

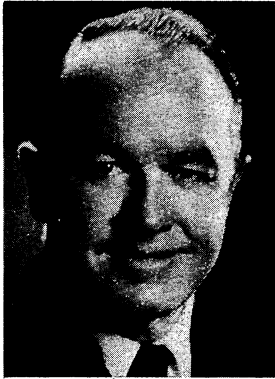
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AN ANNUAL REPORT  
FROM THE  
NEW JERSEY  
ADVISORY  
BOARD ON  
VOCATIONAL  
EDUCATION

THE SPECIAL ANALYTICAL STUDY ON THE COST  
AND FUNDING OF VOCATIONAL EDUCATION IN NEW JERSEY

New Jersey State Library

September, 1973



*"...Educational agencies and professional educators, at all levels, must work together to shape a flexible system which will balance New Jersey's concurrent needs for improved academic, vocational and remedial education. We can little ill-afford to engage in non-productive controversies, based solely on past conventions..."*

William T. Cahill  
Governor of New Jersey

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A SUMMARY REPORT  
on  
"THE SPECIAL ANALYTICAL STUDY ON THE  
COST AND FUNDING OF  
VOCATIONAL EDUCATION IN NEW JERSEY"

September 1, 1973



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NEW JERSEY ADVISORY COUNCIL ON VOCATIONAL EDUCATION  
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# foreword

The New Jersey Advisory Council on Vocational Education, following an intensive study to examine the extent of the local district effort to provide tax dollars to support vocational education programs, has developed what the Council feels are some landmark findings.

For many years it has been assumed that vocational education programs have been largely supported with funds coming from Federal and State sources. This assumption, Council has learned, has carried through to the entire educational program being conducted within the local district. Both of these assumptions have been challenged in the Council's Report, "A Special Analytical Study on the Cost and Funding of Vocational Education in New Jersey."

The Council, in conducting a unique pilot study on funding sources for education within two Comprehensive High Schools, two County Vocational Schools and two Community Colleges, has documented the fact that the local district funding effort generally surpasses both the State funding effort, which is the second highest source of support, and the Federal effort, which is the lowest funding source.

Supporting data for the Summary was prepared in a report developed by Education Systems Resources of Washington, D.C. and coordinated by the New Jersey Council through its Funding Committee, co-chaired by Dr. Burr D. Coe and J. William Helmstaedter. The following Summary was edited by Council's Administrative Secretary, Rudolph J. Girandola.

The New Jersey Advisory Council on Vocational Education hopes that this Report will serve as a guide to developing a fair and equitable system of funding all education programs for the educational betterment of New Jersey Citizens.

*Arnold K. Weber, Chairman*

## **Stating The Problem**

In the growing concern over the amounts of Federal and State funding to support Vocational Education, the extent of financial support on the local levels has been largely overlooked.

As inflation skyrockets costs of education, local districts are finding themselves on the losing end of a quest for Federal, State and Local dollars not only to support Vocational Education in their systems but the total educational system as well. The fiscal crisis found in New Jersey may be typical of the problem nationally.

The local district has found that it cannot receive additional or new funds from the Federal and/or State allotments, either because funds are competitively scarce, or because funds for a particular program have run their course. When the latter occurs, it becomes time for the local district to pick up the tab, if it wishes to continue the program for its students. When this happens, the local district taxpayer, because of a lack of understanding about how Federally funded programs work, feels tricked into bearing the additional tax burden of a program originating out of Federal or State start-up funds.

However, assessing the costs for Vocational Education within a school district is very difficult because no one really knows the true cost of vocational education. For that matter, it is nearly impossible for local districts to assess the actual cost of all of Education on a program by program basis because current accounting systems do not provide data for such an assessment.

This startling point of concern is noted in a publication of the New Jersey Advisory Council on Vocational Education, entitled, "A Special Analytical Study on the Cost and Funding of Vocational Education in New Jersey". It is the point of concern around which the Council urges immediate action.

## **False Assumptions On Funding**

In funding Vocational Education at the local level with Federal dollars, the Vocational Education Act Amendments of 1968 clearly states that any categorical grant provided to a Local Educational Agency must not be used to take the place of State and Local funding for Vocational Education.

It has been assumed for many years that Local support for Vocational programs was minimal as compared to Federal and State support. However, the Council study disproves this to be the case.

In the Summary Data on Vocational Education for Fiscal Year 1972, the U.S. Department of HEW, Office of Education, published a report that said New Jersey was among the ten States in contributing the lowest amount of dollars to support Vocational Education in the State. In fact, it claimed that for every Federal dollar granted to New Jersey, only \$2.13 was expended by the State and Local District for Vocational Programs. Ten States consid-

ered low in expenditures for Vocational Education fall in a range of expenditures from \$1.55 to \$2.13. Ten States considered high, fall in a range of expenditures from \$5.33 to \$11.58.

The Council's study, done on a sampling basis of six local educational agencies including two Comprehensive High Schools, two County Vocational Schools and two Community Colleges, completely contradicts that Federal report when statistics are extrapolated Statewide.

The Council has determined from its sample, that more than \$8.00 in State and Local funds are expended for Vocational Education for every \$1.00 in Federal funds.

When examining both direct costs (straight line items identified within the budget, e.g., Personnel, Text Books, etc.), and indirect costs, (those items which are not clearly identifiable, e.g., Heat, Light, Support Services for the general operation of the plant), it is discovered that for every Federal dollar expended the State expends over \$2.00 and, surprisingly, the Local District expends more than \$6.00.

When expenditures of the study sample are extrapolated, the following 1971-72 Statewide expenditures estimates by source are developed:

Source	Direct Vocational Education Expend.	Indirect Vocational Expenditures	Total Vocational Education Expend.
<i>Federal</i>	\$11,732,000 27.9%	\$ 6,267,000 5.1%	\$17,999,000 10.8%
<i>State</i>	10,856,400 25.8%	26,886,600 21.7%	37,744,000 22.7%
<i>Local</i>	19,471,600 46.3%	90,785,400 73.2%	110,257,000 66.5%
<i>Total</i>	\$42,060,000 100.0%	\$123,940,000 100.0%	\$166,000,000 100.0%

### **“Estimates” On Conservative Side**

While the illusiveness of determining the “right” calculations is always present, there are some valuable insights which the Council study estimates provide. First, while some assumptions were necessary, the resulting estimate of Vocational Education expenditures, and of Local funding, is likely to be in error on the conservative side. This is particularly true with regard to the determination of direct vocational education expenditures, which were equated within the narrow definition of direct instructional expenditures.

The sizeable amount of indirect expenditures for vocational education may cause some surprise, but there can be no question as to whether such expenditures should be considered a benefit to Vocational Education. They are quite real and quite large. The only legitimate question is over the method of their distribution between vocational and nonvocational instruction. If anything, the study's estimates may have understated the Vocational Education share of indirect costs.

The distribution of the estimate is made on the basis of a simple proportionate division of enrollment, in spite of the fact that Vocational Education generally requires more supportive services, activities and space than does nonvocational education.

The ever increasing cost of education is making it more and more important that educational policy and program decisions be based on a full understanding of the costs involved. However, currently in New Jersey, there is no adequate mechanism which allows the State to compile comprehensive information on the actual Local expenditures on a program by program basis, not only for Vocational Education, but also for total education.

The Council then, poses this one basic and practical question: "How can an existing business, corporation or, most importantly, an educational agency function competently without knowing what its program or product costs are?"

### **Statewide System Deficiencies**

The Council's focus in its report, "A Special Analytical Study on the Cost and Funding of Vocational Education in New Jersey", is on the **Statewide deficiencies within current Vocational Education reporting and accounting systems**. However, while examining these deficiencies, Council has also concluded that reporting and accounting systems for general education, current and planned, both secondary and post-secondary, are also deficient. As determined by its findings, Council's strong conviction is that the reporting and accounting systems for education across-the-board are in dire need of coordination.

The fact is that local educational agencies presently are not required, nor have they ever been required, to detail their budgets so that the State or the Local taxpayer can see immediately, for example, what Office Occupations programs, what Technical Educational programs, or what History or English programs have cost over a one-year, two-year or three-year basis.

Existing accounting techniques and procedures vary widely not only within New Jersey Local school systems but also between existing State Education accounting systems which include the Department of Education and the Department of Higher Education. These systems are not geared to produce comprehensive or consistent cost data. They are instead meshed with reporting of overall school budgets reflecting general line items consistent with specific legislative requirements on reporting budgets.

Further, although each school system has accounting guidelines which must be followed, the guidelines are sufficiently flexible to allow significant variations in the accounting treatment of important expenditure items. For example, numerous projects or activities which are specially funded, or which are to some extent self-financing, may or may not be included in the annual accounting reports.

This weakness in the reporting system is heightened by the fact that school auditors, whose techniques of reporting vary from school district to school district, because there are no firm guidelines, feel free to be creative within generally accepted accounting principles.

## **Coordination Is Critical**

This conviction to coordinate systems is especially critical in view of recent efforts on the part of the New Jersey State Department of Education, including the Division of Finance, the Division of Vocational Education and the New Jersey Department of Higher Education, to develop new cost-accounting systems virtually in isolation of each other.

The system being developed by the Division of Vocational Education is a program, planning and budgeting (PPB) system for use by those Local Districts offering vocational instruction.

The Division embarked on developing a PPB system several years ago. At that time, the Department of Education had not entertained the development of a new reporting and cost-accounting system. The PPB system, as developed by the Division of Vocational Education, was essentially thought necessary since their Federal reporting requirements were different from others required Statewide.

However, it has become clear that for adequate functioning of the PPB system, there is required support of a good comprehensive program cost-accounting system consistently implemented and required for all local school districts. In the last analysis, it is considered that even the best designed PPB effort can only produce results as good as the data supplied from the local districts. If the local district is not required to produce cost data to make the PPB system function adequately, then the system breaks down. To impose a Vocational Education PPB system on the State's current inadequate accounting system is to put the cart before the horse.

What the State must do, therefore, is develop a cost accounting system and reporting requirements which are uniformly applied, not only within elementary and secondary local school districts, but also within districts offering post-secondary education.

Recently the Department of Education, through its Division of Finance, and the Department of Higher Education, recognizing the limitations of the current system, have undertaken to develop new cost accounting systems.

However, as described previously, the effort by the two education Departments was undertaken independently. When both Departments initiated the effort, there was not much thought given to coordination in defining terms for accounting and reporting purposes.

Upon examining the Department of Education and the Department of Higher Education cost accounting models, Council has noted development without coordination. If this continues to be the case, Council feels the result will be two new, but still different and uncoordinated cost accounting systems. This result may lead to greater confusion in determining Vocational Education costs on State and Local levels and, more importantly, to a possible waste of taxpayer's money.

The Department of Education's consultant in developing its cost account-

ing system, using six pilot local school districts, is Peat, Marwick, Mitchell and Company. The Department of Higher Education has engaged the firm of Ernst and Ernst to develop a cost accounting system for the Community Colleges. While considerable progress has been made in development of the Department of Education's system, there currently is no definite completion date. The Department of Higher Education is nearly ready to implement its new system and expects that by Fiscal Year 1975, it will be in full operation.

While little descriptive information is available at this point on the Department of Education's new cost accounting system, indications are that it will be a system designed to provide data to satisfy the minimum State reporting requirements. However, it is expected to be flexible enough to be expanded to provide full cost data at almost any level required, e.g., grade, department, program, course, etc.

The cost accounting system as developed by Ernst & Ernst for the Community Colleges, is certain to involve cost accounting definitions and techniques which are also unique to it. In order to mesh its vocational education cost data with that provided by the Department of Education's system, adjustments would necessarily have to be made.

More germane to the problem of new cost accounting systems, is the comprehensiveness with which each system is implemented at the local level. This problem is of more potential difficulty for the Department of Education's cost accounting systems for local districts, than it is for the Community Colleges, simply because there are more than 600 local school districts as compared to only 17 county Community Colleges.

### **Making Cost Accounting Systems Useful**

In highlighting these points of concern, the Council has keyed into critical areas which it feels demand attention. One of these involves the inclusion of techniques within all State accounting systems which would make it possible to gather specific data on both direct and indirect program costs of education at the local level. Existing accounting systems are *not* geared to do this. Future accounting systems, if not developed with the requirement of compiling direct and indirect cost data by program, are likely to overlook accentuating these factors because current legislation does not require such specific data gathering.

In the case of Vocational Education cost determination, indirect expenditures will continue to be nearly impossible to determine until a comprehensive cost accounting system and reporting requirements are developed for use by local districts Statewide. The Council, in conducting its study of funding systems, has proposed to the State a temporary system of data gathering which would serve Vocational Education purposes until such time as the new cost accounting systems are fully operable.

These new systems, however, should not attempt to accommodate only the reporting demands of Vocational Education, which has, since the Vocational Education Act of 1963, imposed its own unique reporting requirements for internal assessment and evaluation. Rather, specific program cost analyses should be required as beneficial to total education assessment and evaluation.

It is anticipated by Council that a comprehensive assessment of vocational and general education through a relatively consistent cost accounting and reporting system will bring about three most useful results:

- There will be developed a consistent data base of direct and indirect costs of programs in the local educational agencies, secondary and post-secondary.
- The State and the local districts will be able to determine program costs in terms of the program benefits to students and taxpayers.
- Policy and program decision makers will have adequate information to make the most effective and efficient judgements in determining program continuance or implementation.

The New Jersey Advisory Council on Vocational Education recently called together representatives of the Department of Education, including representatives of both the Division of Finance and the Division of Vocational Education, and representatives of the Department of Higher Education and the State Treasury.

Through a review of Council's study, these representatives were alerted to the concerns of the Council with the hope that a marriage of efforts would take place. The Council optimistically looks to the future with the hope that this marriage will be a lasting one and one which produces results in the best interests of New Jersey's citizens.

This Document is prepared in compliance with Public Law 90-576, Section (b) (1) (D) which requires that the New Jersey Advisory Council on Vocational Education:

*“(D) prepare and submit through the State Board to the U.S. Commissioner and to the National Council an annual evaluation report accompanied by such additional comments of the State board as the State board deems appropriate which (i) evaluates the effectiveness of vocational education programs, services and activities carried out in the year under review in meeting the program objectives set forth in the long-range program plan and the annual program plan provided for in paragraphs (4) and (5) of section 123 (a), and (ii) recommends such changes in such programs, services and activities as may be warranted by the evaluations.”*



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