

APPENDIX

**Prepared testimony of Derek Roseman,
Member of the South Hunterdon Regional Board of Education,
before the Joint Committee on the Public Schools
November 12, 2014**

Chairman Rice, Chairwoman Jasey, members of the Joint Committee, welcome to South Hunterdon Regional High School.

My name is Derek Roseman, and I have the honor and privilege to represent the City of Lambertville on the first regionalized board of education for the newly formed South Hunterdon Regional School District.

Had you come here a year ago, you would have seen a school not unlike what you see today.

Except, of course, that it was its own school district.

One year ago, the City of Lambertville, Borough of Stockton and Township of West Amwell were governed by four school districts -- the individual K-6 districts operated within in each community, plus the regional 7-12 district.

For a total student body of approximately 950, there were 3 superintendents, three board secretaries, four sets of contracts, four separate policy manuals, and so on down the administrative line.

Or, to put it another way, to graduate a class of 54 students -- as this high school did in 2014 -- took the work of 32 elected board of education members. We each could have escorted a senior to receive their diploma, with little duplication.

But aside from that administrative curiosity, we each faced very distinct and strong financial pressures, independent of the state's property tax cap.

These pressures were, in fact, nothing new. In South Hunterdon, for example, defeating the school budget became almost an annual rite of spring, leading the governing bodies to determine what cuts to make to budgets that already had minimal increases in programmatic spending. In Stockton, the smallest of our partners, the board had to grapple not once, but several times, with the question of whether the district was even financially feasible to continue in existence.

And, in Lambertville, where I served on the local board of education and sat as finance chair, we had to try to find a way to administer a school undergoing a massive influx of students. When I first joined the board in late 2007, we were a school of 154 students. Now, Lambertville Public School is home to upwards of 240. Just to maintain our programs to serve

that growing population required property tax increases in 2011, 2012, and 2013 that measured six, eight, and 10 percent, respectively.

To meet these pressures, our schools had come together to share services in every and practically any which way possible. Lambertville and West Amwell shared a superintendent. We shared elementary art and music programs with Stockton. We each shared child study teams and transportation needs with South Hunterdon Regional.

We formed shared policy committees, shared curriculum committees. Our board presidents met monthly to discuss other areas where sharing could be beneficial.

But even with that effort, the financial pressures still mounted.

When I became a board member in 2007, the possibility of regionalization had already been discussed for several years. In fact, the topic had been broached multiple times over decades, but to no avail.

However, the realities each of us faced when we looked at the needs of our communities led us to the conclusion that regionalization had to happen for us to be able maintain the high quality educational programs of which we are so proud, and which draws families to our area.

Last year, we finally got our chance. And the community responded overwhelmingly. Regionalization carried with more than 80 percent of the vote across our three municipalities.

On July 1, we formally became the one South Hunterdon we had aimed to be, and on Sept 2, our communities' children returned to school, to the teachers they knew and the buildings they knew.

As I said on that day, what was so remarkable about our first day as a regionalized district was just how unremarkable it was from the students perspectives.

Where the change did come was in the administrative offices, and we are already seeing the positive impacts of regionalization.

As one district, we already are operating at cost of \$170,000 less than had we remained separate -- and that is with our board's practical decision to not make any immediate wholesale changes right out of the box.

And, without a loss of \$140,000 in school choice aid, or health insurance premiums that rose 50 percent more than anticipated, those savings would have been more than doubled.

Our board, and our communities, are bullish that regionalization was the right decision.

But, how did we get here, and what lessons are there for the state that can be gleaned from our experience here at South Hunterdon?

I truly believe that what we did here can -- and should -- be the model for other similarly situated districts across the state.

Note that I said "similarly situated."

Regionalization is not a new topic in the statewide discussions over education. When Assemblywoman Simon introduced her resolution to create a Task Force on Regionalization, one newspaper editorialized that the state should first release the recommendations from the individual executive county superintendents created under the 2007 CORE reforms.

Frankly, I believe that would poison the well against regionalization.

If you may remember, in 2007, Gloucester County was recommended to be a test kitchen for countywide school regionalization. And, to call that idea a disaster would be quite kind to disasters. Entire communities erupted in outrage that Trenton would know what was best for them, and their kids. The effort quickly died.

If it is seen that regionalization is a policy directive from Trenton, it will similarly die.

What made our regionalization effort a success was that it was a homegrown effort. We took the initiative. We worked within our own communities to focus on the very localized benefits. But the state Department of Education, the Governor's Office, and our legislators were all there with us in partnership.

For regionalization to succeed, we knew we needed the help from the state's actors. But we could not be in a position to make it even appear as if the state was dictating our actions or motives. And that is where the Assemblywoman's efforts make sense. Regionalization decisions must be made in concert with and within the affected communities.

Before we can move to countywide regionalization, or some other similar schematic, we must begin with the districts that look like South Hunterdon did a year ago -- a regional high school district fed by multiple constituent elementary districts. These points of commonality -- a consolidated curriculum and budget -- are what made people understand that regionalization would not impact the classrooms and brought them to support our vision.

I also would hold up the model under which we proceeded as the preferable model going forward.

Under a traditional regionalization, the last of which occurred more than 20 years ago, constituents districts are either simply merged, or non-operating districts absorbed by a standing regional board of education.

But, in that scenario, local politics and distrusts can harm regionalization efforts. Had our efforts here focused on the standing previous regional board of education merely absorbing the constituent elementary schools, regionalization would have been defeated.

What we did here was to dissolve an entire school system -- regional district and constituents districts -- and reconstitute ourselves as one entirely new district.

The natural if not entirely understandable distrusts of and rivalries between the high school district by the elementary districts never became a factor. It allowed for a new district board that consisted of those who not only served regionally, but locally.

Regionalization as some sort of power play by any political player -- a larger municipality, or a more powerful board -- will never get off the ground. All must be seen as equal partners and players in the success of the effort.

We must also do away with the simple notion that regionalization is a panacea for high property taxes. Because it is not.

Yes, there are distinct benefits to property taxpayers from regionalization: greater efficiency, more available funding for education versus administration, and, for the City of Lambertville in particular, predictability, stability, and the end to the property tax roller coaster.

But regionalization on its face will not cut property taxes in the short run. In fact, even with regionalization the local levies in our communities increased two percent.

Let us not fool ourselves into trying to sell regionalization as a property tax cure. What it will do is create long-term, sustainable savings and a slower rate of increase.

One area where the state can be of direct assistance is in helping districts make the decisions necessary to move forward to study regionalization and put the question to the voters.

When our districts reached the decision to pursue regionalization, we were told by DOE that the first step would be to undertake a comprehensive feasibility study. Easy enough, we thought, and we looked into doing one in-house. However, we soon realized that detailed demographic studies and the near-forensic level of financial analyses were way over our heads, and that we would need a professional firm to conduct our study for us.

But such studies cost upwards of \$50,000. And, for four small districts already counting every penny just to keep our basic programs intact, we had to ask the taxpayers in a second question on our ballot for their permission. (Luckily, they gave it to us.)

And when we decided to move towards having a vote on regionalization, we were presented with the \$20,000 cost of holding a special election.

There's no lack of irony that districts seeking to pursue regionalization are doing so partly because of financial reasons yet have to spend tens of thousands of dollars to merely try to move the ball forward.

The hoops we were forced to jump through did, in my opinion, reach the level of being unfunded mandates.

If the state truly wants South Hunterdon to be a model and a first -- instead of just a crazy outlier -- then it must step in and assist these districts with a financial commitment. It should provide the funding for both feasibility studies and election costs. Or, at the very least, DOE should seek ways to bring the feasibility study process in-house with a free professional service available to districts.

Now, I do want to make it clear that the Department did a wonderful job of working with us to not only get us over the finish line electorally, but to make regionalization a reality administratively. Clearly we would not have been successful without that vital assistance from the state.

Executive County Superintendent Jerry Vernotica went above and beyond to get us answers to questions and to help guide us through those transition periods when it seemed that every one issue we overcame created two new ones to consider. Commissioner Hespe and his office were invaluable.

And, I do have to thank the Governor and the Legislature to maintaining regionalization transition aid in this year's budget to help us pay our bills.

What we have done here at South Hunterdon is historic. But I certainly want it to be historic for being a first, not just another footnote in a history of fits and starts.

I, and my colleagues on this board, stand ready to assist other districts who are examining regionalization for their own communities.

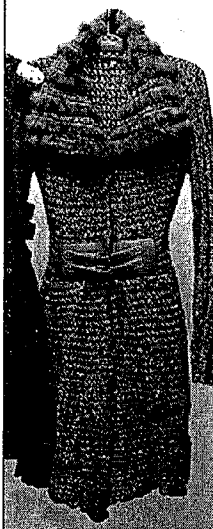
We have been told many times that what we did here in South Hunterdon wrote the book for others to follow. Allow us to help you ensure it gets read by other districts across the state.

Collections

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By Galutra Bahadur, INQUIRER SUBURBAN STAFF

POSTED: March 14, 1999

Regionalization among school districts does not always lead to savings, or so a state Assembly task force concluded in a recently released report.

"This is no longer an issue of home rule versus cost savings, but an issue of whether or not such savings even exist," said Assemblyman Joseph R. Malone (R., Burlington), chairman of the task force. Malone's home district is in the Bordentown Regional School District.

The task force took testimony from 35 educators, superintendents and school board emissaries during three hearings last year. It also reviewed several previous reports on regionalization from 1995 to early 1998. The task force was commissioned by the Assembly in its first resolution of last year.

"We spent most of our time talking with regional school districts about their experiences as well as hearing from school districts that had deregionalized," Malone said. "We examined the issue from both perspectives."

One argument that regionalization advocates make is that merging small school districts reduces the property-tax burden.

The Assembly task force went straight to this issue of dollars and cents - and directly challenged that argument.

"Our review of regional school districts shows that regionalization does not always result in significant cost savings to property-tax payers," Malone said.

The task force also found that:

- * Costs per student increased steadily for four years in 43 districts that were in the process of merging.
- * When districts with different salary scales merge, the higher salary scale is usually adopted for all teachers.
- * The amount of the budget spent on teacher salaries might go up, since tenured teachers at the top of the pay scale are selected when districts merge over teachers with less seniority and lower salaries.
- * Districts with lower property values that merge with wealthier communities lose state aid, causing their school taxes to increase.

The Assembly task force interviewed representatives from several regional districts that were experiencing stress.

Some told of jam-packed hallways in schools overflowing with students. Others testified about mismatches: developing towns joined with static, grayer ones that simply were not producing more children to educate.

In Camden County, for instance, the Black Horse Pike Regional School District brings together Bellmawr and Runnemede, two fully developed towns with large populations of senior citizens, with Gloucester Township, a suburb that is growing.

Bellmawr pays 18 percent of the school costs, and Runnemede pays 12 percent of the school costs. Together, however, they send only about 23 percent of students (800 of 3,500) to the high-school district.

Last September, Bellmawr rejected, by a ratio of 10-1, a \$44.88 million bond referendum for a third school to alleviate crowding at Triton High School in Runnemede and Highland High School in Gloucester Township. Runnemede rejected it by a ratio of 4-1. But the turnout in favor of the new school from Gloucester Township outweighed the negative votes from the two smaller towns.

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"We've been paying the lion's share for so long, and we have the smaller amount of children going there," Bellmawr Mayor Anthony Infanti said. "They're building homes down there like there's no tomorrow, and we're spending \$45 million to build a new school that our children will never go to."

The approval of the bond caused the school tax to increase by \$65 a year in Bellmawr for a house assessed at \$100,000. In Runnemede, the tax went up by \$55 a year, while Gloucester Township faces a rise of \$51 a year.

Bellmawr toyed with the idea of seceding from the district but could not garner enough support, especially in Gloucester Township, for a breakup.

Other discontented districts, however, have mustered the votes necessary to dissolve. Residents in the Lower Camden County Regional School District, which encompasses seven towns, decided last May to part ways.

Vito Gagliardi, an attorney who represented the five towns pushing to disband, said that the regional district "had grown to the point where [voters] didn't want to invest anymore."

In the last decade, residents rejected two bond proposals for a new school in the crowded district, which serves students in seventh to 12th grade.

They "were unwilling to subsidize a system that they weren't necessarily content with," Gagliardi said. "They weren't willing to pay for a high school that their community would not enjoy."

Several factors contributed to the breakup of the district, Gagliardi said.

As in the Black Horse Pike Regional District, there was a funding imbalance among the sending municipalities, which are Waterford, Chesilhurst, Winslow, Pine Hill, Berlin Township, Lindenwold and Clementon.

Berlin, for example, provides 7 percent of the students, but foots 10 percent of the district's bills. The township, on Route 73, is home to many commercial properties, which raises its property values and skews its share of the district's costs.

Chesilhurst, on the other hand, provides 2.13 percent of the students, but pays for 1.5 percent of the budget. The municipality, along with Waterford, opposed the deregionalization effort.

There was also a sense that the district's size had made it remote.

It educates 5,200 students at its two high schools, Overbrook Senior in Pine Hill and Edgewood Senior in Winslow, and two junior high schools, Overbrook Junior in Lindenwold and Edgewood Junior in Winslow. Its teaching staff numbers 510.

"Their seventh and eighth graders were lost in a large school district," Gagliardi said. "Parents wanted them to come home."

Superintendent Michael Shreiner agreed that the desire for local control played a key role in the district's breakup.

"The district is 60 years old," he said. When it merged, "the population was considerably less, and the need to share services was greater. Since then, the population and the interests of the towns have changed."

Despite this discord, some regional school districts maintain that staying together makes good economic sense and that for every report on regionalization, there is a counter-report.

Daniel Hicks, superintendent of the Lenape Regional School District in Burlington County, said: "We're satisfied that a regional, done well, can save a substantial amount of money."

The per-pupil cost for the district - which serves Shamong, Evesham, Medford, Medford Lakes, Mount Laurel, Tabernacle, Southampton and Woodland - is \$9,000, while the state average is \$11,000.

A study on regional school districts in New Jersey, conducted by a Rutgers professor and released several years ago, showed that the tax savings to Lenape would be less than half a penny if the district balkanized, he said.

"There is no definitive study on this topic," Hicks said. "As long as a report or study shows that one shoe fits all situations, there's never going to be a resolution."

Hicks did give the state Assembly report some credit.

"There is a point where you can get too big," he said. "But we get a fairly good return."

Lenape is one of the lowest-spending regional districts in the state. It serves 6,400 students in grades 9 to 12, and it passed a bond proposal in late 1997 to build a fourth high school in Tabernacle. And the elementary school boards in the district's eight municipalities share services.

"We get along real well, and we believe in this organization," Hicks said.

In the Kingsway Regional School District in Gloucester County, growth has created crowding, without spawning a movement for a breakup.

The district has 1,319 students in grades 7 through 12, about 200 over capacity. All four of the sending municipalities voted for an \$18.5 million bond issue last December to build a new middle school.

"We've been in existence since the early '60s," said Superintendent Terrence Crowley. "The biggest advantage is the cost savings. If the four individual communities had to support their own high-school setting, it would be a very expensive proposition."

Crowley said that tensions had not surfaced over the excess tally of students. All of its towns - Swedesboro, East Greenwich, Woolwich and South Harrison - have had some growth in the last five years, he said.

Woolwich, a rural town that is becoming progressively more suburban as commuters from Philadelphia and Wilmington move in, is the fastest growing. Swedesboro has seen the smallest increase in population.

"As more people move in, not only does that generate more students but more ratables," Crowley said.

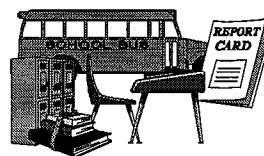
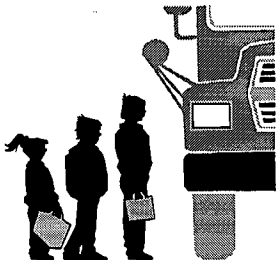
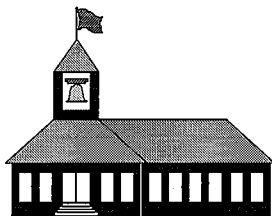
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Assembly Task Force on School District Regionalization



Findings and Recommendations
February 25, 1999

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New Jersey State Legislature
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ANITA SAYNISCH
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February 25, 1999

The Honorable Jack Collins
Speaker of the New Jersey General Assembly

Dear Speaker Collins:

The Assembly Task Force on School District Regionalization, created by Assembly Resolution of 1996-1997 and reconvened by Assembly Resolution No. 1 of 1998, respectfully submits its final report in compliance with the provisions of its enabling legislation.

A handwritten signature in dark ink, appearing to read "J.R. Malone", written over a horizontal line.

Assemblyman Joseph R. Malone, III
Chairman

ASSEMBLY TASK FORCE ON SCHOOL DISTRICT REGIONALIZATION

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Assemblyman Francis Blee, *Vice-Chairman* (R-2nd)

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ASSEMBLY TASK FORCE ON SCHOOL DISTRICT REGIONALIZATION

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Assembly Task Force on School District Regionalization

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EXECUTIVE SUMMARY OF FINDINGS

1. Past studies about school regionalization share certain consensus points.
 - ◆ Not every school district is conducive to a regionalized arrangement.
 - ◆ The diverse array of statutory and regulatory schemes has created financial disincentives (often unintended) for school regionalization.
 - ◆ "Forced regionalization" can be perceived as taking away local control and accountability.
 - ◆ Providing incentives for voluntary regionalization when positive educational and economic benefits accrue is a less contentious route.
2. School regionalization does not automatically reap major savings or improve the quality of education. In fact, some studies have shown the converse. For example, expenses relating to teachers' salaries and transportation costs may actually increase.
3. Small school districts can produce excellent results and should not be regionalized simply because their enrollment falls below a certain number.
4. The disproportionate distribution of costs among constituent municipalities in regionalized districts is a major disincentive to regionalization. However, any formula change designed to bring parity in the per pupil costs of the constituent municipalities will result in "winners" and "losers."
5. Smaller, more affluent communities in regional school districts, which are locked into paying based on their equalized valuation, as opposed to on a per-pupil basis, may wind up paying more than what they otherwise would pay in a non-regionalized district.
6. Development trends of constituent municipalities within a regional school district can also negatively impact on the cost inequity factor.
7. Shared services consolidation for non-instructional purposes may accomplish savings.
8. Many districts exhibit concern over regionalizing because the deregionalization process proves rigid and difficult. Major issues relating to division of debt service and assets, personnel retention policies, and the ability of each resulting district to adequately provide for the education of their students, must be considered.
9. Withdrawal from a regionalized arrangement by a constituent municipality may prove overwhelming since the current procedures require a majority of voters across the regional district in addition to a majority of voters in the constituent municipality which wants to exit from the arrangement.
10. Representation on regional school boards can also be a disincentive for regionalization. Small communities with limited representation may not see an advantage to regionalizing.

EXECUTIVE SUMMARY OF RECOMMENDATIONS

1. Regionalization agreements should be structured in such a way so as to allow reassessment of cost distribution if the per pupil cost deviates by more than 10% between any two constituent municipalities of the regional district, in order to reflect the growth of one or more of the constituent municipalities.
2. The equalized valuation method for apportioning costs in a regional school district, which almost all the existing regionalized school districts utilize, is a disincentive to school district regionalization. A new and fairer formula should be devised to provide for more equity among constituent municipalities. In order to eliminate or reduce some of the existing disincentives to regionalization, there should be a realistic mechanism which compels equitable adjustments in the distribution of costs among constituent municipalities for the small number of existing regionalized districts which currently evidence an extreme disproportionate distribution of costs.
3. Streamline the "deregionalization" process to ensure simpler and less arduous procedures without removing appropriate checks and balances and appropriate safeguards.
4. Establish site-based management and building level control groups to afford greater local control and parents' participation consistent with district policies and curriculum.
5. Provide students with the option of completing their education at the school they attended prior to school district regionalization.
6. Some consideration should be given to the possibility of consolidating limited purpose regional school districts into K-12 regional school districts when the circumstances and conditions prove appropriate and conducive.
7. The Department of Education should thoroughly review the administrative costs of non-operating districts with an eye to possibly eliminating these districts when appropriate (i.e. there are 24 non-operating school districts in the State).
8. Study the advantages and disadvantages regarding sending-receiving districts merging into regional school districts.
9. Some financial incentives are necessary to encourage districts to regionalize when economic and educational benefits exist for regionalization.
10. State funds for regional school district start-ups seem appropriate under certain circumstances including funds for feasibility studies.

11. Prior to even considering regionalization, a preliminary study should show that such an arrangement will improve the education quality of the district's students and achieve savings.
12. Direct the Department of Education to identify those communities within the State that have the most to gain from school district regionalization.
13. Provide special aid to regionalized districts on a recurring, not just a one-time basis when economic and educational benefits exist for regionalization.
14. Offer special services on a regional level (i.e. special education, art, etc.) and consolidate recreational and vocational services into regional units.
15. Encourage sharing of services between school districts and municipalities. Such a move could avoid formal school district regionalization.
16. Some study should be given to the viability of county-wide servicing, at the level of the county superintendent of schools, of all administrative functions (i.e. bulk purchasing, sharing administrative staff, etc.).
17. Potential consideration should be given to the viability of county-wide school system structures.
18. Greater emphasis should be given to collecting comparative quantitative data to track the record of existing regionalized districts in terms of costs savings, improvement in education quality, greater efficiencies, and student performance.
19. The State statutes governing the withdrawal of a municipality from a regional school district should be amended to protect constituent municipalities from paying a disproportionately large percentage of the district costs. Such municipalities should have the choice of opting out of a regional district without major obstacles when a specified threshold deviation in the per pupil amount paid by each constituent municipality is reached, perhaps 10%. The statutes should be amended to provide a mechanism to permit the withdrawal of these constituent municipalities to join another regional district or enter into a sending/receiving relationship with another regional district, providing these arrangements incorporate appropriate safeguards and entail a long-term, and not a year-to-year arrangement.
20. Prior to regionalization and deregionalization, the affected communities should weigh factors such as tax increases, salary increases, loss of State aid, etc.
21. To ease the burden on communities which may deregionalize and prevent disproportionate State subsidies or increases, tax projections should be prepared prior to the actual process.
22. The State Department of Education should appoint a fiscal agent to assist in the regionalization or deregionalization process.

23. The Department of Education should do a case study analysis concerning the deregionalization process of the Union County Regional School District to provide guidance to other regional school districts contemplating deregionalization in the future.
24. The Department of Education should establish guidelines dealing with the deregionalization process including such items as staffing, salary scales and educational curriculum, as well as policies concerning debt assignment and asset redistribution.
25. Educate employees, who will be impacted by the formation or expansion of new districts, concerning their salary and benefit packages.
26. Any voluntary regionalization plan should, to the greatest extent possible, protect school employees' rights relating to seniority, tenure, and health benefits.
27. The decision to regionalize should be made on a case-by-case basis since it is apparent through the testimony received by the Assembly Task Force that school district regionalization does not necessarily result in cost-savings across the board.

Assembly Task Force on School District Regionalization

REPORT OF FINDINGS AND RECOMMENDATIONS

I. CHARGE OF THE TASK FORCE

Assembly Resolution No. 127 of 1996, sponsored by Assemblymen Malone and Cottrell, created the Assembly Task Force on School District Regionalization. The Task Force held one hearing at the end of the 1996-1997 legislative session and was reconvened during the 1998-1999 legislative session pursuant to Assembly Resolution No. 1 of 1998. Assembly Resolution No. 127 required the Task Force to examine and make recommendations on issues pertaining to regionalization including, but not limited to: apportionment of costs, incentives and disincentives for regionalization, the financial impact of State aid on regionalization, and cost savings to taxpayers.

The Task Force consists of eleven members appointed by the Assembly Speaker - seven members of the Assembly and four public members. Pursuant to its enabling resolution, the Task Force is required to submit a report to the Speaker and General Assembly containing its findings, conclusions and recommendations. The Task Force will terminate 30 days after it submits its report.

II. PAST REPORTS CONCERNING REGIONALIZATION

Currently, New Jersey has 618 school districts. This high number of districts is in large part due to the long tradition of home rule in this State. Bergen County alone has 79 school districts; Passaic, 21 and Morris 41. One third of the school districts in the State have fewer than 1,000 students, and nine have fewer than 100 students.

Over the past thirty years, there have been an array of studies concerning school district regionalization. This section of the Task Force report summarizes and highlights some of these studies.

The *New Jersey Regionalization Advisory Panel Final Report* (January 1998) was the product of a panel established pursuant to the requirements of the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), P.L.1996, c.138. The report acknowledged that the statutory and regulatory codes have perpetuated the existing structure of school districts in New Jersey. The panel suggested that the Commissioner of Education and Office of Legislative Services complete a thorough review of statutes, regulations, commissioner's decisions, and court decisions that impact the school district regionalization process and suggest statutory remedies to support the panel's recommendations regarding regionalization.

The panel acknowledged that there are many instances in which regionalization was or should have been considered by local districts, but the regionalization process failed due to financial

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disincentives inherent in the current system of school funding. For example, a district with relatively high ratables or a relatively small number of children may find its tax burden increasing after regionalization. In that regard, the panel recognized that legislative action is warranted and could involve: the creation of a formula to allow for adjustments in property tax assessments for education for a fixed period of time to prevent districts with relatively high ratables from immediately facing an unacceptable property tax increase after regionalization; provision of "hold harmless" aid to protect districts that regionalize from losing State aid for a certain period of time; the creation of a new category of categorical aid to cover additional costs associated with a merger; the exclusion of costs related to a regionalization from cap calculations; and the creation of a formula to address potential increases in transportation costs.

While the New Jersey Regionalization Advisory Panel acquiesced that voluntary regionalization is more politically palatable, the panel believed that for voluntary regionalization to succeed, the State must first commit a substantial amount of resources (technical and financial). The State must also be willing to allow the local school boards to make the decision concerning whether or not to regionalize. The school board is in the panel's view more able than voters at large to evaluate the financial and educational benefits of regionalization and to separate the emotional issues from the analysis.

The panel was convinced that permitting a phase-in period could result in more successful regionalization of school districts. One of the panel's recommendations was to empower the Commissioner of Education to develop procedures which would permit phase-in periods not to exceed five years in which the districts that are candidates for regionalization could adopt a plan for gradual regionalization involving the sharing, for example, of administrative services, business services, personnel, transportation, staff development and technology.

The panel also admitted to being skeptical that inducements and encouragements to regionalize will be effective in substantially decreasing the number of districts. Therefore, the panel recommended the elimination of non-operating school districts and recommended that the Legislature direct and empower the Commissioner of Education to initiate the process of reducing the number of school districts by first identifying those districts that could benefit financially and educationally from regionalization. If a district does not accept such a plan, the burden would fall upon that district to justify why it should not be implemented.

The report also promoted consolidation or shared services for non-instructional services such as administration, purchasing, transportation, budgeting and accounting, and instructional planning and services, and the use of expanded technology (i.e. interactive television) to foster shared services. The county superintendent of schools would play a role in assessing and preparing such plans in collaboration with local school districts, municipalities, county government and community colleges.

The New Jersey Association of School Business Officials Regionalization Study Committee Final Report (April 1997) examined the advantages and disadvantages of regionalization

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from three perspectives: educational, political, and financial. The most important positive educational issue concerned K-12 program articulation and program expansion possibilities due to higher district enrollment. Political considerations revolved around the loss of local control and the pervasive concern of the smaller communities that they would lose their identities and neighborhood schools. The financial picture was found to be the most troublesome. Winners and losers were identified on the issue of property taxes and cost savings through the elimination of duplicative services were often found to be offset by start-up or transition expenses. The report states that the study committee "found no absolute connection between the reduction of costs and the formation of regional districts." While the study committee found areas where expenditures could be reduced, other hidden costs either minimized or negated the entire savings. There was also great concern over the uncertainty of State aid.

Reducing the Number of New Jersey School Districts: Regionalization and Consolidation Options (April 1996), a report prepared by the Public Affairs Research Institute of New Jersey, Inc., recommended that progress toward school district regionalization could be achieved through increasing financial incentives; facilitating public understanding of the costs and benefits of the State's current system with over 600 school districts as compared to a system with larger, regional operations; eliminating current barriers to voluntary mergers of school districts; expanding the State's technical support for school districts contemplating possible mergers; and encouraging regional approaches in areas such as pupil transportation and school construction.

A Plan for School District Consolidation in New Jersey (July 1995), written by Dr. Ernest C. Reock, Jr., detailed a proposal to eliminate half of New Jersey's school districts. The plan would consolidate existing limited purpose regional high school districts with their constituent elementary districts and would also merge districts that have sending-receiving relationships. The plan would result in an average number of students per school system of 3,645 as compared to 1,787 students per school system without the plan. The changes were estimated to save \$32 million in annual administrative costs, and more than \$200 million a year overall, less than 2 percent of the approximate \$12 billion that New Jersey spends on schools annually.

The Commission on Business Efficiency of the Public Schools Report (December 1995) recommended that the Department of Education create a model to identify suitable target districts for regionalization and provide special incentive funding for the regionalization to be carried out.

The Mancuso Report (April 1969) recommended that all school districts be organized on a K-12 basis with a minimum of 3,500 students, with exceptions to this minimum for districts with severe transportation problems or districts where growth is projected to be sufficient to meet the minimum within a stated time period. This type of organization is considered essential in order to maximize the educational and financial benefits to students and taxpayers.

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III. STATUTORY BASIS FOR COST APPORTIONMENT AND INCENTIVES FOR REGIONAL SCHOOLS

N.J.S.A.18A:13-23 provides for the method used to determine the apportionment of regional school district costs among the constituent municipalities included within the regional school district. Pursuant to this section costs may be apportioned on the basis of:

- the portion of each municipality's equalized valuation allocated to the regional district;
- the proportional number of pupils enrolled from each municipality on Oct. 15th of the pre-budget year; or
- any combination of apportionment based upon equalized valuations and pupil enrollments.

Currently, all regional school districts apportion costs on the basis of equalized valuation, except the two most recently regionalized districts, Great Meadows Regional and Somerset Hills Regional. Great Meadows uses a formula based only on enrollment and Somerset Hills uses an apportionment formula based 95% on student enrollment and 5% on equalized valuation.

N.J.S.A. 18A:13-23.3 provides for the modification of the method by which a regional district apportions its costs pursuant to N.J.S.A.18A:13-23. N.J.S.A.18A:13-23.3 permits a modification only upon the occurrence of one of the following events:

- Ten years have elapsed since the last school election in which the apportionment of costs was approved by the voters;
- A school year in which the equalized valuation of any constituent municipality has increased or decreased by a certain critical amount;
- A school year in which the pupil population of any constituent municipality has increased or decreased by a certain critical amount;
- A school year in which the regional district is enlarged by the admission of one or more districts;
- During any school year if the regional district was formed prior to March 8, 1993 and has never revised its cost apportionment basis.

The statute has been interpreted as requiring a majority vote of those voting in each of the constituent municipalities.

Currently, N.J.S.A.18A:7F-32 provides the only financial incentive for school districts to regionalize. This statute provides that for a specified period of time following regionalization, each regional school district formed after the 1996 effective date of CEIFA, is entitled to receive supplemental State aid. That State aid is equal to the difference between the regional district's core curriculum standards aid and the sum of core curriculum standards aid received by each constituent

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district of the regional school in the year prior to regionalization. The aid is provided for a five year period on a declining basis.

IV. CERTAIN CONSENSUS POINTS ABOUT REGIONALIZATION THAT UNDERLIE MANY FINDINGS IN VARIOUS REPORTS AND STUDIES

Not every school district is conducive to a regionalized arrangement. Regionalization arrangements work best when the constituent communities have similar socio-economic compositions. It is very clear that the New Jersey Regionalization Advisory Panel Final Report acknowledged this factor when it recommended that the Commissioner of Education be empowered to initiate and finance studies in cooperation with local studies as to which school districts would have the most to gain economically and educationally through a regionalized approach.

It is very important to make the distinction between **formal regionalization arrangements involving the actual formation of a new school district for the instruction of students versus consolidation of certain non-instructional services.** The former involves students of constituent communities within a regional school district attending regional schools and the latter covers consolidation of non-instructional services like administration, procurement, transportation etc. whereby students are enrolled in different school districts but, in an attempt to produce savings, personnel and administration reorganization among those districts is arranged.

The **diverse array of statutory and regulatory schemes has created financial disincentives (often unintended) for regionalization.** Thus, in those districts which could realize cost savings via regionalization, certain technical and financial incentives are warranted or else no new movement towards regionalization will occur. The New Jersey Regionalization Advisory Panel Final Report acknowledged that these flaws must be reformed and that inventory of these statutes and regulations would be the first step towards encouraging regionalization.

Because New Jersey has traditionally boasted its home rule orientation, **“forced regionalization” can be construed as taking away local accountability on the part of the citizenry of a particular constituent community which may regionalize. Providing financial and other incentives** to reach the goal of regionalization only when it has been documented that economic and educational benefits will accrue **seems the less controversial route.** The most recent report is not specific as to what financial incentives should be provided and from where those monies would emanate.

Proponents of regionalization have argued that shared staffing, the elimination of duplicative positions, savings in central administration, increased fiscal borrowing power from a larger tax base, savings in transportation and the sale of unneeded property which could raise revenue will create efficiency and overall savings.

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Opponents argue that at least one constituent district per regionalized area will suffer a tax increase, that State aid is uncertain after regionalization, and that debts may be incurred if a new facility is needed or if debts from other districts are absorbed. Additionally, opponents point to additional problems of potential loss of federal impact aid, Title I funding and categorical aid, and with a greater number of students needing transportation services, an increase in transportation costs.

V. N.J. COURT DECISIONS CONCERNING REGIONALIZATION

New Jersey court decisions which impact on regionalization are outlined in this section of the report.

- Borough of Sea Bright v. Department of Education, 242 N.J.Super. 225 (App. Div. 1990). In this case the Borough of Sea Bright, which is a member of Shore Regional High School District, brought a suit challenging the constitutionality of the method of allocating the costs of regional school districts. The Superior Court, Appellate Division, held that requiring the borough to contribute to the costs of the regional school district based upon its proportion of total equalized value of property in the district, rather than the percentage of students who were borough residents, did not violate the tax clause of the New Jersey Constitution, or the equal protection clauses of the New Jersey and the United States Constitutions.
- Borough of Haledon v. Board of Education of the Manchester Regional High School District, 305 N.J.Super. 19 (App. Div. 1997). The Borough of North Haledon in this case was appealing a determination of the State Board of Education that the ballot measure concerning the modification of the apportionment of costs of the regional district was defeated by the failure of two of the three municipalities comprising the regional school district to adopt it. The Superior Court, Appellate Division, held that the applicable statute, N.J.S.A.18A:13-23, required that changes in the method of apportionment among constituent municipalities be approved by a majority of voters in each affected municipality.

VI. INTEREST GROUP POSITIONS CONCERNING REGIONALIZATION

A May 23, 1997 memo from the New Jersey Education Association (NJEA) to the Office of Legislative Services staff and subsequent testimony before the Assembly Task Force provide some insight into its official policy position on regionalization and deregionalization. The following points were made by the NJEA in regard to this issue:

- Regionalization should only occur on a voluntary basis on the part of the districts impacted;
- The desire to regionalize must stem from local needs and concerns;
- Regionalization must meet the requirements of the law including, but not limited to,

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- the maintenance of racial balance;
- It must guarantee that for the first ten years, total State aid for a regionalized district will not be less than the aid the individual districts would have otherwise received;
- It must protect the rights of school employees as it relates to seniority, tenure, and health benefits;
- Local NJEA chapters should secure equal partnership with the school board, administration, and community members ultimately affected by deregionalization; and
- Any savings generated from deregionalization should be channeled to educational initiatives aimed at reducing class size, enhancing professional development, and avoiding program cuts within that regional district.

The New Jersey Association of School Business Officials testified that increased efficiency or financial savings may not necessarily result from school regionalization. The New Jersey School Boards Association (NJSBA) provided testimony to the Task Force. A past NJSBA report encouraged school districts to regionalize when educational and/or financial benefits resulted.

It is interesting to note that researchers and school officials maintain that "savings may be no more than pennies per household, and taxes in some districts might even grow." In addition, it is reported that "Associations representing school boards and business administrators warn that property taxes might actually grow if schools merge." (***Bergen Record***, January 15, 1998)

VII. INCENTIVES WHICH HAVE BEEN RECOMMENDED FOR REGIONALIZATION

The body of literature existing on the subject of school district regionalization is more in general terms than detailed. However, it is interesting to note that in the past, the following types of incentives were floated to promote school districts' participation in voluntary regionalization programs:

- initiate apportionment method changes so that the tax levy would be apportioned on the basis of property values and income and enrollment, with equal weight;
- provide a new per pupil categorical aid for new regional districts, phased out over 7 to 10 years;
- keep start-up costs (regionalization studies, program expansions) outside of the budget cap calculation;
- provide a hold harmless aid to ensure that newly regionalized districts receive the same level of aid previously received by its constituent districts; **
- provide a State transportation grant to help cover State-approved transportation start-up costs in new regional districts;

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- assure that all new regional districts receive debt service aid in the amount of 50% or its State share percentage, whichever is greater (to be phased out);
- give new regional districts priority status in any facilities grant program;
- relax the obstacles to withdraw from a regional district by limiting the commissioner's reasons for denying withdrawal, eliminating the Board of Review, and requiring a vote only in the withdrawing district;
- provide a 50% State match for the cost of formal regionalization studies in districts considering such a move.**

(** Denotes that an incentive similar in nature has been implemented.)

An approach which focuses on reforming statutory and regulatory schemes and fostering financial incentives when appropriate can provide sufficient tools for voluntary regionalization.

“Shared services consolidation” for non-instructional purposes should be carefully studied and considered as a means to accomplish savings; some contend that reducing administration size can cut costs. According to federal Department of Education statistics, New Jersey spends more per pupil on school support and administration than most other states.

VIII. CONCERNS ABOUT SCHOOL DISTRICT REGIONALIZATION

IT MUST NOT BE AUTOMATICALLY ASSUMED THAT SCHOOL CONSOLIDATION WILL REAP MAJOR SAVINGS OR IMPROVE THE QUALITY OF EDUCATION

Findings

- Fewer school districts and larger schools do not necessarily result in greater efficiency, more savings or better quality education. In fact, some past studies indicate the converse.

“While larger districts in lower income areas may access greater resources than do small districts, the higher incidence of ‘exceptional problems’ (e.g. delinquency, drug abuse, learning disabilities) in such contexts introduces constraints and contributes to reduced organizational performance.”
(Anthony S. Bryk, Valerie E. Lee, Julia B. Smith, “High School Organization and its Effects on Teachers and Students: An Interpretative Summary of the Research,” Invitational Conference on Choice and Control in American Education, November 1, 1989, p 10-11).

- Despite the fact that there are approximately 618 school districts in New Jersey, the Department of Education has never recommended an optimal number of school districts for the State nor has it recommended any specific plan for reducing the number of school districts.
- Many small school districts, due in part to their size, produce excellent results, and should not

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be regionalized simply because their enrollment is less than a certain number. There's nothing inherently wrong with small school districts. The "model school district" included in the Department of Education's Comprehensive Plan for Educational Improvement and Financing is based on several assumptions which can be challenged.

"If you say small schools aren't efficient, why are we having charter schools? Why is the administration saying that charter schools are the way out?" -- Eugene Keyek, Ed.D., (Assistant Executive Director, N.J. Association of School Business Officials)

"We didn't want to set up a standard that said all districts under a certain size must regionalize, that there is something just wrong about that. Well, some of those districts truly are doing an excellent job. They are having great test results. The students are doing very well and they are efficient. So our thought was that if a district could show that truly it was doing a good job and that perhaps in that situation the benefits of the smallness -- and there are benefits to smallness in terms of the personal touch and the relationship between administration and students -- if the district can show that there really are benefits to remaining small that they should not be then put in a position of being required to regionalize." -- Virginia Hardwick, Esq. (Member, N.J. Regionalization Advisory Panel)

FINANCIAL SAVINGS, WHICH MANY ADVOCATES OF SCHOOL REGIONALIZATION EXPECT, DO NOT NECESSARILY MATERIALIZE

Findings

- Certain studies show that school district consolidation does not always result in cost reduction. A report published by the Center for Government Services at Rutgers University entitled "The Cost Impact of School District Creation and Consolidation in New Jersey," shows that regionalization does not save money in all instances.
 - A study of 43 clusters of communities which created limited purpose 7-12 or 9-12 regional school districts revealed that expenditures per pupil increased in the first four years after regionalization. Expenditure levels declined after the first four years of regionalization but never back to pre-regionalization levels.

"It was quite clear that the creation of new limited-purpose high school regionals increased our costs in New Jersey." -- Dr. Ernest Reock (Center for Government Services, Rutgers)
 - A study of six clusters of communities which consolidated into all purpose K-12 regional districts produced mixed results. There were "three quite wealthy districts showing moderate increases in costs, while the middle-income districts showed fairly substantial expenditure reductions after consolidation." -- Dr. Ernest Reock

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- Administrative costs may actually increase when school districts regionalize. Teacher tenure laws and increased responsibilities for personnel administering the larger school district may contribute to greater expenditures.
 - Sharing administrative services doesn't necessarily cut costs, because as personnel begin to take on region-wide responsibilities, it often becomes necessary to hire more staff to support them. Furthermore, the increased responsibilities delegated to these employees may result in them performing their jobs less efficiently or it may result in the need for additional compensation for these employees.

“The cost savings is minimal, because while the business administrator is no longer there, they have hired an accountant or some other individual in that business office for that district. So that this great savings just didn't materialize.” -- Eugene Keyek, Ed.D.
- By regionalizing, expenses related to teachers' salaries may increase because tenured teachers at the top of the salary guide have priority over non-tenured lower-paid teachers.

“If you have 80% of your staff at the top of the salary guide, no matter what you do, you're not going to cut costs. It's still there. People aren't retiring as readily today as they have done in the past.” -- Eugene Keyek, Ed.D.
- Not only might some savings fail to materialize but other costs such as student transportation will most likely increase.
- The Assembly Task Force received testimony that federal Impact Aid may also decrease under certain circumstances if school districts regionalize. Federal Impact Aid is provided based on the ratio of federally connected students to local students in a district. If a district receiving federal Impact Aid regionalizes with a district which does not receive this aid, the ratio of federally connected students to local students would be lower, which would decrease the federal aid.
- Loss of State aid for poorer districts when they join a richer district also creates a disincentive for regionalization.

LOWER-PAID SUPPORT PERSONNEL AND NON-TENURED AND LOW-SENIORITY TEACHERS MAY LOSE THEIR JOBS AS A RESULT OF REGIONALIZATION IN SOME DISTRICTS

Findings

- Some savings may be achieved by terminating teachers who would be unnecessary or redundant. Of course, by maintaining such teachers, class sizes may decrease.

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- Informal promises by school administrators and union opposition may hinder real staff reductions.
 - Some districts, in order to ensure that a plan for regionalization succeeds, promise not to fire any staff. Instead, they retain all their employees and as people retire those position vacancies are not filled.

“If a union senses that there is a threat to job security, then I would not be surprised if the position of the union is to oppose the vote or to oppose the approval of the vote.” -- Dr. John Sherry (Assistant Commissioner, N.J. Department of Education)

THE DISPROPORTIONATE DISTRIBUTION OF COSTS AMONG CONSTITUENT MUNICIPALITIES IN REGIONALIZED DISTRICTS IS A MAJOR DISINCENTIVE TO REGIONALIZATION

Eliminating the disparity of costs among constituent municipalities which belong to existing regional school districts is an important goal. Cost equalization is consistent with the concept of creating financial incentives to encourage regionalization. Currently, if the regional district uses the equalized valuation methodology to apportion costs, the cost per pupil will vary from constituent municipality to constituent municipality, with substantial variances in certain districts. However, *any formula change designed to bring parity in the per pupil costs of the constituent municipalities in a regional district will result in “winners” and “losers.”* Some of the current “winners,” who are sending a large number of pupils into the regional school district, but are paying a low cost per pupil, would have to absorb increased costs and have their taxes increased. The current “losers,” who are paying a higher cost per pupil but sending fewer pupils into the regional school district, would then become “winners.” Notwithstanding the feasibility of designing a new formula, the only other option would be more State aid - from the General Treasury - to be channeled to the current losers, and to amend current law to require, under limited circumstances, constituent municipalities to negotiate a fair distribution of costs formula.

Findings

- Most regional school districts apportion costs in the district based on equalized valuation. Municipalities with higher property wealth pay a higher per pupil percentage of the costs in a regional district compared to municipalities with low property wealth.

“Regionalization occurring voluntarily -- that, in my estimation, is not going to happen very frequently. It will happen only when both districts, or all of the districts stand to gain, whether it be educationally, and just as importantly, financially.” -- Michael Doney (Superintendent, Great Meadows Regional School District)

- The Assembly Task Force was provided with examples of inequities in the distribution of

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costs. For instance, cost/enrollment data for Northern Burlington County Regional School District includes: Mansfield - 37.3% of the cost - 19.5% of the students (278 students); Chesterfield - 23.2% of the cost - 14.1% of the students (201 students); North Hanover - 17% of the cost - 51.5% of the students (733 students); Springfield - 22.1% of the cost - 14.7% of the students (209 students).

“Our particular town [Seaside Park], for example, is paying approximately \$25,000 per student, whereas another town in the district was around \$4,000. The average is around \$7,800. There is absolutely no way under the statute passed in [1993] that the district is ever going to voluntarily address that.” -- Mr. John Peterson, Esq. (Member of Assembly Task Force on School District Regionalization)

“We have communities [which] have a lot of property wealth, and shore communities in some cases, where there is not a lot of income wealth behind. And we have some communities, as I said, in New Jersey, which have contributions per pupil which are two or three times other communities.” -- Mel Wyns (Director, Office of School Finance, N.J. Department of Education)

- For a regional school district to change the method of the apportionment of costs, each constituent municipality within the regional district must vote in favor of doing so. Those municipalities paying low tax rates inevitably vote against such changes. To date, no regional school district has modified the manner in which the amounts raised for annual appropriations for the district are apportioned.

THE DEVELOPMENT TRENDS OF CONSTITUENT MUNICIPALITIES WITHIN A REGIONAL SCHOOL DISTRICT CAN ALSO NEGATIVELY IMPACT ON THE COST INEQUITY FACTOR

Findings

- Examples of the negative impact of consolidation where the constituent municipalities have varying patterns of development were provided to the Assembly Task Force. In 1950, Berkeley Township and four other municipalities created a regional school district, Central Regional School District.
 - Since 1950, Berkeley Township's population has increased from 1,500 residents to 50,000, and more growth is expected; Seaside Park in 1950 had a population of 1,000 which has increased to a current figure of 2,000 and is not expected to grow significantly in the future; the smaller municipalities which comprise Central Regional represent 20% of the regional school's student population whereas Berkeley Township alone provides 80% of the students; Seaside Park students contribute 5% of the population, yet Seaside Park shoulders 12% of the costs.
- The smaller, more affluent communities in regional school districts, which are locked into

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paying based on their equalized valuation, as opposed to on a per-pupil basis, may wind up paying more than what they otherwise would pay in a non-regionalized district.

“If we have a regional and we have two communities – one is completely saturated, it’s dense in population, and you’re not going to build in that town unless you knock something down, and then you have a situation like a Winslow Township, which is land rich – you can understand the citizens in the densely populated town saying, ‘We don’t want to continue to pay to add classrooms for those people who are growing.’ So there’s the fear of the loss of their income and revenue if they leave, but there’s the understanding that if there’s going to be a growth area, maybe it would be better to jettison them so we don’t have to pay for that expansion.” -- *Dr. John Sherry, (N.J. Department of Education)*

Recommendations

1. School district regionalization agreements should contain clauses that allow for a reassessment of the distribution of costs, if the per pupil cost deviates by more than 10% between any two constituent municipalities of the regional district, in order to take into account the growth of one or more of the constituent municipalities.
2. The distribution of costs among constituent municipalities of existing regionalized school districts should become more equitable. The equalized valuation method for apportioning costs in a regional school district, which almost all the existing regionalized school districts utilize, is a disincentive to school regionalization. Therefore a new, fairer formula should be developed for these existing regional school districts, perhaps incorporating aspects of both cost apportionment methodologies. In order to eliminate or reduce some of the existing disincentives to regionalization, there should be a realistic mechanism which compels equitable adjustments in the distribution of costs among constituent municipalities for the small number of existing regionalized districts which currently evidence an extreme disproportionate distribution of costs.

REPRESENTATION OF ALL CONSTITUENT MEMBERS ON THE REGIONAL SCHOOL BOARD IS AN IMPORTANT TOOL IN ENCOURAGING REGIONALIZATION

Findings

- Representation among constituent members on a regional school board is a contentious issue.

“If the distribution of membership on the board still is effectively handled by one district, the small districts who have limited representation don’t see that as an advantage to regionalizing.” -- *Eugene Keyek, Ed.D.*
- Some claim that the interests of the smaller communities are not being served as it relates to

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representation. For example, Berkeley Township has five out of nine seats on the Central Regional School District Board of Education.

- A February 4, 1998 federal district court ruling regarding apportionment of representation on the Freehold Regional High School Board of Education could have an effect on other regional school district boards. The Freehold Regional High School District is comprised of eight municipalities, and has a nine member board, as provided by N.J.S.A.18A:13-8. Each municipality was represented by one member, and the largest town, Howell, elected two members. The court, on the "one man, one vote" principle, declared such an arrangement to be unconstitutional.

MANY PARENTS VEHEMENTLY OPPOSE BUSING THEIR CHILDREN TO SCHOOLS IN OTHER AREAS

Findings

- Parents have legitimate concerns about their children spending significant periods of time each day on a bus to and from school under a regionalized arrangement.

"Some boards have policies which say that no student shall be on the bus more than thirty minutes, others say one hour... we begin to get into this battle with parents once we regionalize." --
Eugene Keyek, Ed.D.

MANY DISTRICTS EXHIBIT CONCERN OVER REGIONALIZING BECAUSE THE DEREGIONALIZATION PROCESS PROVES RIGID AND DIFFICULT

Findings

- The process of the withdrawal from or dissolution of a regional school district is set forth at N.J.S.A.18A:13-52 et seq., for limited purpose regional school districts and at N.J.S.A.18A:13-66 et seq., for all purpose regional school districts. The process for a limited purpose regional school district includes the following steps:
 - A resolution must be passed by a local board of education or by the governing body of a constituent municipality indicating that they are applying to the county superintendent of schools to make an investigation as to the advisability of withdrawal from or dissolution of the regional district.
 - The county superintendent must, within twenty-one days, call a meeting of representatives from the district's board of education and school administrators, as well as representatives from each of the constituent municipalities including mayors and council members. At this meeting, the superintendent reviews the process for withdrawal from or dissolution of the district.

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- A feasibility study may be required to be conducted by the constituent municipalities and school districts and the regional district.
- The superintendent then has sixty days to complete an advisability report.
- The municipal governing bodies and the boards of education have thirty days to consider the advisability report. In order to proceed, a petition must be made to the Commissioner of Education requesting permission to submit to the voters of the regional district the question whether or not to withdraw from or to dissolve the regional district. Within 15 days after the filing of the petition the commissioner must submit the petition to a board of review, consisting of the Commissioner of Education, the State Treasurer or his designee and the Director of the Division of Local Government Services in the Department of Community Affairs.
- The board of review must make its finding and determination within 60 days of the receipt of the petition.
- If the application is granted a referendum is held. A majority of voters in the regional school district must vote in favor of dissolving it. For the withdrawal of one constituent member, a majority of voters within that constituent municipality, as well as a majority of voters across the regional district, must support the proposal.
- Many existing regional districts want to deregionalize for a variety of reasons. The difficult process of deregionalization prevents many school districts from wanting to take the risk of regionalization in the first place.

"In many circumstances, it's an absolute impossibility [to deregionalize], and it's just something that is never going to happen." -- Mr. John Peterson, Esq.

"Dissolving a regional school district or allowing a district to withdraw from a regional situation is a very serious and a very important decision, and it has tremendous impact on communities, as well as the lives of our students.... the process, as it stands right now, frustrates some of our superintendents and some of our school board members... but I think there is a lot of logic in having the process. That's not to say you couldn't look at it and maybe streamline it a bit, but I think you need to have the checks and balances that are in there." -- Dr. John Sherry, (N.J. Department of Education)

- Major issues that must be considered when deregionalization occurs include: division of debt service and assets; personnel retention policies (i.e. seniority issues); and the ability of each resulting district to adequately provide for the education of its students.

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"The way that the system is currently structured the building goes to the town where it is located, and what they all say is 'well, I've been a dues-paying member of this regional for twenty-five years. I've been paying on the debt service, and now that it's time to divorce I don't get any compensation for the buildings that are there.'" --*Dr. John Sherry, (N.J. Department of Education)*

"[Regarding Resulting Districts from a Deregionalization Process, the Board of Review asks], 'How are they going to provide for those children in the future? Are they going to build their own high school? Are they going to seek a sending-receiving relationship with another district? Are they going to attempt to join another regional? What is their vision?'" -- *Dr. John Sherry, (N.J. Department of Education)*

[Under current law] "If you had no building [in your constituent district] then you're not assigned any of the debt. You only get assigned debt if you have a building... you can't change the total amount of the debt. It's just that [upon deregionalizing] you have fewer parties left to pay that debt." -- *Mel Wyns, (N.J. Department of Education)*

"The debt is many times an impediment to successful withdrawal or dissolution." -- *Dr. John Sherry, (N.J. Department of Education)*

- Two major deregionalization efforts have occurred. The dissolution of the Union County Regional School District (which has succeeded) and the Lower Camden County Regional District (which is pending).

Recommendations

3. Streamline the "deregionalization" process to ensure simpler and less arduous procedures without removing appropriate checks and balances and appropriate safeguards.

MANY NEW JERSEY PARENTS BELIEVE IN LOCAL CONTROL OF PUBLIC SCHOOLS; THEY FAVOR SMALLER, LOCAL SCHOOL DISTRICTS OVER LARGER REGIONALIZED DISTRICTS

Findings

- School districts currently have a great amount of flexibility in personnel contracts and negotiations, which comprise 62%-65% of a school district's budget.

Recommendations

4. In regional school districts, establish site-based management and building level control groups, consistent with school district policies and curriculum. This mechanism

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encourages parents' participation and promotes local control.

"It would provide some efficiencies, but at the same time, would give people an opportunity to both identify with and have some say in what happens in those local schools." --Robert E. Smith, Ph.D. (Member, N.J. Regionalization Advisory Panel)

THE REGIONALIZATION OF SCHOOL DISTRICTS MAY INITIALLY BE DISRUPTIVE

Findings

- The benefits of regionalization may not be realized immediately. Therefore, there may be students, for example those in high school, who because they are attending school during this transition period, may entirely miss any positive outcomes of the regionalization.
- It can be extremely stressful for students to be told that in the middle of their school careers they must attend a different school, potentially away from the friends and faculty to whom they have grown accustomed.

Recommendations

5. Provide students with the option of completing their education at the school they attended prior to the regionalization of the district.

"I had suggested to Lower Camden County the last time around that... no student who is currently in the high school should be denied the opportunity to finish his or her high school career in that building. I think if you can take that policy approach now, you avoid the threat that I've started high school and I'm not going to be able to finish with my classmates and my friends." -- Dr. John Sherry, (N.J. Department of Education)

IX. BENEFITS OF SCHOOL DISTRICT REGIONALIZATION

CONSOLIDATION OF SEVERAL SMALL DISTRICTS INTO A LARGER REGIONAL DISTRICT WITH MORE RESOURCES CAN REAP SOME BENEFITS

Findings

- A regional school may offer more courses taught by specialists (i.e. art and music classes, physical education and more advanced placement courses).

"By combining a school system into a larger regional structure you have more resources. You can

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save money and put the money into where the programs will benefit the children's education a lot better." -- *Michael C. Bibb, Esq. (Chairman, N.J. Regionalization Advisory Panel)*

- A regional school may have access to greater educational tools and resources like high-tech computers and technology and more extra-curricular programs (i.e. mock trial teams, forensics and debate teams).

- Potential savings may accrue by eliminating redundant services among districts.

"An estimation was made [in The Cost Impact of School District Creation and Consolidation in New Jersey report] based on the experience of the middle-income districts that savings of 8.3% percent might be possible. From this analysis, it appeared that consolidation into K-12 regionals had a significant potential for reducing school costs" -- *Dr. Ernest Reock*

- A regionalized district may be more able to finance the cost of needed educational facilities.

"We asked ourselves why would two...proud, successful school districts consider jeopardizing their status quo by voluntarily forfeiting their total local control? Our answer to that was because we had a shared vision for improvement, there was a win-win scenario... Great Meadows Regional [a K-8 limited purpose regional district in Warren county] shared vision was that we would be able to build a new middle school, which neither of the separate districts were able to afford by themselves." -- *Michael Doney (Superintendent, Great Meadows Regional School District)*

- Regionalization provides sending districts with the benefit of representation on a school board. The benefits of regionalizing for this purpose, however, were somewhat lessened with the passage of N.J.S.A.18A:38-8.1 and 8.2 which provide that sending districts will be entitled to a seat on the receiving district's board according to the percentage of pupils attending the receiving district's schools.

"The joint regionalization study that we [the current members of the Somerset Hills Regional School District - Bernardville, Far Hills, and Peapack and Gladstone] undertook in 1993 and 1994 resulted in a negotiated tax levy apportionment formula based on 95% student enrollment and 5% equalized valuation... For Peapack and Gladstone, the ... tax levy apportionment formula meant a significant tax increase over the pre-regionalization cost of education for that community. Yet, ...when it was voted on, it was approved by a two-to-one margin. I think that what made the difference there was the gain that the community of Peapack and Gladstone assumed by picking up two voting seats on the regional board of education. It was a long-standing interest, voiced within the community, to have some greater say over school issues and control and decision-making authority." -- *Dr. Richard Noonan (Superintendent, Somerset Hills Regional School District)*

- Regionalization may improve educational program articulation. The problem of program articulation may be serious, for example, in the case of K-6 sending districts that send their seventh through twelfth grade students to a receiving high school. The sending district in many situations has no representation on the receiving district's board and therefore has no control over the curriculum of the high school. The receiving district is not required to

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cooperate with the boards of education of the sending districts in the development of a joint program. If rather than a sending-receiving relationship, however, the districts formed a limited purpose regional high school district, the problems of program articulation could be addressed through representation on the regional school board.

While the Task Force did not receive a large degree of testimony regarding the benefits of school district regionalization, it believes it is appropriate to note some of the findings relating to benefits that have appeared in other reports.

The New Jersey Association of School Business Officials' Regionalization Study Commission, for instance, examined the advantages of regionalization from three broad perspectives: educational, political and financial. As to educational advantages the study found that: special education and basic skills programs are easier to coordinate and administer in a single large unit than in smaller units; if larger middle/high schools or multiple elementary schools with flexible attendance areas are a result of regionalization, then there can be less variance in class size; and desirable curricular and extra-curricular programs can be maintained through increased enrollment.

From a financial vantage point, the study found the following advantages: shared staffing promotes efficiency while shared programming promotes student interest; savings in central administration for staff and other costs may accrue; an increased fiscal borrowing power results from a larger tax base; the costs for needed facility improvements are spread over a larger tax base; the sale of property could offset addition or renovation costs; possible savings may result from regionalized transportation services; lower per pupil costs may be possible through centralization; stabilization of taxes will occur once the district is regionalized; and a better bond rating may be achieved because the regional district will have a larger pool of ratables to back the bonds.

The study also found some political advantages to regionalization: a larger single unit results in consistent and uniform policies for more students; support from private/parochial families may occur from possible increase in non-public transportation; K-12 budgets, with generally lower costs than 9-12 limited purpose budgets, are easier to pass; and common problems are solved more easily in the larger unit.

X. MANDATED REGIONALIZATION

MANDATING REGIONALIZATION IS A CONTENTIOUS ISSUE AND SHOULD BE CAUTIOUSLY CONSIDERED

Findings

- Forced regionalization is an extreme measure that can cause resentment among the constituent municipalities and should be cautiously considered.

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In Pennsylvania, which mandated regionalization in the 1960's and 1970's, "[The State] took on the initiative of building the high school [for a few school districts that were regionalized into one district], but then they bulldozed the two other high schools to make sure they would never be used again... forced regionalization created a tremendous uproar in those communities." -- *Eugene Keyek, Ed.D.*

"We feel that it's going to require strong leadership... we have to take a look at doing it [voluntarily], but if you can't, eventually, we are going to have to make the choice of mandating it if it is not done." -- *Michael C. Bibb, Esq.*

"The best approach is voluntary and that's the way it should be done." -- *Douglas B. Groff (Member, N.J. Regionalization Advisory Panel)*

- Many districts may benefit from regionalizing, but choose not to, due to concerns regarding education quality, autonomy, personal attention, transportation distances, and the inherent difficulties of amalgamating students from various municipalities. In these instances, for regionalization to occur, it would have to be compulsory.

"Regionalization occurring voluntarily -- that, in my estimation, is not going to happen frequently." -- *Michael Doney (Superintendent, Great Meadows Regional School District)*

Recommendations

6. Consideration should be given to consolidating limited purpose regional school districts into K-12 regional school districts when the circumstances and conditions prove appropriate and conducive.
7. The Department of Education should thoroughly review the administrative costs of non-operating districts with an eye to possibly eliminating these districts when appropriate (i.e. there are 24 non-operating school districts in the State which spend a total of over \$2 million on administrative costs). (See Attachment I)
8. Study the advantages and disadvantages regarding sending-receiving districts merging into regional school districts.

XI. ALTERNATIVES TO FORCED REGIONALIZATION

PROVIDE INCENTIVES FOR VOLUNTARY REGIONALIZATION

Findings and Recommendations

9. Some financial incentives are necessary to encourage districts to regionalize when economic and educational benefits exist for regionalization.

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10. Have the State provide funds for the start-up of regional school districts when appropriate, including funds for feasibility studies.

11. Prior to even considering regionalization, a preliminary study should show that regionalization will improve the quality of education for the district's students and achieve savings.

"The only real incentive is when you go to the citizens in a school district and say this will provide a marked improvement in the education of your child... if they can't be convinced that they are going to have a marked improvement in the education of their children, they are probably not going to make that move."-- Dennis Smeltzer (Executive Director, Commission on Business Efficiency of the Public Schools)

UTILIZE APPROPRIATE STATE AGENCIES AND/OR OTHER TOOLS TO SPUR REGIONALIZATION WHEN APPROPRIATE

Findings and Recommendations

12. Call on the Department of Education to identify which communities within the State have the most to gain from regionalization. Demographic studies should be completed to ascertain whether sufficient similarities exist among particular constituent municipalities to warrant regionalization K-12, K-8, 9-12 etc. among the 618 school districts.

- Testimony provided to the Assembly Task Force indicated that the Commissioner of Education should become more pro-active in studying districts that would gain economically and otherwise by regionalization.

"...When one community is growing, there seems to be a natural divisiveness to the process. It appears that in some instances, the growing communities want to sever ties with the regional district and create separate districts. In others, the more stable districts want the changing district out of the region. Let them build their own school." -- Dr. James Sarruda (Superintendent, Northern Burlington County Regional School District)

INCENTIVES FOR VOLUNTARY REGIONALIZATION SHOULD SPAN SEVERAL YEARS

Findings

• Many districts, which might potentially regionalize, feel somewhat insecure because

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incentives and agreements which are promised by the State may have no value months down the line.

- 13. Provide special aid to regionalized districts on a recurring, not just a one-time basis, when economic and educational benefits exist for regionalization.**

EXPLORE WAYS OF INCREASING EFFICIENCY WITHOUT FORMAL SCHOOL REGIONALIZATION

Findings and Recommendations

- 14. Offer special services on a regional level (i.e. special education, art, etc.). Consolidate recreational and vocational services into regional units.**

- The Burlington County Special Services School District received a grant under the Consolidation of Services Grant Program established under CEIFA (N.J.S.A.18A:7F-30) to promote shared services and the regionalization of certain services. The Burlington County Special Services School District was able to hire a team of physical and occupational therapists that could be used by 26 school districts, for approximately \$30 less per hour than the cost that would have had to have been paid if each district went out on its own to provide these services to their special education students.

- 15. Encourage school districts and municipalities to share services. Such a move could avoid formal school district regionalization.**

“Through sharing of services, it’s possible for a district to reduce its [costs] and, therefore, might be able to avoid the requirement of regionalization when a study is done showing that there would be benefits to be derived.” -- *Robert E. Smith, Ph.D.*

- 16. Potential consideration should be given to county-wide servicing of all administrative functions.**

- The Assembly Task Force received testimony that promotes shared support services concerning cooperative transportation, the use of technology in education administration, regional bulk purchasing, shared administrative functions including,

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but not limited to, sharing administrative staff, and providing extra-curricular activities on a regional basis.

17. Potential consideration should be given to the viability of county-wide school system structures.

- Several states which predominantly operate under county structures include Florida, Georgia, Louisiana, Maryland, Nevada, South Carolina, and West Virginia. (*Education Commission of the States, 1992-1993 period*)

CONCLUSIVELY DEMONSTRATE THE BENEFITS OF REGIONALIZATION FOR ALL DISTRICTS INVOLVED IN ORDER TO ENCOURAGE VOLUNTARY REGIONALIZATION

18. The Department of Education should gather comparative quantitative data in a consistent and uniform fashion to indicate the track record of existing regionalized districts in terms of costs savings, improvement in educational curricula, greater efficiencies (administrative and otherwise), and student performance. Until all this data is compiled for comparison of pre- and post-regionalization results, the cost benefits of school district regionalization will continue to be nebulous. Consistent monitoring and routine compilation of empirical data by the department is necessary to essentially prove or disprove what preliminary regionalization studies have indicated.

- There is a lack of available data to quantify the effects of regionalization on school districts. (See Attachments II, III and IV - Correspondence between the Chairman of the Assembly Task Force and the State Department of Education)

COMPONENTS OF SUCCESSFUL REGIONALIZATION

Findings

- The regionalization arrangement should come as close as possible to being a win-win situation for all parties.
- Good communication should exist with board of education members, parents, and the professional faculty regarding their specific concerns and questions.

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"We must be able to show advantages for all concerned. There must be advantages for children, there must be advantages for parents, non-parents, seniors. There must be advantages for taxpayers." -- Michael Doney, (Superintendent, Great Meadows Regional School District)

- Formal and informal studies of demographics, facilities, and financial considerations are important.

"You must be able to maintain pride and success. Economy and efficiency must be addressed and improved." -- Michael Doney, (Superintendent, Great Meadows Regional School District)

- Curriculum, budgets, and staff should be consolidated.

XII. EXAMPLES OF REGIONALIZATION EFFORTS

GREAT MEADOWS AND SOMERSET HILLS REGIONALIZATION EXPERIENCES

Findings

- Great Meadows is composed of Liberty and Independence Townships in Warren County.
 - Prior to regionalization, Liberty Township School District and Independence Township School District were two separate K-8 districts with small populations and a rural character; both districts sent their high school students to Hackettstown on a tuition basis; Independence, because of space concerns, also sent its 150 seventh and eighth graders to Hackettstown on a tuition basis at a cost of almost \$1 million annually; Independence - 21 square miles, population of 4,500; Liberty - 14 square miles, population of 2,800; both towns' populations were growing and additional school space was needed; prior to 1972, all the children from Liberty Township attended Independence Township schools on a tuition basis, so there was prior experience with student population incorporation.
 - The Great Meadows Regional District is a K-8 operating district of approximately 35 square miles. High school students are sent on a tuition basis to Hackettstown High School. Now, each municipality has a local K-4 building, and they share a newly built, modern middle school for grades 5-8.

"We received about \$50,000 [from the State] and we used that money to back a lease-purchase so that we could wire both of our existing schools for voice, video, and data in each classroom, so all of our classrooms have at least one computer. They have access to the internet. We have wall-mounted televisions." -- Michael Doney, (Superintendent, Great Meadows Regional School District)

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- Pupil costs for K-8 in the Great Meadows Regional District is \$6,100 per student. Independence pays 65% and Liberty pays 35% of the costs of the regional district based on enrollment only. At the time of regionalization, this was also somewhat equivalent to property values. Tuition costs paid to Hackettstown for high school is \$8,900 per student (330 students total). No teachers were terminated during the consolidation; only one administrator was relieved of duties.

“Was it worth it for our district? I believe it was worth it. Would it happen again voluntarily? I’m not sure.” -- Michael Doney, (Superintendent, Great Meadows Regional School District)

- Somerset Hills Regional School District is a K-12 district composed of Bernardsville, Far Hills, and Peapack - Gladstone. Prior to regionalization, Far Hills and Peapack-Gladstone were separate, sending all their students, K-12, to Bernardsville Schools.

“The divisive issues at that time really concerned the cost of tuition, the tuition that was assessed our sending districts, and a lack of control - or perceived lack of control - and influence on the part of our sending-district communities.” -- Dr. Richard Noonan (Superintendent, Somerset Hills Regional School District)

- The Somerset Hills Regional District has approximately 1,500 students. It is funded through a negotiated tax levy apportionment formula based on 95% student enrollment and 5% equalized valuation. Bernardsville experienced a school tax decrease. Far Hills and Peapack-Gladstone each gained voting seats on the regionalized school board, but Peapack-Gladstone suffered significant tax increases. Despite the tax increase, it maintains that the increased representation was well worth it. The State provided \$5,000 in seed money for a regionalization study.

CENTRAL REGIONAL HIGH SCHOOL DISTRICT (OCEAN COUNTY) EXPERIENCE

Findings

- The Central Regional High School District comprises Berkeley, Island Heights and Ocean Gate to the West of Barnegat Bay and the barrier island communities of Seaside Park and Seaside Heights. Seaside Park had little choice but to join in the creation of a new 7-12 regional district since Toms River High School and Point Pleasant High School were becoming too overcrowded to absorb students from the barrier islands. However, barrier island students now have to travel twice the distance that they traveled when they attended the Toms River High School.
- While modest population growth had occurred in Seaside Park from 1970 to 1990 (30.6%),

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the interior areas experienced tremendous growth. For instance, Berkeley Township grew by 371%. The census projections indicate that this pattern of growth has continued unabated throughout the 1990's. (See Attachment V, Chart A)

- An "Analysis of Tax Levy Apportionment," prepared by the Seaside Park Borough, also shows that disproportionate growth existed in the general population and district school enrollment between constituent municipalities such as Berkeley Township and Seaside Park. (See Attachment VI) In the 1997-1998 school year, Berkeley Township contributed 76% of the student population at Central Regional, while Seaside Park, with its stable population, contributed less than 5% (4.9%). For the 1997-1998 school year, the average regional school per pupil tax levy for the 1,911 students attending the Central Regional system was \$8,312. However, Seaside Park's share was \$19,702 each for the 93 students it sends to Central Regional - 2 ½ to 6 times greater than the other constituent municipalities.
- According to information provided to the Task Force, from the 1982-1983 school year to the 1994-1995 school year, Seaside Park saw a per-pupil tax levy increase of \$15,692, compared to an average increase among the other four municipalities of \$3,163. The per-pupil tax contribution of Seaside Park rose five times more than the other four municipalities during this time period.
- Those individuals from the barrier island communities testifying before and/or providing subsequent documentation to this Assembly Task Force noted that the other four constituent municipalities would have to approve Seaside Park's withdrawal from the regional district since the current statute provides for such a requirement. Despite the fact that the regional school is overcrowded and in need of expansion and a move to withdraw from this arrangement by Seaside Park could ameliorate the overcrowding problem, the high contribution rate by Seaside Park to this regional school system is a disincentive for the other municipalities' agreeing to its withdrawal. In addition, other school facilities (outside the Central Regional system) have the capacity to absorb new students since their school populations have dropped. For instance, Point Pleasant Beach High School has the capacity for 250 more students and is in closer proximity to Seaside Park.

Recommendations

19. **The State statutes governing the withdrawal of a municipality from a regional school district should be amended to protect constituent municipalities from paying a disproportionately large percentage of district costs. Such municipalities should have the choice of opting out of a regional district without major obstacles when a specified threshold deviation in the per pupil amount paid by each constituent municipality is**

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reached, perhaps 10%. The statutes should be amended to provide a mechanism to permit the withdrawal of these constituent municipalities to join another regional district or enter into a sending/receiving relationship with another regional district, providing these arrangements incorporate appropriate safeguards and entail a long-term, and not a year-to-year arrangement.

XIII. THE DEREGIONALIZATION PROCESS

FACTORS LEADING TO UNION COUNTY DEREGIONALIZATION

Findings

- Berkeley Heights, Clark, Garwood, Kenilworth, Mountainside and Springfield formed the limited purpose Union County Regional District No. 1 in 1937. At the high point, total enrollment within the district was under 2,000 and the school district was operating four high school buildings. At the time of deregionalization, the enrollment was close to 1,800.
- By 1993, formal requests from various communities led to the introduction and eventual enactment of legislation relating to dissolution procedures for regional school districts.
- Certain factors led to deregionalization in Union County: regional board members and administrators seemed unresponsive to the community's desires as witnessed by the board of education's decision to close the high school building in Kenilworth; school curriculum did not meet the specific needs of each town; there were concerns about the efficiency of the district - the district had the highest per pupil cost in the State (\$16,376) for regular education; Mountainside paid over \$20,000 per student while Garwood paid \$8,600 because the costs were allocated on the basis of equalized valuation.
- A referendum occurred on May 14, 1996. Clark and Garwood voted against dissolution. The other four towns supported deregionalization. The superintendents and regional school board made decisions relating to the transfer of properties, organization, and staff. The process of dividing the liquid assets of the regional district continues.

Recommendations

20. **Communities considering regionalization and deregionalization should weigh factors such as tax increases, salary increases, and loss of State aid; the existing law or amendments thereto should protect the best interests of all communities involved in the process.**

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NEGATIVE CONSEQUENCES OF THE UNION COUNTY REGIONAL DEREGIONALIZATION PROCESS

Findings

- According to some of the constituent municipalities of the regional district testifying before the Assembly Task Force, the Department of Education offered no assistance during the deregionalization process.
- The financial impact on Clark has been somewhat catastrophic. There was a \$0.77 per \$100 of assessed valuation increase in property taxes, and a budget reduction of \$975,000. Clark also experienced a loss of the subsidy it was receiving from the other members of the regional school district, because even though Clark students represented 25% of the student body, Clark only paid 22% of the costs. Clark also was burdened with increased costs due to the fact that the law permitted staff members of the regional district based on seniority to choose districts for which they wished to work and the overwhelming number of senior staff members chose Clark.
- Union County Regional spent over \$1 million in legal fees during the dissolution process.

Recommendations

21. Tax projections must be prepared for all communities involved in deregionalization to equalize the share of taxes without creating disproportionate State subsidies and/or increases.
22. The State Department of Education should appoint a fiscal agent to act as liaison to a regional district which formally opts to regionalize or deregionalize.
23. The Department of Education should do a case study analysis of the Union County Regional deregionalization process to provide guidance to other regional school districts contemplating deregionalization.
24. The Department of Education should establish guidelines dealing with the deregionalization process including such items as staffing, salary scales and educational curriculum, as well as policies concerning debt assignment and asset redistribution.

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**THE TRANSFER OF REGIONAL EMPLOYEES TO THE NEW SCHOOL DISTRICTS
AS A RESULT OF DEREGIONALIZATION PRESENTS A MAJOR CHALLENGE**

Findings

- Union County representatives who testified before the Assembly Task Force maintained that due to the absence of clear guidelines from the Department of Education, the constituent municipalities of the former regional district encountered problems regarding employment terms and conditions when the district dissolved. There was a very short time between the vote by the public to dissolve in May 1996, the selection process of employees in December 1996, and the formal dissolution on June 30, 1997. Many of the issues were not resolved until the districts were actually in operation, since negotiations were protracted due to lack of guidelines.
- Questions arose whether regional district employees were entitled to the same payment for unused sick days, family leave days, and the same health benefits in the constituent districts as they were entitled to previously. According to the testimony of Union County representatives, these issues were resolved without any direction from the Department of Education.
- The placement of former regional employees on the salary guides of the new districts was an arduous task. Initially, no consistency existed among the various districts in the compensation given to employees of various training and seniority levels. The question also arose as to who would cover the cost of placing the former regional employees on the new constituent district's salary guide (the boards of education or the employees through lower increases).

Recommendations

25. **Employees should have advance knowledge of their positions, salaries, terms and conditions in new districts. Teacher placement as well as salary and benefit package negotiations should occur prior to the formation or expansion of new districts.**
26. **Any voluntary regionalization plan should, to the greatest extent possible, protect the rights of school employees relating to seniority, tenure, and health benefits.**

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XIV. REPRESENTATION ON REGIONAL SCHOOL BOARDS

Findings

- Prior to 1972, the statute regarding apportionment of membership on a regional school district board of education (N.J.S.A.18A:13-8) provided that, for those districts made up of nine or fewer constituent municipalities, the board would consist of nine members, with each constituent municipality receiving one seat. Any remaining seats would be distributed in proportion to the population. For larger regional districts, those with more than nine constituent municipalities, each municipality was given a seat on the board. North Hunterdon Regional High School District was, and still is, the only regional district with more than nine constituent municipalities that ranged in population from approximately 800 to 5,000 persons in 1972.
- In 1972, N.J.S.A.18A:13-8 was amended in an attempt to provide fairer representation to those persons residing in the North Hunterdon Regional High School District. Franklin Township, a member of the regional district, decided that even under this new system it was not being represented fairly and brought suit challenging the apportionment of seats on the board. (Township of Franklin v. Board of Ed. of the North Hunterdon Regional High School, 74 N.J. 345 (1977))
- The court in this case held that the range of relative deviation from the largest to the smallest number of persons represented by each board member may not exceed 10% of the average number of persons represented per board member. The amendment in 1972 merely changed the range of relative deviation from 173% to 50%, which did not meet the 10% mark set by the court. In 1979, the law was changed to reflect the court's decision, and has remained essentially the same since that time. For North Hunterdon Regional High School District, the apportionment on the board is accomplished by following a multi-step process. The board number is set at the number of constituent municipalities plus one. The small constituent municipalities are then grouped together forming representative districts large enough to justify one seat on the board. The final step is determining the weighted voting for each member of the board.
- In the most recent case involving the apportionment of membership on a regional school district board of education, the federal district court in New Jersey, applying the "one-person, one-vote" principle, declared unconstitutional N.J.S.A.18A:13-8 as it applied to the Freehold Regional High School District Board of Education. (Township of Marlboro v. Board of Education of the Freehold Regional High School, 992 F.Supp. 756 (D. N.J. 1998) and 9

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F.Supp.2d 500 (D. N.J. 1998)). The range of relative deviation was found to be 171.2%, or 17 times the maximum allowable divergence suggested by the courts. The plan agreed to by Judge Wolin in this case, that will be used to determine the apportionment of the membership of the board, is similar to the method used in North Hunterdon Regional High School District for apportioning its board membership. The plan fosters balanced decision-making and still permits parity of voting between the larger and smaller constituent municipalities. It is important to note that the decision in this case only applied to this particular regional school district.

- Dr. Reock in his Assembly Task Force testimony referred to his report done in 1983, "*Apportionment of Membership on New Jersey Regional School District Boards of Education*," in which he found that 55 of the 68 regional school district boards of education did not meet the maximum acceptable range of deviation set by the courts.

XV. CASE STUDY: REJECTION OF REGIONALIZATION AND WITHDRAWAL FROM A SENDING-RECEIVING RELATIONSHIP

Findings

- Plumsted, which was in a very costly sending-receiving relationship with Upper Freehold Regional School District, completed feasibility studies to determine the effects that regionalizing with Upper Freehold, Roosevelt, Millstone and Allentown would have on its municipality. Initially they found that although the other towns' taxes would stabilize, Plumsted's taxes would rise. Other phases of the study revealed that Plumsted would:
 - Lose Federal Impact Aid (\$400,000 per year);
 - Incur costs because it would have to become involved again in the delivery of services it had previously privatized;
 - Have to pay teacher and support staff salaries and provide benefits matching the new regional salary guide; such a request would incur additional salary costs of approximately \$300,000.
- After abandoning the proposed regionalization plan, Plumsted began to look for a sending-receiving partner other than Upper Freehold. They contacted municipalities with high schools located within a forty-five mile radius around Plumsted, but all of them declined to become a receiving district despite the fact that they would gain additional income and property tax reductions. Some districts that declined to receive would have had to build more facilities to accommodate the Plumsted students. Hometown territoriality also was cited as a reason for lack of interest on the receiving district's part.
- Plumsted considered remaining in its current sending-receiving relationship with Upper

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Freehold. However, a concern existed about increasing tuition costs. The Upper Freehold Regional District was about to proceed with a building program to enlarge a high school for the purposes of accommodating students from Plumsted. The costs of the building program would have resulted in substantial tuition increases for Plumsted. Although tuition costs being charged by Upper Freehold were expected to increase, the amount of State aid which Plumsted would receive would remain constant. One way to pay for the increased tuition was to increase property taxes, which Plumsted could not support. The only other solution was to scale back the K-8 program offerings. Plumsted had already been forced to eliminate algebra in the eighth grade and also some extra-curricular activities as a cost saving measure.

- Plumsted, in order to not increase property taxes, decided to build its own high school. Plumsted's feasibility study evaluating racial balance, economic impact and academic impact found that in five years it would save \$5 million in five years if it built its own high school. Upper Freehold Township did not fight Plumsted's decision to withdraw students from the sending-receiving relationship due to the influx of students from Millstone.
- Plumsted anticipates its high school will be completed in 1999 but it will take four years to integrate each grade level. The municipality made the decision to construct its own high school in light of its projection that such a move would reduce costs without impairing educational quality.

Recommendations

27. The decision to regionalize should be made on a case-by-case basis. According to testimony received by the Assembly Task Force, school regionalization does not necessarily save money across the board. Preserve racial balance, analyze economic impact, and evaluate academic curriculum to ensure that school district regionalization is a sound initiative.

XVI. CASE STUDY: ENDORSEMENT OF CONSOLIDATION ON THE BASIS OF EDUCATIONAL ADVANTAGES AND A RELATIVELY NEUTRAL ECONOMIC EFFECT

- The Upper Freehold Regional School District, consisting of Allentown Borough and Upper Freehold Township, has considered expanding to include the Millstone Township School District. The two districts are contiguous and Millstone Township high school students attend Allentown High School on a sending-receiving basis. Upper Freehold Township and Millstone Township have experienced residential growth resulting in increased enrollments.
- "A Study of the Feasibility of the Expansion of the Upper Freehold Regional School

Assembly Task Force on School District Regionalization

District to Include the Millstone Township School District" (October 15, 1998) indicated the advantages of an expanded regional district, citing new opportunities for curriculum development, common textbooks, teacher in-service, and coordinated curriculum for all grade levels to reduce gaps in instructional areas. Under an expanded regional district, a state-of-the-art middle school would be built with an expanded and inter-disciplinary program of studies and increased co-curricular activities and programs.

- Under consolidation, the study maintained that several fiscal advantages could be realized. Approximately \$362,000 in savings would occur with the expansion. The borrowing margin of the expanded district would increase. Tax rates in Upper Freehold Township and Millstone Township would vary only tenths of a cent. Allentown's tax rate would increase because of the low assessment of property in the borough. If Millstone Township elected to build its own high school and end its sending-receiving relationship with Allentown High School, Millstone would experience an increase in the tax levy for each homeowner of about \$500 per year.
- The October 1998 study recommended that the Millstone Township School District and the Upper Freehold Regional School District consolidate based largely on the significant educational advantages that the students from both school districts would achieve and the relatively neutral economic effect of consolidating these districts. However, it should be noted that final recommendations are still pending.

Assembly Task Force on School District Regionalization

XVII. IMPORTANT POLICY CONSIDERATIONS

Does School Consolidation/Regionalization Result in Greater Savings and Efficiency?

1. While it appears that most of the testimony the Assembly Task Force received illustrates that school consolidation does not always translate into savings, the Assembly Task Force lacks comparative quantifiable data which measures efficiency, education curriculum quality, and savings due to administrative and personnel cost reductions in existing regional school districts. To our knowledge, this data has simply not been gathered by the N.J. Department of Education. Two letters have been sent to the N.J. Department of Education requesting available data. A department response indicates that quantitative data concerning regionalized school districts does not exist. Thus, the Assembly Task Force recommends in its report that the State Department of Education begin gathering information to measure outcomes of regional school district arrangements by applying consistent standards. (See Recommendation # 18)

Is It Feasible to Devise a New Formula for Eliminating Disparity of Costs among Constituent Municipalities Within a Regional School District?

2. While those testifying before the Assembly Task Force and prior reports on the subject matter generally agree that the elimination of the disparity of costs among constituent communities which belong to existing regional school districts is an important goal, no one has offered specific or detailed ways of achieving this objective. Inevitably, any formula change will result in "winners" and "losers." Notwithstanding the feasibility of designing a new formula, the only other option would be State aid from the General Treasury. However, the Assembly Task Force believes that an important question must be answered in connection with State financial aid to regionalized school districts. Is it worth pumping financial aid into an arrangement which has not definitively proven to be cost-effective and efficient in all circumstances?

3. In Chapter III of the Property Tax Commission's September 1998 Report, the group states that "the tax-supported costs of education must be lowered, either by regionalizing districts or by increasing their efficiency through regional and shared services." They acknowledge the NJ Regionalization Advisory Panel January 1998 report and recommend "revising the funding mechanism for regional school districts to make sure that cost inequities among merging districts are eliminated." The commission calls upon the Governor to direct the Commissioner of Education to develop such a formula for regional school districts.

What Type of Financial Incentives Should Be Offered to Promote Voluntary Regionalization?

4. Some of the past reports prepared about school consolidation/regionalization recommend financial incentives but they do not detail the type of incentives other than citing they should be

Assembly Task Force on School District Regionalization

offered for a longer period of time.

The Assembly Task Force notes that analysis should be given to the following question. Will the financial incentives outweigh the potential cost-savings associated with actual school district regionalization?

What Kind of Statutory and Regulatory Changes Can Be Made to Promote Voluntary Regionalization?

5. Certain reports (i.e. N.J. Regionalization Advisory Panel) recommended statutory and regulatory changes to provide sufficient tools for voluntary regionalization, however, they also fall short of specific recommendations. The Assembly Task Force recommends several changes to the current statutes with regard to: permitting a reassessment of the method of cost distribution if the per pupil cost deviates by more than 10% between any two constituent municipalities of the regional district; streamlining the deregionalization process; providing financial incentives when appropriate to encourage school district regionalization; and permitting the withdrawal from a regional school district when a specified threshold deviation in the per pupil amount paid by each constituent municipality is reached.

Are Regional and Shared Services Sufficient to Realize Savings Rather than Formal Regional School Districts Where Physical Facility and Curriculum Consolidation Becomes a Necessity?

6. It should be noted that the Property Tax Commission and other prior reports “make a clear distinction between instructional and school-related matters, and management and support functions.” The commission report states that “management and support functions...are more suitable to area-wide efforts.” The Assembly Task Force recommends that the sharing of services between school districts and municipalities be encouraged; that the viability of county-wide servicing of all administrative functions, such as bulk purchasing and the sharing of administrative staff, be examined; and that consideration be given to the viability of county-wide school system structures.

ATTACHMENTS

ATTACHMENT I

**Non-Operating School Districts in SY 1998-99 -
Total Budget vs. Tuition Appropriated**

21-Dec-98

	<u>Total Budget SY 98-99</u>	<u>Tuition Appropriated SY 98-99</u>	<u>Difference</u>	<u>Tuition as % of Total Budget</u>
ATLANTIC				
CORBIN CITY	761,386	573,113	188,273	75%
LONGPORT	643,841	542,368	101,473	84%
BERGEN				
ROCKLEIGH	229,135	174,652	54,483	76%
TETERBORO	14,225	9,146	5,079	64%
CAMDEN				
AUDUBON PARK BORO	1,247,516	1,193,059	54,457	96%
HI NELLA	1,040,045	885,539	154,506	85%
PINE VALLEY	41	0	41	0%
TAVISTOCK	17,077	16,995	82	100%
CAPE MAY				
CAPE MAY POINT	140,281	103,126	37,155	74%
WEST WILDWOOD	427,037	391,512	35,525	92%
HUNTERDON				
GLEN GARDNER BORO	2,103,268	1,852,205	251,063	88%

Prepared by the Office of Legislative Services using data provided by the NJ Department of Education. This table includes all school districts identified as non-operating by the NJDOE, except for the Passaic County Educational Services Commission, for which the analysis herein is not illustrative. Total Budget includes all State aid, local levy, miscellaneous revenue and the district's general fund balance. Tuition appropriated is all tuition to be paid by the district in SY 1998-99 to other districts, schools and facilities, as reported in the district's budget submission to the NJDOE.

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ATTACHMENT I

	<u>Total Budget SY 98-99</u>	<u>Tuition Appropriated SY 98-99</u>	<u>Difference</u>	<u>Tuition as % of Total Budget</u>
MIDDLESEX				
HELMETTA BORO	1,856,889	1,701,387	155,502	92%
MONMOUTH				
ALLENHURST	293,696	119,225	174,471	41%
INTERLAKEN	277,941	171,131	106,810	62%
SEA BRIGHT BORO	799,498	669,737	129,761	84%
SOUTH BELMAR	1,884,129	1,753,332	130,797	93%
MORRIS				
VICTORY GARDENS	2,254,701	2,020,184	234,517	90%
OCEAN				
MANTOLOKING	229,882	155,191	74,691	68%
SOMERSET				
MILLSTONE	464,055	388,320	75,735	84%
ROCKY HILL	744,669	645,968	98,701	87%
SUSSEX				
BRANCHVILLE BORO	1,180,557	1,084,542	96,015	92%
WARREN				
HARDWICK TWP	1,148,682	1,019,727	128,955	89%
PAHAQUARRY TWP	0	0	0	N/A

Prepared by the Office of Legislative Services using data provided by the NJ Department of Education. This table includes all school districts identified as non-operating by the NJDOE, except for the Passaic County Educational Services Commission, for which the analysis herein is not illustrative. Total Budget includes all State aid, local levy, miscellaneous revenue and the district's general fund balance. Tuition appropriated is all tuition to be paid by the district in SY 1998-99 to other districts, schools and facilities, as reported in the district's budget submission to the NJDOE.

54x

ATTACHMENT I

<u>Total Budget</u> <u>SY 98-99</u>	<u>Tuition Appropriated</u> <u>SY 98-99</u>	<u>Difference</u>	<u>Tuition as %</u> <u>of Total Budget</u>
\$17,758,551	\$15,470,459	\$2,288,092	87%

State Totals =

Prepared by the Office of Legislative Services using data provided by the NJ Department of Education. This table includes all school districts identified as non-operating by the NJDOE, except for the Passaic County Educational Services Commission, for which the analysis herein is not illustrative. Total Budget includes all State aid, local levy, miscellaneous revenue and the district's general fund balance. Tuition appropriated is all tuition to be paid by the district in SY 1998-99 to other districts, schools and facilities, as reported in the district's budget submission to the NJDOE.

55x

ATTACHMENT II



JOSEPH R. MALONE, III
Chairman

FRANCIS J. BLIZZ
Vice-Chairman

PETER J. BIONDI
JOSE MARIE HECK
CAROL J. MURPHY
WILFREDO CARABALLO
HERBERT C. CONAWAY JR.
ANTHONY D'OVIEDO
FRED CARUSO
HON JOHN PETERSON
MELICE M. QUINN

ANITA SAYNICH
Office of Legislative Services
Secretary
(609) 984-6643

New Jersey State Legislature
ASSEMBLY TASK FORCE ON SCHOOL DISTRICT
REGIONALIZATION
STATE HOUSE ANNEX
PO BOX 068
TRENTON NJ 08625-0068

October 5, 1998

Mr. John Sherry
Assistant Commissioner, Division of Field Services
Department of Education
100 River View Executive Plaza
Trenton, New Jersey 08625

Dear Assistant Commissioner Sherry:

We appreciated your testimony before the Assembly Task Force on School District Regionalization on March 26, 1998. The task force is continuing to gather information on school district regionalization and would appreciate any quantitative data that the Department of Education has compiled on the effects of regionalization on improving the curriculum and increasing the efficiency of districts. The task force would also appreciate any quantitative data on any actual cost savings due to regionalization.

We thank you in advance for your cooperation on this matter.

Sincerely,

Joseph R. Malone III
Chairman
Assembly Task Force on School District Regionalization

JRM:ams

ATTACHMENT III



NEW JERSEY GENERAL ASSEMBLY

STATE OF NEW JERSEY
JOSEPH R. MALONE III
ASSEMBLYMAN, 30TH DISTRICT
246 ROUTE 130 SOUTH
BORDENTOWN, NJ 08505
(609) 298-6250
FAX (609) 298-6359

COMMITTEES
VICE-CHAIR
EDUCATION
MEMBER, APPROPRIATIONS

November 24, 1998

Mr. John Sherry
Assistant Commissioner, Division of Field Services
Department of Education
100 River View Executive Plaza
Trenton, NJ 08625

Dear Assistant Commissioner Sherry:

We appreciate your past testimony before the Assembly Task Force on School District Regionalization. We are now in the process of compiling information for our draft report.

As a follow-up to my October 5, 1998 letter to you, the Task Force is interested in receiving any quantitative data that the Department may have on file in connection with costs savings, improved educational curricula and increased efficiency that has resulted in existing regionalized districts. While we heard from a number of regionalized districts, there appears to be a lack of comparative qualitative data concerning the effects of regionalization on the latter areas. Thus, if the department has gathered this type of information in a systematic fashion, it would be extremely helpful to our deliberations.

If at all possible, I would appreciate a response in the affirmative or in the negative by mid-December since such information would benefit our Task Force inquiry. It would be helpful if you could also copy Deb Smarth, Director of Special Projects at the Assembly Majority Office, with your response.

We thank you in advance for your cooperation on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "J. R. Malone III".

Joseph R. Malone III
Chairman, Assembly Task Force
on School District Regionalization



ATTACHMENT IV

State of New Jersey

DEPARTMENT OF EDUCATION
PO Box 500
TRENTON NJ 08625-0500

CHRISTINE TODD WHITMAN
Governor

LEO KLAGHOLZ
Commissioner

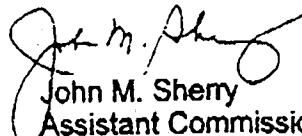
December 11, 1998

Assemblyman Joseph R. Malone III
Chairman, Assembly Task Force on
School District Regionalization
State House Annex
P.O. Box 068
Trenton, NJ 08625-0068

Dear Assemblyman Malone:

This is in response to your letter in which you requested any quantitative data that the Department has compiled regarding the effects of school district regionalization. I have researched our files and have consulted with Department staff. The Department has not conducted any studies or generated any reports on this topic. Please let me know if I can be of further assistance.

Sincerely,


John M. Shery
Assistant Commissioner
Division of Field Services

JMS:PJC:malone
c: Richard Wright

ATTACHMENT V

CHART A: TOTAL MUNICIPAL POPULATION

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>% Change 1970 - 1990</u>
Berkeley	7,918	23,151	37,319	+371.3
Island Heights	1,397	1,575	1,470	+ 5.2
Ocean Gate	1,081	1,385	2,078	+92.2
Seaside Heights	1,248	1,802	2,366	+ 89.5
Seaside Park	1,432	1,795	1,871	+ 30.6
TOTALS	13,076	29,708	45,104	+244.9

Prepared By Borough of Seaside Park

South Hunterdon School Regionalization Timeline

- **Pre-2007:** Periodic discussions about regionalization with the four school districts and various county superintendents have been going on for decades. **Funding the feasibility study was usually the stumbling block.**
- **2007:**
 - The New Jersey Legislature passed the "CORE" law, P.L. 2007, c.63, to encourage financial accountability of local units of government.
 - A major piece of this legislation was the encouragement of school districts to consider shared services, consolidation or regionalization in areas that would result in a more efficient use of public funds.
 - The Commissioner of Education adopted N.J.A.C. 6A:23A to implement new legislation requiring a feasibility study to be conducted and considered prior to a recommendation by the Executive County Superintendent's (ECS) regarding regionalization.
 - Pursuant to the statute referenced above, the ECS was to submit the plan to the Commissioner no later than March 15, 2010.
 - A fresh round of discussions about regionalization began between the school board presidents of Lambertville, South Hunterdon Regional High School (SHRHS), West Amwell and Stockton. **As there seemed to be a lot of interest on the part of the four school boards, a few school board members and community members revived informal conversations about the pros and cons of regionalization, as well as how to fund the feasibility study.**
- **November 2008:** The initial group wrote initial FAQs so that we and the rest of the community begin to understand what regionalization really is and is not.
- **January 2009:** A meeting was held at SHRHS with Mike Kaelber, NJSBA and Chris Harcraft, Interim ECS to review the possible implications of regionalization.
- **June 2009:** On behalf of the four school districts, the ECS requested funding for the feasibility study from state. We were not awarded the funding, plus the funding opportunity was ultimately cancelled by the state anyway.
- **May 2010:** The initial group grew by a few members including a representative from each school board plus a few former school board members. The focus of this group was to:
 1. Confirm that all four school boards and the municipal governments were really 'on-board'; and
 2. Figure out a way to fund the required feasibility study.
- **January 2011:** With the help of ECS Gerald Vernotica, a feasibility study request for proposals (RFP) was written and announced.
- **February 2011:**
 - 5 feasibility study proposals were received ranging from \$32,500 to \$160,000.
 - After much discussion, the informal group came to the conclusion that the best and perhaps only way to fund the study was to ask the voters for \$50,000 through a special question with SHRHS's April 2011 school election. The vote would also be a litmus test of the communities' interest in examining the benefits and disadvantages of regionalization.
 - It's worth noting that the informal group regularly reported back to their respective school boards to keep their members up-to-date and the confirm that each board still wished to proceed.
- **Spring 2011:** Since there was the potential for spending public money on the feasibility study referendum, the informal group was expanded and sanctioned by the four school boards. Each of the school boards appointed two school board members and two community members to an ad hoc committee known as the South Hunterdon Regionalization Committee. Each municipal governing body was invited to send a representative and the superintendents and business

- **July 2011:**
 - Feasibility study consultants interviewed.
 - The study awarded to the law firm Porzio, Bromberg and Newman, LCC for \$44,250.
- **Fall 2011:** Town hall style feasibility study progress report meetings were held.
- **February 2012:** The feasibility report presented to the public at the SHRHS auditorium.
- **April 2012:** As required by statute, an advisability report was requested from ECS Jeff Scott to recommend that the Commissioner of Education authorize a referendum for the dissolution of SHRHS and the formation of a new Pre-K - 12 school district.
- **May 2012:** The advisability report was submitted to the Commissioner of Education.
- **June 2012:** A petition was submitted to the Commissioner of Education requesting a Board of Review public hearing.
- **September 2012:** The Board of Review approved moving forward with ballot questions for 1) dissolution of South and 2) formation of the Pre-K - 12 regionalized school district.
- **Fall 2012 - Spring 2013:** The regionalization committee worked with Vito Gagliardi and Kerri Wright of Porzio, Bromberg and Newman on scheduling and the wording of the two ballot question necessary to create a new regionalized school district.
 - The regionalization committee, with Mr. Gagliardi and Ms. Wright, attempted to schedule the election with the regular November 2013 ballot. Unfortunately, this was not permitted by the state and a special election was scheduled for Tuesday, September 24, 2013.
- **May 2013:**
 - The four school boards approved a resolution recommending that, should the referendum pass, the new regionalized school board conduct a thorough and comprehensive strategic planning process, using a community task force, for the purpose of understanding and appreciating the community's values regarding the new regionalized school district.
 - The four school boards convened to unanimously approve the special election to be held on September 24, 2013.
- **June - September 24, 2013:** A separate group consisting of concerned citizens was formed to promote the passage of both regionalization questions. The group did their own fund-raising and no school district money or assets were used in any way.
- **September 24, 2013:** The election was held to 1) dissolve SHRHS and to 2) form a new Pre-K - 12 all-purpose school district. Question 1, the vote to dissolve SHRHS passed 1,437 - 231 (86% - 14%). Question 2, the vote to form the new regionalized school district passed 1440 - 237 (86% - 14%).
- **September 25 - December 2013:** The four school boards appointed a committee to begin work on transitioning from four school districts to one.
- **December 2013:** ESC Gerald Vernotica appointed nine applicants to the new South Hunterdon Regional School District board of education.
 - As required by statute, five members are from Lambertville, three members from West Amwell and one from Stockton.
 - There a three one-year terms, three two-year terms, and three three-year terms. Members will be required to run in the election as their term expires if they wish to continue.
- **December 2013 - present** - The South Hunterdon Regional School District board of education continues to provide the three communities with thoughtful, considered leadership.
- **April 2014** - Commissioner of Education David Hespe declared that the South Hunterdon Regional School District is ready to begin operation and shall do so on July 1, 2014.



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New Jersey School Boards Association

Celebrating 100 years of service

413 West State Street • Trenton, NJ 08618 • Telephone: 609.695.7600 • Toll-Free: 888.88NJSBA • Fax: 609.695.0413

November 12, 2014

**POSITION STATEMENT
ON SCHOOL DISTRICT REGIONALIZATION
BEFORE THE
JOINT COMMITTEE ON THE PUBLIC SCHOOLS**

The New Jersey School Boards Association (NJSBA), a federation of 581 local boards of education and includes 81 charter school associate members, provides training, advocacy and support to advance public education and promote the achievement of all students through effective governance.

The NJSBA believes that the decision to regionalize should be made at the local level. Specifically, the NJSBA believes that when districts determine after thorough study that regionalization would provide educational and/or financial benefits to the districts involved, they should be encouraged to regionalize.

Further, the NJSBA believes that the Commissioner of Education and the State Board of Education should be prohibited from ordering the merger, consolidation or regionalization of two or more existing school districts without a prior public referendum in each of the affected districts approving such action provided that any such legislation should not permit the denial of rights guaranteed under the Constitution of the United States or the State of New Jersey.

Additionally, the NJSBA believes that prior to the submission of a regionalization proposal by any district or districts which desire to join with any other district or districts and become an all-purpose or limited-purpose regional school district, all of the districts involved shall be required to participate in a study of the proposed regionalization. The study of the proposed regionalization should include, but not be limited to the following factors: enrollment trends, goals, philosophy, board member apportionment, racial balance, education program, tax rates, and long-range implications of regionalization. All findings and conclusions of the study should be forwarded to the executive county superintendent who should consider these in his/her determination as to the advisability of regionalization. State aid should be provided for regionalization studies.

In pursuit of these beliefs, the NJSBA, at the request of the parties involved, supported the South Hunterdon regionalization by providing information and assistance to the regional and constituent districts on subjects such as board governance, policy and labor relations.

Attached is an outline on regionalization that NJSBA regularly shares with school districts who are seeking more information on the topic. This outline contains a brief of the history of regionalization as well as a summary of laws and significant legal cases in New Jersey.

Should you have and questions or need additional information, please contact Michael A. Vrancik, Director of Governmental Relations at 609-278-5239 or mvrancik@njsba.org.



New Jersey School Boards Association

Celebrating 100 years of service

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JOINT COMMITTEE ON THE PUBLIC SCHOOLS

South Hunterdon Regional High School
301 Mt. Airy-Harbourton Road
Lambertville, N.J.
November 12, 2014

Michael Vrancik, Director, Governmental Relations, NJSBA
John J. Burns, Esq., Counsel, NJSBA
Michael F. Kaelber, Esq., Director, Legal & Policy Services Department, NJSBA

SCHOOL DISTRICT REGIONALIZATION

- I. Historical Perspective - Legislative Attempts to Promote Regionalization**
 - A. 1871 - Districts less than 45 pupils - No State Aid
 - B. 1893 - Township Act - abolished existing school districts, except cities and boroughs. Township boundaries = school district boundaries
 - C. 1895 - No borough hereinafter created could be a school district unless 400 pupils
 - D. 1900 - Union Graded schools authorized (2 or more districts could unite) - "best interests of children"
 - E. 1931 - 1st true regionalization law – P.L 1931 c. 275, N.J.S.A. 18:8-1 et seq. Permitted all purpose and limited purpose regional districts
 - F. 1954 - Incentive aid to encourage regionalization

Nothing contained in this document should be construed as legal advice. This document is for informational purposes only. Please consult your board attorney for legal advice.

- G. 1975 – Chapter 212 – All regional school districts – costs apportioned by equalized valuation.
- H. 1987 - N.J.S.A. 18A:7A-27.1 – Chapter 212 Incentives to regionalize (1st. 5 districts) – 110% State Aid (Equalization Aid, Debt Service) for 1st five years. Repealed by QEA. (Chathams)
- I. 1993 – N.J.S.A. 18A:7D-37 – QEA Supplemental State Aid. Hold Harmless; difference between sum constituent/regional foundation aid, phase out five year period. Repealed by CEIFA. (Great Meadows, Somerset Hills)
- J. 1993 – N.J.S.A. 18A:13-23, 23.3, 34 – Apportionment of Appropriation – Equalized valuation, pupil counts, combination
- K. 1997- N.J.S.A. 18A:7F-32 – CEIFA continues Supplemental State Aid - Core Curriculum Standards Aid - 5-year phase out - Difference between regional aid and sum of constituent aid. No new regional school districts since 1997. Repealed by SFRA 2008.
 - 1. N.J.S.A. 18A:7F-30 - Consolidation of Services Grant Program
 - 2. N.J.S.A. 18A:7F-31 - Regionalization Advisory Panel-Report issued January 1998
 - 3. N.J.S.A. 18A:7F-32 - Continues Supplemental State Aid - Core Curriculum Standards Aid - 5-year phase out - Difference between regional aid and sum of constituent aid. No new regionals.
- L. 1999 Enactments
 - 1. P.L. 1999 c. 61 – Establishes Regional Efficiency Aid Program (REAP) to provide aid to local units that regionalize services – credits on tax bill
 - 2. P.L. 1999 c. 60 – Establishes Regional Efficiency Development Incentive (REDI) program to provide aid to local units to study regional services
 - 3. P.L. 1999 c.59 – Permits local units and certain school districts to offer retirement or termination incentives to certain employees affected by regionalization of services
- M. 2007 Enactments
 - 1. P.L. 2007 c. 63 – Uniform Shared Services and Consolidation Act, A-4
N.J.S.A. 18A:7-8 g, h – Executive County Superintendent
 - 2. P.L. 2007 c. 222 – Permits the consolidation of the boards of education of a county vocational school district and a county special services school

district into one board. (Gloucester, 2008 Salem 6/09)

3. N.J.A.C. 6A:23A – School District Fiscal Accountability, Efficiency and Budget Procedures – Original draft 4/30/08 – P.L. 2008 c. 32 7/7/08 Filings 7/1, 7/15, 8/19 Draft, 11/17 Draft, 12/18. Proposed readoption – posted 5/20/09. Public Hearing Dates – June 18, 19, 22. Public Comment Due – August 14, 2009. Regulations Expire December 28, 2009.
4. N.J.A.C. 6A:23A-2 – Executive County Superintendent of Schools
 - a. Regionalization and Consolidation of Services Advisory Committee
 - b. Consolidation of Administrative Services
 - c. Designation of Lead Administrative Services Providers
 - d. Establishment of New Service Providers, expansion of current services
 - e. Possible Required Consolidation of Administrative Services
 - f. Plan to Eliminate Non-operating School Districts
 - g. Plan to Create All Purpose Regional School Districts – 3/15/10

N. 2009 Enactments

- P.L. 2009, c. 78 6/30/09 – Clarifies the procedure for the elimination of non-operating school districts.

II. Regionalization Reports

- A. New Jersey Regionalization Advisory Panel Report – January 1998
- B. School District Regionalization: Current Status and Issues – Background Paper – Department of Education, November 1998
- C. Assembly Task Force on School District Regionalization, February 1999
- D. 2006 Special Session Joint Legislative Committee – Government Consolidation and Shared Services
- E. A Plan for School District Consolidation in New Jersey – Dr. Ernest Reock – 1995, 1996, 2003
- F. Department of Education Memoranda
 1. Regionalization Support Team Memo – 1999

2. School District Regionalization: Current Status and Issues – Leo Klagholz, Commissioner John Sherry, Assistant Commissioner for Field Services – November 1998
3. Advisory Administrative Procedures, Questions and Answers Concerning the Formation of Regional School Districts – Leo Klagholz, Commissioner, Peter B. Contini, Assistant Commissioner, Division of Field Services, NJDOE – 1997
4. Advisory Administrative Procedures, Questions and Answers Concerning the Formation of Regional School Districts – Dr. Elena Scambio, Assistant Commissioner, Division of Urban and Field Services – October 1993
5. Advisory Administrative Procedures, Questions and Answers Concerning the Formation of Regional School Districts – Walter J. McCarroll, Assistant Commissioner, Division of County and Regional Services – June 1989
6. Questions and Answers about Regional School Districts – Vincent Calabrese – Assistant Commissioner, Division of Finance and Regulatory Services – January 1980
7. Report of the State Committee to Study the Next Steps of Regionalization and Consolidation in the School Districts of New Jersey (Mancuso Report) – April 1969
8. Severing Sending Receiving Relationship Memo – Patricia Horton – Cape May County Superintendent – June 1988

G. Report of NJSBA State Task Force on Regionalization - 1991

III. Formation of Regional Districts - N.J.S.A. 18A:13-34

- A. “If the boards of education of two or more ... districts...and the commissioner...after consultation, study and investigation, shall determine, that it is advisable for such districts to join and create...” No regionalization code exists.
- B. Informal Fact Finding Meeting with Executive County Superintendent(s) Identify issues, discuss process – DOE suggests not subject to OPMA. Consult with your attorney.
- C. Second Fact-Finding Meeting - Executive County Superintendent
 1. Reviews feasibility study process
 2. Identifies fiscal responsibilities of the districts in conducting the study
 3. Requests resolution from each board to proceed

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D. Formal Feasibility Study

Analysis of constituent districts, enrollment data and projections, educational plan, racial composition, fiscal information, facilities, effects on existing schools, legal considerations, public awareness/input, transitional budget.

E. Advisory Committee formed – two board members/district, CSA, solicitor/atty., community representatives appointed by each board

1. Selects chairperson
2. Develops plan of action to implement feasibility study
3. Reviews and critiques study as it develops
4. Develops and implements plan to report content and progress of study to respective boards and constituents

F. Formal Feasibility Study to Executive County Superintendent for Review

- Final action on plan, copy of resolution – Each Board

G. Executive County Superintendent submits Request for Approval through Division of Field Services to the Commissioner of Education. Board of Review reviews with recommendation. N.J.S.A. 18A:13-56.

1. If Board of Review (Commissioner, State Board Member, State Treasurer, Director of Division of Local Government Services) indicates plan not feasible, Executive County Superintendent notifies all districts
2. If Board of Review indicates plan is feasible, forwards final report with recommendations to Assistant Commissioner, Division of Field Services

H. If Commissioner approves – Special Election N.J.S.A. 18A:13-34 (4/15 – 12/1, Consider 4 current special election dates, N.J.S.A. 19:60-2 – 4th Tuesday in January, 2nd Tuesday in March, last Tuesday in September, 2nd Tuesday in December)

I. If voters in each potential constituent district approve, N.J.S.A. 18A:13-5, Executive County Superintendent sets date of formation of new regional. N.J.S.A. 18A:13-41

J. Executive County Superintendent appoints the number of qualified members for each constituent district. Number of board seats based on number of residents as

per census. N.J.S.A. 18A:13-36, 37, 38 and N.J.S.A. 18A:13-8.

1. Franklin Twp., Hunterdon County v. Bd. of Ed. of North Hunterdon Regional High School, 74 N.J. 345 (1977). One-man, one-vote principle was applicable to apportionment of regional high school district.
2. Twp. of Marlboro v. Bd. of Ed. of Freehold, 992 F. Supp 756 D.N.J. (1998) 9 F. Supp 2d 500 D.N.J. (1998) N.J.S.A. 18A:13-8 is unconstitutional as applied to a regional high school district with less than nine constituent districts. Contradicts "one person one vote." Plan approved 6/23/98 – Each board retained a seat, fractionalized voting – 1 vote = 15,602 citizens
3. See Branchburg/Somerville, Lincoln Park – Boonton – sending-receiving

K. First elected members to be elected at next annual election N.J.S.A. 18A:13-39

IV. Membership on Regional Board

A. N.J.S.A. 18A:13-8 Apportionment

1. Nine or less constituent districts – members of board apportioned by Executive County Superintendent according to numbers of inhabitants. Each constituent district has at least one member.
 - Twp. of Marlboro v. Bd. of Ed. of Freehold, 992 F. Supp 756 D.N.J. (1998) 9 F. Supp 2d 500 D.N.J. (1998) N.J.S.A. 18A:13-8 is unconstitutional as applied to a regional high school district with less than nine constituent districts. Contradicts "one person one vote." Plan approved 6/23/98 – Each board retained a seat, fractionalized voting – 1 vote = 15,602 citizens
2. More than nine constituent districts – members of board apportioned by Executive County Superintendent according to number of inhabitants, through a representative ratio and equal proportions process. Number of constituent districts plus 1. North Hunterdon-Voorhees Regional School District – 13 board members, weighted voting

B. N.J.S.A. 18A:13-9 – Reapportionment - Official promulgation of next Federal census triggers – transmittal to governor – or enlargement of regional.

1. State v. Flemington-Raritan, App. Div. Unpub op. Dkt. No. A-3522-90T5, April 1, 1991
2. Springfield, 1991 S.L.D. 479, aff'd St. Bd. 1991 S.L.D. 2596
3. Northern Burlington County Regional, 372 N.J. Super. 341 (App. Div.

2004) – Use of equal proportions method for reapportionment of seats on nine member board with four constituent districts not improper. State prison inmates could not be counted.

4. Rancocas Valley Regional, 364 N.J. Super. 623 (App. Div. 2003) – Use of equal proportions method for reapportionment of seats among five constituent districts on nine member board was not improper.
 5. 2000 census – 16 regional districts affected – 2002 election
- C. Members continue in office for elected/appointed terms
- D. Increased representation at next annual school election
- E. Commissioner has power to adjust term of office (1 yr.) if disproportionate number of representative up for election
- Pascack Valley, 1991 S.L.D. 519
- F. N.J.S.A. 18A:13-9.1 Special election of board members under certain circumstances

V. Apportionment of Costs

- A. 1993 - N.J.S.A. 18A:13-23, 23.3, 34 - Apportionment of Appropriations-must be approved by voters of each constituent municipality
1. Equalized Valuation
 2. Pupil Enrollment
 - Great Meadows Regional (1993) – K-8, Liberty, Independence; 2007 Election to change apportionment; In Re Petition for Authorization to Conduct a Referendum on the Withdrawal of Liberty Township from the Great Meadows Regional School District, App. Div. Dkt. No. A-4783-06T3, April 1, 2009
 - West Windsor-Plainsboro, 2008 School Election, effective 2009-10 school year
 3. Combination
 - Somerset Hills Regional 95/5
 4. Modification of cost apportionment
 - a. Ten years have elapsed since last voter approval
 - b. 10% change in equalized valuation
 - c. 10% change in pupil counts

- d. Enlargement of regional district
 - e. Regional formed prior to 1993 and never changed apportionment
5. Northern Burlington County Regional, 94 N.J.A.R. 2d (EDU) 385
 6. North Haledon v. Manchester Regional, 1996 S.L.D. September 4, St. Bd. aff'g 96 N.J.A.R.2d (EDU) 654. Majority vote in regional not enough. Each constituent district must approve. (North Haledon, Haledon, Prospect Park)
 7. North Haledon/Manchester Regional, 181 N.J. 161 (2004). Because racial imbalance would result, Board of Review should have refused North Haledon's petition to withdraw from regional high school district. 9% decrease in white population was not negligible. Commissioner ordered to develop "equitable cost apportionment" scheme for regional. See also, 363 N.J. Super. 130 (App. Div. 2003)
 8. January 18, 2005. Commissioner orders remedy on Manchester Regional apportionment of costs as per Supreme Court directive – 67% equalized valuation, 33% pupil enrollment. Phase-in over four-year period. (90/10-2005-06, 80/20-2006-07, 2007-08, 67/33-2008-09) Specifically only for Manchester Regional.
 9. February 1, 2006. State Board – Record does not provide a sufficient explanation of the methodology used to develop the Commissioner's revised cost allocation. State Board cannot judge whether allocation fulfils the terms of the New Jersey Supreme Court's remand. Remands to Commissioner with the request that she amplify the record by providing the basis and rationale for the specific determinations set forth in the decision of January 18, 2005. State Board notes that decision arrived at after consultation with representatives of constituent districts, of which no record has been supplied to the State Board. Acting Commissioner not precluded from initiating further proceedings necessary to develop a complete record, including transmittal to the OAL for a hearing.
 10. November 7, 2007. State Board upholds Librera cost allocation pending remand determination. Also, in a separate proceeding, reaffirms decision of February 1, 2006.

VI. Mandated Regionalization - Commissioner may mandate the formation of a regional district N.J.S.A. 18A:4-22, 23

- A. Jenkins v. Morris Twp. School District, 58 N.J. 483 (1971) "single community"
- B. Bd. of Ed. of Borough of Englewood v. Bd. of Ed. of City of Englewood v. Bd. of Ed. of Borough of Tenafly, 257 N.J. Super. 413 (App. Div. 1992), aff'd 132 N.J. 327 (1993) as to study only - no comment on ability to force regionalization

1. single community exists
 2. regionalization is reasonable, feasible, workable
 3. regionalization accomplished without practical upheaval
- C. State Board Decision, 1998 S.L.D. October 7 – Mandatory regionalization not ordered. Continue to explore voluntary alternatives to reduce racial imbalance, aff'd App. Div. 333 N.J. Super. 370 (App. Div. 2000), aff'd as modified 170 N.J. 323 (2002)
- D. Series of decisions – Commissioner ordered to submit magnet program status report, St. Bd. (02:Dec. 4); Prohibition on tuition students lifted, semiannual report May and September, St. Bd. (03:April 12); Commissioner to report semiannually, July and November, St. Bd. (04:May 5); Commissioner report postponed until January 2005, St. Bd. (04:Dec. 1); Commissioner to report at Aug., Nov. meetings, St. Bd. (05:May 4); Commissioner to develop benchmarks to measure racial progress, St. Bd. (05:June 1)

VII. Additional Purposes of Regional District N.J.S.A. 18A:13-33

- A. See IV. Formation of Regional Districts
- B. Voters of regional must approve - "majority of the votes cast thereon in the regional"
- C. If limited purpose to all purpose regional - voters of each constituent district must approve.

VIII. Enlargement of Regional District N.J.S.A. 18A:13-5, N.J.S.A. 18A:13-33, N.J.S.A. 18A:13-44

- A. Local district(s) seeking to join and regional district must agree
- B. Commissioner must deem advisable
- C. See III. Formation of Regional Districts
- D. Approval by the voters - Regional district, each proposed new constituent district

IX. Withdrawal from Regional/Dissolution

- A. Withdrawal – Constituent district or Governing Body of constituent district may, by resolution, apply to Executive County Superintendent to investigate advisability of withdrawal. N.J.S.A. 18A:13-51, N.J.A.C. 6A:32-11 et seq.

1. North Haledon/Manchester Regional, 181 N.J. 161 (2004) Because racial imbalance would result, Board of Review should have refused borough's petition to withdraw from regional high school district. 9% decrease in white population was not negligible. See also, 363 N.J. Super. 130 (App. Div. 2003)
 - a. Commissioner orders remedy on apportionment of costs as per Supreme Court directive – 67% equalized valuation, 33% pupil enrollment. (90/10-2005-06, 80/20-2006-07, 2007-08, 67/33-2008-09) Specifically only for Manchester Regional. North Haledon cannot petition for withdrawal because of adverse racial impact. 18A:13-23 does not apply, Commissioner has ability to order cost allocation.
 - b. February 1, 2006. State Board – Record does not provide a sufficient explanation of the methodology used to develop the Commissioner's revised cost allocation. State Board cannot judge whether allocation fulfils the terms of the New Jersey Supreme Court's remand. Remands to Commissioner with the request that she amplify the record by providing the basis and rationale for the specific determinations set forth in the decision of January 18, 2005. State Board notes that decision arrived at after consultation with representatives of constituent districts, of which no record has been supplied to the State Board. Acting Commissioner not precluded from initiating further proceedings necessary to develop a complete record, including transmittal to the OAL for a hearing.
 - c. November 7, 2007. State Board upholds Librera cost allocation pending remand determination. Also, in a separate proceeding reaffirms decision of February 1, 2006.
 2. In Re: Petition for Authorization to Conduct a Referendum on the Withdrawal of Liberty Township from the Great Meadows Regional School District, App. Div. Dkt. No. A-4783-06T3, April 1, 2009
 3. In Re: Petition for Authorization to Conduct a Referendum on the Withdrawal of the Borough of Oradell from the River Dell Regional School District, App. Div. Dkt. No. A-1318-07T1, April 1, 2009
- B. Dissolution – Majority of constituent boards of education and majority of governing bodies may, by separate resolution, apply to Executive County Superintendent to investigate advisability of dissolution. N.J.S.A. 18A:13-51. No dissolution code exists. Statute amended 1995.

1. Union County Regional – 1996
 2. Lower Camden County Regional – 1998
 3. Current Discussions - Central Regional litigation
- C. Executive County Superintendent calls meeting of representatives within 21 days. Meeting may predate adoption of resolutions. N.J.S.A. 18A:13-51
- D. Executive County Superintendent may require feasibility study to determine educational and financial impact. N.J.S.A. 18A:13-52
- E. Executive County Superintendent report due within 60 days of submission of feasibility study. N.J.S.A. 18A:13-52
- F. Petition for withdrawal/dissolution within 30 days of Executive County Superintendent report. N.J.S.A. 18A:13-54
- G. Board of Review decides within 60 days. N.J.S.A. 18A:13-56
- Commissioner, State Board member, State Treasurer, Director of Division of Local Government Services
- H. If granted, date of election fixed by Executive County Superintendent, after conferring with the boards of education of the constituent districts. N.J.S.A. 18A:13-57
1. Withdrawal – constituent, regional as a whole
 2. Dissolution – Majority of individual constituent districts/regional as a whole
- X. Distribution of Assets – Post-Dissolution Case Law**
- A. Union County Regional – 168 N.J. 1 (2001) – Liquid assets to be divided up among two constituent districts that did not receive real estate. Several other pieces of litigation regarding the distribution of assets, including claims by Mountainside and Kenilworth. Commissioner, State Board, Appellate Division decisions.
- B. Where regional district had dissolved, Commissioner, upon remand from New Jersey Supreme Court, adopted ALJ's findings to equitably distribute the regional district's entire amount of its assets and liabilities based upon a formula designed by expert consultant, despite the absence of the proposed distribution in the

referendum for dissolution. (04:Feb. 5, I.M.O. Union County Regional H.S., aff'd St. Bd. 04: August 4)

- C. Lower Camden County Regional - Strict application of the formula in N.J.S.A. 18A:8-24 to determine how best to distribute liquid assets from dissolved regional high school district would be inequitable. The Commissioner and State Board determined that the "liquid assets" of the now-dissolved regional high school district should be distributed solely to the constituent districts of the former regional district that did not receive any distribution of buildings and real estate. Appellate Division agreed. In re Div. of Assets & Liabs. Among the Constituent Dists. of Lower Camden County Reg'l High School Dist. No. 1, 381 N.J. Super. 91 (App. Div. 2005). Petition for certification denied. 186 N.J. 605 (2006)

XI. Employee Pension/Tenure Rights

- A. N.J.S.A. 18A:13-42. H.S., J.H.S. regional formed - Teachers retain pension/tenure rights. Does not apply to Superintendents, H.S., J.H.S. Principals.
- B. N.J.S.A. 18A:13-49. Dissolving local district, joining regional - Principals, teachers, employees continue employment in a regional.
- C. N.J.S.A. 18A:13-64. Withdrawal/Dissolution – All regional employees shall continue in respective withdrawing districts positions. Transfer applications within 45 days. In dissolution all tenure, seniority, pension, leave of absence and other similar benefits preserved in constituent districts.
- D. N.J.S.A. 18A:28-6.1. Discontinuance of school or grades - teaching staff members spending majority of their time in dissolved grades - tenure rights in new district with option of remaining.
- E. N.J.S.A. 18A:28-15. Change in school district government - Teaching staff members' tenure rights unaffected.
- F. N.J.A.C. 6A:32-11.6. Staff tenure and seniority rights – Staff affected by withdrawal shall have protection of tenure and seniority rights in accordance with Staagard v. Contini and Allen v. Clark.
- G. P.L. 1995 c. 294 - N.J.S.A. 18A:6-31.3 et seq. – “New School District” - Terms and conditions of employment from former constituent district with largest number of teaching staff members applies until successor agreement negotiated. Tenure, seniority and contractual rights of all employees preserved.

N.J.S.A. 18A:6-31.3 – As used in this act, “new school district” means a local school district, regional school district, a county vocational school district, a jointure commission, a county special services school district, or an educational services commission. A new school district shall not include a State-

operated school district established by the State Board of Education pursuant to P.L. 1987, c. 399 (C. 18A:7A-34 et seq.)

In the event that the school district of a municipality or districts in a group of municipalities are abolished and a subsequent district formed, the district subsequently formed shall constitute a new school district under this act and the previously existing school district or districts shall be considered the affected or constituent districts under this act.

H. Case Law

1. Staagard v. Contini, 97 N.J.A.R. 2d. (EDU) 217 – Tenure and seniority rights of staff in dissolving regional school district, Union County Regional. Governed by N.J.S.A. 18A:13-64.
2. Balwierzak/Berkeley Heights, 1999 S.L.D. December 8, aff'd St. Bd. 2000 S.L.D. May 3 – Custodian claim of correction on salary guide after transfer pursuant to dissolution of regional district time barred. (UCR)
3. Hammonton, 2000 S.L.D. January 4 – Teacher tenure rights – N.J.S.A. 18A:28-6.1 does not apply when limited purpose regional (LCCR) dissolves.
4. Nadasky/Clark, 2001 S.L.D. July 9 – Claim for reimbursement for unused sick leave by retired employees of constituent district in dissolved regional time barred. (UCR)
5. Allen v. Clark, 2004 S.L.D. April 30, aff'd St. Bd. 2004 S.L.D. September 1 – Payment for unused sick leave contractual benefit not protected by statute (UCR).
6. Lower Camden County Regional, 2005 S.L.D. April 13 – Matter involved tenure and seniority claims of employee and claims of certain non-tenured employees after dissolution. Non-tenured employee in dissolving regional district had no legitimate claim to employment in constituent districts upon dissolution.

XII. NJSBA Policies File Code 9300

- A. **The NJSBA believes** that when districts determine after thorough study that regionalization would provide educational and/or financial benefits to the districts involved, they should be encouraged to regionalize. [Authority: DA 10/79-CR Regionalization, DA 12/80-CR Deregionalization, DA 12/91-1, DA 11/98 SR]
- B. **The NJSBA believes** that the Commissioner of Education and the State Board of Education should be prohibited from ordering the merger, consolidation or regionalization of two or more existing school districts without a prior public

referendum in each of the affected districts approving such action provided that any such legislation should not permit the denial of rights guaranteed under the Constitution of the United States or the State of New Jersey. *[Authority: DA 5/72-1, 1a, DA 10-79-CR Regionalization, DA 12/80-CR Deregionalization, BD 1/81, DA 11/98-CR (School Finance)]*

- C. **The NJSBA believes** that prior to the submission of a regionalization proposal by any district or districts which desire to join with any other district or districts and become an all-purpose or limited-purpose regional school district, all of the districts involved shall be required to participate in a study of the proposed regionalization. The study of the proposed regionalization should include, but not be limited to the following factors: enrollment trends, goals, philosophy, board member apportionment, racial balance, education program, tax rates, and long-range implications of regionalization. All findings and conclusions of the study should be forwarded to the executive county superintendent who should consider these in his/her determination as to the advisability of regionalization. State aid should be provided for regionalization studies. *[Authority: DA 12/80-CR Deregionalization, DA 12/91-1, DA 11/98-CR (School Finance), DA 5/03-SR, DA 5/08-SR]*

SENDING-RECEIVING

I. Creation of Sending-Receiving Relationships

- A. N.J.S.A. 18A:38-11 - Boards without H.S. facilities must designate high school(s) for their pupils
- B. Initial relationship - voluntary - no Commissioner approval required
- C. Contracts vary from relationship to relationship

II. Termination of Sending-Receiving relationship N.J.S.A. 18A:38-13

- A. Petition to Commissioner by either sender, receiver or both
- B. Feasibility study - new receiver indicated
- C. Factors considered
 - 1. educational and financial implications
 - 2. quality of education received by pupils
 - 3. effect on racial composition
- D. Standard - "no substantial negative impact will result"
- E. Cases under amended statute
 - 1. Absecon v. Pleasantville, 1988 S.L.D. 1021, aff'd St. Bd. 1988 S.L.D. 1062, no severance - racial impact
 - 2. Englewood Cliffs v. Englewood v. Tenafly, 1988 S.L.D. 1501, aff'd St. Bd. 1990 S.L.D. 1720, aff'd St. N.J. Super. 413 (App. Div. 1992) aff'd 132 N.J. 327 (1993), 1997 S.L.D. Nov. 5 - St. Bd. seeks Commissioner's report. Report submitted 2/6/97
 - 3. Belmar v. Asbury Park v. South Belmar v. Bradley Beach, 1989 S.L.D. 1880, aff'd St. Bd. 1996 S.L.D. June 5, no severance - racial impact. Motion to Abbreviate the record denied, 1996 S.L.D. Sept. 4, aff'd App. Div. unreported opinion Dkt. No. A-6651-95T3, May 26, 1998
 - 4. Washington Twp. v. Upper Freehold Regional et al., 1989 S.L.D. 2010, severance allowed
 - 5. Merchantville v. Pennsauken, 93 N.J.A.R. 2d (EDU) 464, aff'd St. Bd. 1998 S.L.D. Jan. 7, no severance - racial impact, no designated alternative

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6. Boonton v. Boonton Twp. and Mt. Lakes, 92 N.J.A.R.2d (EDU) 235, severance allowed
7. Bloomingtondale v. Butler, 94 N.J.A.R.2d (EDU) 553, aff'd St. Bd. 95 N.J.A.R.2d (EDU) 151, severance denied - negatives outweighed positives
8. Lincoln Park v. Boonton, 95 N.J.A.R.2d (EDU) 494, agreement not to dispute requests to withdraw for 2 years unenforceable
9. Ho-Ho-Kus v. Midland Park and No. Highlands, 1996 S.L.D. Aug. 30, severance granted - no substantial negative impact
10. Logan v. Paulsboro, 1996 S.L.D. Nov. 29, severance granted - Stay denied St. Bd. 1997 S.L.D. April 2, appeal dismissed 1998 S.L.D. Jan. 7
11. Plumsted v. Upper Freehold Regional, 1997 S.L.D. Dec. 23, severance granted - no substantial negative impact.
12. Saddle River v. Ramsey and No. Highlands, 1998 S.L.D. August 28, modification of S/R relationship with Ramsey approved, dual relationship created. Students could choose either Ramsey or No. Highlands.
13. Kingsway Regional v. Logan Township, 1998 S.L.D. October 6, severance denied – significant negative educational, financial and racial impact.
14. HiNella v. Collingswood and Oaklyn, 1999 S.L.D. March 23, modification of S/R arrangement – settlement approved. No negative educational, financial or racial composition impact.
15. Winfield v. Rahway, 2000 S.L.D. March 2, Severance of sending-receiving relationship granted. No substantial financial, educational or racial impact. 1.9% decrease in proportion of white student population and 7.9% of gross percentage decrease not significant. See Union County Regional.
16. Mine Hill v. Dover, 2001 S.L.D. February 15, reversed in part, remanded in part, State Board 2001 S.L.D. August 1, Severance of 7th and 8th grade sending-receiving relationship denied. Substantial negative impact on racial balance and quality of education. Commissioner decision on remand 2004 S.L.D. Dec. 15. Standards at elementary level same as standards at high school level. Severance denied. aff'd St. Bd. 2005 S.L.D. May 4
17. Washington Twp. v. Lawrence Twp., 2001 S.L.D. October 17. Severance of sending-receiving relationship granted. No substantial financial, educational or racial impact. Severance not to take effect until receiving district has constructed its own high school.

18. Barnegat v. Southern Regional, 2001 S.L.D. November 2, Severance of sending-receiving relationship granted. No substantial financial, educational or racial impact. Severance not to take effect until receiving district has constructed its own high school.
19. Mountain Lakes v. Boonton, 2002 S.L.D. October 2 – State Board. Where receiver seeks termination, sender bears initial burden of showing that no feasible educational alternative exists, then shifts to receiver.
20. Lincoln Park v. Boonton, 2003 S.L.D. December 23 – Proposed consent order to sever sending-receiving relationship rejected. Record insufficient to determine whether substantial negative impact would result.
21. Boonton and Lincoln Pk. Bds. of Educ., Commr., 06:April 25
Commissioner determines that withdrawal from sending relationship would have a negative educational impact on receiver as majority of high school students come from sending district, even though there would be no negative racial impact on either district. Severance denied.

F. Other relevant statutes

1. N.J.S.A. 18A:38-3.1 Sending-Receiving relationship - Subsequent to termination - minimum 5-year term. Subsequent termination, student at secondary level may continue
2. N.J.S.A. 18A:38-19 Tuition rates - "not in excess of actual cost per pupil" - Commissioner forms - N.J.A.C. 6:20-3.1 et seq.
3. N.J.S.A. 18A:30-20 Additional facilities needed - 10-year agreement to continue relationship - precondition to building facilities
4. N.J.S.A. 18A:38-21 Termination of 10-year agreement - "will not be seriously effected educationally or financially"
5. N.J.S.A. 18A:38-21.1 Termination of school district - sending-receiving relationship without commissioner approval. Recent amendment - P.L. 1996 c.91 (7/26/96)
6. N.J.S.A. 18A:38-8.1 Sending representative on receiving district board of education. Amended by P.L. 1996, c. 100 (8/19/96)
 - a. Lincoln Park v. Boonton, 1997 S.L.D. May 30
 - c. Little Ferry v. Ridgefield Park, 1997 S.L.D. July 24
 - c. Green v. Newton, 1997 S.L.D. Aug. 5

- d. Branchburg v. Somerville, 312 F.3d 614 (3d Cir. 2002) cert. den. 538 U.S. 1032 (2003) State statute limiting representation of township to one member on ten member board of education did not violate the one-person one-vote principle.
- e. Lincoln Park v. Boonton, 301 F.3d 69, 81 (3d Cir. 2002), cert. den. 2003 U. S. LEXIS 270 – Not irrational to limit the power of a sending district’s representation so as to preserve a receiving district’s control over matters that affected the school district as a whole, even where sending students constituted a majority. Rational basis, not strict scrutiny applied. See also, 135 F. Supp. 2d 588 (D. N.J. 2001) and 161 F. Supp 2d 344 (D. N.J. 2001)
- f. Bloomingtondale v. Butler, 2004 S.L.D. June 17 – Reiterates controlling statute and case law – sending representative can vote on non-statutory enumerated matters that encompass internal procedural and organizational board matters only – election of officers, parliamentary items, approval of minutes, etc. See Little Ferry, Green, Lincoln Park.
- g. Somerset Hills, Commr. 06:June 15. Sending district may not appoint “alternate” representative to the receiving board of education to function in the absence of the designated representative.
- h. Evans, St. Bd. 2007:November 7. In light of N.J.S.A. 18A:38-8.1, sending district board members are not entitled to vote on the selection of the board solicitor.
- i. Evans v. Atlantic City, Dkt # 1939-07T3 December 10, 2008, 960 A.2d 768 (App. Div. 2008). Sending district representatives are ineligible to vote on appointment of receiving district's solicitor, because it is not expressly authorized by statute, N.J.S.A. 18A:38-8.1. Legislature intended to limit the eligibility of sending district representative to vote to those matters expressly stated in statute.

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NEW JERSEY ASSOCIATION OF SCHOOL ADMINISTRATORS

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**Testimony Before the Joint Committee on the Public Schools Regarding
Regionalization**

November 12, 2014

Submitted By: Melanie Schulz, NJASA Director of Governmental Affairs

On behalf of NJASA and its officers and members, I am pleased to be speaking with you today on the topic of regionalization of school districts.

The voluminous studies that exist on regionalization or consolidation attest to it being both complex and debatable. Attached to my comments, I have itemized some of these reports for you.

As you can see, there has been no shortage of government official, government entities, or outside organizations that have taken this issue to heart spanning many decades.

These reports represent the “policy” end of regionalization. There are also feasibility studies that are completed each year by districts that are interested in taking a serious look at how they might come together and what both the benefits and the barriers might be.

What they all appear to have in common are:

BENEFITS

- An opportunity for articulation of curriculum across districts
- Sharing expertise
- Enhancement of program offerings
- Diversified educational experience

BARRIERS

- There may be no cost savings
- New transportation costs may be incurred where none existed
- The tax apportionment may be lopsided among the towns
- Debt service may be incurred by districts that did not have this obligation

NJASA maintains that the decision to regionalize must be a local determination.

We arrive at this conclusion based on the many studies we have read and have participated in, as well as the summary report issued by NJASA in January 2004.

Additionally, between September 2008 and June 2009, NJASA conducted 4 hearings (Mays Landing, Toms River, Freehold, and Branchburg) and invited residents to listen

to a panel of experts speak on school district consolidation, followed by a Trenton perspective from various legislators and then a time allotted when the audience could ask questions.

These forums, while appreciated and well-received, served to educate a larger population on this topic, but the conclusions did not vary from the multitude of hearings and studies that have been conducted since the 1960s.

- In general, regionalization or consolidation of school districts will not result in a net savings to taxpayers.
- Where tax savings would occur by regionalization, it almost always results in a tax increase to other districts entering the relationship.
- The districts that have been successful at regionalization have been the exception, not the rule.

Generally, the topic of administrative cost savings takes center-stage whenever regionalization is discussed.

I want to point out that NJ ranks 5th lowest in the Nation for school district administrative costs according to annual rankings by the National Center for Education Statistics.

While there can be benefits derived from consolidating districts, such as articulation across curriculum and increasing the number of course offerings, these may be overshadowed by increased transportation costs, increased tax levies across the affected municipalities, and increased costs related to negotiated labor agreements. In addition, if a school district brings significant debt service to the alliance there may be no savings and there may be new debt where none existed.

WHAT HAS BEEN HAPPENING

NJASA asked its members what they are doing to reduce costs/share services while not affecting any interruption to quality programs.

Below are some of our responses:

River Dell Regional High School shares a curriculum supervisor with their 2 sending districts.

Collingswood Public Schools shares service with the **Oaklyn Public Schools**: shared administrative services (Superintendent, BA, curriculum staff and support staff/secretaries), shared child study team, share maintenance (custodial and maintenance), shared technology (staff and purchasing), shared middle school athletics (which are also shared with the **Woodlynne Public Schools**)

Beginning in the 2005-2006 school years, **Oldmans Board of Education** began looking into shared services activities which could both benefit and save Oldmans Township

money. As a result, since November 2005, the following actions have been implemented;

1. Oldmans has been providing Business Office services to the Greenwich Twp BOE, Cumberland County since November 2005. For 2014-15 school years, it is projected to generate \$29,000 in revenue to Oldmans to offset salary costs for the Oldmans Business Office.
2. Oldmans has been providing Business Office services to the Stow Creek Twp BOE, Cumberland County since July 2006. For the 2014-15 school years, revenue of \$43,000 will be generated to Oldmans which is used to offset salary costs for the Oldmans Business Office.

Note: #1 & #2 above fund 30% of the Business Administrator salary/benefits costs and 100% of one of the business office secretaries' salary/benefits.

3. Oldmans has been providing Custodial services to the Greenwich Twp BOE, Cumberland County since July 2007. For 2014-15 school years, it is projected to generate \$54,000 in revenue.
4. The Board of Education, through an Interlocal agreement with the Township Committee, provides custodial supplies and copy paper for the township municipal building at no charge. Also, diesel fuel for all the township road department vehicles, fire department vehicles and ambulance squad is purchased at school pricing, stored at the schools bulk storage tank and back billed to the Township based on their usage, thus saving the township approximately 25-30% on fuel costs compared to prices at the pump.
5. Since the 2009-10 school years, Oldmans has served as the lead agency in providing the following shared services in addition to the above;
 - a. Transportation services to Woodstown and PG-CP school districts which generated
 - b. revenue of approximately \$25,000
 - c. Joint bidding of custodial supplies for all Salem County Schools and four other districts out of county which has reduced custodial supply costs by approximately 15%
6. Since the 2010-11 school years, Oldmans purchased the following shared services in lieu of an employment position;
 - a. CST services from Salem County Special Services for two days/week
 - b. OT/PT services as needed from Salem County Special Services
7. For the 2014-15 school year, Oldmans entered into agreements with the following agencies for the purchase of various goods and services, providing cost savings to Oldmans as a participant in a larger group of end users with similar needs;

- a. Transportation services with the Gloucester Co. Transportation Cooperative
 - b. for Special Education student placements out of district and Vo-Tech Academy programs
 - c. Sterling High School's SJ Technology Partnership for technology equipment and construction/renovation services.
 - d. Middlesex Regional Educational Services Commission for school buses
8. Oldmans has a shared service contract agreement with another school district for a Spanish teacher.

In addition, school districts have joined with other districts and/or their municipalities to purchase unleaded gasoline, diesel fuel and heating oil. Some districts have joined together to form insurance pools.

Everything from the purchase of copy paper to the services of O.T, P.T., speech, psychologist, social workers, payroll services and grant writers is being shared throughout the State.

The information above is but a small snapshot of continuous efforts by NJASA members to look for ways in which school districts can spend taxpayer money wisely.

SUGGESTIONS

Until such a time as money for feasibility studies (**estimated cost range is \$10,000 to \$25,000**) becomes available to school districts, continue to encourage sharing services and internal administrative efficiencies that reduce costs among school districts and/or municipalities, and (perhaps) convene a state-wide consortium at which the DOE, legislators, policy makers, school districts, educational organizations and municipalities could talk about how best to come together to implement services, and discuss the challenges and solutions to any barriers that exist.

In closing, I would like to quote a paragraph that is contained in the 1998 final report of the NJ Regionalization Advisory Panel that was created under the CEIFA Act:

“It is the panel’s view that regionalization and increased use of shared services will improve educational opportunity, both by improving efficiency and by making better use of facilities and professional resources available to both local districts. Neither regionalization nor shared services is a panacea, however. They will not substitute for adequate funding of education. The most efficiently run school district will still incur considerable costs, including teachers’ salaries, maintenance of the physical plant, and investment in textbooks and technology.”

Thank you for the opportunity to represent NJASA today.

REPORTS

- A. Report of the State Committee to Study the Next Steps of Regionalization and Consolidation in the School Districts of New Jersey (also known as the Mancuso Reports for Ruth H. Mancuso, Committee Chair), dated April 1969
- B. Guy M. Salani, John E. Radig & Roy E. Mahoney, The Art of the Possible: School Board/Municipal Government Cooperation (Educational Improvement Center – South, NJ League of Municipalities & NJSBA), 1982
- C. NJ Republican Task Force on Sharing County and Municipal Services: A New Approach to Regionalization, October 16, 1990
- D. Voluntary Regionalization Proposal, New Jersey Department of Education (Florio Administration 1990-1994) (undated)
- E. NJ Department of Community Affairs, Division of Local Government Services, Interlocal Services: Working Together – Municipal School Board Cooperation: An Overlooked Opportunity, May 1994
- F. A Plan for School District Consolidation in New Jersey, Ernest Reock, Jr. (July 1995)
- G. NJ DOE, Commissioner's Consolidation of Services Task Force, Consolidation of Services, School District Survey (Klagholz), September 1995
- H. Finding Opportunities for Improvement: Ideas on Regionalization and Shared Services (Regionalization Consortium & The Commission on Business Efficiency in the Public Schools (Assemblyman David Wolfe, Chair), December 1995
- I. Regionalization Advisory Panel, Final Report, (January 16, 1998) (Created by CEIFA Act - Whitman)
- J. Assembly Task Force on School District Regionalization (Assemblyman Joseph Malone, Chair), February 25, 1999
- K. NJ Department of Education, County and Regional Office Study of Shared Services (Librera), September 18, 2002
- L. Regionalization and Consolidation Summary Report, NJASA, January 2004
- M. 2006 Special Session Joint Legislative Committee on Government Consolidation and Shared Services, Final Report, December 2006
- N. Shared Services in School Districts, The Institute on Education Law and Policy, Rutgers Newark (funded by NJSBA), September 2007
- O. Department of Education, School District Administrative Costs, NJ State Legislature, Office of Legislative Services (July 1, 2011 to April 30, 2014), Office of the State Auditor, Stephen M. Eells, July 22, 2014

Regionalization & Consolidation Summary Report



**New Jersey Association
of School Administrators**

**Maria M. Lepore
Chief Association Counsel**

January 2004

REGIONALIZATION AND CONSOLIDATION SUMMARY REPORT

As part of our research into Governor McGreevey's initiative which targets school administrators, NJASA has requested that I compile research related to shared services and regionalization. I have reviewed a number of studies performed on the state level as of this date, as well as studies commissioned by local school districts throughout the state. The studies have shown that *in general* regionalization or consolidation of school districts will not result in a net savings to taxpayers. While there have been some school districts where consolidation and shared administration has worked, these districts tend to be the exception rather than the rule. Moreover, in many of the local studies, where it was determined that regionalization or consolidation of districts would result in a tax savings to one or more of the districts entering into the relationship, it almost always resulted in a tax *increase* to other districts entering the relationship. A summary of my research, regionalization reports from school districts, as well as some other creative ideas from districts to produce cost savings follows.

This report will be divided into four sections. Section I will review numerous reports that have been prepared by the State itself on forced consolidation and regionalization. Section II will summarize historical position papers authored by other educational organizations on this topic. In Section III, the results of various regionalization studies are summarized. Section IV includes some of the cost-saving initiatives that have been reported by various school districts.

I. Reports from the State

A. *Report of the State Committee to Study the Next Steps of Regionalization and Consolidation In the School Districts of New Jersey (also known as the Mancuso Report for Ruth H. Mancuso, Committee Chair), dated April 1969.*

The *Mancuso Report* concluded that quality educational opportunities were not equally available to all students in New Jersey. New Jersey will more successfully meet its obligations if the number of school districts is reduced by reorganization and

becomes based on districts that encompass a K-12 program. The report pointed out that the state share in educational costs must increase to equalize the educational opportunities available to students throughout New Jersey.

The report recommended that the county be the basic unit for planning school district reorganization, and that the presidents of all of the boards of education in each county come together to select a reorganization commission to develop a comprehensive plan for the county or combined counties.

B. Voluntary Regionalization Proposal, New Jersey Department of Education (Florio Administration) (undated).

The Florio proposal recognized there were major obstacles to regionalization including: (a) difficulties in the tax apportionment among constituent districts; (b) potential loss of state aid when districts combine; (c) initial investment dollars for start-up costs; (d) assumption of significant new or pre-existing debt; (e) possibility of increased transportation costs; (f) difficulty of withdrawal from a regional school district; and (g) the cost of a regionalization study and the difficulty in building support for a merger.

To ameliorate these problems, the Florio administration proposed: (a) a permanent change in the tax apportionment among constituent municipalities based upon wealth and enrollment, weighted equally consistent with the local fair share under QEA; (b) new per-pupil categorical aid for new regional districts (such as \$250 per pupil), phased out over seven-to-ten years, to encourage regionalization; (c) allow start-up costs and incentive aid to be considered out of the budget cap calculation; (d) provide hold-harmless aid to ensure that new regional districts receive at least the same level of aid generated by all constituent districts in the year prior to regionalization; (e) provide a 60% state transportation grant; (f) assure all new regional districts receive debt service aid in the amount of 50% or its state share percentage, whichever is greater (this would be phased out); (g) give regional districts priority status in a \$600 million facilities bond grant program; (h) relax the obstacles for withdrawal from a regional district; (i) provide 50% state matching funds for the cost of regionalization studies, assistance in pre-referendum public relations, and extensive technical assistance to new regional districts during transition.

Incentives would be available for creating K-12 regional districts within the program timeline, to new all-purpose regional districts which expand by adding other districts, and to existing limited purpose regional districts which expand.

C. Regionalization Advisory Panel, Final Report, (January 16, 1998).

The Panel indicated that New Jersey's educational system is not operating efficiently. There are too many districts and the system is plagued by redundancies and inconsistencies. The Panel concluded, however, that one size **does not** fit all. Practices that work successfully in one or more school districts do not necessarily make sense on a state-wide basis. The Panel underscored its finding that mandates that require consolidation or shared services in all districts meeting specified criteria could create conditions that are potentially worse than the current system.

The Panel recommended legislation to direct and empower the Commissioner of Education to identify school districts that might benefit financially and educationally either from regionalization or consolidation of school services with other school districts. Where regionalization or consolidation would be sound, but there are financial disincentives, and the Commissioner should seek regulatory relief or subsidies from the legislature to overcome those barriers.

The Panel recognized that neither consolidation nor regionalization is the panacea, and they are not substitutes for adequate funding of education.

D. Assembly Task Force on School District Regionalization, Assemblyman Joseph Malone, Chairman, and Assemblyman Francis Blee, Vice-Chairman (February 25, 1999).

Past studies have shown that not every school district would benefit from a regionalized arrangement: there are financial disincentives for regionalization; "forced regionalization" can be perceived as taking away local control and accountability; and providing incentives for voluntary regionalization when positive economic and educational benefits are available is the less contentious route.

Summary of Findings:

1. School regionalization does not automatically reap major savings or improve quality of education. In fact, expenses relating to teachers' salaries and transportation costs may actually increase.

2. Small school districts can produce excellent results and should not be regionalized simply because their enrollment falls below a certain number.

3. Disproportionate distribution of costs to the constituent districts is a major disincentive to regionalization, but any formula change will bring winners and losers.

4. Smaller, more affluent communities in regional school districts, which are locked into paying based on their equalized valuation, as opposed to on a per-pupil basis, may end up paying more than what they would otherwise pay in a non-regionalized district.

5. Development trends in constituent districts can contribute to the cost-inequity factor.

6. Shared services consolidation for non-instructional purposes may accomplish savings.

7. Districts are concerned about regionalizing because the de-regionalization process is difficult considering debt-service and asset apportionment, personnel retention policies, and the ability of the resulting districts to provide education to their students.

8. Withdrawal from a regionalized arrangement by a constituent municipality might be too difficult since current procedures require a majority of voters across the regional district, in addition to the voters in the constituent district, to approve withdrawal.

9. Representation on regional school boards can be a disincentive for regionalizing.

Summary of Recommendations:

1. Regionalization agreements should be structured so as to allow reassessments of cost distribution if per-pupil cost deviates by more than 10% between any two constituent municipalities of the regional district, in order to reflect growth of one or more of the constituent municipalities.
2. Develop a new, fairer formula for apportioning costs among constituent districts. There should be a realistic method to compel equitable adjustments in the distribution of costs among constituent municipalities for the small number of existing regional districts that currently evidence an extreme disproportionate distribution of costs.
3. Streamline the de-regionalization procedure to ensure a simpler, less arduous process without removing checks and balances and appropriate safeguards.
4. Establish site-based management and building-level control groups to afford greater local control. Parents' groups should be included.
5. Provide students with the option of completing education at the school they were in prior to regionalization.
6. Consider the possibility of consolidating limited-purpose regional school districts into K-12 districts when circumstances and conditions prove appropriate and conducive.
7. The Department of Education should thoroughly review the administrative costs of non-operating districts with an eye toward eliminating these districts.
8. Study advantages and disadvantages of sending-receiving districts merging into regional districts.
9. Provide financial incentives to encourage districts to regionalize when economic and educational benefits exist for regionalization.

10. State should fund start-up costs including feasibility studies.
11. Prior to considering regionalization, a preliminary study should show that the arrangement will improve education and achieve savings.
12. Direct the DOE to identify those communities what have the most to gain from regionalization.
13. Provide special aid to regionalized districts on a recurring basis when economic and educational benefits exist for regionalization.
14. Offer special services on a regional level (*i.e.*, special education, art, *etc.*) and consolidate recreational and vocational services into regional units.
15. Encourage sharing of services on a regional level.
16. Study the viability of county-wide servicing at the level of the county superintendent, of all administrative functions (bulk purchasing, sharing administrative staff, *etc.*).
17. Consider viability of county-wide school system structures.
18. Collect comparative qualitative data to track record of existing regional districts in cost savings, improvement of education, greater efficiencies, and student performance.
19. Statutes governing withdrawal of a municipality from a regional should be amended to protect constituent municipalities from paying a disproportionately large percentage of school district costs.
20. Prior to regionalizing or de-regionalizing, affected communities should weigh factors such as tax increases, salary increases, loss of State aid, *etc.*
21. To ease the burden on communities which might realize a tax increase, tax projections should be prepared prior to the actual process.
22. The State Department of Education should appoint a fiscal agent to assist in the regionalization or de-regionalization process.

23. The Department of Education should establish guidelines dealing with the de-regionalization process including staffing, salary scales and education curriculum, as well as dept assignment and asset redistribution policies.

24. Educate employees who will be impacted by the formation or expansion of the new districts, concerning their salary and benefit packages.

25. Any voluntary regionalization plan should protect school employees' rights relating to seniority, tenure, and health benefits, to the greatest extent possible.

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

E. *How much for Administration? Expenditure Priorities Across New Jersey School Districts, FY90-91, Research Policy Seminar, Eagleton Institute of Politics, Rutgers University (June 1994).*

The report arose out of a discussion held among the members of the Commission on Business Efficiency of the Public Schools about the high cost of administration in New Jersey schools. The seminar consisted of 13 research fellows under the direction of Associate Professor Henry Raimondo.

The seminar found that generally, administrative spending is not driving the increase in local education expenditures. Small elementary districts however do spend a significantly higher portion of their budgets on administrative activities. Moreover, the wealthiest 20% of districts spent 4.3% of their budgets on administration compared to 3.9% of other districts. School districts with a special needs classification spent a slightly lower portion of their budgets on administrative activities (3.4% compared to 3.9%).

The seminar found that the fastest growing portion of the budget over a five-year period was fixed charges, the majority of which is paid for insurance. The percentage allocated to general instruction, including categorical and special programs, was highest

in the special needs districts (63% as compared to 59% state-wide). The percentage allocated to general instruction excluding categorical and special needs programs was lowest in the special needs districts (41% as compared to 46% state-wide). The share of the budget going to instruction including categorical and special programs, fell from 62% to 59% over the period studied.

The seminar recommended that to redirect resources to instruction, the state should study methods to control insurance and other fixed costs. It also recommended that the state actively encourage small elementary districts to regionalize. The state should also encourage the review of school budgets over time to review spending changes.

F. *Reducing the Number of New Jersey School Districts: Regionalization and Consolidation Options*, Public Affairs Research Institute of New Jersey, Inc. (April 1996).

The report noted that New Jersey spends over 20% more per pupil than the next two states (New York and Alaska). Unlike the other states, New Jersey provides no financial incentives to support districts interested in potential merger.

The report recommended that the Legislature establish a policy of promoting school district regionalization by providing incentive funding to encourage potential district consolidation. If transportation systems were regionalized, over \$50 million could be channeled into incentive funds through the state aid formula to ease the consolidation process. The Legislature should also modify the process for withdrawal from present affiliations. The Department of Education should also develop a feasibility model of districts primarily built on present affiliations which are best suited to K-12 consolidation. The DOE should also consider the potential for the breakup of some larger regional districts in order to facilitate K-12 development. The State should also expand available information to quantify potential operational savings, facilities and infrastructure savings, and the Benefits of educational program offerings which could be gained through the consolidation of school districts.

The report further recommended a plan for the state to end sending-receiving relationships. It also recommended that the state assume a more aggressive role in

encouraging regional approaches to new school construction or expanding existing facilities.

G. *Alternatives to Regionalization in Eastern Bergen County, NJ, Report to the Commissioner of Education, Harry Galinsky (June 30, 1995).*

This report arose out of the desire by the Department of Education to seek alternatives to reduce racial and ethnic isolation at Dwight Morrow High School (DMHS) in Englewood, New Jersey, and benefit all of the children in eastern Bergen County. The project was to provide possible alternatives to state-ordered regionalization in the area.

Dr. Galinsky recommended the creation of a magnet school at DMHS. The 9-12 grade school would be open to any of the 20 communities and would include, but not be limited to, high schools for math and science, performing arts, computer science, *etc.* He also recommended the establishment of a Bergen Academy of Science and Technology, South at DMHS, that would replicate the model of the Bergen County Technical High School. He also recommended the development of theme or specialty high schools in the area that would accept students from Englewood and any of the other participating communities based on available space. Finally, he recommended the mandate of a governance structure such as a consortium, jointure, or commission to develop and implement the above suggestions and strategies.

II. Other New Jersey Organizations Positions

A. NJEA (*older undated report*).

The NJEA indicated that research as to student achievement is limited and tends to deal more with the size of individual schools than the size of school districts. However, the size of schools and the size of districts appear to be linked because larger districts have larger schools. The research suggests large school districts are not demonstrably more effective in educating pupils or minimizing costs. NJEA's Policy Summary is that Legislative incentives for school district regionalization would be acceptable if: (a) regionalization is voluntary in all cases; (b) employee rights including seniority and tenure are fully protected; (c) the issue as to which contractual provisions prevail should be resolved through negotiation with the bargaining units; (d) employees of

the involved districts must be included in the reorganization process through consultation with all the employee representatives; and (e) the issue of the size of the reorganized regional districts should be left to local decision making process and should not be restricted by state mandates.

B. New Jersey League of Women Voters (*older undated report*).

Where a district is too small to provide a quality education with efficiency and economy, it should consider regionalization. *Initiation of this consideration should come primarily from local school boards and their citizens and, secondarily, from the county or state.*

C. New Jersey League of Women Voters, *Tax Reform To Reduce New Jersey's Excessive Property Taxation, Testimony Property Tax Commission* (May 14, 1998).

With respect to education, the League recommended increase of the state share of school costs, particularly with regard to the building and renovation of facilities.

D. New Jersey Parent and Teachers Association (*older undated report*).

The PTA opposes mandated regionalization as set forth in the Mancuso report. The PTA articulated concerns that quality of education could be adversely impacted, the impact on students if it takes additional time to get to school, whether there would be sufficient funding and land to build new schools, whether class size would be negatively impacted, whether parents would be able to participate in decision making, and whether the parties would be able to predict how funds and programs would be utilized.

E. New Jersey School Boards Association (*October 15, 1992*).

There is no educational justification to isolate regionalization to K-12 districts when most benefits are realized in the K-8 environment. NJSBA encourages districts to regionalize where the local districts determine, after thorough study, that regionalization would provide educational and/or financial benefits to the districts involved. The NJSBA also listed its position on several of the incentives being offered at that time:

- Incentive 1: NJSBA supported Assemblyman Bagger's and Martin's proposal providing maximum flexibility in cost apportionment of costs based upon a combination of local wealth and student enrollment. Its policy also dictates that the term of regional agreements not be mandated. NJSBA is opposed to a permanent cost apportionment mechanism. Any loss in state aid by the new regional district should be phased out over ten years.
- Incentive 2: NJSBA opposed financial incentives to regionalize to the extent these incentives would serve to reduce aid for regular operations by other school districts.
- Incentive 3: NJSBA recommended all start-up costs be placed outside the net budget and excluded from budget caps.
- Incentive 4: NJSBA supported hold-harmless aid to protect districts from loss in state aid. However a phase-out to take place over ten years should be included, as opposed to any shorter period.
- Incentive 5: Transportation categorical aid for the new districts would not cover start-up expenses for developing new/additional routes and for purchasing buses. The state should cover 100% of start-up expenses.
- Incentive 6: NJSBA recommended establishing clarification of the timeline for phase-out of foundation aid under QEA.
- Incentive 7: NJSBA recommended a clarification of the criterion for new regional districts to be granted "priority status" in a facilities bond grant program.
- Incentive 8: The state must provide incentives to relax the requirements for withdrawal from a regional system, and make it clear the guidelines the Commissioner would follow to deny a withdrawal.
- Incentive 9: NJSBA supports voluntary regionalization only if determined to be feasible after thorough study. NJSBA is concerned as to the source of funds for the study and for all of the proposed incentives.

Note: The positions in this document were similar to those in the *Report of the Staff Task Force on Regionalization*, NJSBA (March 30, 1992).

F. Public Affairs Research Institute of New Jersey (*Newsletter, June 1991*).

In the 1982-83 through the 1988-89 school years, in many districts in New Jersey, administrative salaries were a significant and increasing expense. The large number of New Jersey school districts with low enrollments is a key factor in the aggregate expenditure level in the state for administrative salaries, and variations in district enrollment levels are a significant factor in explaining inter-district differences in administrative salary costs per pupil.

III. Local District Regionalization Studies

A. *Informal Regionalization Feasibility Study: Hillsdale, Montvale, River Vale, Woodcliff Lake, Pascack Valley Regional High Schools, Guidelines, Inc., Huntington, New York (January 1992).*

The study was undertaken to determine whether the K-8 districts (Hillsdale, Montvale, River Vale and Woodcliff Lake) could merge with the 9-12 district (Pascack Valley) to create a K-12 district. Guidelines reported a high degree of compatibility in the overall educational philosophies and offerings among the K-8 districts. There were some differences (organization of the middle schools, all day kindergarten in two of the districts) these were not regarded as significant deterrents to regionalization.

Guidelines opined that the high school program would be better if it were offered in one building – this would require a substantial addition. Further, it recommended a region-wide elementary grade-level configuration of pre-k-4, 5-8, and 9-12. The two middle schools would be closed if Pascack High School was transformed into a 5-8 middle school.

In forming a 5,000 pupil district, there would be different staffing needs – some positions would be eliminated while others would need to be added. There would be a savings in salary costs but these would be reduced when employee contracts are merged into a unified contract. The contracts which reflect higher wages and benefit levels would be likely to set the standard.

The new regionalized K-12 district would determine board of education representation by population distribution and maintain the current 9-12 board representation.

In terms of costs, after factoring in the potential savings and liabilities (including debt service for the addition to Pascack Valley High School) *the combined Pre-k-12 budget would be \$507,000 greater than the total of the five separate 1991-92 budgets.* When the budgets are re-apportioned for the regional, the Hillsdale tax rate would go from \$1.65 to \$1.43; the Montvale tax rate would go from \$1.79 to \$2.19; and the River Vale tax rate would go from \$1.99 to \$1.67. All of these districts would realize a modest savings. However, Woodcliff Lake would recognize an increased burden – that tax rate would change from \$1.91 to \$2.14.

Summary: Two districts would reduce their tax rate, while two districts would increase their tax rate. The total budget for the combined districts would be over \$500,000 more than the individual budgets put together.

B. *K-12 Regional Feasibility Study, N.J.Redi Grant, Establishment of Expanded K-12 Regional District Incorporating Present Buena Regional District and K-12 Newfield Borough School District, Guidelines, Inc. (January 2002).*

The resulting consolidated district would provide additional classroom space in the elementary schools by converting one of the middle schools to an elementary school. Elementary building/expansion costs could lower class size and help with the lack of special facilities. All pupils in grades 6,7, and 8 would be educated in a new 654 pupil middle school (plans are already underway to build the school without expanding the district). A new, diversified Middle School program would be taught by subject specialists providing new and expanded educational experiences. Newfield would gain one seat on the resulting board, and Buena would lose one seat. There would be no racial or ethnic impact on the resulting district.

The study found the overall impact on taxes would be negligible. In the 2001-02, total net estimated cost savings would be \$7,572, and in 2002-03, that would increase to \$32,572. However, if enrollment is the selected means of cost apportionment, *Buena*

Boro taxes would increase, while Buena Township and Newfield taxes would be lower. As a result, the Buena Regional Board of Education rejected the idea of regionalization.

C. *A Study of the Feasibility of Expansion of the Purpose of the Clearview Regional High School District, Donald E. Beineman, Ed.D. (April 21, 1998).*

Mantua, Harrison and Clearview Boards of Education jointly commissioned the study on the feasibility of expanding the Clearview Regional District to include two elementary districts under its authority.

The study indicated there would be an actual increase in taxes for Mantua and Harrison Townships rather than a decrease. As a result, the districts decided against regionalization.

D. *A Study of the Feasibility of Reorganizing the West Morris Regional High School District, Dr. Donald Beineman and James Kirtland (January 2002).*

_____ Six alternative reorganization options are proposed, and each of them results in financial winners and losers. In each of the alternatives that does not involve dissolution of the regional district, the voters in at least one of the communities would be required to vote to raise their taxes. Since there are no overriding educational issues, this is not likely to happen. Two of the alternatives involve dissolution with the forming of a four or five community regional district. Both of these require at least one of the communities to vote to raise its own taxes.

The remaining alternative dissolves the regional system with Washington Township taking West Morris Central High School and becoming a K-12 district and Mendham Borough taking West Morris Mendham High School and forming a K-12 school district. The other constituent districts would likely send their students to Mendham Boro.

The consultant acknowledged that because of financial considerations, none of the six alternative configurations has much of a possibility of succeeding.

E. *Financial Implications of Galloway Township Withdrawing from The Greater Egg Harbor Regional High School District*, Vincent D. Yaniro (January 2003).

Galloway Township authorized this study about the withdrawal from the regional school district. While this is not the same scenario as contemplated by other districts which submitted studies, the result would have been an immediate tax rate increase of \$0.11 in 2001-02, \$0.10 in 2002-03, and an additional \$0.01 increase in 2003-04.

F. *Regionalization and Feasibility Study, Barrington and Haddon Heights, Dr. Donald Beineman* (dated approximately 1993-94).

Neither district has much space left to build and pupil enrollment has grown slowly but steadily since 1988-89. Neither district has an immediate need for facilities, though elementary schools in each district have no room for program changes that require more space than is already devoted to academics.

In the event the districts were to regionalize, the existing school boards would cease to exist and the resulting district would have a new name and board of education. Tenured principals and teachers would continue to work for the new district, but all other staff including central office and non-teaching staff members would be unprotected. Any savings would be realized from staffing changes. Savings in the total budget realized from this district would be about \$500,000.

Taxes would be divided between the two communities by a percentage share determined by equalized tax value of each community. Both districts would also lose transition aid (the report notes they might lose this aid anyway, even if they do not merge). *Regionalization would result in an \$0.11 increase in the Haddon Heights tax rate, but a \$0.03 decrease in the Barrington tax rate.*

G. *A Study to Determine the Feasibility of Organizing the Greater Egg Harbor Regional School District and the Constituent Districts of Egg Harbor City, Galloway Township, Hamilton Township, Mullica Township, in a More Educationally Effective and Financially Efficient Manner*, Barre and Company/Centennium Consultants, LLC (May 2002).

This study was exceptionally detailed, and found that regionalizing these districts into one district would result in a cost increase of \$4,612,213; merging these districts into two districts would result in an increased cost of \$2,109,689. The reason for the increased cost is that the districts would lose state aid, and would realize a substantial increased cost due to salary guide coordination. The additional expense and loss of state aid would be greater than any savings realized by staff consolidation and expense reduction. The reason the cost of one K-12 regional is greater than two K-12 regional districts is that there would be a greater loss in state aid with one regional than two.

In terms of actual district costs: Galloway's tax rate would go down by \$0.06 with one regional, and go up by \$0.09 with two regional districts; Hamilton's rate would go up \$0.08 with one regional but decrease \$0.14 with two; Egg Harbor City's rate would decrease by \$0.10 with one regional and decrease by \$0.02 with two; Mullica's tax rate would increase by \$0.40 with one regional, and by \$0.17 with two. All figures were based upon the 2001-02 school year but remain fairly consistent through the 2004-05 school year.

H. Regional Efficiency Options Study Northern Valley Consortium, Guidelines, Inc. (November 1995).

The Northern Valley Consortium is located in northeast Bergen County and is comprised of the Closter, Demarest, Harrington Park, Haworth, Northvale, Norwood, Old Tappan and the Northern Valley Regional High School District. The proposed district would be a K-12 district which would consist of all of the districts participating in the study.

Under the report, the proposed tax rate for Closter would increase by \$0.07, Demarest would likewise increase its rate by \$0.07, Harrington Park's tax rate would increase by \$0.12, Haworth's tax rate would be reduced by \$0.02, Northvale's tax rate would decrease by \$0.01, Norwood's tax rate would increase by \$0.19, and Old Tappan's tax rate would increase by \$0.05. When the savings and expenses for the new K-12 regional were calculated, it was determined that the total costs would be \$1,973,666 higher in the K-12 regional than under the existing structure.

I. Formal Regional Study in Dunellen, Middlesex, Bound Brook and South Bound Brook, New Jersey, Guidelines, Inc. (December 1992).

The study reviewed various options of consolidating these school districts and presumed that some schools would be closed with the students from the local school being bused to another school elsewhere in the consolidated district. In fact, the study called for reorganizing student assignments after closing one school in South Bound Brook, one school in Bound Brook, one school in Dunellen. No schools would be built but additions would be built onto existing facilities where needed to accommodate the children that would need to be bused to the school.

Under the plan, Bound Brook's tax rate would decrease by \$0.01 in each of the first two years; South Bound Brook's tax rate would decrease by \$0.82 in the first year, and \$0.40 the second (after re-evaluation); Dunellen's tax rate would decrease by \$0.84 in the first year, and \$0.53 the second; and Middlesex's tax rate would increase by \$0.10 the first year, and \$0.21 the second year.

J. Report on the Feasibility of Enlarging the Somerset Hills All Purpose Regional School District to Include Bedminster Township School District, Centennium Consultants, LLC. (January 29, 2003).

Bedminster already sends students from ninth through twelfth grades to the Somerset Hills Regional School District. The study was undertaken to determine whether the two boards should join together as one regional school district. The study was based on the assumption that the Somerset Hills School District would implement the proposed building and renovation program, and that no immediate re-districting would take place. It also assumes the academic curriculum would be modified to provide a program that is the same for all students, regardless of location. The programs in both districts are very similar.

The expanded regional would result in a change in central office personnel and require the addition of one human resources director and the loss of one business administrator, one assistant business administrator, one superintendent and one director of special education.

Under the plan, the tax rate for Bedminster would result in a projected net cost increase in the amount of \$512,954 in the first year. The increase in costs is due to a one-time start up cost of \$150,000, and salary guide coordination among the districts. In the second year, the increase in costs is \$93,945 due to salary guide coordination. In the third year, the increase in costs would be \$243,945 due to salary guide coordination.

K. *Fact Finding Study for Regionalization of the Western Monmouth County Panhandle Alliance School Districts, Stanton Leggett & Associates (January 2002).*

The study was authorized by the districts of Roosevelt, Millstone and Upper Freehold Regional which currently operate as three separate districts. Roosevelt is a K-6 district; after sixth grade its pupils attend East Windsor Regional School District. Roosevelt is a small community with a very small tax base. Millstone is a K-8 district and it sends its high school students to Upper Freehold Regional.

Several scenarios were examined. The first scenario was regionalization in which all districts formed a K-12 regional. In that scenario, for the 2006-07 school year, projected taxes would increase in Millstone by \$0.34, decrease in Roosevelt by \$1.32, increase in Allentown by \$0.26, and increase in Upper Freehold by \$0.42.

The second scenario, Millstone would form a separate K-12 District and Roosevelt would not be impacted. The projected 2006-07 tax levy under that scenario would result in a \$0.91 increase in Millstone, a \$0.59 increase in Allentown, and a \$0.81 increase in Upper Freehold.

In the third scenario, the districts would form a 7-12 region, with three K-6 districts. Under that scenario, the projected 2006-07 tax levy would increase in Millstone by \$0.29, increase in Roosevelt by \$0.32, increase in Allentown by \$0.26, and increase in Upper Freehold by \$0.43.

L. *A Study to Determine the Feasibility of Regionalization of the Districts of Wildwood City, Wildwood Crest, North Wildwood, and West Wildwood, Falzetta Associates, Inc. (May 8, 1990).*

The four communities who requested the study are all small resort communities in Cape May County. Wildwood High School has continually operated in a sending/receiving relationship with the three other school districts. The West Wildwood school district does not operate any schools. North Wildwood and Wildwood Crest operate K-8 elementary schools. Wildwood, has a K-4 elementary school, and houses 5-6, 7-8 and 9-12 grades at the high school site. Approximately 55% of the students at Wildwood High School come from the other three communities, and all of the communities are dependent upon each other for the operation of the high school.

Several different regionalization models were studied: a K-12 regional, a 7-12 regional, and a 9-12 regional. The fiscal implications for each of the following districts is as follows. In North Wildwood, going to a K-12 regional would increase the tax rate by \$0.008 in 1990, by \$0.003 in 1991, the tax rate would decrease in 1992 by \$0.005, and then would increase again in 1993 by \$0.025. For a 7-12 regional, North Wildwood's tax rate would increase by \$0.128 in 1990, by \$0.141 in 1991, by \$0.161 in 1992, and by \$0.197 in 1993. For a 9-12 regional, North Wildwood's tax rate was projected to increase \$0.252 in 1990, by \$0.276 in 1991, by \$0.293 in 1992 and by \$0.413 in 1993.

For West Wildwood, going to a K-12 regional would increase the tax rate by \$0.206 in 1990, \$0.283 in 1991, by \$0.373 in 1992, and by \$0.543 in 1993. If the districts formed a 7-12 regional, West Wildwood's tax rate would increase \$0.132 in 1990, by \$0.068 in 1991, by \$0.054 in 1992, and by \$0.079 in 1993. If the districts formed a 9-12 regional, West Wildwood's taxes would increase \$0.213 in 1990, by \$0.156 in 1991, by \$0.158 in 1992, and by \$0.206 in 1993.

For Wildwood City, going to a K-12 regional would result in a tax rate savings of \$0.336 in 1990, \$0.375 in 1991, \$0.422 in 1992, and \$0.50 in 1993. Joining a 7-12 regional would result in a tax increase of \$0.215 in 1990, \$0.308 in 1991, \$0.201 in 1992, and \$0.217 in 1993. Likewise, by joining a 9-12 regional, Wildwood City's tax rate would increase by \$0.315 in 1990, by \$0.308 in 1991, by \$0.316 in 1992, and by \$0.429 in 1993.

For Wildwood Crest, joining the proposed K-12 regional would increase taxes by \$0.162 in 1990, by \$0.181 in 1991, by \$0.210 in 1992, and by \$0.282 in 1993. If the proposed 7-12 regional were formed, Wildwood Crest's tax rate would increase by \$0.145

in 1991, by \$0.151 in 1992, by \$0.148 in 1993, and by \$0.104 in 1994. If the proposed 9-12 regional were formed, Wildwood Crest's tax rate would increase by \$0.237 in 1990, by \$0.257 in 1991, by \$0.273 in 1992, and by \$0.220 in 1993.

IV. What Districts Are Already Doing to Save Money

A. The Hunterdon Central Regional High School District has a Joint Transportation Commission with the Flemington/Raritan District that conservatively saves the Hunterdon taxpayers \$3,000,000 per year.

B. In Burlington County, various school districts, municipalities and the county have joined to purchase unleaded gasoline, diesel fuel and heating oil.

C. In Burlington County, 26 districts have joined together for the purchase of property and liability insurance by forming a joint insurance pool.

D. School districts state-wide have joined for bidding services for various school supplies through Educational Data Services.

E. Burlington County school districts have joined with Virtua Health System for drug and alcohol testing of bus drivers.

F. The Tabernacle School District, through the Gloucester County Special services school district, joined with over 100 districts for software programs for budget, payroll, student info, staff info, transportation and student health info.

G. Educational Services Unit of Burlington County provides O.T., P.T., speech, psychologist, social worker, and grant writing services along with transportation for non-public students to many school districts in the area.

H. Several school districts in Burlington County have joined for the purchase of copy paper.

I. New Jersey school districts state-wide have joined through NJASBO for the purchase of long distance and local phone service.

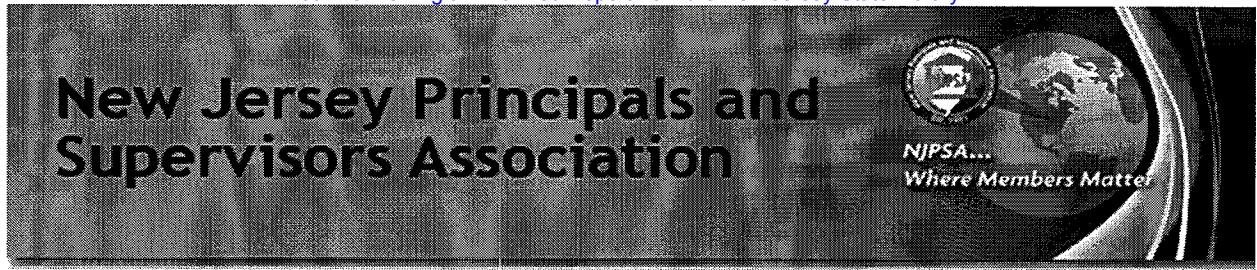
J. Through the Burlington County EMTC, districts throughout the county for library services.

K. Various school districts in Burlington and Camden Counties have joined CAMNET to obtain fiber optic internet services.

L. Through the County of Burlington Shared Services Forum school districts and municipalities have shared equipment and bond sales.

M. Through Aetna U.S. Healthcare, a large group of South Jersey districts pooled together for medical coverage that provides equal or better coverage than the State Health Benefits Plan.

N. Many New Jersey school districts have joined the ACES Consortium and have realized a savings on electricity.



**NJPSA Testimony
Before the
Joint Committee on the Public Schools
Discussion Issue: School Regionalization
November 12, 2014**

Thank you for the opportunity to share the thoughts of the NJ Principals and Supervisors Association (NJPSA) and its statewide membership on regionalization opportunities for school districts across New Jersey. Our members are the principals, assistant principals and supervisory employees at the school building level who are responsible for: developing the educational vision of a school; ensuring a safe and secure learning environment for students and staff; implementing curriculum and assessment; and, leading teachers and school staff.

Let me begin by stating that our association understands the need for increased efficiencies in our schools. With the economy in continued recession and many New Jersey families still economically at risk, we share the call for enhanced efficiencies at all levels of government including our public schools. At the state, county and local levels, our public schools have already embarked on the road of streamlining our operations, sharing services between districts and municipalities, as well as joint purchasing initiatives between districts and other governmental entities. The last several years have forced districts to examine how best to provide instruction efficiently and effectively with ever dwindling resources. This has enhanced discussions between municipalities and schools as well as between districts.

Today's discussion on school regionalization is not the first. Rather, our State has grappled with this issue at different intervals throughout its history, most recently in 1999 and 2006. Why? - because New Jersey citizens have a love/hate relationship with the concept of home rule and local government whether it is at the school district or municipal level. New Jersey citizens value their unique community identity and the ability to directly participate in and impact local government decision-making; yet, we decry the high level of property taxes in our state. This dichotomy has led to regular periods of statewide discussion of consolidation/regionalization and the establishment of numerous commissions, task forces and even a Special Session Legislative Committee on these issues.

In 1999, The Assembly Task force on Regionalization studied this issue and made the following findings which hold true today:

- School regionalization does not automatically reap major savings or improve the quality of education. In fact, some studies have shown the converse. For example, expenses relating to teachers' salaries and transportation costs may actually increase.
- Small school districts often produce excellent results and should not be regionalized simply because their enrollment falls below a certain number.
- Development trends of constituent municipalities within a regional school district can also negatively impact on the cost inequity factor.
- As an alternative, shared services consolidation for non-instructional purposes may accomplish needed savings.
- Smaller, more affluent communities in regional school districts, which are locked into paying based on their equalized valuation, as opposed to on a per-pupil basis, may wind up paying more than what they otherwise would pay in a non-regionalized district.
- The disproportionate distribution of costs among constituent municipalities in regionalized districts is a major disincentive to regionalization. However, any formula change designed to bring parity in the per pupil costs of the constituent municipalities will result in "winners" and "losers."

As a product of the 2006 discussion, the Legislature put a strong statutory and regulatory framework in place to ensure that local districts continue to make real progress in school efficiencies, particularly in the area of administrative efficiency, while balancing other relevant factors. The Office of the Executive County Superintendent of schools was established and given strong review, recommendation and oversight powers in the areas of district budgets, structure and operations.

At each juncture of this statewide discussion, what became most clear were the complex questions that surround regionalization and the need to do a cost benefit analysis – at the local and regional level – to determine the best options for a particular community or region. **The over-arching question in the context of school consolidation is the question of whether our students' instructional, developmental and overall school experiences will be improved or adversely impacted by any attempt to regionalize.**

This discussion must begin with a comprehensive assessment of the educational impact of regionalizing. Such a discussion must include educators including the instructional leaders at the building level, district leaders, and teachers as well as parents and staff for they will be at the front line of any change considered. A review of the impact on curriculum, program offerings, extra-curricular opportunities, class size, equipment and facilities impacts and related criteria must be undertaken.

Moreover, the discussion must include not only impact on instruction directly but also 'non-instructional expenses' which typically include invaluable items like school nursing services, transportation, food service or even guidance and child study team support services. These educational services are items that parents, students, and communities should expect. Consideration must be given to items such as:

- The amount of time students could be forced to sit on the bus?
- Whether class size would be increased?
- How educational programs would be affected either positively or negatively?
- How services would be impacted?

- How will the community be adequately represented?
- Would there actually be any savings and will these savings be long or short term?

In addition, the discussion must include a review of the impact on staff and upon collective bargaining. Current law, *N.J.S.A.34:13A* provides a construct to this discussion but actual operationalization is often a different story.

Finally the practical risks and concerns by moving to a large school system must be examined. Educational research supports small schools and small learning communities. By creating big districts, we risk students spending more time on the bus, increasing class size, and losing kids in the crowd. From a school safety perspective, a large school system poses additional challenges.

Fundamentally, we must ensure that should regionalization be a consideration it be done with a true vetting of the costs and benefits of embarking on such a change, with all stakeholders at the table, and with a eye first to ensuring that our students experiences educationally, developmentally and socially are not jeopardized. This critical decision must be a voluntary one based upon common community goals and the ability to work together to resolve issues as has occurred in the recent South Hunterdon Regional School District consolidation. The Legislature and this Committee have a role to play in offering monetary incentives to fund necessary local regionalization studies and to provide resources/support to local communities interested in pursuing these issues.

We thank you for raising this important issue and we look forward to future discussions.

Testimony of Ginger Gold Schnitzer
NJEA Director of Government Relations
Before the Joint Committee on the Public Schools
November 12, 2014

Good morning. My name is Ginger Gold Schnitzer and I am the Director of Government Relations for the New Jersey Education Association. Thank you for inviting me to testify before you today on the topic of school district regionalization.

So much has been studied and written about regionalization in New Jersey that I fear that I will not have much new to add to the discussion. Having said that, I do think there is value in revisiting what we have learned and using those experiences to make recommendations for you to consider in the event you decide to pursue changing current policy.

Let me begin by clearly summarizing NJEA's position on this topic—NJEA has never been opposed to regionalization so long as the process includes stakeholders and that the decision is made by a public vote.

We have long recognized that regionalization can be a legitimate option if the joining of districts:

- preserves or enhances academic quality;
- makes good economic sense; and
- all stakeholders agree

Regionalization, however, is only one of the ways that school districts in New Jersey share, combine, or otherwise work together to decrease costs, achieve economies of scale or increase the programs and services they can offer.

Many districts don't regionalize but instead consolidate or share services. In other words, these districts remain autonomous and continue to set their own tax rates but get together through inter-local agreements to do things like enter purchasing cooperatives, share administrators, or provide special education to their students. Sometimes these arrangements occur through jointure commissions, special services districts, and educational services commissions.

It is also important to note that regionalization has also come to mean a number of different things. For example, we have all-purpose regional districts through which districts provide programs and services for kindergarten or preschool through grade 12. We also have limited-purpose regional districts which typically only provide programs and services to a subset of grades like 7 through 12 or 9 through 12. There are also districts that consolidated because they were in towns that consolidated. Finally, there is a whole checkerboard of districts in sending/receiving relationships.

For purposes of my testimony, I will define **Regionalization** as the process of combining two or more existing school districts into either a newly created all-purpose district or by enlarging an existing regional district.

Regionalization opportunities ought to be viewed through a framework that takes into account educational, financial, and political factors.

We should begin by asking “how will joining these districts affect the quality of education for the impacted students?” Sometimes regionalization will offer districts opportunities to expand program offerings; enhance extra-curricular activities; increase social activities and relationships, and create greater socio-economic diversity. Other times, however, regionalization can negatively impact learning by creating large environments where some students may just get lost. Students may lose the sense of individuality that is so prevalent in smaller districts. There have also been situations where learning is negatively impacted because students need to spend too much time on buses getting to school. The purpose of schools is to educate children—and therefore, educational considerations should be paramount in decisions to regionalize.

Financial factors must also be considered. Will regionalizing produce a cost savings that will lower property taxes in the affected communities? What is the fairest method to allocate taxes among the participating districts? How will adjustments to the apportionment formula be made should demographics and property values change over time? How will the regionalization impact local economies? How can financial incentives be used effectively to make regionalization opportunities more desirable?

If experience has shown us anything it is that regionalization is not the panacea for high property taxes. Predicting cost savings is difficult due to the number of variables in these financially complex arrangements. While this is true, we do know that simply reducing the number of school districts does not guarantee property tax savings. Some small districts have lower per-pupil costs than some large districts and some

regionalization efforts have resulted in INCREASED taxes for the affected communities. Even if one community ends up paying less, the other community often ends up paying more. Incentive programs to account for these differences have not proven universally successful either.

There are also political factors that must be addressed. Regionalization changes the governance structure of a school district. A common concern is that fewer seats on the school board will translate into less input into school matters. This only exacerbates the fear of some districts that they will lose their unique identity by combining with other districts. Regionalization also creates challenging decisions around staffing.

Political concerns such as these are the main reason that the input of stakeholders is such an important part of making regionalization decisions. School employees, families, students, school board members, town councils, and taxpayers must all be invited to have a seat at the table.

Earlier in my testimony I stated that NJEA has never been opposed to regionalization so long as the process includes stakeholders and that the decision is made by a public vote. I would now like to further elaborate on our position in light of the factors I discussed.

NJEA believes that:

- School district regionalization should be voluntary based upon local needs and concerns, and subject to general requirements of law such as maintenance of racial balance.
- All employment rights of school employees including seniority, tenure, and health benefits should be protected.
- Incentives for regionalization are appropriate but should not function to encourage inappropriate regionalization designed to increase revenue at the expense of school program quality.
- A new regional district ought to be given a guarantee that their total state aid will not be less than the aid that would have been payable to the prior districts for a specified number of years post-regionalization.

Finally, I would like to share a few of the conclusions of the 1999 Assembly Task Force on School District Regionalization. They reported that:

- Not every district is conducive to a regionalization arrangement.

- Small school districts produce excellent results and should not be regionalized simply because their enrollment falls below a certain number.
- School regionalization does not automatically reap major savings or improve the quality of education.
- Some financial incentives are necessary to encourage districts to regionalize when economic and educational benefits exist for regionalization.
- The decision to regionalize should be made on a case-by-case basis.

Thank you for your consideration.

Testimony on Regionalization
Joint Committee of the Public Schools
November 12, 2014

Good Morning Senator Rice, Assemblywoman Jacey and esteemed members of the Joint Committee on the Public Schools.

My name is Bob Bumpus and I am an Assistant Commissioner in the Department of Education in the area of Field Services. Joining me today in our testimony before the Joint Committee is Samatha Skabla, Deputy Chief of Legal and External Affairs for the Department.

Our goal this morning is to share the department's prepared statement regarding the Regionalization of the South Hunterdon All-Purpose Regional School District. It includes lessons learned resulting in Best Practices and a number of Recommendations to address Regionalization efforts across the State.

Introduction

The formation of the South Hunterdon Regional School District is the first regionalization of separate districts into a P-12 all purpose regional district in close to 20 years. We have discovered that the success of this

regionalization was due in large part to the dedication, persistence and resiliency of key stakeholders over time.

Background

The Stockton, Lambertville, and West Amwell school districts consisted of small elementary schools that sent their students to the South Hunterdon regional high school district. The elementary districts had a history of working together and had numerous shared service agreements in place. Residents in all the sending districts had concerns about preserving the identity and history of their schools. They had grown accustomed to the responsiveness of their boards and administrations. They had questions concerning the additional costs that regionalization might bring.

So the key communicators in this effort set about to minimize their concerns and to maximize the potential benefits of regionalization. They described the frustration within the school communities regarding the cumbersome procedures and tedious bureaucratic minutia represented by multiple annual reviews, negotiations, and approvals of shared service agreements. Additionally the redundancy of multiple administrations and lack of a unified and well articulated

P-12 curriculum were concerns in providing the most efficient and effective program for their students.

Community leaders shaped a new vision of the districts coming together to function as a larger and more cohesive P-12 regional school district with both educational as well as economic advantages. The advantages include a single system for addressing special needs students, for providing educational as well as operational technologies in efficient ways, for managing the facility and maintenance needs of the district, for delivering seamless professional development for the professional staff, and for providing a tighter and better defined educational delivery system.

Best Practices

A number of successful strategies have been identified in the regionalization effort:

- Focusing on consensus building among influential members of the community and the development of allies in the effort;
- Placing a question on the ballot to fund a feasibility study;

- Anticipating and preparing for the legal, economic, public relations, and procedural obstacles that could potentially derail the effort;
- Collaborating and cooperating with the elected and appointed officials at all levels of government;
- Creating and implementing a clear message among key communicators and managing media relations;
- Communicating in authentic and consistent ways regarding the benefits of regionalization while tamping down the naturally occurring anxieties that such a change will incite.

Recommendations

Given the lessons learned in South Hunterdon and throughout the state, we are recommending the following:

1. That the department expand its current focus on providing technical information to include guidance and resources for community capacity building especially in the early stages of regionalization efforts. In South Hunterdon, all stakeholders agreed that regionalization is not something that can be imposed or driven by external forces, rather it needs to be community driven at all stages;

2. That the department create an office that will work with the county superintendents to provide not only technical assistance in the legal and procedural issues but also to provide support for community capacity building and communication campaigns;
3. That the department establish a budget sufficient to provide 50% funding for 2-3 feasibility studies per year in communities that demonstrate broad support including approval to fund the remaining 50% share of the feasibility costs. One lesson learned is that putting the feasibility study before grass roots community engagement is likely to be counter-productive.
4. That the department work with the legislature on identifying additional ways to provide flexibility in allocating the costs of a new regional district. For example, establishing a transition period where costs shift gradually over time or creating special assessments that may result in more win-win situations.



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DR. MICHAEL A. ROSSI, JR.
SUPERINTENDENT OF SCHOOLS

GARY S. LANE, RSBA
BUSINESS ADMINISTRATOR/

BOARD SECRETARY

November 12, 2013

Dear Members of the Joint Committee on Education, Invited Guests, and Education Stakeholders:

Thank you for inviting me to speak on the topic of Regionalization. The issue of combining districts and services has been at the forefront of leadership considerations for decades. On the surface, many of the facets seem reasonable and also feasible. In some cases, that has proven to be accurate and productive, mostly seen in the areas of services whereby schools and districts have been able to join forces in an effort to maintain quality and contain costs. We have seen this in the realm of shared Superintendents, our Ed Services Commissions, Directorships, purchasing consortiums, transportation, and to a lesser extent, some extracurricular pursuits. To me, this is a facet of a regional approach to the delivery of instructional services as we consider the framework of educational organizations.

However, the lion's share of dialogue regarding regionalization centers on two or more independent school districts coming together to operate under one umbrella. The presumptive support for increasing the amount of regional districts has been linked to the philosophy that this would provide coordination of services, including the qualitative delivery of classroom pedagogy, technology, co- and extra-curricular benefits, and most importantly, reduced costs to the tax payers. The reality is that in most cases these linkages are not only unrealistic but also unwanted as we consider New Jersey's history of local control. The combination of school districts in a contiguous geographic region rarely reflects similar reading, writing and arithmetic programs (and concomitant professional development priorities), almost never has a balance in terms of the tax impact, and the concept of it has never been fully fleshed out, as to how contracts, benefits, and other economic forces would be adjudicated upon regionalization.

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Accordingly, most educational leaders and school Boards have either avoided or overtly resisted conversations that have the potential to move their educational institutions towards a regional framework. Moreover, the larger "conglomerate" school systems do not automatically produce student achievement gains that would provide the type of momentum regionalization advocates seek. Therefore, it is my professional opinion that we should continue to look for opportunities to provide as many services that reflect regional philosophies and leave the ultimate decision to combine districts that are currently independent to those local stakeholders that own the economic burden for the education of their community's children.

Educationally,

A handwritten signature in black ink that reads "Michael A. Rossi, Jr." with a stylized flourish at the end.

Michael A. Rossi, Jr., Ph.D.

New Jersey Business & Industry Association



Melanie Willoughby
Senior Vice President

TO: Members of the Joint Committee on the Public Schools

Frank Robinson
First Vice President
Grassroots & Government
Affairs

FROM: Andrew Musick, Director of Policy and Research

DATE: November 12, 2014

Christine Stearns
Vice President
Health & Legal Affairs

RE: School District Regionalization

Sara Blum
Vice President
Environment, Energy &
Federal Affairs

On behalf of the over 20,000 member companies of the New Jersey Business & Industry Association (NJBIA), I would like to thank you for inviting NJBIA to provide testimony on school district regionalization.

Stefanie Riehl
Assistant Vice President
Employment and Labor

Property taxes are a top priority for business owners, and to all residents of the state. NJBIA applauds the committee for examining this issue, which along with consolidation and shared services, is a part of an effective strategy to help lower the state's property tax burden. Moreover, NJBIA appreciates the recent consolidation and regionalization efforts which have taken place in Princeton and South Hunterdon.

Andrew Musick
Director of Policy &
Research

Tyler Seville
Associate Director of Policy
& Research

The education system is a critical part of New Jersey's economic engine, as it helps to prepare students with the skills and knowledge they need to launch a successful career. Employers look for the education system to create a competent workforce, with the technical and employability skills to meet the increased demands of today's workplace. Additionally, employers are concerned about a positive return on their investment, and rightfully so. According to an Ernst and Young LLP study, businesses pay 41.2 percent of all state and local taxes in New Jersey, of which a significant portion helps fund education.

According to the New Jersey Department of Education, New Jersey has 603 school districts that serve over 1.3 million public school students. Compare this to Pennsylvania, which serves over 400,000 more students, in 100 fewer school districts (Pennsylvania Budget and Policy Center, 2013). The combination of a large number of school districts and 565 municipalities are both contributing factors as to why New Jersey has the highest property taxes in the country (Tax Foundation, 2014).

NJBIA has long supported reforms that improve the quality of the future workforce, and help to control the costs of education to protect the taxpayer by creating a more thorough and efficient education system. As such, we believe that the regionalization of school districts may be one solution to help New Jersey lower property taxes, improve efficiency and better utilize facilities and resources that already exist.

However, we would be remiss if we did not recognize the ability of shared services to assist in this process. Shared services provide a way for school districts and municipalities to access economies of scales, whether for personnel, resources or services. The savings recognized through shared services and regionalization may be used to further enhance and increase the quality of education in other areas.

NJBIA recognizes that the current laws and regulations on the books present challenges to school districts that may consider regionalizing. However, we would encourage regionalization where it makes sense and can be done in a high-quality manner. Additionally, we would encourage sufficient tools to assist in voluntary regionalization, such as providing financial incentives, provided they outweigh the potential cost-savings associated with regionalization.

NJBIA thanks you for inviting us to provide testimony today and we appreciate your consideration of our position. Should you have any questions, please feel free to contact me at 609-858-9512.