboring districts.” (BCT 2/7/95) Where did that information come from? We have proposed regionalization discussions with neighboring districts, we have served as the LEA for a number of projects, we are already part of the CBCR for Special Education, where districts share in the transportation and education of handicapped children, we have participated in cooperative purchasing through the County of Burlington for over 10 years, we are part of a co-operative of over 200 districts who bid virtually all school related products and all State Mandated Right to Know

functions required by the State and Federal governments and have been for the past eight years. We have purchased typically at around 30% to 40% below the State cooperative purchasing program of which we are also a participant. We have shared our computer expertise with both school and municipal entities, we were one of the founders of the Burlington County Joint Insurance Fund for Workers Compensation in 1984. We were one of the school Districts who two years ago expanded that JIF into an all lines insurance pool. We have purchased health insurance at thousands of dollars below many of our neighboring districts. And I could go on. But the DOE has chosen not to deal in facts, but to hunker down and defend an ill-conceived, poorly developed program designed to save some bucks. I resent being referred to as one of the 70 worst districts in the 2nd worst state in the nation. The quality of the personnel, the caliber of work, performance on audits, criteria that we keep or lose our jobs on was not considered. The DOE added some numbers and made a judgment. Even then they considered budgeted numbers, and not actual audited expenditures. They ignored significant factual information. Lets look at the facts.

The City of Burlington Board of Education is a K-12 District of 1506 children. We are a Special Needs District. We have been directed through the external review team recommendations and by the State of New Jersey DOE to: Increase health services, increase counseling services, increase social work, increase Inservice opportunities, increase public relations efforts, increase special education services, increase library services, increase telephone access, computerize CST services, improve computer functions as they relate to student attendance and other district level services, complete numerous other administrative functions, and much more. I point to these since they were part of the excess administrative cost computation. So we can be clear, we were ordered by the State of New Jersey to spend more money in these areas, had EIP's rejected that did not include objectives in these areas, and are now being penalized for doing what we were told. We are at the bottom of the excess penalty computation for K-12 districts. We are only \$6.13 over the upper limit established by the DOE. If the amount of money included in our original 94-95 EIP for services, accounted for in this computation, was eliminated from the formula, we would not be here today. Our total expenditure would have had us below the upper limit established by the DOE. In our proposed 94-95 School budget \$1,249,834.00 was included for attendance, health, guidance child study team, social work and library/media services. Of that total, there is \$61,692.16 total dollars allocated for the salary of administrators. Finally, we are to receive a total state aid increase for 1995-1996 of around \$43,000.00. We are being directed to prepare an EIP that reflects a spending increase of over \$90,000.00.

We are being mandated to participate in the Medicaid initiative. Why is that? Because we have a significant At-Risk population (34.1%). We are a receiving district for a neighboring school system. They are being mandated to participate in the Medicaid initiative because they have a significant At-Risk population (23.2%). We have had two group homes in our community servicing children placed by the State of New Jersey, all of whom have special needs. Guess who provides those special services? We do. We are responsible for all costs associated with the registration and enrollment of these children, securing records, requesting waivers, phone communication by the CST office as well as the Business office, record review, reevaluations, evaluations, IEP development, placement, tuition contract development, visitations, conferencing, meetings, transportation, psychologicals, neurologicals, psychiatric, learning and speech evaluations. We have a significant homeless population that often require special services by the CST, guidance personnel, school offices, as well as the central office. You see, homeless children are not placed in the wealthy, affluent districts of our state, they are placed in communities such as ours. We have provided for the administration, counseling, transportation, guidance and full range of CST services for 24 youngsters from places as diverse as Willingboro, Trenton, North Carolina, Haiti, Riverside and Mount Holly. In a number of instances, we must seek tuition reimbursement from the State of New Jersey for students whose district of residence is out of state, or cannot be determined. We are providing for the educational needs of another 31 youngsters not including our sending receiving relationship from Brick Township, Camden City, Cinnaminson, East Orange, Lenape, Palmyra, Pemberton, Riverside, Toms River, Burlington Township, Eastampton, Florence, Rancocas Valley, Willingboro and Woodbury. Even a sending receiving relationship makes us fully responsible for providing all special education services for all handicapped youngsters received as a result of that relationship (in this case an additional 24). In one particular case this past year, we had a family from Haiti register 6 children while a family from war torn Bosnia registered another 4 children. A number of whom required special services.

I would like to include comments from our Superintendent Edward F. Gola, Jr. Two administrative economies went into effect after the beginning of the 1994-1995 school year. One administrative position was not filled for five months saving over \$30,000.00, and our superintendent now serves as the principal of a K-3 school saving another \$70,000.00. If either saving had been factored into the computation, we would not have been penalized. No one took the time to find out, no one took the time to ask. We fill out forms for everything else, why couldn't someone ask for amended expenditure information as of October 15?

Our district is made up of neighborhood schools. Our children walk to school. Except for special education and vocational education, we do not bus to and from school. Our schools are small in size and in enrollment. Yet we are not in a position to close any school due to insufficient enrollments or underutilization of rooms. In fact, as a special needs district, we believe our children have the best chance for success in small schools. Research supports this belief:

- small schools have a greater impact on student achievement than even reduced class size.
- teacher commitment to student achievement and staff morale is higher in a small school.

The point is that we understand that small schools may add to the operational cost of a school district, however, should we be penalized because this type of organization gives our special needs student the optimum environment for success? We are here to foster and support student achievement, not detract from it.

Finally, this past month, we had a family appear to register in our district, who is homeless. There were six classified special education children from the one family. Shall I tell them to look elsewhere, because I am concerned about being penalized for excess administrative costs?

To conclude both Dr. Gola's and my own comments, let me say that we are far from perfect. Our administrators and secretaries make excellent salaries. If you and the other elected and appointed officials believe that is where we should focus our attention, so be it. Just do it in an intelligent, cooperative manner. To condemn school districts and their professional staff's insure great headlines, but it is not right. You regulate and mandate us to death. You want us to submit our EIP's, to visit us monthly, to receive monthly financial reports, to submit QAAR reports, to submit 2 & 3 year plans and application for Perkins funds, to apply for Air Quality Emissions Permits, for pesticide permits, for medical waste permits, to develop a plan and implement the provisions of the ADA, to develop and implement Chemical Hygiene plans, to deal with Bloodborne pathogens, to do AHERA management plans, six month updates and three year reinspections, to do financial reports for Chapter 1, Chapter 2, IKE, DFSCA, IDEA B, Voc. Ed , Voc Ed. Supplemental, Non Public Texts, Non Public Nursing, Chapter 192-193 Project Completion Reports, Highway Safety Grants, Summer Work Study financial reports, ROTC application and reimbursement vouchers, the ASSA, the Fall Report, Five year facility plans and revisions, debt service reports, the A4F Report, to form Strategic planning teams, to develop an Exposure Control Plan, to comply with all Right to Know requirements, to be visited by auditors who

want to examine our pension records, our Child Nutrition program and records, our Chapter 1 records, our DFSCA records, our IDEA B records, our Chapter 192-193 records, and more. This does not even include our annual audit which we view with tremendous gravity. You mandate so many things that are not directly associated with educating children, then seem surprised that there are costs associated with them.

As I think back over the last decade of educational policy and reform. As I look back on the policies and reforms initiated by Commissioner's Cooperman, Ellis, Fitzgerald and Klagholtz, I am reminded of the words of Ralph Wado Emerson: "Every reform is only a mask under cover of which a more terrible reform, which dares not yet name itself, advances."

Thank you for the opportunity to speak.

DEMAREST BOARD OF EDUCATION

568 Piermont Road

Demarest, NJ 07627

TO: **Senate Education Committee**
 Senator John H. Ewing, Chairperson
 Senator Joseph A. Palaia, Vice Chairperson Senator Gordon MacInnes
 Senator John A. Lynch Senator Robert J. Martin

FROM: Paul J. Saxton
 Superintendent of Schools

DATE: February 21, 1995

RE: STATE AID PENALTY FOR EXCESS ADMINISTRATIVE COSTS

I would like to thank the Senate Education Committee for providing me the opportunity to present the Demarest School District's concerns regarding the **administrative excess penalty** and our subsequent reduction of 27% in school aid.

The Demarest Board of Education, for the last sixteen years, has implemented a program oriented budget. During the last school year, when all districts were directed to move into the GAAP environment, we did so, but still tried to maintain a modified version of our program oriented budget, for the additional accountability it provided.

Unfortunately, achieving additional accountability cost us \$139,719 which was our excess administrative penalty. I have outlined our district's concerns in three categories.

CATEGORY #1: A list, by type and amount, of budgeted items that the State has included in our penalty amount that we do not consider "administrative."

(All information reported by line as advertised 1994-95 appropriation budget.)

Line	Program	Amount	Description
685	Librarian Salaries	\$34,995	Should be on Line 252, Salaries (Teacher, Grs. 1-5)
		\$19,162	Should be on Line 253, Salaries (Teacher, Grs. 6-8)
			Both of our librarians spend all of their time in direct classroom instructional activities.
691	General Admin.	\$136,411	Should be on Line 736-Salaries (Total Business & Other Support Services)

			Due to modified program oriented budget format, a percentage of the business office staff time had been allocated to five different program areas.
749	Misc. Expenditures	\$50,338	Should be Line 742, Other Employee Benefits
			This money represents \$42,338 in Workmen's Compensation premiums and \$8,000 in our Teacher Tuition Reimbursement Program.
	<u>TOTAL</u>	<u>\$240,906</u>	

CATEGORY #2: Errors in the numbers used or assumptions made by the State about our budget.

Our district, in keeping with the program oriented format, placed both of our librarians' salaries in Media Services-School Library category, Line 685. This does not accurately reflect our practice since both librarians spend all of their time in direct instructional activities. The Business Office staff, in keeping with the program oriented format, included a percentage of their time appropriated for administrative costs. The cost represents \$136,411 which should be removed from General Administration and reported on Line 736, Salaries-Total Business and Other Support Services. The New Jersey State Department incorrectly classified our Workmen's Compensation premium and the Teacher Tuition Reimbursement Program appropriation. Both programs should be realigned to Line 742, Other Employee Benefits.

CATEGORY #3: The projected impact of the penalty cut on our district.

The Demarest Board of Education has called a Public Meeting on Tuesday, February 28th, to review and finalize the program cuts as a result of the pending state aid reduction. The preliminary impact on our district would result in the following:

- Elimination of the guidance counselor,
- Elimination of two classroom teachers which would significantly impact class size,
- Elimination of all teacher aides,
- Elimination of one school secretary,
- Reduction in appropriation for instructional supplies.

The unfortunate side of this whole debacle is that for the last sixteen years I have made a concerted effort, along with staff, in building strong community support for our school program. This includes the 66% of the people in our community that do not have

children in our schools and, yet, are involved and support our program. The state's insensitive and reckless action of implementing an **administrative excess penalty** has undermined all efforts in building and maintaining community support for our school program in a difficult financial time.

Realignment of our current budget in the amount of the above mentioned \$240,906 would reduce our per pupil administrative cost to \$2,087.15 which is \$165.77 below the state's acceptable range.

GENERAL COMMENTS:

The philosophical basis of the penalty and reward provision in the current funding formula are faulty and discriminating. There is no data that clearly define K-12 regional districts as most efficient and cost effective. To the contrary, a review of the cost per pupil data definitively establishes the highest per pupil cost in the state, are those of K-12 regional districts. Without specifically analyzing educational programs and business practices, conclusions about efficiency are arbitrary, misleading and destructive. Rather than rewarding K-12 regional districts on unsubstantiated data, provide school districts with financial support to study consolidation of services leading to more cost effective and efficient educational programs.

Commissioner Klagholz based his administrative excess penalty on a new definition of administrative costs. The new formula includes: Librarians who teach; School Nurse who instructs; Guidance Counselor who advises students and Learning Disability Teacher, Social Worker and School Psychologist who are required, by law, to assess the learning disabilities of potential special education students. Additionally, teaching supplies and clerical salaries, relating to all of the positions above, are included in the new formula all under the guise of administrative costs.

An old African proverb states, "It takes a whole village to educate a child." The translation and application of that proverb to today's society fits like a glove. It takes a whole community/school system to educate a child, from taxpayers to bus driver custodian to cafeteria workers and maintenance staff to the classroom teachers and teacher aides, from secretaries and building administrators to the central office staff, to the Child Study Team and Central Office Administration to Board Members, to the Commissioner, to the Governor, to the legislators and back to the taxpayers to support our program and educate the child. Each person makes a significant contribution in the development and support of our educational environment that educates the whole child.

It is inconceivable how the Governor could identify programs essentially needed in delivering a total educational program for our children, many of which are mandated by our legislature, and classifying these essential services with an **administrative excess penalty**.

When are we going to start working together? When can we start finding a way in which we can help the school districts and all the children in the state in providing quality educational programs rather than devising negative paradigm that ultimately penalize school districts and services delivered to the children.

PJS/mv

Encs: Table/Graph - Financial Impact of State Mandated Programs
and Continued Reduction in State Aid

cc: Senator Gerald Cardinale
Assemblyman John E. Rooney
Assemblywoman Charlotte Vandervalk

DEMAREST BOARD OF EDUCATION
568 Piermont Road
Demarest, NJ 07627

FINANCIAL IMPACT OF STATE MANDATED PROGRAMS

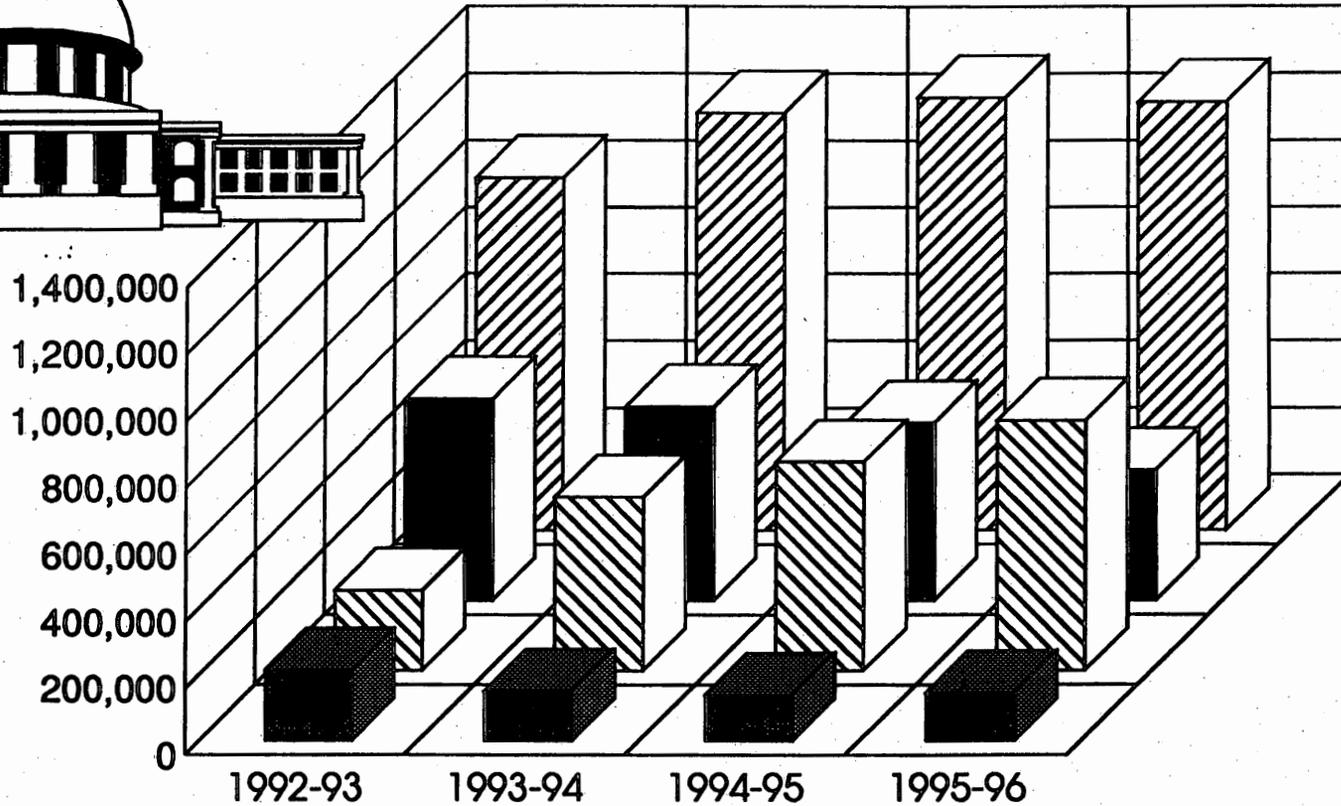
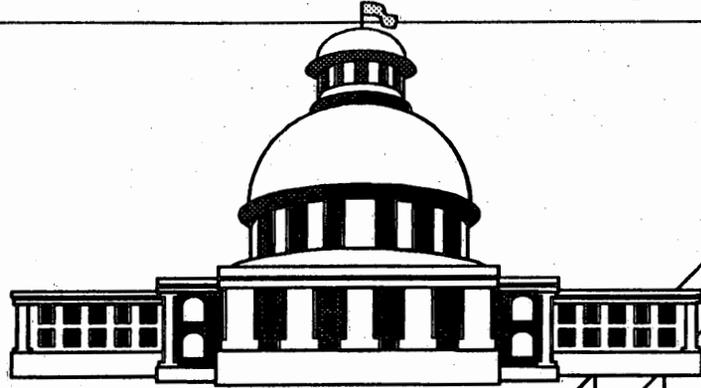
PROGRAMS	1992/93	1993/94	1994/95	1995/96
Multiply Handicapped	107,285			
Communications Handi.	176,093	317,161	285,805	257,612
Resource Room	179,920	217,229	223,564	220,310
Speech	41,350	45,650	50,251	53,599
Basic Skills-Lang.Arts	12,910	9,520	12,943	13,878
Basic Skills-Math	7,393	10,280	13,172	13,525
Basic Skills-Reading	5,304	9,884	13,589	13,264
Transportation	91,097	98,900	100,925	107,925
Tuition-Out-of-District	73,375	159,000	194,798	207,235
English/Second Lang.	91,245	102,218	106,450	111,448
Child Study Team	173,305	183,661	198,201	188,077
Benefits	104,000	96,000	96,000	96,000
TOTALS	1,056,017	1,249,503	1,295,698	1,282,873
STATE AID	(604,023)	(581,774)	(533,111)	(389,934)
TUITION	(211,023)	(148,596)	(137,664)	(144,000)
TOTAL DISTRICT COST	240,372	519,133	624,923	748,939

1. State Mandated Program costs have increases 21.5% (1992/93-1995/96).
2. State aid for Mandated Programs has decreased 35.5% (1992/93-1995/96).
3. District obligation (property tax) to maintain State Mandated Programs has increased 311% (1992/93-1995/96).
4. Special Education Aid has remained the same for four years—despite significant increase in student enrollment and operating cost.
5. Restrictive state budget caps have forced reduction in regular program appropriation in order to accommodate increases in State Mandated Programs.

February 21, 1995

Demarest Public School District

Financial Impact Of State Mandated Programs



State Mandated Program		1,056,017	1,249,503	1,295,698	1,282,873
State Aid		604,023	581,774	533,111	389,934
District Cost		240,372	519,133	624,923	748,939
Tuition (Received)		211,622	148,596	137,664	144,000

This graph shows the total cost of state mandated programs and the sources of revenue

UNION COUNTY REGIONAL HIGH SCHOOL DISTRICT NO. 1

MOUNTAIN AVENUE
SPRINGFIELD, NEW JERSEY 07081

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DONALD A. MERACHNIK, PH.D.
Superintendent
Diplomate in School Administration

THOMAS LONG
Administrative Assistant
for Personnel & Public Relations

PETER J. LANZI
Board Secretary
School Business Administrator
DENISE CLIATT
Business Office Assistant

February 6, 1995

The Honorable Christine Todd Whitman
Governor of the State of New Jersey
State House, CN-001
Trenton, New Jersey 08625

Dear Governor Whitman:

As you know, the State Department of Education has disseminated state aid figures to all districts for the 1995/96 school year. Seventy school districts, including the Union County Regional High School District No. 1, were assessed penalties for alleged excess administration costs. After analyzing what the Department of Education defines as administrative costs, one wonders if all of these line item accounts are really administrative costs. Some have little relationship to administration.

If I were told our district had too many principals and assistant principals and, therefore, our administrative costs were too high, I probably could accept this definition of administrative costs. But, the definition used by the Department of Education as administrative costs include the following line item accounts:

1. Salaries of a school nurse in each high school and a school doctor who conducts physical examinations of students about 2-3 hours each week. Salaries of a part-time clerk in the health office and supplies for student use (band-aids, P.P.D. for tuberculin testing of students, tongue depressors, bandages, etc.). Are these costs administrative costs?
2. Salaries for high school guidance counselors, costs for scoring student test results, purchase of college manuals and books on financial aid, salary for a substance abuse counselor, salaries for guidance office secretaries and college visitation costs for counselors. Are these costs administrative costs?

SPX

Serving the Educational Needs of Students from
Berkeley Heights, Clark, Garwood, Kenilworth, Mountainside and Springfield.

3. Salaries for child study team members who assess and develop individual educational plans for classified special education students. School psychologists, social workers and learning disability teacher consultants (who are mandated by state law) are included in this category. Are these costs administrative costs?
4. Salaries for one high school librarian in each high school, plus secretaries, library books and materials for student use, audio-visual materials for instruction and supplies for student use in the library are counted. Are these administrative costs?

I do not believe that these categories are properly listed for inclusion in any definition of administrative costs. And, to make a case that our school district has excess administrative costs and should be penalized with a reduction of \$837,711 because of guidance services, health services, special education services and library services is reaching beyond reality. It just doesn't make good, common sense.

To compound and confuse the matter further, all of the above, for which we are being penalized, are mandated services required by the State Department of Education and in the case of child study team members, by the Federal Government under P.L. 94-142.

The manual for the evaluation of local school districts pursuant to N.J.S.A. 18A:7A-1 et. seq. and N.J.A.C. 6:8-4 et. seq. dated June 1993 mandates a guidance and counseling program:

"5.3 Guidance and Counseling:

The district shall provide all pupils with a board-approved program of Guidance and counseling services."

In addition, N.J.A.C. 6:29-6.3 mandates implementation of policies and procedures for evaluation, intervention and referral to treatment of pupils who use alcohol or drugs or are suspected of being under the influence of drugs in school. And, the state manual for evaluation of local school districts mandates a substance abuse prevention program:

"5.4 Substance Abuse Prevention:

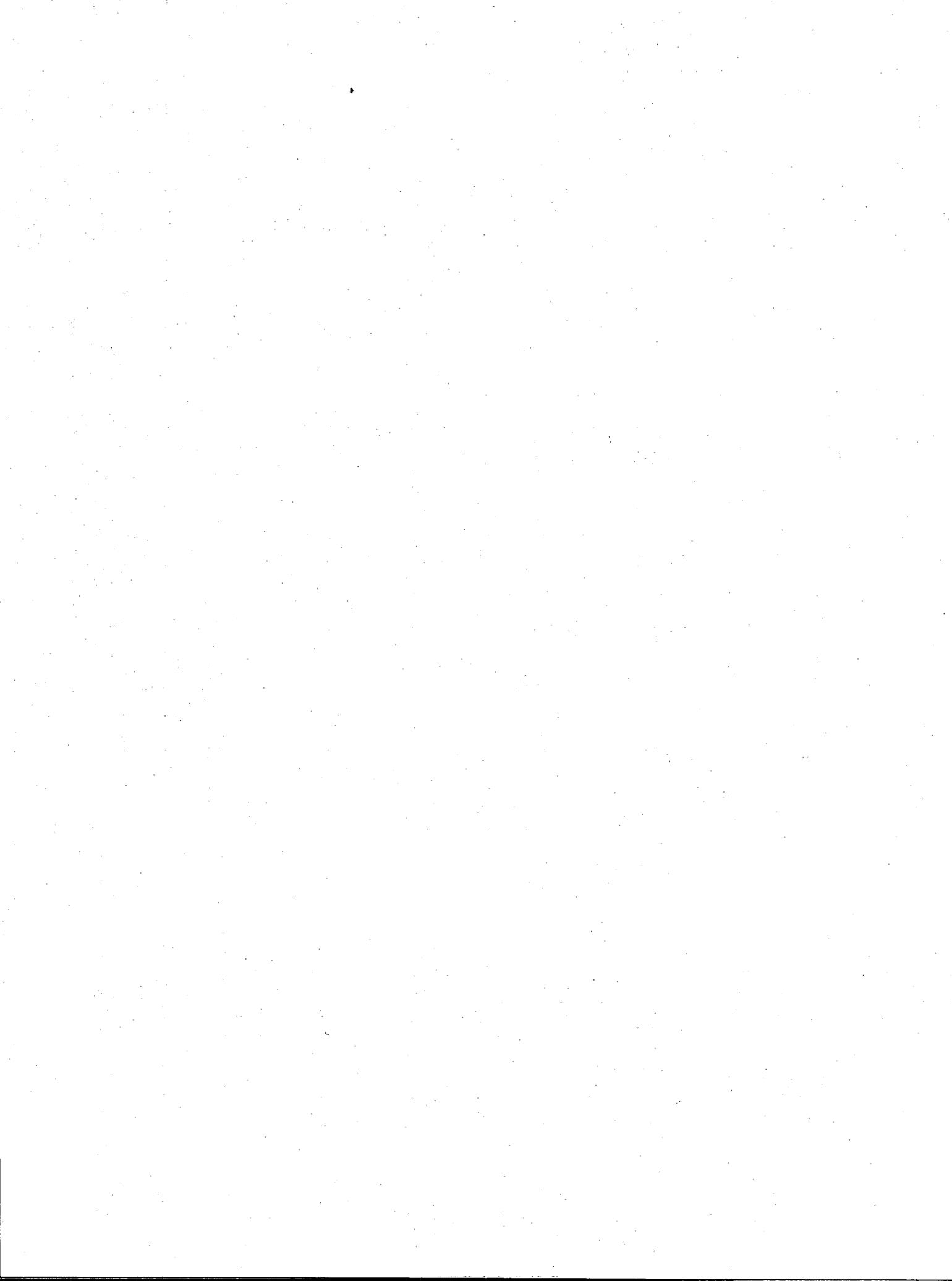
The district shall develop and implement a board-approved substance abuse prevention program for all grades which includes:

- 1) Policies and procedures in accordance with N.J.A.C. 6:29-6, the substance abuse code;
- 2) Provisions for evaluation, intervention and treatment/referral services by appropriately certified staff;
- 3) Reporting, notification and examination procedures;
- 4) Curriculum and instruction consistent with N.J.A.C. 6:29-6.6 and the Department of Education Chemical Health Education Guidelines pursuant to N.J.S.A. 18A:40A-16;
- 5) Cooperation with local law enforcement in accordance with Enforcement of the Drug-Free School Zone Code, N.J.A.C. 6:3-6; and
- 6) Cooperation with local municipal alliance committees and other appropriate organizations and agencies."

Other aspects of the manual for evaluation of local school districts also imply the need for high school guidance counselors to counsel students. For example, element 5.1 requires a school district to maintain an average daily attendance rate of 90% or higher and element 5.2 requires that the dropout rate for pupils in grades 7 through 12 shall not exceed 10%. Guidance counselors, school nurses and child study team members counsel students so that attendance goals are achieved and dropout rates are kept to a minimum. These people do not work in administration, but as a support service. Are we to assume that we have too many of these staff members and that the state mandates are to be relaxed or are we to continue to meet the state mandates without staff?

The need for a school doctor and a school nurse in each school is clearly documented in 18A:40-1:

"18A:40.1. Employment of Medical Inspectors, Optometrists and Nurses; Salaries; Terms; Rules. Every board of education shall employ one or more physicians, licensed to practice medicine and surgery within the state, to be known as the medical inspector or medical inspectors, and any board, not furnishing nursing services under a contract pursuant to section 18A:40-3.1 shall employ one or more school nurses, and it may also employ one or more optometrists, licensed to practice optometry within the state, to be known as the school vision examiner or school vision examiners, and the board shall fix their salaries and terms of office."



Other citations in 18A:40 specify the duties of the school nurse: assisting the school medical inspector in examinations, audiometric screening, keeping of health records, scoliosis screening, etc. And, 6:28-3.2(2) mandates that the school nurse conduct vision screening for every pupil identified to the child study team. These are not administrative duties. How can a high school employing one school nurse and a part-time school doctor be cited for excess administrative costs? It just doesn't make sense unless we are going to be asked to no longer employ school nurses or school doctors.

The need to employ child study team members to provide for special education was initiated by the Federal Government with P.L. 94-142 and recently (1990) augmented by the "Americans with Disabilities Act" which increased the role of high school child study team members in the area of school to work transition. And, the Administrative Code 6:28-1.1, 4(f) refers clearly to the employment of these specialists in the public schools:

"(f) Each district board of education, independently or through joint agreements, shall employ child study teams, speech correctionists or speech-language specialists and other school personnel in numbers sufficient to ensure provision of required programs and services pursuant to this chapter."

And, that same code, 6:28-3.1(a) and (b), defines the duties of the team:

"(a) A child study team is an interdisciplinary group of appropriately certified persons who:

1. Shall evaluate, after parental consent for initial evaluation has been received, and participate in the determination of eligibility of pupils for special education and/or related services;
2. Shall coordinate the development, monitor and evaluate the effectiveness of the individualized education programs;
3. May deliver appropriate related services to pupils with educational disabilities;
4. May provide preventive and support services to nondisabled pupils;
5. May provide services to the general education staff regarding techniques, materials and programs for pupils experiencing difficulties in learning. Services include, but are not limited to the following:
 - i. Consultation with school staff and parents; and
 - ii. The design, implementation and evaluation of techniques to prevent and/or remediate educational difficulties.

(b) A child study team shall consist of a school psychologist, a learning disabilities teacher-consultant and a school social worker. For pupils ages three to five, the study team shall include a speech correctionist or speech-language specialist. All members of the child study team shall be employees of a district board of education, have an identifiable, apportioned commitment to the local school district and shall be available during the hours pupils are in attendance."

With the above responsibilities, a school district must provide child study team services. Although most school districts reflect a 12%-15% incidence of special education students, as more students are classified and provided with special educational services, more staff may be needed. Be this as it may, these staff members work with students, teachers and parents. They are support personnel, not included as administrative staff.

The Administrative Code 6:8-5A.2, 3 lists the state mandate for a librarian and library services:

"3. The comprehensive curriculum and instruction element of the district shall be rated acceptable upon documentation of performance in seven indicators as follows:

- i. The district board of education shall approve annually a curriculum for all grades from pre-kindergarten through grade 12 for all subjects including all State-mandated programs and services.
 - (1) The district shall implement the curriculum which was adopted by the district board of education..
 - (2) The district shall provide for articulation of the curriculum.
 - (3) In accordance with N.J.A.C. 6:8-7.1(c)2iii and N.J.A.C. 6:39-1.3(b), district boards of education shall provide for:
 - (A) Development of course proficiencies, which shall include, but not be limited to, those identified and established by the Department of Education as core course proficiencies;
 - (B) Establishment of a standard of student mastery; and
 - (C) Annual assessment of all students in those proficiencies necessary to meet all State and local high school graduation requirements;

- ii. The district shall make provisions for identifying pupils with exceptional abilities and for providing them with an educational program and services;
- iii. The instructional program shall provide all pupils with guidance and counseling;
- iv. The instructional program of the district shall provide all pupils with a library skills program;
- v. The district shall introduce instruction in effective study and work skills early in the curriculum and reinforce such instruction throughout the curriculum."

I find it difficult to include salary for a librarian and costs for books and library services to be designated as administrative costs. We must have this staff member and provide these services if we are to satisfy our state requirements to provide students with library skills.

If the State Department of Education is suggesting we reduce the services of guidance counselors, nurses and doctors, librarians and child study team staff, I suggest the code and statutes that mandate these services be amended. For we should not be mandated to provide specific services at the same time that we are penalized for providing them.

Sincerely,


Donald Merachnik, Ph.D.
Superintendent

**Remarks Before the Senate Education Committee
February 21, 1995**

**Dr. Robert E. Smith, Superintendent
Wood-Ridge Public Schools
89 Hackensack Street
Wood-Ridge, New Jersey 07075**

The "Excess Administration" Penalty

I have three areas of disagreement with the assessment of a penalty for spending beyond a limit in accounts which have been designated as "administration." The first is the lack of fairness in assessing a penalty for violation of a guideline made known after the fact. The 1994-95 budget for my district was finalized in July, 1994. It was approved by the Department of Education without even a hint that there might have been a problem with excessive allocations in some accounts. Six months later, when it was too late to make a change, the Governor announced a guideline for administrative costs and a penalty for exceeding the state median by 30%. A characteristic of a median is that half the sample lies above it and half falls below it. I don't know why 30% is significant.

My second disagreement is with targeting of student services. The implication is that the state encourages reduced spending for the services. When the state has set higher standards in the assessment of reading by making the reading selections and tasks more complex, it is the wrong time to initiate a penalty for spending too much on library services. When the schools are encountering and responding to more frequent and more serious problems of students, it is the wrong time to initiate a penalty for spending too much on guidance counseling services. When a parent may send a child to school sick or injured because no one is at home during the day or because the family has no health insurance, it is the wrong time to initiate a penalty for spending too much on health services. And when specialized staff is needed to support programs coming from state and federal initiatives in special education - inclusion programs as one example, it is the wrong time to invoke a penalty for spending too much on the operation of Child Study Teams. My district spends only \$154,000 for librarians and materials. It spends \$170,000 for 2 guidance counselors, a guidance secretary, test materials, office supplies, and other materials. It spends \$112,000 for health services. It spends \$215,000 for operation of a child study team. These are not exorbitant expenditures.

My third area of disagreement is the label of excess administration which was attached by the Governor. I question the motives for doing so. Was it done to hide the attack on support services for kids? Was it done because talk of bloated administrations always finds a sympathetic audience? Was it done in the hope that attacking this enemy at the local level would draw attention away from the state level? Of the costs for my district which the state identified as administration, only 44% are truly administrative in nature. My district spends \$785,000 for administration, including a superintendent, a business administrator, one high school principal, one elementary school principal, a half-time Child Study Team coordinator, 9 ½ secretaries, expenses

Dr. Regina T. White, Principal, Wood-Ridge High School
Key points of testimony before Senate Education Committee on
"Administrative" costs.
February 21, 1995

The reduction of state aid for the Wood-Ridge School District under "Excessive Administrative Penalty" will have a devastating effect on the educational services received by our students. It is also giving a false impression to the public by having them believe that our district has "too many administrators" when in actuality the reductions will be in student support services, items that directly affect the students.

I am the Principal of Wood-Ridge High School, a 7-12 school with 327 students. I have to wear several different hats in my position as there are no other high school administrators or supervisors to assist. There are no assistant principals, no department chair-persons, no curriculum supervisors, I fulfil all these duties and responsibilities in addition to all my other duties and responsibilities as a high school principal. Observations and evaluations of staff must be done, I do the majority of observations and evaluations of my staff. I also chair the department meetings, oversee curriculum development, and direct textbook selection. Larger districts have department chair-people and curriculum coordinators to assist with these tasks. In order to accomplish all these required tasks I am in school or at school related events sixty plus hours per week and a majority of my weekends are spent doing all the paper work that cannot be completed even during these long working hours. During the school day I spend the majority of time interacting with students, staff, parents, and community members. I am in the classrooms and working with students. I am an educational leader not simply an "administrator."

Curriculum development has been labeled an "administrative cost". The time and effort for curriculum development are the same for similar courses regardless of the size of the student population. If the same amount of money is spent by both Wood-Ridge and a larger district for developing curriculum for a similar course, we will be penalized. The cost percentage for us will be greater due to our size, yet the curriculum content cannot be reduced.

If you examine what has been labeled "administrative" you will find that these expenditures are not administrative at all. How can attendance and social work be labeled administrative? My attendance secretary does a Herculean job. She knows where each of our students is each period of the day. Our social worker and the rest of the Child Study Team works with us to identify and assist with student problems before they become severe.

Lebanon Borough School District

DONNA B. VAN HORN
Superintendent



NANCY MAKOWSKI
Board Secretary

February 21, 1995

The Honorable John H. Ewing
Senate Office Building
Trenton, New Jersey 08625

Re: State Aid Penalty for Excess
Administrative Costs

Dear Senator Ewing:

The Lebanon Borough Board of Education objects to the Commissioner of Education's characterization of our school as among the worst in the nation. Further, we object to the subsequent reduction in state aid because our administrative costs have been deemed excessive. A cursory examination of the facts would have pointed out the absurdity of this assumption before it was announced. Responding to your request for testimony, we submit the following for your consideration, as it pertains to the Lebanon Borough School District.

- **Pupils On-Roll, as a divisor, vs. Resident Enrollment.**
Lebanon Borough is a K-8 district operating a K-6 school. In addition to the 97 students on-roll, we fund the education of 4 pre-school handicapped students in out-of-district placements, and 23 7th & 8th grade students enrolled in a send-receive relationship with the Clinton Township BOE. Tuition, transportation and special education costs for these 27 students total 22% of our 1994-95 budget. *Note:* Perhaps the Clinton Township BOE will consider not charging the residents of Lebanon Borough to educate these students, since the state infers we are not responsible for them.
- **All administrative personnel in this district are involved in the education of our children.** The superintendent regularly spends time in classroom instruction, and often helps serve lunch. The librarian teaches seven classes and supervises one lunch period in the 1½ days she is employed. The child study team, available @ 50% time, has drastically reduced our out-of-district special education placements, freeing up funds for the education of all borough students. Related OT/PT services are mandated by the IEPs. Health room services, too, are mandated by state law. In Lebanon Borough the school nurse is available @ 40% time to administer prescribed medications and provide emergency medical care.

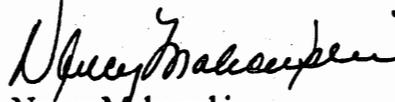
6 Maple Street, P.O. Box 426, Lebanon, New Jersey 08833
(908) 236-2448/FAX (908) 236-7670

68x

- The New Jersey Department of Education would do well to acknowledge the many mandated administrative costs imposed on local districts. The following administrative positions/programs are in place because they are state mandated, and, therefore, should not be considered in a calculation of excessive administrative costs: Chief School Administrator , Board Secretary/SBA , annual audit, election officials, NJSBA dues, orientation for new board members, and the five-year facility plan, which Lebanon Borough recently authorized at \$1800. Can anyone explain how this enhances the education of our children? This same \$1800 would have been better spent for the purchase of instructional materials.
- **Impact on Local Levy.**
The imposed penalty has reduced our 1995-96 state aid entitlement by 29.6%. To maintain programs currently provided to borough students, obviously requires an increase in the local levy to offset this penalty. Lebanon Borough residents will be asked to shoulder the additional responsibility of this reduction in state aid by funding 95% of the 1995-96 budget.
- The Lebanon Borough Board of Education believes that we, and the other small districts caught up in this scenario, are the target of a backhanded attempt at forced regionalization. This district has always been willing to explore combining services to gain economies of scale, including regionalization with a neighboring district - but it must be cost effective for the taxpayers and educationally beneficial for our children. To date, the State of New Jersey has been delinquent in providing leadership in this area.

In conclusion, the Lebanon Borough School District respectfully requests a thorough examination of the process of state aid funding to all school districts, and an immediate reversal of the penalties imposed for excess administrative costs. We appreciate the efforts being made by our supporting associations and our legislators in this behalf.

Very truly yours,


Nancy Makowski
Board Secretary

c: Members-Senate/Assembly Education Committee
Members-Lebanon Borough Board of Education
Dr. Leo Klagholz, Commissioner of Education
Donna B. Van Horn, Superintendent

TESTIMONY OF BRUCE QUINN BEFORE THE SENATE EDUCATION
COMMITTEE CONCERNING "EXCESS ADMINISTRATION PENALTIES"

Dear Senator Ewing and Members of the Senate Education Committee:

My name is Bruce Quinn. I am Assistant Superintendent for Business/Board Secretary for the Public Schools of Red Bank in Monmouth County. I am here today to speak with you about Commissioner Klagholz's plan for "Excess Administration Penalties" contained in the state aid notice we received from the Department of Education.

We have been informed that we should anticipate \$216,984 less state aid in 1995-96 because of the penalties Commissioner Klagholz intends to levy against our school district. Let me tell you what this means to the property owner in the Borough of Red Bank. Our total ratables for property tax purposes are \$657,660,754. Every penny on our local tax rate generates \$65,766. This aid loss will increase property taxes in our town by 3.3 cents per hundred dollars in ratables. To put it another way, for every \$100,000 in assessed property values, our property taxpayers will have to pay \$33 to make up for the lost state aid.

And these property taxpayers will have to pay this no matter what our local board of education does with our 1995-96 budget. The Board could remove every item that the Commissioner has deemed "excessive" and they would still pay an extra \$33 per \$100,000 in ratables in next year's school tax bill. This is because this penalty was based on our approved, beginning 1994-95 budget over which we no longer have any ability to modify. And furthermore, during the entire budget development process for 1994-95, no notice concerning potential penalties was ever mentioned.

Let me expand further. Our proposed 1994-95 budget was defeated by our voters. The Board chose to appeal a portion of the tax levy reduction ordered by our municipality. Commissioner Klagholz reviewed our appeal and restored three positions cut by our municipality to our budget. He denied three other classroom teaching positions. Because we were above the 3 per cent level, he ordered them paid for from surplus not tax levy. However, the Commissioner's own action, to restore two of the positions (for a Substance Awareness Coordinator and for a Part-time Psychologist for the Child Study Team) as necessary for us to provide a Thorough and Efficient education, had the effect of increasing our penalty through this program. Therefore, positions which even the Commissioner called necessary, now will be paid for a second time by our taxpayers through the loss of state aid.

The Commissioner has now gone on record, in his explanation regarding this program, to say that taxpayers in other communities should not be funding these "excesses." There is a basic premise built into that statement that says the taxpayers of the state, not the local municipality, were paying for these positions and services the first time. That is simply not the case.

Look where we are receiving our penalty. We have an normal entitlement of only \$6,747 in transition aid. This is a general purpose aid designed to gradually reduce the impact of the change from the Chapter 212 funding formula with the provisions of the Quality Education Act. The penalty reduces all of that.

We have an entitlement of \$105,714 in transportation aid. This aid was designed to have the state pay a portion of the cost of transporting students deemed remote from school by state definition, for special education students and their placements by their individual education plan, and for non-public school students up to an amount of \$670 per child. Our penalty eliminates all of our aid in this category as well. Our taxpayers will now pay 100% of all those costs. Is this fair and equitable?

Finally, we have an entitlement of \$523,887 in Aid for At-Risk Pupils. This aid was designed to give state funding to programs and services for pupils who, because of the poverty level conditions in which they live, are in need of such additional services. Our penalty reduces this aid by almost 20%, a total of \$104,523. Are these the kinds of programs and services in Red Bank that the Commissioner is saying for which other communities should not be paying?

All of this penalty concept comes without any prior notice to our elected school board. However, we must go far beyond the fact that the lack of prior notice was wrong. The plan itself is inequitable and contradicts the very concept of improvements that have been demanded of school districts by County Superintendents, the State Board of Education, education reformers, and the State Supreme Court in Abbott vs. Burke. The fact that this Commissioner has "redefined" administrative costs to include nurses, guidance counselors, child study team members and librarians is a major issue.

There are many reasons why districts would fall into the category that would receive a penalty under this program. Let me describe another inequity. State law and code says we must have a child study team. We have a team to cover the needs of the district based upon the numbers of classified or classifiable students we serve. We also must collectively bargain. In collective bargaining, districts establish a pay scale that rewards experience and university awarded degrees for preparation. In our district, we have two members of our child study team on the top of the salary guide, one with a masters degree plus 30 credits toward her doctorate and the other with a doctorate. We pay a premium for these professionals, for their experience and preparation.

Let us take another district with the same number of positions, however they could have their top two salaried professionals as fifth grade teachers, and they could have individuals with little experience on their child study team. This district could be paying the same amount for the positions involved in total, but because their highest paid people are in the classroom and ours are

in support, only we would get the penalty. There is something quite wrong with that scenario. Are we to be penalized for having experienced personnel on our team? And haven't our taxpayers already pay for this level of service once? Why should they have their property taxes increased to pay for this a second time from the resulting loss of state aid?

Let me tell you a little more about the Red Bank Public Schools. We are a K-8 school district presently serving 870 students in two schools. We have over 70% of our students receiving free and reduced lunch, the second highest percentage of poor students in Monmouth County. Our percentage of poor students exceeds that of three of the four special needs districts in our county. We come from a racially and socio-economically diverse community. On the high school level, our graduates go on to compete with students from our wealthy neighboring towns of Little Silver and Shrewsbury at Red Bank Regional High School. Because of the continued excellence of these other elementary programs and their student performance, we must provide a challenging and enriching curriculum for our children, after first needing to overcome the poverty that our children have experienced in their lives. We continue to attempt to deal with the disruptive social conditions they face.

We have not done well on the state-administered Early Warning Test. We have a new administrative team that is trying to improve the quality of the educational program for our children to make significant gains in performance. Our new superintendent, now in her second year, was well-recognized in the educational community for her expertise in curriculum and teaching methodology. I came to join her six months after her arrival, following more than 8 successful years as the Business Administrator in a large K-12 district and three years in the State Department of Education as a County School Business Administrator and Acting County Superintendent of Schools. We came to make a difference for the children of our community. Cuts like this threaten our chances of making such a difference.

Red Bank just missed qualifying for foundation aid during the first two years of implementation of the Quality Education Act. Our share of ratables was just a little too high to make it. Yet it is our community and its moderate income and property wealth status that allows Red Bank Regional, the limited purpose regional high school to which our eighth grade graduates are sent, to qualify for foundation aid despite the inclusion of the wealthier Little Silver and Shrewsbury in their local fair share formula. If the QEA was recalculated today, we believe we too would get foundation aid and not experience the diminishment of transition aid as a "wealthy suburban district." We bring this up to highlight this inequity.

We share much more in common with our special needs neighbors than we do with a typical K-8 transition aid district. The problems we must overcome are far more severe than most. Through enlightened leadership, the Red Bank Board of Education staffs its two schools with a principal in each building, a counselor in each, a school

nurse in each, and a teaching librarian in each. We have a child study team with a director-psychologist, a part-time psychologist (restored by the Commissioner in the 1994-95 budget appeal as necessary for T&E), a learning disabilities teacher consultant, and a social worker. Our budget also provides for a Substance Awareness Coordinator (also restored in our budget appeal) to deal with a documented drug abuse problem for our students and the community. At the central administration level, we have a Superintendent of Schools and a Board Secretary/Assistant Superintendent for Business. In addition to these two positions, our budget provides for a Supervisor of Curriculum and Instruction position, which has been vacant since a resignation occurred in September.

Our budget also provides for the local share of our Urban Schools Service Corpsmembers. We are one of only 10 schools in the state to have this program and one of only two non-special needs districts. The mentoring and support that these young people offer our students has been invaluable, as well as nationally recognized.

Other than our secretarial staff and an instructional assistant who assists the Middle School building principal with discipline, that's the total of our "administration." We would assert that we are far from being administratively top-heavy. We provide the services and support to our students and our teachers that are necessary, given the nature of our district.

I will provide for your legislative staff a detailed breakdown of our entire budget in the "administrative" area for you to review.

Timing is, of course, critical now. On March 8, school budgets must be in the hands of the County Superintendent of Schools and the revenue in those budgets must match the entitlements provided by the Governor through the Commissioner. We would ask that you do one of three things: (1) meet with the Governor and prevail upon her to eliminate this penalty system; or (2) pass legislation either removing the penalty or funding it with a supplemental appropriation; or (3) send a letter to each county superintendent that it is the intent of the legislature to restore these penalties in the appropriations act and to allow the county superintendent to accept school budgets with their full regular entitlement without such penalties.

If you fail to act, there will be nothing to stand in the way of future retroactive penalties for other "excesses" like courtesy busing or expenditures for athletic programs. Let us remember that the main purpose of state aid to education was to eliminate over-reliance on the local property tax.

In summary, for the short term we must eliminate this penalty system, but in the long term this state needs a revised, fair state aid formula. I thank you, on behalf of the children and taxpayers of Red Bank, and on behalf of all other communities with whom we share a common need.

TESTIMONY OF ALPINE CHIEF SCHOOL ADMINISTRATOR, MATHEW R. GLOWSKI, ED.D.

FEBRUARY 21, 1995

NEW JERSEY SENATE EDUCATION COMMITTEE HEARING

My name is Mathew Glowski. I am a resident of Teaneck and currently serve as the Chief School Administrator for the Alpine School District in Bergen County. I am here to comment on the recent school aid provisions known by several different names: School Efficiency Program; Excessive Administrative Expenses; Penalty for Excessive Administrative Appropriations and the computer printout QEA ADMIN PEN.

It appears that the source of the State Aid Reduction to districts spending 30% above the median of "administrative appropriations", is the decision of the New Jersey Supreme Court on measuring equity in public school education in terms of money expended per pupil. The executive and legislative branches of New Jersey government are under court order to find ways to narrow the spending of wealthy and non-wealthy districts.

The proposed State Aid Reduction to districts spending 30% above the median seems, on its face, a good idea. In the past, efforts were made to find ways to raise the level of spending of the low income districts in the State. But because Budget Caps could be exceeded by the vote of the public, it remained unlikely that the gap could be closed. However, the proponents of the state aid reductions have not crafted an idea that is selling itself. As a result comments that are coming forth from various department sources take on the tone of brow beating the 70 districts alleged to have excessive administrative costs. Unfortunately, a divisive atmosphere is developing at a time when we should be pulling together to solve this problem as it has been identified by the New Jersey Supreme Court.

The strategists who designed the QEA Administrative Penalty formula have something in common with the strategists of the Florio Administration who designed the Quality Education Act a few years ago. Both worked out of the purview of the public eye and both launched their ideas before field testing them for validity and reliability. The Florio QEA failed, in part, because the statistical strategists who developed the funding proposals after "working the numbers" on their computers lacked the understanding of the history of the TPAP. Their statistical analyses could not measure the betrayal that was felt by certified teachers in school districts throughout the state of New Jersey when funding was to be taken out of the state's hands and put into local hands.

Today the statistical strategists have again "worked the numbers looking for a bottom line". And again they have erred for they have not measured the very thing they criticize - efficiency in the schools. In addition, the statistical strategists have formulated a rationale that does not hold validity - at least it does not hold validity for the community of Alpine and I believe further analyses will show that the rationale is not reliable in its assumptions for the communities of Englewood Cliffs, Tenafly, Demarest and Haworth.

Attached to a Memorandum on the subject of "Review Process for the School Efficiency Program", distributed on February 9, 1995 under signature of Commissioner of Education Leo Klagholz, was a document entitled "School Efficiency Program: Questions and Answers".

Let us look quickly at some of the terminology in this document and see if it does not make one wonder if the people who crafted the document checked their formulae for reliability and validity.

The Questions and Answers document on page one states that "Not all school districts are responsible for the state's high spending levels. Some districts do an effective job of educating students for around \$7,000 per pupil. But other districts spend as much as \$16,000 per pupil. These higher rates of

spending are unjustified. They reflect inefficiency and excessiveness. Yet, because public education is funded partly by state taxes, citizens in other communities, through the state, must pay part of the bill when a particular district spends excessively.

"This is unfair. Taxpayers, particularly those who avoid excessive spending in schools of their own communities, have a right to expect that all school districts will use public dollars prudently and efficiently. The state has an obligation to protect the rights of these taxpayers to efficient operation of public institutions.

"Therefore, the proposed state budget reduces state funding for those 70 school districts of the states' 600 districts, that spend the most per pupil on noninstructional staff and materials. The noninstructional spending of each of these districts is more than 30 percent above the average for similar districts."

The problem with the Review Process is that the 70 districts are guilty until they prove themselves innocent. There should also be concern that the review process was put out on February 9 and due 15 work days later on February 28.

The three paragraphs quoted above raise several questions.

The first question is how do the authors of this document define "an effective job of educating students"? Why do the authors use the term "effective" in this sentence but switch to "inefficiency and excessiveness"? What are the standards in the performance of the schools that the authors are using to determine "inefficiency and excessiveness"? None are provided in any of the explanations. There is no data presented on the student achievement in these cited schools.

It is possible for a school district to be efficient and not be effective as it is possible for a school district to be effective and not efficient. Yet there is even another issue, the issue of quality. The expenditure of larger sums of money for an object or a service does not mean that higher cost necessarily means inefficiency.

When Harvard charges over \$30,000 a year for tuition and room and board and Arizona State University charges only \$15,000 a year, is Harvard University "inefficient and excessive"?

If someone chooses to spend \$52,000 for a Lexus and someone who is equally as able financially chooses to spend \$15,000 for a Neon, does that make the owner of the Lexus "inefficient and excessive"?

Unfortunately, the authors of the Question and Answer document who I presume are the same authors of the QEA Administrative Penalty are not consistent in their terminology nor do they define the terms. It is next to impossible to solve a problem when it is unclear as to what the problem is. Is not the problem really the measure of funding equity that is used by the New Jersey Supreme Court? If it is, let us stick to that problem and not try to create others before we solve that one.

Some other questions arising only from these three paragraphs include: "How many districts are the "some" who are "doing an effective job educating students for around \$7,000 per pupil"? Out of the 600 school districts are half spending at the \$7,000 level or are twenty? Who are these districts? Why not do a content analysis of how those districts operate compared to higher and lower spending districts? Will not this give you better insight into the alleged problem.

This is my twelfth year in the Alpine School District as its Chief School Administrator and never in any of those years did anyone from the State Department of Education, or from the New Jersey Law Center or the courts ever contact Alpine to discover why Alpine spent what it spent in its school. Yet, in

this document, Alpine's expenditures are decried as being unfair to taxpayers in other communities who, according to the Question and Answer document "must pay part of the bill when a particular district spends excessively."

If the "inefficient and excessive" districts have never been contacted nor studied by anyone to determine "inefficiency and excessiveness", how are the authors of the Question and Answer document justified in stating that, "These higher rates of spending are unjustified."?

Each year Alpine and all school districts throughout the state are required to examine the achievement of their students and report it to the public. This past school year 100% of Alpine's 3rd, 4th and 6th graders met or exceeded state standards in reading, mathematics and language arts. In the EWTs 100% of eligible pupils were above the states minimum level of proficiency in reading and math and only one pupil fell below in writing.

A closer examination of the EWT results show that Alpine's students achieved in the top third of all schools in the state for their students in reading and writing. In mathematics, Alpine's students scored the second highest of the 660 schools reporting.

In 1993-1994 the k-8 students maintained an attendance rate of 96%.

Seventy percent of the students in grades 4 through 8 were eligible for programs for the academically talented at Montclair State College.

Based upon these data, officials in Alpine were taken aback when they read in the Question and Answer document that the district as inefficient. The achievement data of Alpine's pupils does not suggest inefficiency. It suggests a higher level of quality.

Let us also look at concrete fiscal data from Alpine. In 1993, the School District and Borough of Alpine received the following amounts of State aid:

\$267,347 in direct aid to the school district - all for state mandated programs such as transportation and special education

202,874 into the Teachers' Pension and Annuity Fund and FICA

80,574 to the Borough of Alpine.

A total of \$550,795 was given in aid to Alpine School District and Borough in 1993.

According to the Department of Treasury, Division of Taxation, the last available year on which state income tax information has been compiled is 1992. In that year 841 state income tax returns were submitted from Alpine. Alpine only has 600 residences and a population of about 1700.

These 841 Alpinians paid New Jersey State Income Taxes totaling \$9,246,000, an average of nearly \$11,000 per taxpayer. Consequently, Alpine's taxpayers saw \$8,695,205 or 94% of their state income taxes going to communities and programs other than Alpine.

The argument put forth by the authors of the Question and Answer document that money from other communities support Alpine's expenditures is not true.

Similar figures can be obtained for four other QEA Administrative Penalty districts close to Alpine - Englewood Cliffs, Tenafly, Demarest and Haworth. I believe that a pattern similar to that seen in Alpine will be found in those districts.

It is clear from the information presented above, that the assumptions underlying the QEA Administrative Penalty were not checked to ascertain validity and reliability. It is obvious that if there are such major misrepresentations in only three paragraphs of the Question and Answer document that the QEA Administrative Penalty holds the potential for being seriously flawed throughout and should be stopped.

Another questionable practice undermining the credibility of the QEA Administrative Penalty is the use of the term "median administrative cost".

Those of us who have studied statistics had to learn the definitions of three terms - mean, median and mode. The mean is the average. It reflects the impact of highest and lowest and frequency of all the numbers from lowest to highest.

The median is the mid-point in a sequence of numbers. It reflects nothing other than that there are an equal number of numbers above and below the mid-point. It does not reflect the impact of lowest and highest nor the impact of frequency of appearance of numbers. While it is possible for the mean and median to be the same, it is not uncommon for the two to be different. The mode is the number which appears most frequently. It does not come into play in these discussions.

What makes one stop and question credibility is that the printout of the QEA Administrative Penalty uses the term "median administrative cost" whereas the Question and Answer document uses the term "state average". The questions become - Which is it - the median or the mean (average)? and What is the average as opposed to the median?

Averages or means should be used with two standard deviations from the mean being used to determine statistically significant differences.

School District Officials in Alpine were taken aback to read that the state said it was spending \$610,000 in administrative expenses in a 3.5 million dollar budget with a resultant Penalty of \$61,000. Nearly \$400,000 of the budget was slated to capital projects and another \$400,000 for tuition to Tenafly High School.

Not wanting to have this penalty, several scenarios were examined.

Scenario 1. A shared superintendency. An analysis of the figures showed that at most the district of Alpine would save about 20 percent of CSA salary but lose 50 percent of the CSA's time. There would still be an Administrative Penalty.

Scenario 2. Eliminate the 1/3 time Assistant Principal who also serves part-time as the chairperson of the Child Study Team. Services would have to be purchased outside the district for CST coordination and administrative responsibilities. The savings might be 25% but the loss of an on-site person would seriously impair effectiveness and efficiency of the CST.

Scenario 3. Eliminate the Business Office. However, services would still have to be purchased outside the district and the Board Secretary would remain. The savings might amount to 25% but the penalty would remain.

Scenario 4. Eliminate all certificated administrative personnel. This would in effect get rid of the penalty but the school district would no longer exist.

So what was discovered as the Administrative Penalty was closely examined was that the Penalty in Alpine had more to do with its small enrollment than with administrative "inefficiency and excessiveness".

In Alpine, many parents have the financial ability to place their children in prestigious private schools. About one third of Alpine's elementary students attend schools other than the Alpine Public School. If these students attended Alpine, the Administrative Penalty would almost disappear. But it would not be eliminated entirely. It is also clear from the way this formula works, that the taxpayers of Alpine are expected to raise even more taxes for every child that attends a school other than Alpine.

The very question of the existence of the Alpine Public School in its current PK through Grade 8 organizational pattern, was hotly debated in 1983 and again in 1993. Each time, school elections were won by a majority of candidates who wanted to keep the Alpine Public School as it is. Parents like the fact that in this small school someone is paying attention to their child. They also want their children to have a quality program that competes with the prestigious private schools. Consequently, Alpine offers

- Spanish and French three times a week in grades 4 and 5 and five days a week in grades 6, 7 and 8
- Art, Music and Computer classes for all grades
- Instrumental music and band for students 4 through 8
- Daily enrichment - a second teacher in the room daily for an hour in grades 3, 4 and 5
- In class supplemental teachers for students in need of support
- small class size dependent on the needs of the children
- Weekly Progress Reports in grades 5, 6, 7 and 8
- \$30,000 annually into technology upgrading
- \$200,000 annually for seven years to building improvements

At this point I would like to share with the committee parts of the appeal the Alpine Board of Education is making to the State Department of Education to have its penalty reduced.

As Chief School Administrator of Alpine I serve in the capacity of Administrative Principal fulfilling the roles of principal and superintendent. I am also called upon to provide instruction. These instructional responsibilities include planning and chaperoning a 3 day program each year with 6th grade students at Camp Bernie; planning and chaperoning two and a half days Interscholastic Problem Solving programs each year with 6th and 7th graders; one 1.5 days with eighth graders; teaching family life to fifth graders the equivalent of one day; and substitute teaching the equivalent of at least one day.

Instructional time of the Chief School Administrator which was classified incorrectly in reporting financial data to the department amounts to the equivalent of 11.5 days and totals \$5,460.

The School Nurse, whose entire salary was placed in the Health Service line, is involved in classroom instruction 48% of her time. These instructional assignments in the classroom and attendant preparation time amount to 48% of the school nurse's time and amounts to \$20,677.

The school librarian is also expected to teach study and research skills to the pupils at the Alpine Public School. A review of her schedule indicates that she is involved in instruction 30% of her time. This amounts to \$11,156.

Other activities for which administrative time is expended for students not on the roll include:

- non-public school transportation
- high school transportation
- monitoring and implementing the Tenafly High School contract
- managing the contracts for special education pupils
- assisting in boro recreation
- managing the pre-kindergarten summer camp
- managing the regular pre-kindergarten program.

In Alpine's appeal, notice is also made of the fact that ten three year olds were not counted on the rolls. Doing so would have reduced the amount of so called administrative expenditures by 6%. The total of Alpine's appeal is \$88,792.

I personally find that this whole QEA Administrative Penalty has been an imposition on my time as a school building administrator and has taken at least four days away from the pupils of the Alpine Public School. It is also an imposition on you and on the management of schools throughout the state. The approach used by the State Department of Education in imposing the QEA Administrative Penalty without checking the reliability and validity of its assumptions and formula is in itself inefficient and excessive.

When the appeal materials came out on February 9, I called the NJSBA's Legal Department and asked what the legal basis was for school districts to appeal something that was a proposal and not yet law. They thought it was a good question but did not see anything that could be done other than appeal and testify.

So I thank you for the opportunity to be heard today. I believe our job in the state is greater than one of "Administrative Inefficiency" and hope that we can find ways to work together without vitriolic diatribes. Having said that, I hope that I now do not sound vitriolic. But I could not help thinking, when I was preparing all this material, that it looked like the statisticians were at work in some ivy tower removed from the people of schools. It just seemed like someone was "working the numbers" until he/she got the desired result. And, I remembered a book I read a few years ago by Charles Dickens called Hard Times. In it a businessman by the name of Grandgrind was often "working the numbers" to make sure that the people in his shop were efficient. Dickens described Grandgrind at work on his numbers in the following lines, "He sat writing in the room with the deadly statistical clock, proving something no doubt - probably in the main, that the Good Samaritan was a Bad Economist." I think the authors of the QEA Administrative Penalty could also prove that "the Good Samaritan was Inefficient and Excessive".

MOUNT HOLLY TOWNSHIP PUBLIC SCHOOLS
Mount Holly, New Jersey

BUDGET HISTORY

SCHOOL YEAR	SCHOOL BUDGET	STATE AID
1991-1992	\$12,193,252	\$7,009,520
1992-1993	\$12,260,425	\$6,526,989
1993-1994	\$11,471,511	\$5,877,416
1994-1995	\$11,986,121	\$5,790,874
1995-1996	?	\$5,766,389
TOTAL	- \$207,131	- \$1,243,131

Mt. Holly Township voters have defeated the school budget for the past three years. The 94/95 budget reflected a 1.6 cent increase which was reduced by Town Council to .6 cents. It is apparent that the taxpayers in Mt. Holly have reached their limit in increasing the tax base. The recently imposed Administrative Penalty has a direct impact in the 95/96 school budget of 1.4 cents.

A greater concern lies with the implications attached to the imposed state penalty of excessive spending and mismanagement of school funds. There was no consideration for individual school districts unique or special circumstances when this formula was generated. This penalty has created a level of mistrust from the community toward the Board of Education and questioned the integrity of the school administration. The entire process will have long lasting negative effects and connotations on the Mt. Holly School System and its partnership with the parents and community, but most importantly, the negative effects will be felt by the students as services are cut.

The following profile of Mt. Holly Township Schools will illustrate its unique student population and the diversity of their needs:

- According to the 1990 census, Mt. Holly Township's District Factor Group was rating is "B".
- 50% of the students attending Mt. Holly Township Schools have been identified as "At Risk".
- The transiency of Mt. Holly students equates to a 30% mobility annually.
- Mt. Holly's Hispanic student population exceeds the state cut-off of 20 students which requires a full Bilingual Program from grades K-8.

- The fact that Mt. Holly Township is a county seat has resulted in 28% of it's property being non-taxable. These exemptions to taxes are either from county facilities or non-profit organizations. This has placed a considerable burden on the taxpayers.

Mt. Holly Township has the highest percentage of Special Education students in Burlington County. The following chart, taken from the State Department's publication of Special Education Statistics, will clearly substantiate Mt. Holly's uniqueness based on its student population.

1993 / Category	Mt. Holly	State
% of Students Receiving Speech	13.3	3.6
Ratio of Speech Personnel to # of students	1/175	1/667
% of Special Education Students in district	25.2	11.1
Ratio of CSTs to # of students in district	1.5/1300	1/1000
Average # of Special Education students serviced in-district	29%	30%
Average # of Special Education students serviced out-of-district	27%	3.5%

- 253 of Mt. Holly's students have been identified through CST evaluation as requiring speech and language development services.
- There has been a steady increase in Special Education services needed by our students - i.e. 86 evaluations were completed during the 1984 school year in comparison to 269 evaluations during the 1994 school year - a 300% increase.
- The State chose to increase the Mt. Holly Special Education State Aid by \$97,000 which would indicate that they have recognized our need to service those students.

In closing, it is our belief that as long as decisions regarding the funding of schools remain political and inconsistent with the needs of each individual school district and their student population, there will be little resolution to the present inequality of school funding which directly affects the ability of school districts to provide a thorough and efficient education.

**SOUTH HACKENSACK PUBLIC SCHOOLS
South Hackensack, New Jersey**

Overview

**FISCAL AND PSYCHOLOGICAL IMPACT
OF THE STATE'S "EXCESSIVE ADMINISTRATIVE PENALTY PROGRAM"
ON THE SOUTH HACKENSACK SCHOOL DISTRICT**

I. Facts

Excessive Administrative Penalty	\$50,825.00
QEACAP	3.63%

II. Projected Impact

1. The penalty will lead to cuts in our budget that are in addition to those necessitated by the 3.63% QEACAP.
2. Fiscal cuts in our already tight budget will effect present programs such as Prek, Full Day Kindergarten, extra-curricular activities, summer school and summer recreation.
3. The procedures in which the state's penalty program was developed and implemented will effect the trusting working relationship between our district and the state.

III. Procedural Concerns

1. The excessive administration penalty was devised and imposed on districts without giving proper due notice and without affording appropriate input. Isn't this diametrically opposed to inclusive processes which the state has always recommended LEA's follow?
2. The state assumes that the general public understands that the terms administrative expenditures and non-instructional expenditures are synonymous. In reality, isn't this misleading to the public - let alone being erroneous?
3. Did the state take into consideration that district's are currently addressing the state's concern about districts being more fiscally responsible? For example, our district is part of the newly formed South Bergen Jointure Commission which is composed of thirteen (13) districts. We are anticipating that as the commission grows we will be tapping the resources/programs/services of the jointure in a variety of areas, i.e., joint purchasing, centralized services, service contracts, curriculum development, staff inservice, grant applications, utilization of personnel.
4. A short period of time before the state released its school aid data to districts, our commissioner held a convocation for superintendents. Wouldn't this have been a great opportunity for him to present the state's "excessive administrative penalty" program?
5. Our district's budget was approved by the county office. Why wasn't there any reference made to excessive administrative expenditures at that time?
6. Why does the state choose initially to take a negative approach rather than a positive one - especially in such a sensitive area as state aid?

Thank you for your time and consideration in reading this document.

STOCKTON BOROUGH
Elementary School
19 South Main Street
STOCKTON, NEW JERSEY 08559-2125
(609) 397-2012 FAX (609) 397-2602

MARLENE LEEB
Chief School Administrator

DEBORAH WISKOW MONIGAN
School Board Secretary

INFORMATION MEMO

TO: The Stockton Borough Public

FROM: Marlene Leeb, Stockton Borough Chief School Administrator

Listed below are some pertinent points in response to the \$14,031 excess administration penalty imposed on the Stockton Borough School District. The facts are:

- The 1994-95 school budget was developed following the process established by law and regulation. The budget was approved by the State Department of Education. No areas were redlined during the approval process as "excess costs." How can it now be judged excessive? Isn't that something that should have been brought to the district's attention last year?
- The penalty is termed "excess administration", yet it includes personnel and program costs that directly interact with and impact students' education: school nurse, supplies for health services, child study team, membership fees for the audiovisual commission.
- The school district's "administration" consists of one administrator and one Board Secretary, both positions mandated by State law.
- Other mandated or regulated line items include the auditor, GAAP accounting program, medical exams for students, child study team, health insurance for employees, New Jersey School Board dues, school election workers salaries, advertising school budget, social security, other retirement, unemployment compensation. Isn't it a contradiction to mandate programs and services and then label it excessive?

February 14, 1995

- Based on the State's formula used to assess penalties, it appears it is not the district's expenses that are excessive, but rather that our school is unique in its service to the 53 students.
- Stockton Borough School students perform in the higher percentiles on all standardized tests.
- The students continue to demonstrate strong academic skills in their 7-12 school programs.
- The district attracts almost 20 percent of its enrollment as tuition students (presently 10).
- The penalty was assessed virtually without any advance notification. School systems had no idea that the State had set new standards.
- The penalty formula was devised by the Trenton bureaucrats from the Governor's office and the Commissioner of Education's offices. This plan was executed in secrecy without input from the County Superintendents or local school districts. Is it an attempt to regulate excessive administrative cost or is it an attempt by the Trenton bureaucrats to reduce the number of small school districts? Is this a case where the State is attempting to subvert the principle of local autonomy and governance?
- Isn't it ironic that Stockton Borough and other quality producing small schools are targeted for penalties under the formula, but Newark (which the State has been trying to take over for three years) avoids any penalties. Are we really talking excess, or are we talking student enrollment numbers that are a reflection of small communities?

**STOCKTON BOROUGH
Elementary School
19 South Main Street
STOCKTON, NEW JERSEY 08559-2125
(609) 397-2012 FAX (609) 397-2602**

MARLENE LEEB
Chief School Administrator

DEBORAH WISKOW MONIGAN
School Board Secretary

February 22, 1995

Dr. Robert J. Sopko
County Superintendent of Schools
Hunterdon County Office of the
New Jersey State Board of Education
County Library & Administration Building
Route 12
Flemington, New Jersey 08822

Dear Dr. Sopko:

Two distinct factors combine to make the Stockton Borough School District a uniqueness entity among New Jersey public schools:

1. The number of students (53);
2. One administrator and one secretary who serves the school in the dual capacity of Board/School Secretary.

This request for review will focus on these two salient points which caused the financial data to be misleading.

First, the formula applied by the State is limited strictly to administrative overhead. Given the fact that Stockton Borough only serves 53 students, when this number is divided into the dividend which includes not only salaries of the administrator and board/school secretary but also other costs, (i.e., employee health insurance, child study team, auditor fees, legal fees, office supplies, membership fees in the audio visual commission, GAAP accounting program fees, technical support services, social security, retirement, unemployment), the result will inevitably cause an excessive per pupil administration expenditure. *It is impossible to divide 53 students into any multiple accounting of administrative costs and arrive at a figure that is not considered excessive by the State formula.*

Second, Stockton Borough District is also unique since one individual is responsible for a number of functions that are essential to providing the 53 students with a quality educational environment. The school's single administrator is responsible for the district's administrative functions, supervision of the instructional functions, business administrator functions including GAAP, payroll etc, plant operation and maintenance functions, and finally substitute teaching when necessary. The Chief School Administrator's responsibilities include, but are not limited

February 14, 1995

to, supervision of staff, meeting with parents and community, completing all grant applications and state mandated reports, school discipline, scheduling, staff and curriculum development and all other duties that occur as part of the daily school routine. This single administrator also functions as the School's Business Administrator, preparing for the yearly audit, completing all financial reports, payroll, the monthly secretary's report and preparing the annual budget.

The school operates as New Jersey's smallest and oldest Kindergarten through grade six school, housed in an building that was constructed in 1832. The actual plant has been in continuous operation as a school since that date with various additions and modifications. Because of its age and the numerous changes in the facility, and because the school only has a part-time custodian from 3:00 to 5:00 p.m., daily, who empties trash and cleans the facility, the plant operation function of the administrator requires an inordinate amount of time. All of the oversight and physical performance of the facility's systems (i.e., oil burner, electrical plumbing, snow, ice removal are etc.) are among the one administrator's many responsibilities.

Stockton Borough School District's administration is very efficient when viewed on the basis of performance or cost. The difficulty lies not in excessive expenditures, costs, or personnel but in the fact that a comparatively small number of students is divided into overall administrative cost figures resulting in a cost per pupil that appears, on the surface to be excessive but in reality is not. The District therefore urges the State Department of Education to take under consideration the misleading numbers and to restore the lost funds to the Stockton Borough School District.

Respectfully,

Marlene Leeb
Chief School Administrator

ML:DWM

DRAFT: SUBJECT TO BOARD RESOLUTION AND APPROVAL



NEW JERSEY GENERAL ASSEMBLY

LEONARD LANCE

ASSEMBLY MEMBER, 23RD DISTRICT
BIRMGTON, MERCER AND WARREN COUNTIES
119 MAIN STREET
BIRMINGHAM, NEW JERSEY 08822
908-788-6900
FAX: 908-788-0416

COMMITTEES:

MEMBER, APPROPRIATIONS COMMITTEE
CHAIRMAN, STATE AID SUBCOMMITTEE
MEMBER, STATE GOVERNMENT COMMITTEE
MEMBER, STATE HOUSE COMMISSION

February 9, 1995

The Honorable Leo Klagholz
Commissioner
Department of Education
CN 500
Trenton, New Jersey 08625

Dear Commissioner Klagholz:

Senator William Schluter and I met yesterday with the superintendents of Bloomsbury, Lebanon Borough and Stockton. Their districts are being penalized for excessive administration costs. While I understand the need to cut costs, I am concerned with several aspects of the Department's decision to penalize these districts.

I believe that the Department's definition of administration is overly broad. Costs deemed "administrative" include school nurses, librarians and child study teams. Also, administrators in extremely small school districts perform several duties at no additional cost to taxpayers.

The superintendents also question why they were not forewarned about this penalty. They argue, with merit in my judgment, that their budgets were approved last year, thus having the imprimatur of the State.

As with other funding issues, I am hopeful that an appeals process has been established. I would appreciate any help or information your Department could render regarding these concerns.

Best wishes.

Sincerely,



Leonard Lance
Assembly Member

cc: Senator William Schluter
Donna Van Horn, Lebanon Borough Superintendent
Marlene Leeb, Stockton Superintendent
Dale Briggs, Bloomsbury Superintendent

Fax Transmission

Transmission to fax tel. number: 292 3454, 777 4099

For the attention of: The Hon. Christine Whitman, Governor

CC: Mr. Leo Klagholz, Education Commissioner

Name of company or institution: The State of New Jersey

City: Trenton

Date and time sent: February 6, 1995

From: Richard Burkholder, Jr.
13 South Main Street
Stockton, N.J. 08559
Tel: (night) 609 397 4954 (day) 609 924 9600
Fax: 609 925 0529

*CC: MARGARET LEEB
and TEACHING STAFF
STOCKTON SCHOOL
397-2607*

*(sent to Senate and
Assembly person
as well)*

Dear Governor Whitman:

I am writing to you out of concern for the continued viability of the state's oldest, smallest, and arguably most enterprising public school, the Stockton Elementary School. As you may know, our small borough (pop. 639) boasts a K-6 elementary school whose 53 students have done exceptionally well in standardized tests. The school, founded in 1832, is the epitome of everything the Republican Party stands for: local control, individual initiative, and excellence through parent-teacher involvement and community support.

Our community is a small, working class town with a large contingent of senior citizens. We are by no means affluent (many of its residents are direct descendants of the stonecutters who came to build canals in the 1830s), but its citizens work hard, pay their taxes, and generally place a minimal drain on the state's coffers.

Like many town residents, I shifted my voting allegiance to the Republican Party several years ago when I realized that the party of Harry Truman had grown irredeemably fond of bureaucracy and state-centered planning while losing touch with local realities and the importance of both individual and community values. Imagine my shock, therefore, to hear an Education Department spokesman -- speaking in the name of your Administration -- suggesting that we embrace a policy which encourages the regionalization of school districts. Whether he knew it or not, this was an admonition to "regionalize" our outstanding school out of existence and to ship our students up steep, narrow rural roads to other communities many miles away to face the consequences of withdrawal of virtually all state funding support.

What was the basis for this recommendation? A simplistic, reductionist formula that defines Escal responsibility as a straight function of administrative-overhead-per-pupil. Given the small "denominator" (53 students) in our district, compliance with the many state-mandated functions which comprise the "numerator" (classroom requirements, superintendent, insurance, administrative paperwork, etc.) is bound to define virtually ANY small district as non-compliant.

And so, to save the state the grand sum of \$16,796 per year, the Education Department proposes to slash our state support by 66% and thereby place the school's continued existence in jeopardy. If we want to maintain our municipal school (for such self-indulgent reasons as transportation safety, educational quality, or whatever), we are told that we must underwrite all but \$8,588 of its cost. Never mind the fact that our borough is, despite its modest income base, very much a net exporter of tax revenues to the state.

I stress that I am NOT making any of this up. Though I do admit it strains credulity to hear such a glib, arrogant, big-government-knows-best argument emanating from a source other than the Democratic Party...

The Education Department ought to be able to comprehend a concept as basic as that of fixed vs. variable costs. If certain functions are mandated for every school districts regardless of enrollment -- and they are -- then the state's formula should reflect the fact that these components are inherent and intractable. Furthermore, if the state's intention is to minimize administrative overhead (as it rightfully should be), simple arithmetic will reveal that any very large district which just barely complies with the simplistic average-cost-per-student formula (and is thus not taking advantage of its economies of scale) is wasting far more tax dollars than a tiny district forced into nominal non-compliance by this same reductionist formula.

Surely it can't be beyond the wit of human wisdom for the state to design a formula which takes account of both inherent and volitional costs in assessing appropriate levels of administrative overhead. To say, as Mr. Vespucci is quoted as having done, that "treating the smallest districts differently isn't fair" is to demonstrate a woefully lacking understanding of basic economics and mathematics -- not to mention the very principle on which the graduated income tax itself is based!

Here are some facts about the local reality, if the Department's ears are open. Our school district excels at reading scores (90th percentile on standardized tests), though we can afford no library and rely instead on periodic visits from the Bookmobile. Our superintendent fills roughly 10 functions herself, including that of basic maintenance person (shovelling snow and providing maintenance on the school's heating boilers!). Surely this is precisely the sort of belt-tightening fiscal responsibility the state is supposed to be encouraging.

The point is that, as a small borough, we are ALREADY forced to make economies in order to keep the tax consequences of operating a small district within our means. Frankly, Trenton simply doesn't know better than we do how to keep administrative costs down, and has a fairly shaky historical record on which to lecture others in this regard. An overly-simplistic formula like that employed by the Education Department won't shed any light on local realities; it merely reflects the bureaucratic inclination to find comfort in standardization while sparing bureaucrats the more difficult task of coming to grips with the wide variety of circumstances faced by local municipalities. Clearly a more equitable formula is possible, taking account of both fixed and variable costs. To be blunt, I suspect that one could be developed fairly easily by virtually any competent graduate from an accredited Masters in Public Administration program.

Given that Stockton is just twenty-two miles away from the statehouse via Route #29, I would like to invite both you and the Department's staff to visit the Stockton School to see the outstanding school which the Department's formulaic rigidity is placing in jeopardy. I look forward to hearing from you, and want you to know our town wishes you every success with the major objectives outlined by your Administration.

Sincerely,



P.S.: Tried to fax this letter to the Department of Education, but was told their offices close weekdays at 4:15 pm. Just a thought, but if what we're talking about is productivity per tax dollar expended, perhaps the Department's efforts could start a little closer to home.

GREGORY DANESE
ATTORNEY AT LAW
6 CHURCH STREET
STOCKTON, NEW JERSEY 08589
—
TELEPHONE 609-387-8240

February 14, 1994

Governor Christine Todd Whitman
State House
CN 001
Trenton, New Jersey 08625

Dear Governor Whitman:

I reside in Stockton, New Jersey and I am also the parent of children ages 8 and 11 who attend the Stockton Elementary School.

The Stockton Elementary School is the oldest and smallest K-6th grade school district in New Jersey with a current enrollment of 50 students.

Stockton Borough has a population of approximately 630 persons. The vast majority of Stockton residents fall into the working/middle class category. There is also a large percentage of senior citizens living on fixed incomes. The people of Stockton take pride in their town, vote in elections, have seen their children over the years serve in the armed forces and fight our wars. They pay their state taxes with the knowledge that a good portion of the money goes to other school districts that have special needs and problems. Most of the people I know do not close their eyes and ignore the needs of those in need. I think there is a genuine concern for the people in our cities and the education their children receive.

However, I, as well as others I know who reside in Stockton, feel that the State of New Jersey should treat all of its citizens equally and fairly.

I am attaching a copy of The State of New Jersey School Report Card for Stockton Elementary School. In the area of student assessment 100% of all third and sixth graders passed the several standardized achievement tests approved by the state.

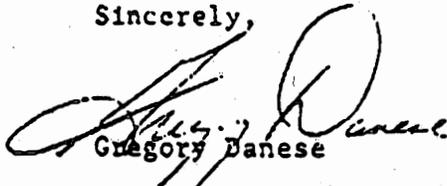
The report also states on page 4 that, " It also needs to be noted that the school continues to score in the highest third percentile on standardized tests; provides a model gifted enrichment program for all students in grades 1-6; offers outstanding cooperative learning experiences; and attracts a twenty percent tuition enrollment."

The School Report Card also reveals a fact which is the purpose of this letter. The State of New Jersey awards the Stockton Elementary School, a school so successful that it attracts tuition students in an area of Hunterdon County known for its good public schools, with state aid amounting to a mere 8.4% compared to the state average of 37.5% (page 2 of the Report Card). This is neither equal nor fair to the taxpayers of Stockton Borough.

Since the 8.4% state aid is apparently due to some state formula that classifies Stockton Borough as "affluent", I then suggest that the law be changed so that a school district such as Stockton's, regardless of it's "affluent" designation, receive at least the average amount of state aid. I also suggest that if this current shortcoming of the law is derived from a New Jersey State Supreme Court mandate, then the state constitution should be amended and the Supreme Court overruled.

Today everyone demands that public schools be held accountable. A step in the right direction would be to reward, instead of punish, those schools that are producing excellent results.

Sincerely,



Gregory Danese

Encl.



STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
CN 800
TRENTON, N.J. 08625-0800

OFFICE OF THE COMMISSIONER

April 12, 1994

Mr. Gregory Danese
6 Church Street
Stockton, New Jersey 08559

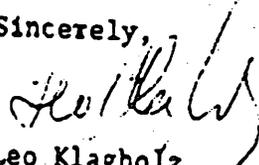
Dear Mr. Danese:

Governor Christine Todd Whitman has asked me to respond to your letter of February 14, 1994, concerning the inequitable distribution of state school aid under the Quality Education Act (QEA). Your main concern is the disproportionate relationship of the Stockton Elementary School's state school aid to its students' achievements, which are impressive.

The Governor's education task force has just released for consideration a school funding proposal to replace the QEA. I will only endorse it, if it is both educationally and financially equitable for all school districts, not just the special needs districts. Additionally, it must emphasize and reward quality of effort and results achieved, as you have recommended.

I assure you this administration is committed to providing the best possible educational services to children at the lowest possible cost to taxpayers.

Sincerely,


Leo Klagholz
Commissioner

LK:RHD:elr:4/376

c: Governor Christine Todd Whitman

94X

FEB 21 1995



**TESTIMONY BEFORE THE
SENATE EDUCATION COMMITTEE
by JUDITH CAMBRIA
EDUCATION CHAIR**

Fiscal Penalties for Excessive Administrative Costs in School Districts.

LWVNJ is supportive of efforts to increase efficiency and to use school funds effectively to increase student learning. However, the structure of the proposed plan raised concerns in a number of areas which are discussed below.

The following raise questions.

- 1) *Legislation through the budget.* A significant change in state policy, with the imposition of significant penalties, is accomplished through the state budget. This avoids submission of a bill, legislative committee review, and a vote by both houses of the legislature on the merits, effects, effectiveness and workability of the plan.
- 2) *Appropriateness of evaluation measure.* The use of all noninstructional costs as the measure for determining excessive administrative cost is questionable. This category includes a number of activities which are student services rather than administration including health services, child study team salaries, library salaries and support, guidance salaries, and teacher development. Schools providing quality student services may be penalized inappropriately, while those with low levels of student services and high numbers of administrators might avoid the penalty. Dr. Klagholz himself admitted this possibility by saying "The wealthier districts may show up because they've hired too many librarians, and Newark might not make the list because they haven't hired any. Their large enrollment might also create a buffer."
- 3) *Are other citizens paying for these presumed excess costs?* Both Governor Whitman and Commissioner Klagholz have publicly stated that the penalties are designed to assure that taxpayers in other communities are not forced to pay for excessive costs in these districts. The following quotes is from a variety of sources. A printed explanation by DOE. "Because public education is funded partly by state taxes, citizens in other communities throughout the state must pay part of the bill when a particular district spends excessively. Districts are not required to reduce their actual spending at all. They have the option of requesting funding from voters in their own communities. The state program is aimed only at assuring that citizens in other communities are not forced to pay for excessive spending in the highest spending districts." Governor Whitman said "Our message to these districts is clear. If you waste money and run up huge bills, don't expect the state's taxpayers to pick up the tab. Those days are over." Education Commission Klagholz said "The message we want to send is: We're not going to ask the state taxpayers to foot the bill for inefficiency."

However, Klagholz and DOE ignore the fact that 72% of the school districts being penalized (51 districts) are wealthier districts who are not eligible for, and do not receive, foundation aid. Foundation aid is the only state aid which provides support for regular (general) educational costs including administration and support services. In fact, the only state aid these districts receive is for programs such as special education, bilingual education, at risk students, and transportation. These funds are based on the identification of eligible students. Consequently, state taxpayers are not providing any funds whatsoever to pay for the kinds of cost cited by the state as excessive. Local taxpayers are already funding them through the local school tax. Loss of state aid targeted to children with special needs means the local taxpayer is paying twice for the services the state has targeted as excessive.

4) *Impact of reduction on the district's state aid.* According to DOE, the state aid of each penalized district is reduced by an amount no greater than 10% of the district's excess non-instructional budget. What the department and Commissioner fail to take into account is the effect of the reduction on the amount of state aid provided to the district. In a number of cases, the penalty represent a significant proportion of all state aid sent directly to the district (not including pension and social security aid). For example:

District	Penalty	State Aid Percent Loss	Foundation Aid
Somerset Hills	\$ 421,160	60.2%	No
Stockton Borough	14,031	62	No
Livingston	1,201,339	53	No
Florham Park	196,666	48.3	No
Madison Borough	449,153	46.7	No
Bay Head	27,905	46	No
Hanover Township	300,217	40.0	No
Avalon	41,499	36.9	No
Union County Reg.	837,711	34.2	No
Seaside Park	39,070	33.6	No
Morris Plains	136,192	32.3	No
Lebanon Borough	27,379	29.6	No
Long Beach Island	100,617	28.9	No
Avon	37,378	28.4	No
Princeton Regional	497,378	28.4	No
Union County VocTech	259,811	22.8	Yes \$124,364
Riverdale Borough	58,462	21.9	No

Reason for the imposition of penalties was probably revealed by Dr. Klagholz when he was quoted by the press: "If we can't do this (the proposed penalty) we're not going to be able to face up to the real problem." The "real problem," he said, was the link between spending by rich districts and spending by poor districts. The state Supreme Court has demanded "parity" in spending. If the spending of wealthy districts is not contained, he said, there will be a "hydraulic effect" by spending everywhere in the state."

Non-Foundation Aid School Districts Losing State Aid for Administrative Costs

	School Aid	Total Aid (1996)	Penalty	
Alpine	No	368,561	61,087	K-8
Bergen Co. VoTec	No	3,152,875	930,674	Voc
Carlstadt	No	231,138	5,122	K-8
Demarest	No	389,934	139,719	K-8
Englewood	No	3,046,602	249,979	K-12
Englewood Cliffs	No	332,491	74,917	K-8
Haworth	No	221,334	13,055	K-8
Mahwah	No	1,909,816	187,649	K-12
Ramsey	No	1,553,761	21,985	K-12
River Dell Reg.	No	689,034	139,842	7-12
South Hackensack	No	265,217	50,825	K-8
Teaneck	No	4,067,506	68,845	K-12
Tenaflly	No	1,045,734	182,947	K-12
Wood Ridge	No	445,880	179,734	K-12
Avalon	No	24,297	41,499	K-8
Cape May City	No	149,875	16,242	K-6
Sea Isle City	No	293,058	49,813	K-8
Stone Harbour	No	8,315	30,426	K-8
Wildwood City	No	1,038,692	105,463	K-12
Fairfield	No	274,635	74,927	K-6
Livingston	No	1,356,638	1,201,339	K-12
Millburn	No	931,799	181,365	K-12
Lebanon	No	65,068	27,379	K-6
Stockton	No	8,588	14,031	K-6
Princeton Reg.	No	1,251,550	497,378	K-12
Avon	No	92,852	37,795	K-8
Henry Hudson Reg.	No	599,656	37,868	7-12
Highland Boro	No	285,859	68,686	K-6
Red Bank	No	958,294	216,984	K-8
Sea Girt	No	44,810	38,693	K-8
East Hanover	No	484,601	244,755	K-8
Florham Park	No	209,826	196,666	K-8
Hanover	No	433,332	300,217	K-8
Harding	No	194,113	72,534	K-8
Madison Boro	No	512,157	449,153	K-12
Mine Hill	No	330,955	4,710	K-6
Morris Plains Boro	No	285,366	136,192	K-8
Morris School District	No	3,776,698	411,914	K-12
Long Hill	No	607,435	3,360	K-8
Riverdale	No	207,974	58,462	K-8
Bay Head	No	32,646	27,905	K-8
Beach Haven	No	43,540	10,709	K-8
Lavallette	No	113,389	43,927	K-8

TESTIMONY BEFORE N.J. SENATE EDUCATION COMMITTEE

Feb. 21, 1995

"Excess Administration Penalty"

Testimony On Behalf:
Testimony Presented By:

Bloomsbury School District
Dale Briggs, Superintendent

Points of Emphasis

1. **State goal of consolidation/regionalization is a valid one**
 - Since 1970's Bloomsbury School District has been involved in 5 formal studies for regionalization with Phillipsburg cluster districts.
 - Most recent was 1993. Not approved by State Department Education due to limited purpose regional.
 - Sanctioning districts through a penalty is a flawed process. Arbitrary and discriminatory.
 - Recommend S.D.E. pursue consolidation/regionalization goal through (1) meaningful monetary incentives (2) technical assistance (3) expedite process through bureaucratic channels.
2. **Sanctions of Selected Districts With Penalty**
 - No prior notice.
 - Definition of administration is arbitrary and not consistent with earlier definitions.
 - 1994-95 budgets are S.D.E. approved budgets. Sanctions to approved budgets are unwarranted.
 - Budget categories labeled administration include essential school services to students - health services, guidance, Child Study Team, library/media services.
 - Public pronouncement of "70 worst school districts" terribly distorted. Produced poor public relations. Commissioner owes all districts a public apology.

3. Direct Impact on Bloomsbury School District

- \$26,000 penalty equates to 5 cents on the local tax rate.
- Current employment of positions included in designated budget categories
 - Nurse part-time
 - Counselor part-time
 - Library clerk part-time
 - Child Study Team part-time
 - Single administrator full-time
 - School secretary full-time
 - School business administrator full-time
- Probable impact due to penalty will be reduction of staff, elimination of certain programs, and passing increased taxes onto public.
- Net result will be decreased services to students.

4. Conclusions - Recommendations

- Pursue consolidation/regionalization by offering monetary incentives and easing bureaucratic burdens.
- Define budget review and efficiency expectations for inclusion in the 1995 - 96 budget review by the S.D.E. Review 95 - 96 budgets for all expectations prior to approval.
- Review process for excess administration penalty recently developed is not appropriate. It is an appeasing process - an afterthought brought about by public pressure.
- Honorable, right and appropriate measure is to **REPEAL PENALTIES IMPOSED ON DISTRICTS.**



Bloomsbury Elementary School

20 Main Street • P.O. Box 375
Bloomsbury, New Jersey 08804
(908) 479-4414
Fax: (908) 479-1631

DALE BRIGGS
Administrative Principal

SUSAN M. ROETHEL
Business Administrator

INFORMATION MEMO

TO: Bloomsbury Public

FROM: Bloomsbury School District, Dale Briggs, Administrator

Listed below are government officials you are urged to contact in re. to the \$26,000 excess administration penalty involved on Bloomsbury School District.

You can use these points in your contact:

- The 1994 - 95 school budget was approved by the State Dept. Education last year. How can it now be judged excessive? Isn't that something that should have been brought to the district's attention last year?
- The penalty is termed "excess administration", yet includes personnel and program costs that directly interact with and impact students' education - librarian, library materials, guidance counselor, counseling materials, Child Study Team, testing materials for special education, school nurse, supplies for health services. All of these personnel are employed part-time.
- School district "administration" consists of 1 principal, 1 school secretary, 1 school board secretary. Can it get any leaner than that?
- Salaries for administrative personnel - principal, school secretary, school board secretary - rank at the bottom of state and county figures. Can it get any less expensive than that?
- Based on the formula used to assess penalties, it appears it is not our expenses that are excessive, but rather our student enrollment is low. Therefore we are being penalized for a small student population.
- Bloomsbury School District students perform very well on state benchmark tests and Grade 8 Early Warning Tests. The district programs are producing results.
- Many of the costs in the budget accounts targeted for the penalty formula are State mandated programs. Isn't that a contradiction to mandate a program, yet label it excessive?
- Isn't it ironic that Bloomsbury and other quality producing small schools are targeted for penalties under the formula, but Newark (which the State has been trying to takeover for 3 years) avoids any penalties. Are we really talking excess, or are we talking student enrollment here?

- The penalty was assessed virtually with no advance notification. Rules were never promulgated re. standards for efficiency and schools never had any notice that the State had set such standards.
- The penalty idea and formula was devised solely by Trenton bureaucrats from the Governor's office to the Commissioner of Education's office. No input from local school officials nor even County superintendents of schools was requested. It appears the bureaucrats "shot first and were willing to ask questions later."

EXCESS ADMINISTRATION PENALTY

Administrative Accounts

Student Support Services -

Attendance and Social Work Services - \$0

Health Services - \$21,600

- Salaries (Peg & Klein) 19,500
- Purch. Prof. Serv.(CST) 1,500
- Supplies & Mat. 600

Other Sup. Serv.-Stud-Reg. - \$16,133

- Salary, Guidance 16,133

Other Sup. Serv.-Stud-Spec. - \$33,671

- Salaries CST 25,200
- Salaries CST Sec'y 5,971
- Purch Prof Serv (outside psy eval) 2,500

Improvement of Instruction services/Other Support Services

Instructional Staff - \$19,500

- Sal of Other Prof. Staff (i.e./summer curricular develop) 1,500
- Salary of School Sec'y 17,000
- Supplies & Materials (testing supplies) 1,000

Educational Media Serv/Sch Library - \$10,092

- Salaries (librarian) 2,542
- Supplies & Materials (library books/schoolwide periodicals) 7,550

Support Serv-Gen Admin. - \$94,498

- Salaries (Prin/Treas/Election) 65,498
- Legal Services 1,000
- Other Purch Prof Serv 7,000
- (Acct'g, Negot, Regional Exp, Election Exp, Appraisal Ser)
- Communications/Telephone (also postage) 5,000
- Misc. Expenditures 16,000

(Liab Ins, Travel, Bonds, Prin TR, Bd Mbrs, Dues, Travel-office Prin, R&L, other)

Support Serv-School Admin - \$0

Business and Other Support Services

Salaries (Bus Adm/Bd Sec'y) \$27,000

Purchased Prof Serv - \$0

Purchased Technical Serv - \$0

Other Purchased Serv - \$0

Supplies & Materials \$1,000

Interest on Current Loans - \$0

Misc. Expenditures - \$0

GARDEN STATE COALITION OF SCHOOLS

2/21/95 PUBLIC HEARING, SENATE EDUCATION COMMITTEE
"THE PROPOSED EXCESSIVE ADMINISTRATIVE PENALTY"

GENERAL INFORMATION PACKET

CONTACT: LYNNE STRICKLAND, DIRECTOR, GSCS

201-569-1992, FAX 201-569-2825

GARDEN STATE COALITION OF SCHOOLS/*FAXNET* 2/15/95

TO: ALL MEMBER DISTRICTS, BOARD MEMBERS, SUPTERINTENDENTS,
PTA'S AND BUSINESS ADMINISTRATORS

THE FOLLOWING WAS RECEIVED AT OUR OFFICES LAST NIGHT:

NOTICE OF PUBLIC HEARING

THE SENATE EDUCATION COMMITTEE WILL HOLD A PUBLIC HEARING
ON THE FOLLOWING SUBJECT:

"THE PROPOSED EXCESSIVE ADMINISTRATIVE PENALTY PROGRAM"

The hearing will be held this coming Tuesday, 2/21/95, at 10:00
a.m. Committee Room 8, Legislative Office Building, Trenton.

(Persons wishing to testify should call Mary Lutz , 609 984 6843.)

In order to coordinate GSCS efforts effectively, please call Lynne
Strickland, GSCS Director, at 201-569-1992, and let her know if you
are interested in or planning on testifying.

More than 20% GSCS districts are affected by the 'penalty program',
but many of our school systems are concerned about the downside
message to educational support services that is directly implied by
the penalty measure. Those districts not being penalized at this time
also have a real stake in the outcome of how the legislature views
this program. FYI, GSCS is advocating that the 'rewards' remain in
place. It is plain common sense that the carrot be made known
before the stick is wielded.



*rd of ca
E. Solomon
FYI
jm*

NEW JERSEY GENERAL ASSEMBLY

**MAJORITY CONFERENCE LEADER
RICHARD H. BAGGER
ASSEMBLYMAN, 22ND DISTRICT
MIDDLESEX-MORRIS-SOMERSET-UNION COUNTIES
203 ELM STREET
WESTFIELD, NJ 07090
908-232-3673
908-232-3345 (FAX)**

BOARD PACKET 2/17/95

**COMMITTEES
VICE CHAIRMAN
POLICY AND RULES
INSURANCE
JOINT COMMITTEE
ON PUBLIC SCHOOLS**

February 15, 1995

**Ms. Paula Star
President
Woodcliff Lake Board of Education
Woodcliff Lake, New Jersey 07675**

Dear Ms. Star:

Thank you for your letter of February 9, 1995 regarding the Department of Education's proposal to penalize certain school districts for excessive "administrative" spending. I appreciated hearing from you on this important matter.

This initiative has two fundamental problems. First, the measure used by the Department of Education to calculate administrative spending includes instructional, personnel and mandated programs such as school nurses, libraries and child study teams. Second, school districts were given no warning of the penalty and had no opportunity to conform their budgets to the Department of Education's wishes. Consequently, I oppose this proposal and will work to keep it out of the Fiscal Year 1995 State Budget.

Again, thank you for sharing your concerns with me on this vital educational issue.

Sincerely yours,

Richard H. Bagger
Richard H. Bagger

RHB/ec

-----FAXNET --- GARDEN STATE COALITION OF SCHOOLS --- FAXNET-----

TO: ALL GSCS MEMBER DISTRICTS, BOARD MEMBERS, SUPERINTENDENTS, PTA'S AND
BUSINESS ADMINISTRATORS

FROM: LYNNE STRICKLAND, DIRECTOR (201-569-1992. FAX 201-569-2825)

RE: 2/1/95 GSCS EMERGENCY MEETING - THE GOVERNOR'S SCHOOL AID BUDGET

THANKS TO A HIGHLY MOTIVATED AND CONCERNED MEMBERSHIP, GSCS MEMBERS FROM ACROSS THE STATE NEARLY FILLED THE 800 SEAT CAPACITY AUDITORIUM OF LIVINGSTON HIGH SCHOOL LAST NIGHT TO DIALOGUE WITH GSCS LEADERSHIP AND 6 OF OUR STATE LEGISLATORS. CONSIDERING THAT THIS EMERGENCY MEETING WAS PUT TOGETHER WITH ONLY 4 WORKING DAYS NOTICE, THIS TURN OUT IS PARTICULARLY IMPRESSIVE.

LEGISLATORS PRESENT WERE SENATE EDUCATION COMMITTEE CHAIR JOHN EWING (R 16th. SOMERSET). SENATE EDUCATION COMMITTEE MEMBER GORDON MACINNES (D 25th. MORRIS). THE 21st ESSEX DISTRICT DELEGATION OF SENATOR LOUIS BASSANO, ASSEMBLYWOMAN MAUREEN OGDEN AND ASSEMBLYMAN MONROE LUSTBADER, AND ASSEMBLY MAJORITY CONFERENCE LEADER RICHARD BAGGER (R 22nd, WESTFIELD). GSCS WELCOMES THE CONCERN EXPRESSED BY THESE LEGISLATORS AND APPRECIATES THEIR DETERMINATION TO BRING BACK OUR GRASS-ROOTS MESSAGE TO THEIR COLLEAGUES.

MAJOR POINTS WERE

*THE "ADMINISTRATIVE" PENALTY - ITS UNFAIRNESS IN TIMING AND ITS INAPPROPRIATENESS IN TERMS OF ITS INCLUSION OF SUPPORT SERVICES THAT DIRECTLY IMPACT PUBLIC SCHOOLCHILDREN.

*WHY IS IT BASED ON A MEDIAN, INSTEAD OF AN AVERAGE?

*A REPEATED WORRY OVER THE FACT THAT SCHOOL DISTRICTS MUST PRESENT THEIR BUDGETS TO THE PUBLIC NOW WHILE THE DEBATE OVER THE PENALTY CONTINUES. IF THIS DEBATE DRAGS ON, BUDGETS WILL BE DESTABILIZED AND FRUSTRATION WILL CONTINUE TO MOUNT.

*AN AWARENESS OF THE MANY NON-PENALIZED DISTRICTS REPRESENTED AT THIS MEETING THAT THEY COULD BE NEXT IN LINE. FOUNDATION AID DISTRICTS ALSO WERE PRESENT AND SUPPORT THESE CONCERNS.

*AN OVERWHELMING SENSE THAT THE GOVERNOR AND HER POLICIES ARE NOT CONNECTED WITH THE ADVANCEMENT OF QUALITY PUBLIC EDUCATION.

*A MYSTIFIED SENSE THAT THE GOVERNOR'S MESSAGE PURPORTS TO ENDORSE LOCAL EMPOWERMENT AND HOME RULE, YET AT THE VERY SAME TIME THE IMPOSITION OF THIS PENALTY (AFTER THE FACT OF THE '94-'95 SCHOOL BUDGET ELECTIONS AND

GSCS/FAXNET/2-2-95

SCHOOL BUDGET ADOPTIONS) SENDS A MESSAGE THAT YOUR VOTE FOR YOUR LOCAL BUDGET LAST YEAR DOESN'T HOLD WEIGHT. MANY POINTED OUT THE RELATED FACT THAT THE OVERWHELMING MAJORITY OF GSCS DISTRICTS ARE VIRTUALLY SELF-SUPPORTING THROUGH THEIR LOCAL PROPERTY TAXES.

GSCS URGES YOU AND YOUR DISTRICTS TO CONTINUE WRITING AND CALLING YOUR LEGISLATORS WITH YOUR CONCERNS ON THESE ISSUES. ALWAYS CONTACT YOUR LOCAL REPRESENTATIVES, BUT SEND LETTERS TO OUR 'KEY' LEGISLATORS LISTING ALSO. IDENTIFY YOUR DISTRICT AS A MEMBER OF GARDEN STATE COALITION.

THANK YOU ALL FOR YOUR SUPPORT AND VALUABLE INPUT.

ABOUT OUR SCHOOL

We are very proud of our comprehensive high school. We recently completed a comprehensive reconstruction program upgrading the physical plant extensively. An inclusive computer education program is available to all students. The media center is equipped with technology which provides students access to an expansive research network and an inclusive vocational program is provided for classified students. All honors and AP programs are offered in all academic disciplines as well as business and music.

Interdisciplinary instruction includes programs which combine English, social studies, art, music, practical arts, science and mathematics. Program enhancements include a television studio, writing center, language laboratories, modern science labs, all of which support a diverse curriculum. Our athletic program offers 19 different activities many of which use our artificially surfaced athletic field which is shared with the physical education department and our community.

Numerous clubs and organizations are available to students including our internationally recognized Key Club which ranked first in New Jersey and second in the world. Our FBLA organization has placed students in both state and national competition. In the last three years we have had 30 national merit semifinalists and 59 students receiving letters of commendation. We take great pride in the relationship that exists between our school and our community.

*Continued from previous page

#5	Biology	20	18
#6	Chemistry	14	12
#7	English Lit.	22	18
#8	Math AB Calc	20	20
#9	Math BC Calc	10	10
#10	Music Theory	5	5

TAKEN FROM '92-93
NJ DEPT OF EDUC 'SCHOOL REPORT C

EXPLANATION OF THE DATA

General:

The source of all data, except SAT scores, is the New Jersey State Department of Education; SAT scores were provided by the Educational Testing Service.

In the enrollment statistics provided in the right hand margin of page 3, "PK" indicates that the school offers a pre-kindergarten program; and "HDK" or "FDK" indicates that the school offers a half- or full-day program, respectively.

In some sections of the report card, where appropriate, your school is compared to state averages for schools of similar operating type (elementary or secondary). Unless otherwise indicated, data are as reported for the 1992-93 school year.

The percentage of students receiving special education does not include those students who receive services through a resource room or other supplemental instruction. In addition, those students who are educated outside your district - in special services school districts or regional day schools, for example - would not be included in this category.

The number of students and the grades supported by your district's taxes may differ from the actual number of students enrolled and the actual grades served by your district. This is because your taxes may pay for the education of some students who must be sent to schools outside your district. Also, keep in mind that other communities may be paying tuition for some of their children to attend your schools.

School Characteristics and Staff:

The student mobility rate was calculated by adding the number of students who transferred in and those who transferred out during the school year and dividing this sum by the total number of students present for any part of the school year. The percentage rate of staff attendance was calculated by dividing the number of days present by the possible number of days for all certificated staff. Approved days for staff training are not counted as absences.

Staffing ratios and total teacher count are based on full-

time equivalency (FTE) for full- and part-time certificated staff. FTE is the amount of time required to perform an assignment stated as a proportion of a full-time position. Administrators include school positions (such as principals, assistant principals, supervisors, etc.). Teachers are certificated staff members who instruct students. Certificated staff positions from your school district's central office are not included in these calculations.

Percentages of teachers with advanced degrees are based on a head count of teachers.

School District Finances: (DEFINITIONS)

The state averages listed in this section represent the averages of districts with budgets that support the same grades (K-6 or 9-12, for example) as your school district.

The revenue and expenditure data listed represent the amounts reported on the original submitted budgets; subsequent budget modifications are not shown.

Revenues do not include money received from the state for nonpublic services and adult education. Special schools and debt service revenues are also not included, nor are funds raised for a budgeted increase in the capital reserve account. Transfers between funds are not included.

Expenditures include all budgeted expenditures except those used to pay for special schools, debt service, nonpublic services and adult education.

Instruction includes the money for all regular and special programs for current expense, tuition expenditures, and grants received for specific purposes in the special revenue fund other than nonpublic services and adult education. Instruction also includes certain costs (guidance office, child study team, supervision of instruction, teacher training, curriculum development, and library and other educational media) that are classified as support services.

Student services includes budgeted expenditures for attendance and social work, health services, student transportation, and the board of education's contribution to food services.

Administration includes budgeted expenditures for both general and school administration related to offices of the board of education, superintendent, principals, and busi-

ness, along with certain fixed charges such as legal insurance, employee benefits for all employees, and rest on current loans.

Facilities Acquisition and Operation and Maintenance Plant Services represents money spent to operate physical plant, regular maintenance, renovation, remodeling funded by general fund revenues, and equipment purchases. Board contributions for common services are also shown.

Teacher salaries are salaries for all teaching services rendered to pupils.

Administration salaries are those of professional and clerical staff for both general and school administration and the business office of the district.

Student Academic Performance:

The Eighth-grade Early Warning Test (EWT) assess students in reading, writing and math. The score then grouped into three proficiency levels. Students performing in the Level 1 score range are making satisfactory progress toward the mastery of basic skills that students must possess to function politically, economically and socially in a democratic society (referred to as benchmark skills). These students are unlikely to require remediation. Students in the Level 2 score range are making marginal progress toward the mastery of benchmark skills. Students performing in the Level 3 range are not making satisfactory progress toward mastery of the benchmark skills. These students are strong candidates for remediation.

High school graduates, if applicable, may not include cohort (graduation) rate where a school did not have a ninth grade class four years earlier.

Schools with grade 12 report information regarding continuing education of their graduates. The category "other colleges" is defined as degree-granting institutions, such as armed services academies. "Other secondary" includes non-degree granting institutions such as secretarial, art and technical schools.

Student Behavior:

Student attendance was based on the average daily attendance (ADA). The ADA rate was calculated by dividing the sum of all days present by the sum of all possible days of attendance.

The School Report Card Project made possible with the design and production assistance of McGraw-Hill, Inc. is part of the continuing support of the

GARDEN STATE COALITION - BIRKLAND 24 589194

Lynne Strickland
DOI 589199

NATIONAL CENTER FOR EDUCATION STATISTICS

Statistics in Brief

April 1994

Revenues and Expenditures for Public Elementary and Secondary Education: School Year 1991-92

Contact
Frank Johnson
(DIE) 219-1613

Every year local, state, and federal governments provide the resources that support public education for students in preschool through the 12th grade. What were the sources of these revenues in the 1991-92 school year? How were these dollars expended across instruction, student support, and other services?

The information to answer these and other questions is reported in the National Center for Education Statistics report "National Public Education Financial Survey - Fiscal Year 1992," one of the components of the Common Core of Data surveys.

What were the amounts and sources of revenue for public elementary- and secondary education?

More than \$24 billion were collected for public elementary-secondary education in 1991-92 in the 50 states and the District of Columbia (table 1). (Note: the five outlying areas are not included in national totals.) Within the United States, revenues ranged from a high of almost \$27 billion in California, which serves about one out of every eight students in the nation, to a low of about \$139 million in North Dakota.

By far, the greatest part of education revenues came from local and state governments, each of which provided about \$109 billion. Local revenues include such sources as local property and occupancy tax revenues, local government bonds, revenues from public utilities, textbook sales, transportation and sales fees, and food service revenues. State governments provided both direct funds and revenues in lieu of taxation.

Considerably smaller amounts of revenue came from intermediate sources that are not local or state education agencies (e.g., New York's Board of Cooperative Education Services). In 1991-92, these groups provided about \$1 billion of the revenue for public education. The federal government was the source of some \$1.5 billion of the 1991-92 revenues. These funds included direct grants-in-aid to schools or agencies, funds distributed through a grant or intermediate agency, and revenues in lieu of taxes if a tax base was subject to review.

The relative contributions from these levels of government can be expressed in portions of the typical education dollar (Figure 1). Local sources furnished about 47 cents of every dollar in revenue; state revenues 46 cents; and the remaining 7 cents came from intermediate and federal sources.

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APR 29 1994

DIVISION OF
EXECUTIVE SERVICES

U.S. Department of Education
Office of Educational Research and Improvement NCEIS 94-385

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Student membership for Virginia was imputed by NCES based on prior year's data, see E.D. TABS: Public Elementary and Secondary State Aggregate Data, by State for School Year 1991-92 and 1990-91.

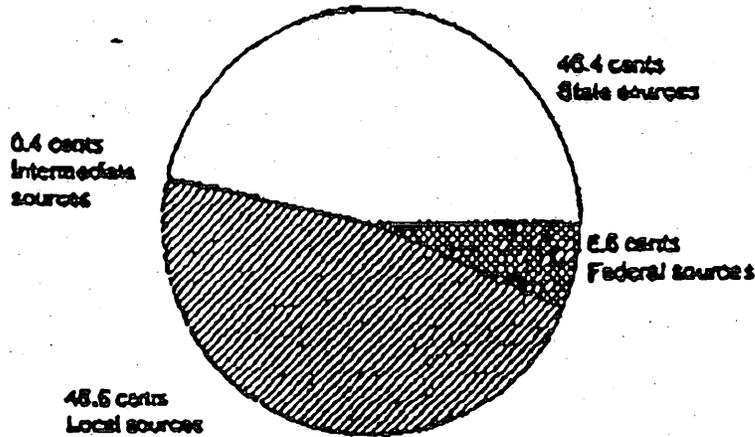
This report used information from the "National Public Education Financial Survey - Fiscal Year 1992" and the "1991 Common Core of Data State Nonfiscal Survey." For further information about this Statistics in Brief or the complete fiscal data set, contact Frank Johnson, National Center for Education Statistics, 555 New Jersey Avenue, NW 20208-5631; or call (202) 219-1618; or fax (202) 219-1728; Internet address "Johnson@iaed.gov".

Endnotes

¹Revenues in lieu of taxes are paid to compensate a school district for non-taxable state or federal institutions or facilities within the district's boundary.

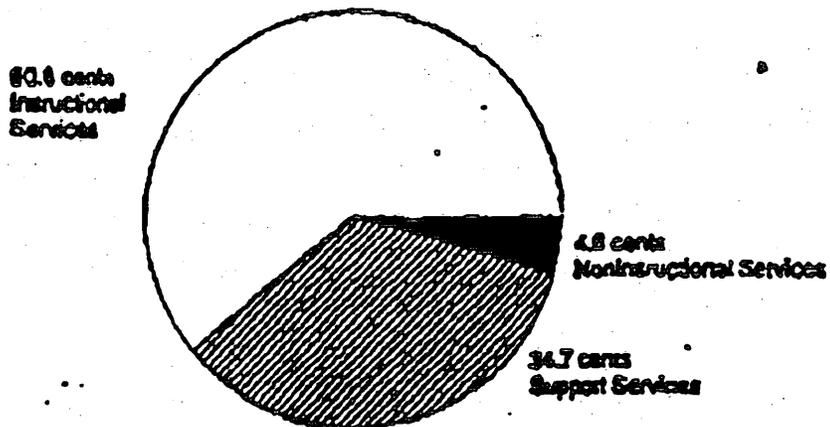
²Current expenditures are those for the day-to-day operation of schools. They include all expenditures except those associated with repaying debts, capital outlays (e.g., land, school construction and repair, and equipment), and programs outside the regular preschool-grade 12 scope such as adult education, community colleges, and community services.

Figure 1.—The public education dollar: Revenues from various sources; School year 1991-92



SOURCE: National Center for Education Statistics, Common Core of Data, "National Public Education Financial Survey - Fiscal Year 1992"

Figure 2.—The public education dollar: Expenditures for instructional, support, and noninstructional items; School year 1991-92



SOURCE: National Center for Education Statistics, Common Core of Data, "National Public Education Financial Survey - Fiscal Year 1992"

12-27
#1

67-59

- NOTE TIGHT CLUSTER
OF COL. # 7
- NOTE 1+2 = SERVICES REACHING
CHILDREN

TABLE 2
SCHOOL YEAR 1991-92: CURRENT EXPENDITURES & DISTRIBUTIONS for PUBLIC ELEMENTARY & SECONDARY SCHOOLS

\$ RANK	% RANK	STATE	1			2			3		
			INSTRUCTION	SUPPORT SERS.	NON-INSTRUCTION	TOTAL \$"	INSTRUCTION	SUPPORT SERS.	NON-INSTRUCTION		
		United States	60.8	34.7	4.8	211,215,995	128,398,651	73,198,134	9,621,211		
2	1	New York	66.9	30.1	3.0 x	19,781,384	13,235,322	5,982,065	583,997		
38	2	Maine	66.8	30.7	2.5 x	1,121,360	749,202	343,844	28,314		
43	3	Rhode Island	66.6	31.1	2.3 x	865,898	578,979	289,102	19,816		
36	4	Utah	65.7	28.2	6.2	1,298,723	851,578	365,324	79,822		
22	5	Tennessee	63.8	33.0	3.4 x	2,859,755	1,819,528	944,310	85,916		
18	6	Minnesota	63.5	32.8	3.9	3,936,695	2,499,154	1,282,172	155,370		
41	7	New Hampshire	63.4	33.4	3.3 x	927,625	587,947	309,488	30,190		
47	8	Vermont	63.4	33.7	2.9 x	631,274	400,496	212,476	18,300		
4	9	Pennsylvania	63.3	33.0	3.7	10,371,798	6,553,590	3,419,578	388,628		
19	10	Connecticut	63.2	32.6	4.2	3,667,455	2,318,887	1,194,716	153,851		
14	11	Wisconsin	63.1	33.9	3.1 x	4,597,004	2,900,182	1,558,215	140,607		
45	12	Idaho	62.8	32.3	4.9	760,440	477,575	245,659	37,208		
49	13	Delaware	62.6	33.5	3.9	572,198	357,975	191,857	22,384		
12	14	Georgia	62.5	31.7	5.0	4,807,804	3,004,508	1,523,672	279,626		
33	15	Mississippi	62.5	29.2	8.3	1,535,295	959,580	448,809	127,906		
50	16	Wyoming	62.4	34.1	3.6 x	545,870	340,459	185,929	19,483		
15	17	Indiana	62.1	33.4	4.5	4,544,829	2,820,296	1,520,217	204,318		
28	18	Alabama	62.1	29.6	8.3	2,465,523	1,530,671	729,057	205,794		
13	19	North Carolina	61.7	30.5	7.8	4,660,606	2,874,483	1,423,437	362,888		
29	20	Iowa	61.5	33.9	4.5	2,358,198	1,450,954	798,839	108,403		
24	21	Kentucky	61.2	33.9	4.9	2,709,623	1,659,238	917,760	132,625		
48	22	South Dakota	61.2	32.9	5.0	818,158	317,164	170,314	30,677		
44	23	Montana	61.1	34.7	4.2	766,410	468,290	265,680	32,404		
23	24	Colorado*	61.0	35.4	3.6 x	2,754,087	1,680,544	975,589	97,953		
20	25	Missouri	60.7	35.0	4.4	3,611,613	2,190,803	1,263,593	157,216		
51	26	North Dakota	60.7	31.3	7.9	491,293	298,310	153,975	39,007		
42	27	Hawaii*	60.6	32.8	6.0	884,591	538,115	290,261	58,214		
16	28	Maryland	60.5	34.6	4.9	4,362,679	2,640,388	1,508,358	218,952		
34	29	West Virginia	60.5	33.0	6.5	1,513,309	918,004	499,055	98,250		

NOTE 3 =
NON-Inst
NJ in
top 15

X 111



Princeton Task Force On Ethics
In Business, Government And The Professions

P. O. Box 590 ■ Princeton, NJ ■ 08542

The Honorable Christine Todd Whitman
Capital City Redevelopment Corp.
4 North Broad
Trenton, New Jersey 08650

February 20, 1995

Dear Governor Whitman,

As a concerned citizen and a former student of the Princeton Regional Schools, I am appealing the recent budget cuts made to the Princeton Regional School District. I realize that there are over 600 school districts in New Jersey, and many of these districts do not receive sufficient funding for their educational programs. Each school district and community is different and therefore should be funded independently and uniquely of each other. I attended the Princeton schools when they were ranked the best in the state. The schools earned this reputation because of the high standards that they maintained for both staff and students, and the opportunities that the students were offered. These are themes that Princeton should be commended for and modeled after, not punished for. Since the time that I graduated from Princeton High School, many of the vocational education classes, history classes, and foreign language classes, as well as a few varsity sports have been eliminated.

While the Princeton district may have relatively high salaries for its faculty, these salaries must be viewed relative to the cost of living in the Princeton area and the level of education and training of the faculty of the Princeton schools. The Princeton Regional School district prides itself on the additional services that it offers to its students. Services such as professional counseling, child study teams, and psychological counseling are of immeasurable benefit to the students within the district and offer the schools services that other districts often solicit from outside of their district staff. By having such positions within the schools, the professional interaction is ingrained in the entire faculty and the problems of the students become those of the schools and of the district. There is no reason why a child should be individually burdened with his or her learning disability or psychological distress when they could be learning to overcome their disabilities and flourish.

I have recently graduated from the University of Virginia and returned to the Princeton area to try and "give something back to the community." I have been working with the Princeton Regional Schools and am very excited about their programs for multiculturalism and diversity, and their genuine dedication to educating every student that comes through the district.

Sincerely,

Leslie Landau

cc: Senator John Ewing

Joint Council of County Special Services School Districts

c/o Atlantic County Special Services School District
1450 19th Street
Mays Landing, New Jersey 08330
609-625-5796

Excellence in Special Services

January 30, 1995

Dr. Leo Klagholz
Commissioner
New Jersey Department of Education
CN 500
Trenton, New Jersey 08625-0500

Dear Commissioner Klagholz:

I am writing on behalf of the Joint Council of County Special Services School Districts to bring to your attention a serious state aid matter impacting the Gloucester County Special Services School District. First, the Joint Council sincerely supports your expressed desire to contain administrative costs and we stand ready to assist the Department with the development of policy in this area. However, the Council is greatly troubled by the formula used in determining excessive administrative expenditures. Specifically, we are surprised and we take exception to Gloucester County Special Services School District being penalized \$136,485.

Let me briefly explain the situation of this district which, we believe exemplifies efficient practices. Gloucester County Special Services School District is a county based district which provides services and programs to 132 disabled youngsters on behalf of the local districts of Gloucester County. In addition, this county district provides other administrative and instructional services, on a regional basis, for other districts. One example of a cost effective service is the computer center. Gloucester County Special Services School District manages the budgeting, accounting, payroll and personnel system for over 80 districts, thus saving time and resources for local districts and assuring a high level of quality. Similarly, the county district coordinates transportation and migrant education services again saving money and eliminating wasteful duplication. Unfortunately, under the Department's "administrative excess" definition, Gloucester County Special Services School District was penalized for implementing these cost savings programs.

As you know, I am representing the Joint Council on the Commissioner's Task Force on the Consolidation of Services. We are reviewing efforts to consolidate services among school districts to promote efficiency and quality, exactly the steps being undertaken by the Gloucester County Special Services School District. There appears to be a clash of conflicting policies, an unintended but clear message both for and against efficiency.

Commissioner Leo Klagholz
January 30, 1995
Page 2

As a regional service provider, a county district should not be penalized for promoting cost efficiency. I urge you to review the "administrative excess" policy, as applied, especially for the Gloucester County Special Services School District.

Your attention to this matter is appreciated by the Joint Council. If we can be of assistance in any way, please do not hesitate to call upon us.

Sincerely,

JOINT COUNCIL OF COUNTY SPECIAL SERVICES SCHOOL DISTRICTS



H. Mark Stanwood
Chairman

HMS/law

c: Members, Joint Council of County Special Services School Districts
Peter Contini, Assistant Commissioner, Division of Field Services
John Sherry, Superintendent, Gloucester County
file

HIGHLANDS ELEMENTARY SCHOOL
NAVESINK AVENUE
HIGHLANDS, NEW JERSEY 07732

Joan A. Kelly, Ed.D.
Superintendent
(908) 872-1476

Kathleen C. Jannarone
School Business Administrator/
Board Secretary (908) 872-9228

FAX NUMBER: (908) 872-0432

FAX TRANSMISSION COVER FORM

TO: New Jersey School Boards

FROM: Kay Jannarone

THE FOLLOWING FAX TRANSMISSION CONSISTS OF 1 PAGE(S) *Includes cover sheet*

*For your information for
Senate Education Committee*

NOTE: PENALTY WILL INCREASE

HIGHLANDS TAXES 3.09¢

PENALTY 68,686.00 :
TAX PER 22,215.00 =
PENNY 3.09x

HIGHLANDS ELEMENTARY SCHOOL
NAVESINK AVENUE
HIGHLANDS, NEW JERSEY 07732

Joan A. Kelly, Ed.D.
Superintendent
(908) 872-1476

Kathleen C. Jannarone
School Business Administrator/
Board Secretary (908) 872-9228

PENALTY CALCULATION

TOTAL ADMINISTRATIVE EXPENDITURE: 686,855
HES enrollment: divided by 251 = \$2736.47
Cost Per Pupil Admin. Expend. = 2736.47

State's Median Per Pupil
Admin. Expend. for District
this operating type -2270.72

State said we were above 465.75
per pupil Admin. Expend. or x 251
\$116,903 too much. Rather
than the \$116,903, State
took 10% of the TOTAL
ADMINISTRATIVE EXPENDITURE
\$686,855 or \$68,686
116,903.25

TOTAL ADMINISTRATIVE EXPENDITURES PENALIZED (NOT JUSTIFIED) attached

\$686,855
-277,814 Detailed listing on attached copy

409,041 ADMINISTRATIVE EXPENDITURE WITHOUT "NOT JUSTIFIED" AMTS
divided by 251 = \$1629.65

Cost Per Pupil Administrative Expenditures = \$1629.65

State's Median Per Pupil Admin. Expend. for
District this operating type 2270.72

Actually, Highlands was BELOW the
Per Pupil Administrative Expenditure (641.07)

THERE WOULD HAVE BEEN NO PENALTY TO
THE HIGHLANDS SCHOOL DISTRICT

ADMINISTRATIVE EXPENDITURES / PENALIZED / NOT JUSTIFIEDSTUDENT SUPPORT SERVICES

11-000-211-xxx	Attendance & Social Work Services]	
	Attendance Clerk]	\$ 21,200
	Substance Abuse Counselor]	
11-000-213-xxx	Health Services -]	
	Nurse]	
	Doctor]	\$ 37,306
	Supplies]	
	Other Objects]	
11-000-218-xxx	Other Support Services-Regular]	
	Testing of Students]	\$ 500
11-000-219-xxx	Other Support Services-Special]	
	Social Worker]	
	LDTIC]	
	School Psychologist]	\$112,365
	CST Secretary]	
	Evaluations]	
	Supplies]	
	Other Objects]	
	<u>Improvement of Instruction Services/Other Support Services</u>		
11-000-221-xxx	Summer Curriculum/Teacher Salary		\$ 3,360
11-000-222-xxx	Educational Media Services/School Library		
	Librarian]	
	Books]	
	Audio Visual]	\$ 27,833
	Computer Software]	
11-000-230-xxx	Support Services-General Administration		
	Treasurer of School Moneys]		
	Legal Services]	
	Architect]	
	Auditor]	
	Finance Consul]	
	Policy Services]	
	Postage]	
	Telephone]	
	Bollinger/Student Insuranc]	\$ 72,750
	Election Workers]	
	Liability/Fidelity Insurance]	
	Printing]	
	Publishing]	
	Advertising]	
	Supplies]	
	Miscellaneous]	
	Voting Machines]	
	Staff InService (1st Day Schl]	
11-000-240-xxx	Support Services-School Administration		
	(All Considered Administrative)		
11-000-290-100	<u>Business and other Support Services</u>		
	(All Considered Administrative) except:		
11-000-290-400	Other Purchased Services		
	Teachers' Copier/Lease Purch.		\$ 2,500
	TOTAL		277,814

Avon Board of Education

Lincoln and Fifth Avenues
Avon-by-the-Sea, New Jersey 07717

Joanne M. Barry, Board Secretary
School Business Administrator

Avon School
Phone: (908) 775-4310
Fax: (908) 775-0761

FAX TRANSMISSION

TO: NEW JERSEY SCHOOL BOARDS ASSOCIATION
FAX NO: 1-609 394-0753
FROM: AVON BOARD OF EDUCATION
DATE: February 16, 1995
SUBJECT: Administrative Cost Factors

We are submitting the attached information for presentation to the Senate Education Committee by New Jersey School Boards Association, on February 21, 1995.

Thank you for your efforts on our behalf.

Avon Board of Education

Lincoln and Fifth Avenues
Avon-by-the-Sea, New Jersey 07717

Joanne M. Barry, Board Secretary
School Business Administrator

Avon School
Phone: (908) 775-4377
Fax: (908) 775-0761

February 16, 1995

FAX TRANSMISSION TO:

FAX NUMBER: (609) 394-0753

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08605

Gentlemen:

In response to your fax to penalized school districts on administrative costs, please present the following information on our behalf to the Senate Education Committee on Tuesday, February 21st.

The Avon School District's administrative expenditures were determined based upon 145 students in our K-8 elementary school. Our district is responsible for the tuition and transportation of an additional 27 students in public high school and special education students sent to classes in other school districts. We feel strongly that our total resident enrollment should be the divisor (172) rather than our elementary school enrollment.

To emphasize and outline our concerns, we offer the following, conservative estimated expenses involved with these 27 additional students:

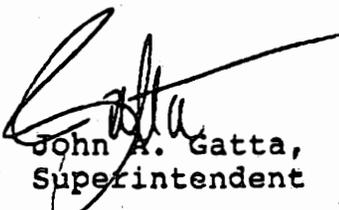
- Nurse's time involved with the Child Study Team - \$ 2,800.00
- Superintendent's Child Study Team time and other administrative out of district students time: - 12,500.00
- Board Secretary's time (contracts, payments & transportation for out of district students): - 8,500.00
- Contracted Child Study Team cost (\$18,763. for 1994-95) to service 16 students; 9 are in the elementary school; 7 are out of district. Share for out of district students: - 14,635.00

The above are just examples of affected areas in our budget that reflect resident enrollment costs. We must develop our budgets to educate all students in grades K-12. The State therefore should determine our costs by all of those students.

We appreciate your efforts on behalf of the Avon School District.

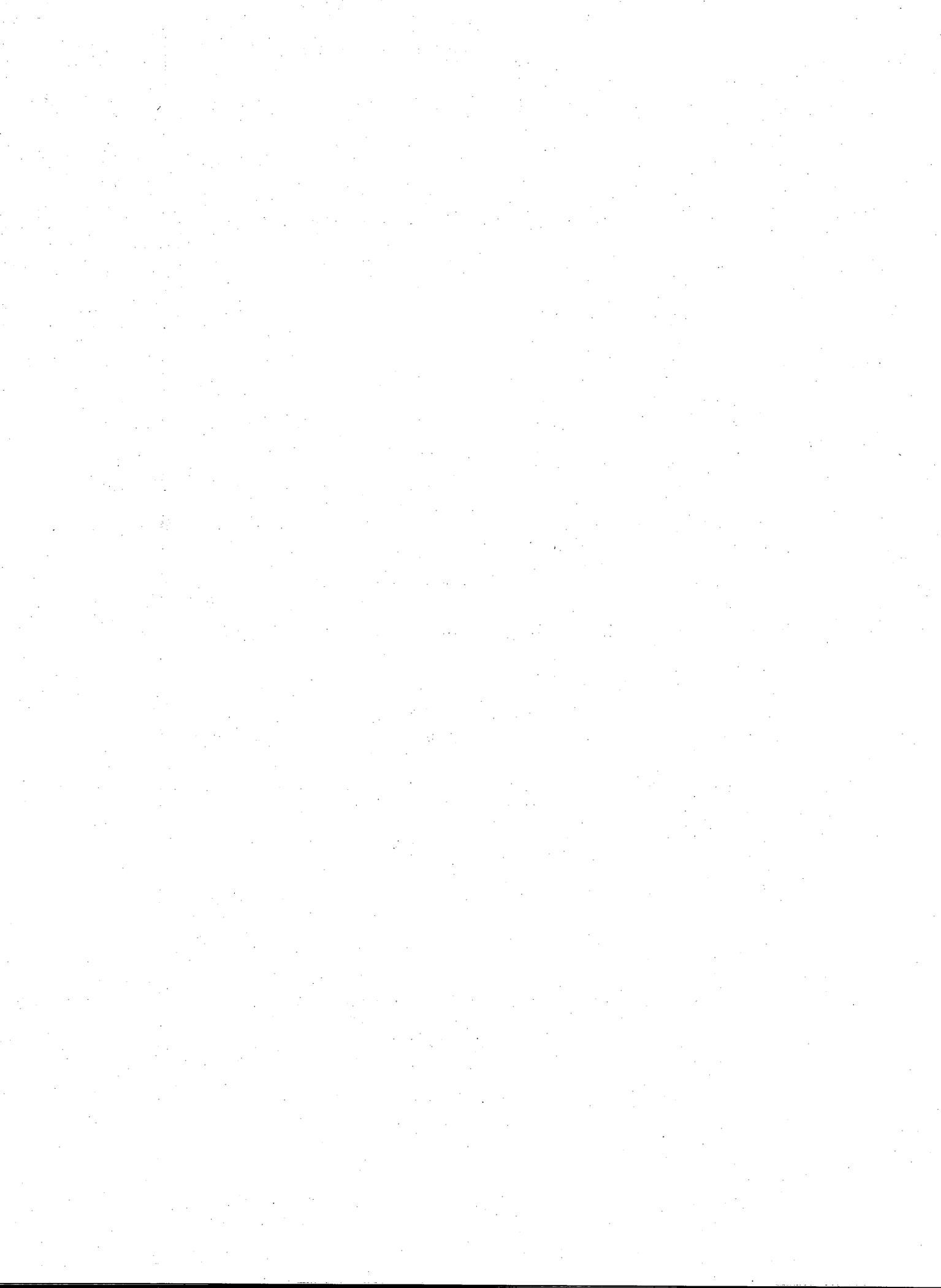
Very truly yours,

AVON BOARD OF EDUCATION


John A. Gatta,
Superintendent


Joanne M. Barry,
Board Secretary/SBA

123X





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LBC
3-26-98 160265 MC

