

P U B L I C H E A R I N G

before the
Subcommittee on Business Efficiency of Local School Districts
of the
Joint Education Committee

Held:
Assembly Chamber
State House
Trenton, New Jersey
November 27, 1974

Subcommittee Members Present:

Assemblyman Daniel F. Newman, Chairman
Assemblyman John H. Ewing

Also Present:

Dr. Ernest Reock, Secretary, Joint Education Committee
Paul Muller, Committee Aide

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ASSEMBLYMAN DANIEL F. NEWMAN (Chairman): Ladies and gentlemen, we will get started now. I thank you all for coming. This is a subcommittee of the joint committee of both houses chaired by Senator Wiley. This is a subcommittee for the purpose of looking into the efficiency of school systems as it relates to the dollar and the business practices and procedures of the boards of education throughout the State.

I want to thank you on behalf of the Committee for coming here on a pre-holiday day. Our first witness will be Mr. Harclerode from New Jersey Bell Telephone and the Newark Chamber of Commerce.

ASSEMBLYMAN EWING: Mr. Chairman, I would like to make a note for the record that the Department of Education is not present at the beginning of this hearing.

ASSEMBLYMAN NEWMAN: They are not present?

ASSEMBLYMAN EWING: I would like to make a note that they are not here and are not going to testify. It seems incredible that the Department of Education does not have a representative here that can give us some thoughts and ideas.

MR. FLOWERS: Mr. Bills is attending a budget hearing this morning.

ASSEMBLYMAN EWING: I can care less what Mr. Bills is doing. What about the Commissioner? If they have that little interest, it just shows how that Department operates. I think it's incredible. You can tell the Commissioner for me that I think it's lousy. Will you do that, please?

ASSEMBLYMAN NEWMAN: Excuse me, Mr. Harclerode. If you are ready, you may begin.

R I C H A R D H A R C L E R O D E: Mr. Newman, on behalf of the Greater Newark Chamber of Commerce, we would like to acknowledge your kind invitation for us to testify. I'm here this morning as a representative from the Greater Newark Chamber of Commerce. The subject is a very interesting one. You have in front of you several documents

which outline our position. The Greater Newark Chamber has been involved in a variety of combined efforts with educators in the City of Newark and we have been involved in other major cities in the State of New Jersey: in Jersey City, in Rahway, in Elizabeth, in Union County.

And our role as business people is a self-serving one and one where we feel we can bring our peculiar business expertise into the realm of public school operation. We feel that our experience in organization, our experience in personnel, our experience in school plant management, our experience in supply management and our experience in absentee control in the business world is something that can be an asset to the public school educator.

In terms of the charge that you gave us in appearing in front of you, it would seem to us as business representatives that throughout the State of New Jersey you have business people who are interested and concerned about the process of public education in the State of New Jersey. You have a business community that is willing to offer its expertise on the business side of school operations. We feel that the only way this can be done would be for public educators to invite business people to assist them in specific projects.

The districts that I mentioned are districts where we have been engaged in major studies, and where, when the studies have been completed, the business community stays right with the district in helping them implement the recommendations of the study. Our track record has been good. We only work at the invitation of school people.

We believe that perhaps one of the things your subcommittee ought to consider is the establishment -- maybe on a pilot basis -- of a business advisory group at the State level, and perhaps at some of your intermediate levels to see where the business

community might assist school people in the very kinds of things, Mr. Newman, that you mentioned this morning-- the various kinds of things in terms of bus operation, one district starting at one time versus another district having a swinging schedule. These are the kinds of areas that are bottom-line.

The business community is not interested in the curricular area. We're interested in the outcome. I believe that that is the end of my comments. We would like again to thank you and your subcommittee for this invitation to us.

ASSEMBLYMAN NEWMAN: Do you have any questions?

ASSEMBLYMAN EWING: Yes. Dick, from the studies that you have done in these other major school districts, do you have any immediate recommendations to make where we might be able to make improvements without waiting and waiting? Because what I would hope is that as this subcommittee goes on with its hearings--- I hope this is not something we're going to get done in a couple months because I think it is much too vast, but I would hope that the legislature with its magnificent Democrat majority we've gotten, and with the Governor so bent on trying to save money can put in steps as we go along to make immediate savings and immediate efficiencies. It worries me tremendously as to some of the costs of these educational facilities and what the children are getting out of it.

MR. HARCLERODE: I think one of the areas that the business community would cite would be the area of management information. And I don't really wish to get into why it exists the way it exists, but I do think since education is the largest--next to the largest single State fiscal operation ---

ASSEMBLYMAN EWING: What's the largest, if you say it's next to the largest?

MR. HARCLERODE: I understand the Department of Institutions and Agencies is larger.

ASSEMBLYMAN EWING: Not in money, no. The top part of the budget, of course including higher education as well--- All educational matters are by far the largest by a substantial amount.

MR. HARCLERODE: Well, I think we as business people would raise the question: If you are running a 2.5 billion dollar industry, what kind of management information do you have available to you? And this is a very easy thing for me as a business person to raise. I don't have any immediate solutions to suggest.

I think that there are areas that are well recognized by educators in the State of New Jersey as needing assistance, needing consultive type services. I think the business community in the areas where we can look are available for this consultive service at no charge to the public education system.

And I think, Mr. Ewing, our experience in Newark and in Jersey City and in Rahway has supported greater efficiencies and economies in the operations of those districts. Unfortunately, this takes two or three or four years' time. But I think to start something like this, perhaps the subcommittee might get something off the ground, and take a look.

The interesting thing about studies, from our point of view, is that if you come into a public body such as the education system in the State of New Jersey and perform a study, you probably have 25 different studies that are laying around the Department of Education. What the business community has attempted to do in each of the districts where we have worked is to perform the study, to get a commitment from the board of education and the superintendent that approves the study and its recommendations, and then because the business people are local to that community, the business

community says to the school people, we will stay with you until you have succeeded in implementing this recommendation or until the conditions change and it doesn't need to be implemented.

I think the outstanding case that we have right now in front of us is the very positive program of improving absenteeism in a major city in the State of New Jersey. This has been done. This has been done on a constructive basis. It is not a punitive program. It's been done, and the school district has realized over twenty percent savings. If you turn that into educational savings, you're talking about twenty percent more "presenteeism" of teachers in the classroom, so that education can take place, which I think is terribly important.

ASSEMBLYMAN EWING: Yes, but are the dollar savings being put into education as well, or are they just using it for other relatives to go into other jobs in other areas and not bother to show up? I realize that this absentee thing has been a great success, but in the cities that you were able to accomplish it, was there a reduction in their budgets or did they just go out and spend more money in other areas?

MR. HARCLERODE: I really can't answer that, Mr. Ewing, because there are not, in my mind, sufficient management types of information available to me. The PPBS proposal that is in front of most districts in the State of New Jersey offers one way in which better information can become available. Right now there is no such system operating in the cities that I'm mentioning.

There is also an absence of requirement on the part of the State for an accounting of some of the things that we have observed. So I think in answer to your question, I really can't say where the money has gone.

ASSEMBLYMAN EWING: In the cities that you have worked with, are any of them contemplating PPBS, or do they feel

it's going to be too much of a constriction on them and their high-handed way of spending money?

MR. HARCLERODE: I really have to ask the school superintendents in those cities. I do know that Newark data processing people are contemplating that system.

ASSEMBLYMAN EWING: They are contemplating that?

MR. HARCLERODE: Yes, they are. They are not yet a district that has the approval of the State Department of Education.

ASSEMBLYMAN EWING: In the cities that you worked with, did you ask for and did you get any cooperation whatsoever from the State Department of Education?

MR. HARCLERODE: Excellent cooperation from the State Department. One of the ways -- the only way -- that the business community will operate is to keep the interested parties informed. And we have always gone to the State Department and indicated where we were and what our process was.

ASSEMBLYMAN EWING: Did they come up with any recommendations in your studies, sir?

MR. HARCLERODE: No. They were really a third party at this point, looking at us and helping us as we needed help. But, no, they did not. They were not a part of the study.

ASSEMBLYMAN EWING: In other words, in all their years of experience in dealing with the districts in the State of New Jersey, they couldn't come up with a single recommendation? They never said, you should look at a certain area because we have never been able to work on that and get it improved?

MR. HARCLERODE: The State Department was really not a part of this process. The process had two actors in it. It had the business community and the local education system.

ASSEMBLYMAN EWING: Did they ask to be a part of it?

MR. HARCLERODE: Not to my knowledge, except to be kept informed through the county supervisor.

ASSEMBLYMAN EWING: I think that's derelict on their part. I should think they would be so interested to know where efficiencies could be made that they would have asked to be made a part of the study so that they could get their input in. I think it's just incredible how they operate.

Has your group ever made a study of the Department of Education itself as to the number of personnel they have?

MR. HARCLERODE: No, Mr. Ewing, we've not been requested to do that.

ASSEMBLYMAN EWING: That might be an interesting one to get the business community to do--to see how much dead wood is sitting over there. They haven't come up with a single thought on how to create efficiency. I find that quite amazing that they did not ask to be part of the study of these major cities where so much State money is being spent. How a community spends its own money: that's up to them and their voters. But when it comes to the taxpayers' dollar, I think the Department of Education has a major responsibility to make sure it's going toward the education of a child.

From what I gathered from you and the studies of these other communities, all they want to do is be informed. They have no thoughts to give or suggestions or anything like that.

Do you know whether they followed up any recommendations to see if they are being carried out?

MR. HARCLERODE: Yes. I have been working with Mr. Bills on two projects that deal with the teacher pension and annuity fund process. Right now the local district

has to use a paper process to work with the teacher pension and annuity and social security. I've been working with Mr. Bills to try to modernize that process. Many districts in the State have computer systems; so does the State.

Our experience in private industry is that the computers can talk with one another in providing record checks. We would like to suggest that something like that be done in this State. It is a very difficult problem because teacher pension annuity is only one part of over 400 pieces of input into that process, so Mr. Bills has been very helpful in trying to work toward a more efficient process of reporting social security and teacher pension annuity payments.

ASSEMBLYMAN EWING: Well, there's no question that in the short time I've been with the Legislature and the Education Committee, the Department has been hamstrung from the point of view of management information. There's no question in my mind, and unfortunately it gets knocked out of the budget. I hope the subcommittee will go along with your suggestion.

This is, I guess, one of the first things we should do: try to get a study made of what information tools are necessary in order to get a handle on these things, and start from that as a base; is that what you would recommend?

MR. HARCLERODE: It might be an excellent take off. Again, the business community always wishes to put itself in the position of being invited by the education community or the Legislature. So, if we were invited to look at that area, I'm sure that we would respond affirmatively.

ASSEMBLYMAN EWING: Do you feel that that is the first thing that should be looked at, really?

MR. HARCLERODE: My own opinion is, really, at the State level, yes.

ASSEMBLYMAN EWING: Now, as far as your representing the business community, would you be the one to go through on this if the Legislature wished to do so? Is there another area that we should approach in conjunction with you?

MR. HARCLERODE: I believe that you'll find in the statement that Mr. Meissner made, the Chairman of the Education Committee of the Greater Newark Chamber, that he would be the individual that would come up with the manpower for this. I might be the individual asked to do this job. (Refer to page 1 A.)

ASSEMBLYMAN EWING: I see. What is Meissner's job? Is he with Bell?

MR. HARCLERODE: Yes, his full time job is with New Jersey Bell. He's the Director of Urban Affairs in New Jersey Bell; however, his operation in this process is as a Chamber representative. This is important, Mr. Ewing, although it's not pointed out on the record: Any of the operations that the business community has undertaken in these communities that I have mentioned have had no less than 15 business firms involved. So, it is a comprehensive support from the business community.

Now, in areas where labor is involved, labor people are also involved. So it's a comprehensive approach to the problem.

ASSEMBLYMAN NEWMAN: Dick, did you ever experience any unpleasantness between the Board or the business administrator jealously guarding his responsibilities? Did that ever create any kind of problem internally?

MR. HARCLERODE: I think initially there were some apprehensions on the part of subordinates to the school superintendent who invited us. These were quickly allayed, however, when the individual realized that the study work was being done about a process, not about an individual. So, the output, the downstream

effect has been very positive. We have been welcomed, and we've had no difficulty that I'm aware of.

ASSEMBLYMAN NEWMAN: In the statement from Mr. Meissner, you mention state groups appointed by the State; can you elaborate on that--how that would work? Are you suggesting that the State, whether it be through administrative procedure or legislation, establish these committees appointed by the State, as you point out, to be available to boards that need them? In other words, are you suggesting standing committees in an area--committees that would only be at the service of a board or administrator who wished to have them provide that service? And, if so, they would be set up? Is that what you are saying?

MR. HARCLERODE: I think so. Mr. Newman, as a fellow board member, I think that I would not wish to see 600 business organizations for each of the boards in the State. I think that would be an overorganization. I think maybe a good way to start to see if it's a useful process is to perhaps legislate this, if it's necessary--the ability of the Commissioner or the ability of the joint committee on education, wherever the source of power comes from to appoint a State level committee. Maybe one of your first tasks to the State level committee would be to ask them to look at the reasonableness of appointing intermediate district groups such as this to work with educators. That's about as far as I've taken this, Mr. Newman. Thank you very much.

ASSEMBLYMAN NEWMAN: Are there any further questions? Thank you very much.

Mr. John Totin, New Jersey Association of School Business Administrators?

J O H N T O T I N: The New Jersey Association of School Business Administrators supports any and all endeavors to increase the efficiency of the business function in public school districts of the State. Historically we have

worked for many years as a cohesive unit to better ourselves and to improve our work. We supported legislation which resulted in the creation of a certificated position of school business administrators, the first such position in the country. As of this date 174 districts have employed school business administrators.

While it is difficult to determine what the public expects or demands of its educational system, one thing is certain: if resources permit, the public is entitled to consistent success in the management of school business affairs, because at this one level of the educational enterprise, and perhaps at this level only, the board of education is in a position to guarantee the style and quality of management it needs and wants.

Our association feels that each district is entitled to the services of a fully competent and certificated business administrator, even if one individual serves the needs of several districts. We remind you that of all the professional functions in public schools only the business office can be directed by a non-certificated person. We feel very strongly that no amount of mandatory decrees will produce the efficiencies that are concomitant with professional pride and competence.

We must inform you that at this moment no college or university in the State offers a formal coherent course of study adequate for the training of school administrators to cope with today's business challenges. While colleges themselves are anxious to provide appropriate academic programs, the Department of Higher Education which must approve new programs has sat on a proposal made by Kean College for over a year.

We business officials have been held accountable by audits for many years and we encourage the expansion of the scope of audits beyond financial activities so as to deal with the efficacy of the business process

to insure that the public receives not only the best buy in goods and services but that those goods and services are actually needed and properly utilized.

The proliferation of titles, secretary, assistant superintendent, business administrator, business manager, deputy superintendent, has caused confusion and occasional conflict. It would be advisable to have just one title for that job which administers the business services. Most important of all, it would be advisable to amend the statute which describes the duties of the secretary so that that position would perform only the necessary corporate functions and would not and could not conflict with duties assigned to the business administrator.

We business officials have always looked to the Department of Education for guidance and leadership. However, we find in recent years that that department is inadequately staffed and equipped to assist us in the field to develop and maintain up-to-date business procedures. The Assistant Commissioner for Administration and Finance needs to have on his staff members who are expert in computers, management techniques, business law, and so on, to whom we could turn for consistent direction.

In conclusion, we wish to say that business efficiency goes beyond clerical correctness and that great pains ought to be taken by the State to insure that boards of education are served by experts who are versed in areas of insurance, finance, construction, maintenance, negotiations, et cetera. To this end we recommend the following:

1. That colleges of the State be required to provide programs to train school business administrators.
2. That the Division of Administration and Finance be expanded and modernized.

3. That all business services in local districts be administered by certificated personnel only.

4. That the auditing process be revised.

Thank you for allowing the New Jersey Association of School Business Administrators to participate in an area which concerns us so vitally.

ASSEMBLYMAN NEWMAN: Thank you very much, Mr. Totin. Are there any questions?

ASSEMBLYMAN EWING: This is the Master of Arts Program that you talked about the other day?

MR. TOTIN: Yes. I have an addendum to this report alluding to the program we talked about. This is the program that was submitted by Kean College. (Refer to page 7A.)

ASSEMBLYMAN EWING: Do you have any definite recommendations on the auditing process and how it should be revised? Do you have a formalized setup on that?

MR. TOTIN: No, except to say this: we happen to be one of the four pilot programs of program budgeting.

ASSEMBLYMAN EWING: Who is "we"?

MR. TOTIN: I'm sorry. I am the Secretary and Assistant Superintendent of Business Affairs of the Newton Public Schools.

ASSEMBLYMAN EWING: Okay.

MR. TOTIN: We were one of the four original districts. I would say that program budgeting lends itself to almost an automatic auditing process. It is capable of providing such a mass of information that in the proper hands, using the proper tools -- let's say, at the State Department level -- you could achieve a level of auditing that cannot be achieved at present in the field. I think the present auditing

system is necessary as a minimum. But if we are required to provide the proper data, and we do provide it, I think you almost automatically have a very comprehensive picture of exactly what is going on in our school system at every level and to a very fine detail.

ASSEMBLYMAN EWING: On the PPBS that you have, how long have you had it up in Newton now?

MR. TOTIN: Three years.

ASSEMBLYMAN EWING: Is it fully operating or is it still phasing in?

MR. TOTIN: Yes, fully operating.

ASSEMBLYMAN EWING: Do you find that the costs involved are greater? Is it costing your district more money in order to put PPBS into operation?

MR. TOTIN: Yes, I'd say slightly more.

ASSEMBLYMAN EWING: But the information you get from it is worth it?

MR. TOTIN: Yes. I don't know what took us so long, to tell you the truth. It is such a logical system. I have always said it is a layman's budget. People talk of the PPBS as though it were for experts only, but it speaks in plain language that everyone in the system--teachers and custodians--can understand. It gets right to the point and speaks plainly down to the slightest detail.

It has been a long time coming. It's probably fifty years too late.

ASSEMBLYMAN EWING: Do you find any objections to it from the Teachers' Union?

MR. TOTIN: Curiously enough, if anything, I think it has improved the morale of our teachers. Because we in our system, quite honestly, involve them in all the decision making. And they really understand exactly where the money is going, how we are spending the resources in their department and in the entire system.

It is plain. It's simple. And I think they appreciate our confidence in them.

ASSEMBLYMAN EWING: Have you had any problem with the people in the district, the parents or anything? Starting last year, I guess it was, and maybe it was previous to that time, I was starting to get phone calls and letters from people saying that the PPBS was going to run the lives of their children and they didn't want the schools to get into it.

ASSEMBLYMAN NEWMAN: Communist takeover.

ASSEMBLYMAN EWING: Yes, Communist takeover; that was it. And that this was some very subtle way of manipulating the child, but I could never see how. I was wondering what resistance you got from the parents in your district to start with and has that been overcome or was there ever any resistance?

MR. TOTIN: No resistance whatsoever. We have had nothing but praise. The editor of the paper said that for the first time he understands school budgeting. I think the only ones who have suffered are the administrators, because we can't hide anymore. Everything is out in the open, unfortunately. It is a new form of decision making, and we are very pleased with it.

ASSEMBLYMAN EWING: Do you think you have saved money in the district or are you spending it more efficiently or what has been the big plus in going into PPBS?

MR. TOTIN: One thing we have found out is that teachers are better budget makers than administrators. In many areas our costs went down because teachers budgeted exactly what they planned to use the following year.

ASSEMBLYMAN EWING: Do you think PPBS is something that we should mandate from the point of view of the efficiency of the spending of the taxpayers' dollar?

MR. TOTIN: I don't think it can be mandated throughout

the State until every district in the State is served by someone who is relatively competent to do the work involved. As I tried to point out here, you know, you do need some expertise in the school systems. You need someone who is conversant with computers; someone who can use it; someone who can appreciate the use of the computers.

ASSEMBLYMAN EWING: Is PPBS a system that maybe two districts together could do on separate budgets, but I mean could they work together with one person who was knowledgeable in it?

MR. TOTIN: It could be a number of districts. It could be thirty districts or fifty districts that could work together very efficiently.

ASSEMBLYMAN EWING: They could work together?

MR. TOTIN: Oh, certainly.

ASSEMBLYMAN EWING: One man could really control fifty districts by getting it into operation, one expert?

MR. TOTIN: Certainly.

ASSEMBLYMAN EWING: But then you would sort of step on the toes of the local business administrator in some district that didn't have the know-how.

MR. TOTIN: No, because we ourselves are assisting several districts. We are serving as the computer center, even though we are a very small school district, for three other school districts. One of those districts is in Bergen County -- two in Bergen County really.

ASSEMBLYMAN EWING: Do they have tie lines to your computer?

MR. TOTIN: No. We do it by mail.

ASSEMBLYMAN EWING: It is able to be done by mail?

MR. TOTIN: Yes. We have a very small computer. On a more sophisticated level, of course, we could tie in.

ASSEMBLYMAN NEWMAN: Along the line of the morale and so forth, did you ever get into any problems at all in the installation of this program in the district as to what should be charged to whom? I don't want to get into particulars of the budgeting system, but I'm familiar with the case where the administrator of the local school within the district says, "Don't charge me with transportation. That's not my problem. The insurance is not my problem."

Did you run into any of that, just briefly?

MR. TOTIN: No, none whatsoever. Because certain figures are kept by themselves; for example, fuel oil is allotted to a particular maintenance and operation category. We don't try to distribute fuel oil, and say that the English class costs so much in terms of fuel oil. We use a very logical, reasonable, simple system.

ASSEMBLYMAN EWING: Are all PPBS's set up on the same system that you are? Or does each district develop their own, where they might break down fuel oil costs?

MR. TOTIN: We have been given the freedom to set up our own systems. But we have been encouraged by the State to keep it simple, because evidently other states have tried to become very complicated and have failed as a result. We are still learning.

ASSEMBLYMAN EWING: What other districts are on PPBS? Do you work with them closely, other than the ones you are handling yourself? Do you sort of have an association meeting?

MR. TOTIN: Oh, do we. We help each other. As new districts come on the line, you might say, we help each other. There might be about forty districts on it right now. We cooperate very closely. We share problems. I have learned from the ones that have just come on the line. We have made mistakes.

ASSEMBLYMAN EWING: What do you think has been the biggest problem they have had installing PPBS systems?

MR. TOTIN: The availability of computer know-how. It takes a long time to develop your own system. There is no master computer available to us, or no regional computer.

ASSEMBLYMAN EWING: Do you foresee the day when there might be a master computer run by the State that you could have tie lines into and type in your information and be able to get it out when you want it?

MR. TOTIN: Yes. In his first year of office I proposed to Commissioner Marburger that the State Department consider setting up a pilot regional computer in one region of the State to accomplish exactly this, do the accounting work, the payroll and what have you, with probably direct tie in's to the State computer.

Unfortunately, his hands were full. He had more important work to do, no doubt. But I think it is something that ought to be studied.

ASSEMBLYMAN EWING: This is something this business advisory group can look at when they are looking at the management information set up of the Department.

Do you foresee a day, or do you think that's taking away too much local work, if you have an overall set up at the State level or maybe in three or four regions of the State that are manned by State personnel, say, to do the highly technical part of it? Do you think that's bad?

MR. TOTIN: Computers replace clerical work. That's all. I abhor clerical work. I like to think of myself as a decision maker and mover. I don't like to get involved with little details, accounting and what have you.

If the computer can do a problem in a fifth of a second, and it would take me all day, I'm only too glad to assign it to a computer. We look at a computer that way. It's a machine. The history of our profession is

that we have moved up from the manual system to accounting machines, to small computers, and some day we hope to very sophisticated computers.

ASSEMBLYMAN EWING: Do you feel that people in your district or on your board would feel that the State was trying to take over too much if they try to set up on a State basis an operation of computers?

MR. TOTIN: No -- I've heard talk, yes, in both directions.

ASSEMBLYMAN NEWMAN: A previous witness talked about private industry through the State creating advisory boards to look into giving service. Now I'll ask that of you. How does your association feel about a board of education bringing in a private group of businessmen, if you will, to review a particular problem within that school district as it relates to financing?

How do you feel about that professionally?

MR. TOTIN: I always welcome anyone who is better educated than I, better trained or more experienced, to help me; and I think I could speak for everyone of us. I can speak from the tone of our various conventions, because that is exactly what we do. We call people in from industry, consultants, what have you, to help us because we respect them. That's the kind of help we do invite. We don't necessarily invite advice per se from anyone, unless we respect someone.

DR. REOCK: Is it possible to generalize about the background of the people who are now certificated as business administrators? Did they come into this position from business or did they come up through the educational system, or is there any other general pattern?

MR. TOTIN: By and large -- I completed a survey a year ago for the association, and most of our people do not come through the educational ranks, if you count

every one of the 609 school districts which includes many board secretaries.

DR. REOCK: I'm talking mainly about the certificated people.

MR. TOTIN: Certificated people? I would say more than half come from the teaching ranks with the rest from business -- particularly accountants.

DR. REOCK: So that a training program for certificated persons in the future should aim both to take people with a business background and orient them to the schools and also take people from the schools and orient them to business methods.

Should any emphasis be put on the training of people right out of school for a professional career in this field?

MR. TOTIN: Yes, definitely.

DR. REOCK: Are there enough positions available to make it a feasible process? Will there be a career ladder that would respond to a program that would take people at the Master's Degree level -- going from undergraduate to Master's Degree and then into the field?

MR. TOTIN: Yes. Actually we have had to, as they say, beat the bushes when there are openings. A number of superintendents and board members have called me from all over the State asking me to send candidates to them. They literally can't get first-class candidates. They can get people who are interested in becoming a school business administrator, but they can't get one fully trained and fully expert. There are very few. And there are very few because there are very few being trained.

Most of the courses that were given in the past for certification training were done on the shotgun basis.

DR. REOCK: Are there certificated persons who are not serving as the top person in their school district -- in other words, in second positions and third positions and so on down the line?

MR. TOTIN: Who are not certificated?

DR. REOCK: Yes, who are certificated as the business administrators but are not the top business person in that district?

MR. TOTIN: Yes. There are a number, for example, who have had all the course requirements and need only now to get the appropriate job.

DR. REOCK: Thank you.

MR. MULLER: Would it be necessary to have a special curriculum for these people? In other words, would they go through a program of public administration and come out with the skills that would be necessary in a school district?

It seems to me, if you are going to set up a special curriculum just for schools, that the demand might not be there. The Department or the institution might be reluctant to institute that type of program, whereas if you could put it into public administration and business administration and some electives, that might be a better way to get it done. Do you think that would be possible?

MR. TOTIN: Yes, I think we could cooperate and set up a course of study that would be appropriate for both, but I do think that school business administration is a specific expertise as differentiated from, let's say, municipal administration. Some of the basics do apply. But still there is required some background of the enterprise itself. I think an administrator must have some knowledge of what the education business is about specifically. You have got to be a good manager, but you really have to understand the business too.

MR. MULLER: You're a small district, and I was wondering, is there any merit to joint purchasing? In other words, if we were to get several districts

your size together and purchase in quantity or through the State system, would there be any merit to it?

MR. TOTIN: Of course we do engage in joint purchasing in our county--municipalities and school districts.

MR. MULLER: Do you know how many districts do that currently throughout the State?

MR. TOTIN: No, I'm sorry. I can't tell you that. We do it successfully, though.

ASSEMBLYMAN EWING: John, we talked on Monday about this course at Kean College. Would you be interested in coming down and attending a State Board of Higher Education Trustees' meeting, and we can bring it up at the public meeting then?

MR. TOTIN: Oh, yes, although I am on the Adjunct Faculty of Kean College. I am skating on very thin ice. But I'll be glad to do it anyway.

ASSEMBLYMAN EWING: Well, I don't want to jeopardize your position. It would fascinate me to find out whether any of the members of the Board of Higher Education know anything about it, or if it has been brought up to them or anything, and what their reasons are. And I think you have to go right to the top.

MR. TOTIN: I'll be glad to come.

ASSEMBLYMAN EWING: I'll find out the date of the next meeting and let you know.

MR. TOTIN: Thank you.

ASSEMBLYMAN EWING: I think that is the only way to do it.

MR. TOTIN: Right.

ASSEMBLYMAN NEWMAN: I just have a short question on personnel. Is it normal for the business manager, if you will, to be the executive officer of the non-professional employees?

MR. TOTIN: Yes. By and large that is the practice.

ASSEMBLYMAN NEWMAN: Do you agree with that practice?

MR. TOTIN: Yes.

ASSEMBLYMAN NEWMAN: Thank you very much. Mrs. Ida Ebert, Jackson Township?

Good morning, Mrs. Ebert. Just relax and talk as relaxed as you can. I talked to Mrs. Ebert this morning and she told me she was a little nervous. Take your time.

I D A E B E R T: Thank you gentlemen. I do appreciate this opportunity to speak before you this morning, especially since this has been a long time coming. I would like to give you a summary of my interest in education.

I have lived thirty-four years in the County of Ocean and in the Township of Jackson. I have been a newspaper publisher for twenty-one years, and also an officer and member of the Parent-Teachers' Association, and an investigative reporter. I was appointed to the Youth Conference in 1957 by the Governor in my interest in education.

I am knowledgeable in municipal finance and budget, comparative analysis of budgets, and current funding.

My most important message, I think, today would be that in my small, rural community--and I have covered three rural communities in my time--our budget, and I show this to you, amounts to \$9 million. And in the period of years that I have worked in education in the Township, I have found that there is a need for a closer relationship between the local Board of Education and the Department of Education in the State.

For this I would like the opportunity to quote the scope of an audit, and this is the new audit. I believe you will find that this paragraph will be in every audit in the State of New Jersey. "This audit did not and could not determine the character of services rendered for which

payment had been made; nor could it determine the character, the proper price or the quantity of materials supplied for which claims had been passed. These details were necessarily covered by the approval of such claims. Revenues and receipts were established and verified as to the source and amount only insofar as the records permitted."

I'm here today to ask this committee to hold an in-depth study, perhaps with a panel of municipal and school auditors, that they may tighten the procedures of all audits on school business, which is the majority of budget allocation within every township -- at least in the new rural townships where population is exploding the taxpayers' budget.

In the years resulting from these studies, I have called upon the State Department of Education four times to look into business practices. And all four resulted in reports, and one a lengthy one of eighty-six pages on record here, that business was worse than I had anticipated originally. Nevertheless, with these four studies, as recent as 1969, the Board did overspend almost a quarter of a million dollars, \$251,000, which was investigated. And in all cases, the end result was that everyone got a raise in pay and was asked to do a better job. Not that I call upon them to be punished particularly, but I feel that in all these investigations there wasn't any initial effort of anything innovative from the Department of Education so that the local School Board could accomplish or perform a better job.

I don't call your attention to my town in particular, but I feel this could be evident in many more municipalities. I feel that the County Superintendent's office as it is today established is just a buffer for teachers and small ministrations to various personnel, that it should be a competent business office, that it should have a county auditor, and that there should be inspections from the county

superintendents of schools, and not necessarily from individual accountants.

I hope you realize that as a member of the media my approach as a reporter is to attempt to describe the business of government without excessive or legalistic terminology. I have to recover the facts with discretion impersonally in order not to create the impression in the mind of the individual that this is an affront. But you can very well understand that the moment the media comes into a school board relationship it is a very sensitive situation. Everyone takes this personally, and I have found this to be a practice right here in Trenton.

There was a time when I entered the marble halls of the building next door that the telephones rang from the first floor to the commissioner's office that I was there. I didn't consider this flattery. I knew I was there for fiscal responsibilities, but everyone was alerted.

I didn't find in the years that I attended Trenton--and quite often during each week--that we had any more inspectors, and I am advised this morning that the number of inspectors -- three -- that took care of field-work has now been limited to two inspectors. I hope that can be improved.

I speak to you today about pressures upon school boards--people who are elected and hope to do a very good job. They are pressed by architects, by purchasers, by exhibits, by conventions, and by the end of the fiscal year we have 9 million dollars spent. They cannot account for it, nor should they of necessity be held responsible for all the expenditures because they have professional people who are paid to do the work. Nevertheless the onus falls upon them when the money is spent and they can't answer for it.

I call your attention to the bid practices. In one instance, I know of a board of education that built a parking

lot in pieces, one-ninth at a time, so they need not take the bid away from a local paving man who worked in the community. These are the things I see almost every day if you put your mind to inspecting it. I feel that the State Board of Education should take very strong action to control the fiscal spending and they can through their county superintendent's office.

In my time as a member of the Board of Education from 1965 to 1968, I knew of monopolies in the purchases of books, furniture, stationery, pictures and athletic supplies and special services like lab equipment. I know these people are afraid of gimmicks at conventions and exhibits, and I feel, there again, there should be procedures in the purchasing. And I recommend to the committee that, aside from a Council of Municipal Auditors to meet in time perhaps for a set of rules by March so that it may be implemented in the next fiscal year of school boards, there should be an expansion of computers emanating out of the county superintendent's office.

As far as constuction is concerned, I can give you a few instances where there should be corrections that need, at least, some investigation. In my district, schools were actually constructed without a public bid. And the Department of Building Services of the State was not aware that the schools were up and almost closed before it came for an inspection. I brought that to their attention. There were times that schools were completed in my district and the Department of Building Services did not send its inspectors at the proper time.

I wish to inform the committee that most of the men that were in this Department of Education are not there today. They are retired, or they are gone. Nevertheless, I brought these complaints to the Department in hopes that it would meet them with interest, concern, and some procedure. When I left this particular field in about

1969-70, very little had been done to make any changes. The complaint from the Department of Education was, "We don't have enough of a budget, and we don't have enough inspectors." This was the constant complaint. And certainly you can't fight that if that's their only answer.

And so, gentlemen, in conclusion, I would hope that the county superintendent of schools would become a business office and that there would be procedure for the construction of schools so that they don't eliminate all the plumbing in the bids or all the hardware in the bids or eliminate all the painting in the bids. This has happened in my district. And when I brought this directly to a commissioner of education, he leaned back in his black chair and he said to me, "You must admit, they never do make the same mistake twice."

Now, I would like this county superintendent of schools to become the purchasing agent for the district if at all possible; I would like the computer in the county if at all possible; the inspections should emanate from the county.

Ocean County has 29 school districts. There would be enough work there for a group of inspectors, and it would certainly bring efficiency close to hand.

Once again I want to thank you for this really great opportunity to give voice to something that's been upsetting me for a number of years.

ASSEMBLYMAN NEWMAN: Thank you Mrs. Ebert.

ASSEMBLYMAN EWING: Mrs. Ebert, with some of these blatant examples that you have given to us, did you ever go to any of your legislators and ask that these be investigated?

MRS. EBERT: I can only speak for my present legislator, sir -- at that time. A rural community legislator feels that any effort made in the field of education, whether it is fiscal or anything else, is stepping on too many toes and too many votes.

ASSEMBLYMAN EWING: Well, I'm talking about, evidently, the misapplication of funds or the way bids were done or the way buildings were put up. It was completely wrong, but you never brought it to any legislator?

MRS. EBERT: I have brought it to the existing legislative group now in Ocean County. They have been very vital in the interest of the community.

ASSEMBLYMAN EWING: Thank you.

ASSEMBLYMAN NEWMAN: As a former school board member -- and I am presently a school board member, as you know; this is a leading question, and I'll admit it in advance -- were you satisfied with the supervision over the general operation of the school district provided by the State Department?

MRS. EBERT: Truly, sir, I haven't been that close to it in the last two years. I'd rather not comment. My interest now is immediate. I am going to run for the school board again, because not only do we have a 9 million dollar budget, but we have a 4.8 million dollar construction program in the offing, and I would like to take a direct interest.

ASSEMBLYMAN NEWMAN: Are you suggesting, when you talk about the county superintendent's office, that perhaps a business person be installed in the county superintendent's office to oversee, at least in the beginning, the audit reports and business practices on a local level, so that they are more locally handled, of course, than they are now?

MRS. EBERT: It is my understanding that the only thing that the county superintendent takes care of in the budget is to see that all the legal items have been filled in properly. I think there should be a fiscal unit within each county board of superintendent with inspectors and procedural restraints upon the budget so that someone can answer to the public for the expenditure of tax money.

ASSEMBLYMAN NEWMAN: Thank you, Mrs. Ebert.
Octavius Reid, New Jersey School Boards Association.

O C T A V I U S R E I D: I'm sorry I don't have a prepared statement for you this morning, but I will have one prepared for you to submit for testimony on Monday.

ASSEMBLYMAN NEWMAN: Certainly, fine.

MR. REID: There are a number of areas that I want to cover and several of which I want to comment on previous testimony. To hit a few that have not been touched on so far, one of the interests we would have is the problem right now with the Title 40 of the Local Public Contracts Law and the provisions within Title 18-A for bidding and letting of contracts by local school districts.

As you probably know, there is a great deal of confusion right now as to which of these two titles school districts operate under, and although Title 40 applies to all Government bodies and was implemented several years ago, it did not repeal any of the specific sections of 18-A. For that reason there are overlapping considerations. For example, under the Public Contracts Law bidding minimums are 2500; under 18-A they are 2,000. Which of these two a district operates on depends on whether or not it adopts a resolution to decide whether it operates under Title 40 or Title 18-A.

Some of the other areas of changes within those statutes that we would be concerned about would be the exemption from bidding for such things as professional services, work performed by employees of the board, school buses, the rendering of any service by a public utility, providing for negotiating of bids where the bids were considered to be too high, procedures for advertising and awarding of bids and increasing the time for awarding or rejecting of bids from thirty days to sixty days.

Last year Senate Bills 1005 and 1006 were bills that the Association had entered to accomplish that purpose, to unify the requirements between 18-A and Title 40, and

to place all of those in 18-A so that school districts would have only one set of statutes to refer to.

In the area of budgets and audits, in spite of some of the statements made by the State Department representative in our informal meeting on Monday, it is our belief that local school district audits do not provide sufficient information to allow a district to adequately improve its processes for managing of the fiscal affairs. Basically school district audits are fiscal audits. They are not process audits. Our recommendation would be, one, that it would be very desirable for the State Department of Education to become involved in the business of auditing of local school districts somewhat along the line of the last witness that testified.

I would be concerned, however, about establishing the county superintendent's office as the unit specifically for managing the fiscal affairs of the district, but instead on such things as joint purchases having a fiscal expert located within that office, county, regional, or however it is set up, to monitor the affairs of the local districts. We tend to always be concerned when there is a suggestion to increase the already existing bureaucracy to perform a function which is capable of being performed by competent individuals within the school districts that are already being paid.

I think that if the State were to become involved in the audits of local school districts besides what we get from the independent school accountants, we could go a long way to making constructive suggestions for the managing of the funds rather than talking about the kinds of things that the average citizen does not understand.

I'm sure all of you are aware of the fact that one of the greatest problems we have with school budgets is that not only do the great majority of the citizens in the community not understand all of the intricacies of it, but we also have problems as local board members ourselves understanding the intricacies involved.

Another area that has not been mentioned which I'd like to bring up, which I think would add something in the way of fiscal efficiency, would be the consideration in State aid payments to local school districts of payment on the same basis as Formula Eight for the regular school year, for approved summer school programs. What this would do -- and there happens to be a bill in the legislature right now, A-2175, which would provide for this -- is allow students that wish to accelerate their high school program to take courses during the summer and finish up in a shorter period of time and move on to their higher education by utilizing the educational facilities during the summer when in many districts they tend to be idle or at least considerably more dormant than they are during the regular school year. This would allow for more efficient use of the school facilities. It would help in districts where you have overcrowding. It could possibly obviate the need for additional construction in some areas. And I think it would add to overall efficiency.

I think a great deal of consideration has to be given to the numerous very, very small districts within the State. Some consideration needs to be given to them. I hate to use the word "regionalization" because it has an emotional tang, but regional services, let's say. Examples of regional services would be the kinds of personnel required in special education programs, school psychologists, social workers, that sort of thing. Many of these services are inefficient for a school district of two hundred and fifty or three hundred pupils to provide these individually. But a group arrangement with several other districts that are contiguous to it would allow them to have these necessary personnel and experts and at the same time work for the overall use of those individuals to be more efficient rather than being dependent on one district's budget.

Transportation would be another area where joint arrangements among school districts could add to greater efficiency. The department has done some developmental work in the area of computerization on bus routing. In a pilot program in the last year or two where they spent approximately \$208,000 in developing this system, they found they were able to save in the neighborhood of about \$400,000 making a net savings of about \$200,000 in greater efficiency in bus routing. Something like this ought to be emphasized even more, and it's our feeling that by utilization of the expertise that exists within the transportation area of the State Department we could effect even greater savings within local school districts.

In the area of joint purchases -- these are presently permitted by law in Section 18 of 18-A, but I think a great deal more thought needs to be given to the idea of joint purchases. There are some districts that are doing it. For example, in my own school district we are purchasing supplies with various districts in the area when there was some uniformity in the equipment or materials that were needed. There were times, for example, even when the county was buying their supplies through us because we were able to get them at a lower bid than they were. That kind of thing ought to be encouraged.

Again, I think having the county superintendent's office assume the total responsibility for that is not necessarily going to make it more efficient. But instead some mechanism that would encourage and require districts to work cooperatively with each other where they are able to effect greater savings and not have this offset by problems of distribution, say, in the case of supplies is something that needs to be seriously looked at.

Districts could be required to, through the county superintendent's office again, develop a plan whereby

there could be some standardization in the use of a large number of supplies the districts use. Many of the kinds of supplies really are based on the individual preferences, but would not necessarily in any way hamper a district's desire for individualization in their particular program or their particular need. If that standardization could be developed it would be a lot easier for joint bids and consequently could effect a greater economy.

One of the chief areas in terms of effecting efficiency obviously is going to be the personnel that are doing the jobs. And again Mr. Totin spoke to that, and there is the problem of a need for clarification of the duties and responsibilities of the individuals that are charged with managing the fiscal affairs. You have a board secretary which of course has extensive duties outlined in 18-A. Many of his duties are secretarial, and many of his other duties are fiscal. You also have the school business administrator which you have in some districts. In Type Two Districts if you have over 25 staff you can apply for one. You also have such positions as assistant superintendent for business.

There is in many cases a great deal of overlapping of responsibilities between the school business administrator and the board secretary. It's quite difficult at times for both the community and the board to understand the difference between the individual when he happens to be wearing both hats. And a number of districts have a combination board secretary-school business administrator who reports to the district on the fiscal affairs and the audits and so forth as board secretary. And in the same respect he has to manage the fiscal affairs, sometimes supervise the non-professional employees, supervise the contracts and assist in the preparation of the budget. And all these are reported by way of his responsibility to the superintendent.

My feeling would be that one of the ways to improve that process would be to have a board secretary be just that, a board secretary, and take care of such things as the minutes of the meetings and the certifications of the legends and ballots and so forth; and to have one individual in the district who is accountable for and responsible for the fiscal affairs. This avoids the confusion in accountability. It makes authority clear, and we're quite certain it would allow for greater efficiency.

But along that line, I would agree with the previous comments that there is a definite need for some sort of minimum standard for qualifications of that individual. And again in developing those we do run across the problem of the paucity of programs available for a specific training of those individuals.

I would not necessarily suggest, knowing how universities operate, that setting up a specific Master's Degree Program for school business administrators would be the most appropriate way to go; nor would I agree that putting that into Kean College is the most desirable, because we have as many districts in South Jersey as we do in North Jersey. I would hate to have to see them all travel north. But instead I would say as an alternative to that I would suggest that there are a number of your state colleges that offer Master's Degree Programs in Educational Administration, and since these programs already exist, if you could develop within those programs either a specialization in the area of business management of schools or have the program oriented in that direction, it would not require as much in the way of structuring and developing of a whole new program in any one university within the State.

Consideration could also be given to the smaller school districts that presently do not have school business administrators and the sharing of that individual's expertise.

For example, a school district of 150 or 250 pupils might join with three or four others and in that way be able to afford the services of a competent, expert school business administrator who could handle the fiscal affairs of all of them, whereas no single one would be able to afford such. Your board secretary, on the other hand, in some cases is a non-paid member of the board of education itself and so I think the quality of the work performance that you get there tends to suffer versus having an expert.

In terms of centralized services that are available on some sort of regionalized level, we can consider such things in transportation fleets as regionalized garages. Many school districts, as you probably know, those that maintain their own bus fleets, particularly in rural areas where busing is almost a necessity, are required or forced into having their buses repaired or serviced at local garages, and sometimes this does not always result in good savings. Quite frequently they wind up paying considerably higher costs than they might if there were a facility available in the area that could service the trucks and the buses and the vehicles that are used within the district all at one location. This again might be a way to effect some savings.

In the area of food programs, for example, as you know we now have a mandated lunch program within the State, but even without that there are still over two-thirds of the districts that do have lunch programs. Providing for such things as central kitchens within any one of the districts that would feed out to the others would again be a way of effecting savings.

I can use a personal example. My own school district did this with about four of the other districts around the area, because we have a large central kitchen, and because we had in the neighborhood of 12,000 students we were feeding, so to simply provide more food for a few thousand

extras at the time we were preparing it was a very simple thing to do. And we would ship these out to the other districts versus their having to set up a kitchen facility and hire the cooks and potato peelers and lettuce cutters and all the other individuals that are required in a central cafeteria program.

Or if we don't do it that way, we can do it through pre-package programs through outside suppliers, similar to the kinds of things that your airlines provide again might be a more efficient way of providing these services.

In terms of the accounting mechanisms within the district, again there have been discussions about the use of computers and I would say there is a definite need to move in that direction. Again as an example, my own district installed a computer and has made its services available to several of the other districts around. It is used for such things -- not just in the fiscal area, as payrolls and for a planned program budgeting system which we also have, PPBS -- but the payroll systems that we developed we then packaged, having our own program and our own staff full time, and made these available to other school districts that were also interested in installing computers. But if a district does not want to, and if fiscally it's not worthwhile -- and keep in mind it's not always worthwhile for a district to go out and lease its own computer -- then you may want to consider a district having a terminal system and linking into a central computer somewhere else. There are a number of computers available around the State. Princeton has a very large computer. Rutgers has one, and is always soliciting shared time on it in order to reduce its operating costs. Many of the county colleges around have very large computer units. I know that in Burlington County, where I'm from, the Community College has a computer there that's definitely not used all the time.

And I'm sure all of you are aware that the more the computer is used the more the unit operating cost decreases.

And by having the shared time with already state paid for computers and providing terminal systems within local school districts, it would be a way towards them effecting a more efficient accounting of the systems of the payroll, of scheduling of courses, for example, which can reduce manual considerations. There are a great deal of uses besides their own instructional program on the use of computers itself within the system.

There is a need, I think, within the State Department for a great deal more in the way of the assistance to local school districts, as well as stability within the Department in terms of the funding commitments that they make to local districts on such special areas as adult education, special projects and so forth, where commitments are made to local school districts and then later changed to a substantially reduced figure at times subsequent to the budget adoption by the public which then forces them to either severely curtail or eliminate the program that was planned or to have to come up with the money from other sources.

I would suggest that there ought to be definitely a move towards a complete revision of the present line-item accounting system within local school districts. It's not the best system. It does not lend itself to general understanding by the public and a system such as PPBS where there's a great deal of planning, where there's a relationship between dollars spent and services provided and programs within the district would allow for more community understanding, more community empathy, and hopefully more community support in terms of adoption of budgets.

The one other area that I might mention that the Association has looked at, although there is -- obviously

I don't believe there is a great deal of support politically for this one because it's a very touchy item, and that is the whole question on the elimination of the budget vote in the local school districts. The reason for the consideration of that by our Association is the fact that approximately 70% to 80% of most school district budgets are fixed items. They are negotiated salaries for teachers and administrators, custodians and secretaries and all of the staff. Besides those fixed items you have the fuel utility costs for the maintenance of buildings and of course you have the capital programs, leaving very little, 5% to 10% even, within the school district budget which represents flexibility. Yet, that entire figure is one that's presented to the district.

Some of the things that we have considered but have not taken a formal position on are such things as allowing school districts to vote, say, in terms of exercising their will only on those areas which the district would have some discretion as to whether or not the budget was increased or decreased and not the fixed items, or providing advisory votes on specific program areas within the budget, so that people could indicate those things that they consider to be superfluous and those they consider necessary, or such things as the listing of priority areas within the budget and the order in which they would be eliminated should the budgets be defeated or severely reduced. These basically are the areas that we think are of major concern and would go a long step in the direction of increasing school district efficiency. Thank you.

ASSEMBLYMAN NEWMAN: Thank you, Mr. Reid. You have given us a long list of suggestions to think about.

ASSEMBLYMAN EWING: Are you going to list all of these out for us with the school board's actual recommendations in these various areas?

MR. REID: Yes, sir, I am.

ASSEMBLYMAN EWING: You said that there were quite a few colleges that gave the Master's Degree of Business Administrator?

MR. REID: No, in Educational Administration.

ASSEMBLYMAN EWING: Educational.

MR. REID: Right. You see in Educational Administration now most of the Master's Degree programs are oriented towards training people for administrative positions, assistant principals, principals on up to superintendent. But I'm suggesting that within those programs they could develop another major area which would be oriented towards the business functions of the district. It's a lot easier I think to get programs instituted within the colleges around the State by modifying the major areas within an existing degree program rather than trying to start a brand new one.

ASSEMBLYMAN EWING: Are you a Business Administrator?

MR. REID: Am I? No, I have graduate work in business, but I'm not a Business Administrator. I was a school board member.

ASSEMBLYMAN EWING: Can't districts now share a business administrator if they want to? You recommended that they do that, or something. Isn't it available to them?

MR. REID: There are no specific provisions that I know of within the statutes.

ASSEMBLYMAN EWING: Is there anything which prohibits that?

MR. REID: I don't know anything that prohibits it either.

ASSEMBLYMAN EWING: If there's nothing that prohibits it, then they can do it, can't they?

MR. REID: I don't know that I could draw that conclusion, Mr. Ewing.

ASSEMBLYMAN EWING: Well, you made the recommendation though that the districts be allowed to join together and get a business administrator.

MR. REID: I think the term that I used ---

ASSEMBLYMAN EWING: And you must be making a recommendation based on the fact that they are not allowed to do it.

MR. REID: Okay. No, again, the term that I used was that it's something that should be considered in increasing district efficiency rather than the term, allowed, because I didn't want to imply that it was not allowed. But what we're doing in terms of even developing this testimony is looking at things that we ought to be suggesting to school districts too, as far as increasing their business efficiency. I don't know that we've ever made that suggestion to them prior to this.

ASSEMBLYMAN EWING: Well, when you're in various districts, doesn't the School Board Association recommend that maybe a couple of districts get together if they need a good business administrator?

MR. REID: Yes. There are some things that we do. Again, I think you have to keep in mind the relationship of the School Board's Association to the local school districts, and that is we work for them. So while we provide management services to them and make suggestions, there are areas where if a request for service or advice is not sought, and there are some cases where it has been suggested that it not be given, then it can't be.

ASSEMBLYMAN EWING: Are you recommending that we mandate this in certain areas? What is your recommendation? If they are allowed to do it already, what more can we do?

MR. REID: Well, what I'm suggesting is that much in the way of what will affect the district's efficiency is the kind of thing that can come out of the State Department. In looking at the recommendations for ways of getting more expert service to a local district

by way of a school business administrator, the Department of Education, through its administrative code, could look at what kinds of restrictions, limitations, rules or regulations, whatever have you, should be set up for the sharing of a school business administrator and set up some sort of requirements for them doing it--some sort of guidelines of which there are none now.

To just simply suggest to a district now that they go out and do it without having any guideline as to how they would share the cost and in what district, for example, the guy would get tenure, since those provisions would apply, those questions are unanswered.

What I'm recommending to you is what the State Department should look at in order to promulgate some rules which would make it easy for a district to be able to venture in that direction, if they so choose.

ASSEMBLYMAN EWING: What about the school boards looking at it and giving the legislators some recommendations as to how the administrative rules should be changed? Why should it all be on the State Department?

MR. REID: Well, it doesn't have to be. Again I don't have them prepared, and we're looking at it now, so I'm advising you of the things we are looking at.

ASSEMBLYMAN EWING: Okay. But you will come up with a definite recommendation in that area?

MR. REID: Yes, sir.

ASSEMBLYMAN NEWMAN: I think what you're probably talking about is after looking it over we might want to decide -- I think this is the area Mr. Totin was talking about the other day as well as today -- we might want to get into the area that as of a certain date, be it in a year, two or three from now, that every school district in the State of New Jersey shall be under the auspices or guidance, if you will, of a certified school business manager. Those

being too small to do so on their own will then resort to this system you are suggesting. That's what you're probably talking about.

Mr. Reid, I think you threw an awful lot of suggestions at us, and I'm going to wait to read the testimony to study them. I think you've done an excellent job in giving us some excellent ideas to think about.

ASSEMBLYMAN EWING: What did he leave out? (Laughter.)

DR. REOCK: From your experience, do school auditors get involved in doing other things for districts besides strictly the audit? Do they get involved as financial advisors or actually carrying out some of the business functions of the school from time to time?

MR. REID: From my own personal experience I would be inclined to say an almost categorical no. There are, for example, in certain specific practices of the board secretary-business administrator maybe planning on doing a bond issue, or what have you, where he would call the auditor and ask for his advice as to what he would recommend would be the best way to do it.

But I haven't found that school auditors, in my own experience, have come up with any proliferation of suggestions that a board of education as a lay body would be able to react to that would substantially increase the efficiency in management of that district's funds.

MR. MULLER: Ted, do you think there would be any merit in having each board of education having a separate staff that is separate from the superintendent of schools? I'm curious as to whether or not the board gets all the information that it needs to make a good decision.

Maybe as an employee of the legislature this is something I see as being very important, and I wonder if at times the managers themselves in order possibly to -- for lack of a better term -- cover themselves might not be getting all the information to the board. Do you think

there's any merit to giving boards their own personnel?

MR. REID: As a simple answer to your question, yes, there probably is some merit. Now to qualify it, that is probably one of the biggest raging discussions in the area right now. As a matter of fact, the American School Board's Journal, which represents school boards all around the country, just published an article recently on the pro's and con's of school boards having their own staff.

I cannot, at least from the standpoint of the School Boards Association, give you a position right now on that. The problems that were brought out with this thing are the fact that school boards do not in many cases understand what's going on in the district and sometimes do not feel as though they are getting the kind of information from the professional staffs that they should be in order to make the best kind of decisions. But then on the other side of the coin there is this: if their administrators are not responsible enough to give them the sort of data they need to make decisions, then they ought to replace them.

There are some districts within the State, Newark as an example, that have some of their own staff, but one of the immediate problems it creates -- apparently in the legislature it hasn't happened -- but within some of the school districts what happens is that the board's individual staff then is perceived by the professional staff, the superintendent on down, as kind of watchdogs who are there to squeal on them, and so you have the problem of the physical location of these individuals. Now, of course, here the legislative staff is located usually kind of physically separate from the executive branch of the staff. But in a school district you don't have that many in the way of physical facilities available, and you would probably have to house them together, and I can assure you that that's going to create almost immediate problems.

So while I'm sure there is some merit, I very honestly can't give you an official position in support or opposition to it.

ASSEMBLYMAN NEWMAN: Thank you very much, Mr. Reid.

MR. REID: Thank you.

ASSEMBLYMAN NEWMAN: Mr. Frank Haines, New Jersey Taxpayers Association.

F R A N K H A I N E S: Good morning, sir. My name is Frank Haines. I'm the Executive Director of the New Jersey Taxpayers Association located here in Trenton. Let me apologize for not having a prepared statement today, but having heard some of the testimony I thought I'd like to add some personal comments on some of the things that have been said. I would endorse a number of them, particularly many of the comments of my friend from Newton who spoke in the program budget area and many of the things that Ted Reid touched on. Also I want to comment on something the lady from Jackson mentioned. If I duplicate something that others have said, it will be primarily for emphasis and not for the purpose of duplication.

I'm a little bit sorry today that there wasn't someone to kick off this hearing from the State Department of Education, just to brief you -- I know you are familiar with some of the things that are going on -- on where the State is heading and maybe the program budgeting area. This might have helped. But I might certainly clear up any misunderstanding and some of the doubt that exists in this and maybe help to give you some opportunity to review some of these things.

The whole subject of business efficiency is one I'm afraid that hasn't been given sufficient emphasis. In the past most of the concentration, I think, has been on the teacher, teacher's salaries, and production and so on and the whole problem of accountability which is facing us today.

The overall concept of the business operation, and practically all of it has been touched on, is what I look upon and call the management functions primarily. We talked about the budgeting, accounting, auditing, purchasing, property management and also personnel administration. Those are pretty much what would fall in the overall business operation, I think, and there may be some subordinate aspects of each one of those.

To start out in the budgeting area, I think most everyone realizes that in municipal and county government today -- these units are governed by an extensive amount of state regulation, such as the cash basis system which goes back to the early thirties. And accordingly they have more flexibility in their spending within the amounts that they have raised, because as you know it falls on the property tax. A district can spend its authorization and the schools are not responsible for carrying that figure in a subsequent budget the way it is in municipal and county government.

The concept of the program budgeting system--I would endorse that concept. Certainly from the standpoint that's been pointed out by one of the first districts to utilize it in the State, Newton and also Willingboro, I think it provides for the citizen a better understanding of what the district is doing.

Two of the recent documents which have come out of the Department, the Program Budget Guide and the Program Accounting Guide, which are provided for those districts as we know now on a permissive basis, because that's as far as PPBS has gone. And with the increase in the number of districts moving into this management tool, I think the Department should have an adequate sample to determine the future, and of course this will then be the decision: whether it should be mandated or whether it should again be strictly permissive.

One of the problems I think they are going to be faced with or are already is what type of data has to be developed in connection with this for uniform reporting systems. And this we pointed out to them in terms of that consideration, because with a reporting system which has been uniform on an object basis, in shifting over to part of the districts on a program basis, well then we come up with the problem of getting uniform information, and what type of uniform information is going to be needed for subsequent decision making at the departmental level.

I have no answer for it. It depends, I think, on nationally what data are going to be required, because they are using a national accounting code in developing this information. But we don't see how at this point you can leave the program development on a complete discretionary basis even within those districts that are going that way without providing some inter-relationship with the existing object expenditure system. I wanted to point out this problem. There is no easy answer. But it appears that the decision will have to be made in the State Department.

The purchasing aspect, which certainly to a good business administrator is the area in any level of government that he will look to for the possibility of saving money --- Even though there are no requirements in any level of government for joint purchasing, I think it should certainly be encouraged in every way possible by the State Department. The legislature has made it possible through existing legislation for municipalities, school districts and counties to join together, both at county and lesser levels and also to utilize the State system. And I think again when you are looking into the professional area of the man who is professionally trained in purchasing, you are going to look in those directions. And I'm not sure it's one that should be required at this

point. But certainly everything possible should be done to encourage joint purchasing efforts and cooperation.

The auditing aspect has come in for some criticism this morning. And I want to add a little bit to what has been said. Historically, auditing has been only financial verification: Are the funds there that are supposed to be there; and some general review as to whether they have been spent in compliance with the law. In other words, was the money appropriated? Was it spent without appropriation -- that of course is illegal. But that's generally about as far as auditing has gone.

We have moved at the Federal level, and are moving at the State level. And it's beginning a little bit at the local level, that's municipal and county level through the the Division of Local Government Services introducing management operational auditing concepts. That means that auditors are looking into the organization for administration, the verification of supplies and materials and then looking into cost comparisons of purchasing, and the actual efficiency of the organization to which services are being performed. And it would appear that certainly as part of a T and E System if there is going to be a considerable amount of concern with the overall cost that the registered school accountants, the school auditors -- the entire system will have to be expanded into some sort of management or operational auditing concept.

It means probably it may entail some additional costs. It certainly is going to entail additional training, but the dollar verification, is the money still there, is almost a concept of the past. And although it has to be done on a sampling basis, we have to change our whold concept of auditing in terms of all levels of government, and it's beginning, and there is direction there.

The proposed T and E Regulations have an interesting provision in them, and I don't know whether anyone has brought that out. But I happened to come across it. And it provides that the State Board shall fix expenditure limits for maintenance of school facilities. This is one specific example of where the State could be setting some criteria in terms of some aspect of property management. It implies certain standards and again it's a question of whether the State can develop acceptable criteria, and certainly it is something that maybe should be tried. If the State is going to provide a significant input of money at the risk of, let's say, impinging upon home rule, then there have to be at least some guidelines, and there has to be consideration on the part of the districts. Some of this I think is going on, such as whether maintenance should be with your own staff or whether it should be contracted with private contractors and so on, depending on the extent of the area and the salary level and so on. There are advantages certainly that can be considered for each.

In the area of professionalization of the business administrator -- this is an area in which we are very much interested and have been over the years. I can't help but comment that there is a proposal in the preliminary T and E Regulations records which would appear to be providing some -- it doesn't indicate that it's new information, but it seems to be new information. There is some new consideration of the whole qualification area of the school business administrator. Certainly it's broad, but it covers business administration and buildings, planning, construction and maintenance, school finance, school law, accounting, organization of the administration of public education, curriculum foundations which get into the historical background, and then a series of electives.

Certainly there should be at least one school in the State of New Jersey that has a curriculum which can lead to a degree in this area. I'm not sure whether the Rider program with its Master's in Education with a different emphasis is geared to meet the criteria of the State, and whether these criteria are exactly what they should be.

But there's no question that professionalization of the business administration aspect is as important in schools as it is in established professions for many years.

The concept of decentralization of State supervision as reflected in the T and E Guide and as it has been expressed by the Commissioner of Education recently certainly is one that we think should be commended. The concept of reducing the number of county superintendents, where there may be small counties which they feel they can't justify by workload, leads to the question, however, whether the large county administration should be divided or whether it's going to involve at least additional specialization of the staff, and certainly the staff will differ in that area.

The dual function which would appear to be necessary for State supervision -- the compliance functions, the compliance with certain regulations would be one, and then I think certainly the concept is to provide advice and assistance in many areas. And certainly the business area should be one where there should be consideration of this.

There's one overriding consideration in all these concepts that have been talked about today, and that is the ability of the present school administrative units to perform them, to provide them. And, of course, most of this emphasis today has been on a joint service basis, which certainly is probably the most acceptable alternative for most everyone concerned, except that it

still doesn't solve the problem of the tax base which is financing and will still be financing significant portions of the cost of these administrative units.

What I have to say today is that which most people don't want to hear, and it was expressed by our late acting commissioner and there has been a counter-view expressed by our present commissioner, at least at one of the joint committee meetings, and that's the question of consolidation of school administrative units in New Jersey. I think certainly you know the history of it, but again the Mancuso Report directed itself to this. The Taxpayers Association has felt very strongly that this is an important area that is being ignored. The Bateman Report, the original commission report, addressed itself to it, but when it came to the passage of legislation, and understandably so, the whole question of minimum district size has been ignored. And it has not been reflected that we can find extensively in any of the proposed T and E Regulations.

When we get down to the talk of business efficiency it would still appear that some consideration should be given as to whether it has to be done mandatorily, and this is where we get the clash between the home rule concept versus the permission and encouragement of joint services. But New Jersey is not in the fore; it's really in the hind when it comes to reducing its number of school administrative units, and whatever number of pupils are used in terms of size, whether you use 1200 or you use 3500 or 4000, you'll find that you come almost in any one of those pupil sizes with a K-12 system, that nearly half of New Jersey's school administrative units fall under those criteria.

Whereas we look at our surrounding states, which way they have gone in terms of consolidation, if we take even a five-year spread, New York and Pennsylvania and Delaware

just as samples, they have reduced their number of administrative units. We find that New Jersey has gone in the other direction. So that any criteria for efficient administration, whether it be in program budgeting --- It's very doubtful, I think, whether a small district -- and we're talking about a K-6 or K-8 or even maybe a small K-12 with fewer than a thousand pupils -- would be able to afford the additional input that may be needed for a program budgeting system, and certainly in many cases they cannot afford a full time administrator. These things will only come about when we get the districts combined to some reasonable size, so that they can better afford these services.

As I say, I couldn't ignore this opportunity today to point out that regrettably this consolidation concept has not had very much attention in all of the T and E considerations; and understandably so because it is a hot political question, but when we consider that the property tax is going to be still financing a significant part of education with an inequity of the tax base, then it's almost unbelievable that we can say that we can allow districts, which by many criteria are not sufficient in size or tax base to provide the services in the business end as well as districts of larger size --- Again, in many cases they have the better base and are able to afford it.

So with that, sir, I say thank you for the opportunity of appearing before you today. I want to commend you again for looking at this whole area which has not had as much attention over the years as it certainly deserves.

ASSEMBLYMAN NEWMAN: Thank you. Are there any questions, gentlemen?

DR. REOCK: Frank, one of the first things you mentioned was the point that school districts have a good deal more flexibility in their budgeting and

spending than municipalities and county governments in terms of the rules that are applied to them. One of the reasons which is usually cited for that is that the school district budget has to be adopted some four months before the fiscal year begins, whereas the county and municipality adopt their budgets actually in the year.

Now, would you suggest -- first of all, do you think that is a valid reason for the difference in the rules that are applied? And, secondly, would you suggest any changes?

MR. HAINES: Well, I think most of these things have happened on a historical basis without much consideration of whether they should be changed. The schools have practically no way, except an additional levy and unless they can get it from -- the municipality or township can transfer excess funds to handle growth and emergency problems, and granted that use of balances provides for them to do that. But, on the other hand, I am concerned that the budget picture gets a little bit -- well, it doesn't get portrayed exactly because there is always that concept, "Well, we will use the balances anyway." And it is built somewhere into the system.

I am not criticizing it as it is, but if we are at the point where we are going to give them, let's say, at any point, greater latitude in funding, then I think my point would be that the use of balances should be tightened up.

I don't think it has been any significant violation of the concept, except it is difficult because of the budget timetable to identify the amount of the balances and the projection. And sometimes this is confusing to the taxpayer looking at it and he doesn't get, let's say, necessarily the information that he would like to have in terms of utilization of the balances in terms of the year. I can only use this example by way of emphasis -- that in many cases in appealed budgets to the Commissioner,

the Commissioner has recognized that there have been balances and has ordered districts to utilize those balances rather than authorize a levy in order to raise the money.

I am not sure that I have a constructive explanation, other than it should be recognized; and, if there is a way that they are going to provide excess funds, possibly the system should be tightened so only if you directly budget it, then and only then, can you use your balances, if you cover them in a subsequent budget year, the way it is in the municipality and the county.

ASSEMBLYMAN NEWMAN: Thank you, Mr. Haines. Is there anyone else in the room who wishes to address the Committee?

(Whereupon there was a short recess taken.)

ASSEMBLYMAN NEWMAN: This hearing is adjourned.

(Hearing Concluded)



Greater Newark Chamber of Commerce

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November 27, 1974

The attached statement by Frederick G. Meissner, Jr., Chairman-Education Committee of the Greater Newark Chamber of Commerce, was issued as a response to the T&E considerations and is a policy statement concerning businesses' role in the New Jersey education process.

The business community, through its various consortiums, is interested in the educational process and is ready to supply consultive services as requested to the public schools of New Jersey.

We feel that some legislative consideration might be given to the creation of business "advisory groups" organized at the State and County levels. Such groups appointed by the State could be ready and useful resources for improving and sustaining efficient local, county and state business administrative processes.

The Greater Newark Chamber of Commerce appreciates this invitation of the Business Efficiency Sub-Committee of the Joint Education Committee to attend and participate in these sessions.

Richard Harell

Statement of the
Board of Directors
of the Greater Newark Chamber of Commerce
relative to the
Thorough and Efficient Issue
As Recommended by the
Education Committee of the
Greater Newark Chamber of Commerce

Frederick G. Meissner, Jr. - Chairman, Education

PREFACE

The following is in reply to the New Jersey State Department of Education's Committee on "thorough and efficient", requesting a statement from business relative to the financing of public schooling in New Jersey.

This statement makes no attempt to suggest how schooling in New Jersey should be financed. It does instead address itself to local school administration - and the importance of that administration in the efficient and meaningful management of our school systems.

STATEMENT

In essence, this policy statement deals with the desirability of the New Jersey State Department of Education as well as County and local educators being aware of the valuable resource that business can represent to education through helping school administrators improve the management of school systems.

Business generally feels that a school district's performance can only be as good as its administration and management make it.

Education today requires the same tight, efficient and alert administration and management that any big business requires. Further, without proper business management any attempt on the part of school administrations to reap benefits from any new and improved school financing program will be ineffectual.

Business stands ready to lend school administrators its business expertise in helping to work out administrative and operational problems. Primary among its reasons for this is its desire to be a good community citizen. Beyond this, business has some self-serving reasons for wanting to become involved. Among these are -

- concern for the school product - the students as future employees of business
- concern for the efficient expenditure of tax dollars
- concern for the community at large - since the quality of school product bears so directly on the future quality of the community.

Studies made of the business operation of three school districts have been completed recently by three local Chambers of Commerce. These studies - made in Newark, Jersey City and Rahway - have brought business expertise to bear on the business operations of these school systems. In each instance the implementation of study

recommendations have improved business operations within the school system - give promise of continuing to do so for the future - and have generally improved the educational atmosphere in the school.

In an effort to enhance administrative abilities at their own school offices it is suggested that school administrators seek out the business expertise in their local communities for advice and assistance. This resource runs a wide gamut in most communities - ranging from expertise in accounting procedures, personnel policies - supply management and data processing to absence control methods.

Any school system who is in need of business help should contact its local Chamber of Commerce for support. If the local Chamber is unable to supply the assistance requested the Greater Newark Chamber of Commerce located in Newark, New Jersey has offered to serve as a clearing house for such cases - and will try to line up the assistance required.

Business recognizes education as a major factor in our country today - and recognizes that its performance impacts on every facet of the personal and business life of every citizen in our country.

Recent data shows that national educational expenditures today exceed even our nation's level of defense spending. The attainment

of this level has been brought about only by an inordinately high rate of growth and expansion. This rate of growth has caused serious problems in the administration of education generally - and business recognizes its responsibility to help with these problems. For this reason the Greater Newark Chamber of Commerce welcomes this opportunity to make this statement and recommend to educators that they avail themselves of this proffered business assistance.

SUMMARY OF A PROPOSED MASTER OF ARTS PROGRAM
IN SCHOOL BUSINESS ADMINISTRATION

A program to provide a Master of Arts Degree with specialization in School Business Administration as an option with the existing Educational Administration program. It is designed to:

1. Meet the certification requirements of the State in intent and purpose.
2. Provide an opportunity for people with both education and business backgrounds to prepare for this important position.
3. Focus on the development of modern management theory and skills as they relate to planning, organizing, directing and evaluating school business management operations and procedures.
4. Provide an appropriate orientation to issues and practices in educational programming and administration.

These courses will serve as the core of this program. These are:

Economic Management of Education

A comprehensive non-technical study of educational economics, theory of service and governmental economics, school finance, tax structures and support systems, purchasing and supply management and logistics, bonding and bidding.

School Business Accounts and Information Systems

Fundamentals of general accounting, standard financial record and report systems, related business legal requirements (reporting, auditing, required oaths, etc.). Machine applications to business management. Development and conversion of record systems. Data collection and processing, office, physical facilities and systems technology.

Personnel Administration and Negotiations

Legal and policy aspects of personnel administration. Judicial decisions affecting personnel. Legal code sources for personnel contracts, grievances, negotiations. Theoretical and practical aspects of personnel administration.

School Facility Planning and Operation

Study of educational facility design, administrative aspects of building projects, facility analysis (usage, safety, etc.). Building, transportation and site maintenance, care and security, management of maintenance personnel.

Legal and Policy Aspects of School Administration

Study of historical, constitutional charter and statutory bases of educational systems. Analysis of judicial decisions affecting educational organizations. Study of structured educational development and change. Analysis of policy sources and documents.

Introduction to Organizational Theory

Study of the major theories of bureaucracy, leadership, decision-making, compliance, authority, power, conflict, and social systems. Analysis of scientific-management, interpersonal and transactional models as they relate to the organization of educational agencies.

Organizational Planning and Systems Analysis

System and programming theory, systems analysis techniques of flow charting - PERT - PPBES. Study of operations research and machine applications. Managerial decision processes.

Supervision of Instruction

Overview of the development, purpose and organization of supervisory programs. Special emphasis on theory and practice of educational leadership as it applies to current inservice educational problems.

Theory and Practice of Curriculum Development

Theoretical foundations and philosophies of curriculum intent and function. Historical and emergent curriculum structures, alternate curriculum designs. Critical curriculum resources, strategies of curriculum change.

Studies of Community and Organizational Change

This field-based course will provide an opportunity for students to examine community and organizational change processes as they occur in their day-to-day functions.

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