

MEETING

of

THE REGIONALIZATION CONSORTIUM

NEW JERSEY COMMISSION ON BUSINESS EFFICIENCY
OF THE PUBLIC SCHOOLS

LOCATION: Room 319
State House
Trenton, New Jersey

DATE: March 11, 1994
12:00 Noon

MEMBERS OF COMMISSION PRESENT:

Assemblyman David W. Wolfe, Chairman
Laurie Fitchett, Vice-Chairman
Robert Swissler

MEMBERS OF THE CONSORTIUM PRESENT:

Archie Greenwood, Chairman
Debra Cosgrove
John L. DeCesare
Robert Elder
James George
John Henderson
Joan Ponessa
Ann Prewitt
DeForest B. Soaries, Jr.
John Tergis
Samuel Thompson, Ph.D.
Seymour Weiss
Robert Woodford
Vincent Yaniro

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ALSO PRESENT:

William R. Schmidt, Secretary

Dennis R. Smeltzer
Commission Administrator

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REGIONALIZATION CONSORTIUM COMMISSION ON BUSINESS EFFICIENCY OF THE PUBLIC SCHOOLS

First Meeting

12:00 p.m. Friday March 11, 1994
Trenton, New Jersey

AGENDA

- I. WELCOME
David W. Wolfe, Commission Chairman
- II. INTRODUCTION OF MEMBERS
Archie Greenwood, Consortium Chairman
- III. STATEMENT OF MISSION BY CONSORTIUM CHAIRMAN
- IV. SPEAKERS
 - A. Vincent Calabrese, former Assistant Commissioner for Finance,
New Jersey Department of Education
 - B. Maureen McClure, Associate Professor of Administrative and Policy
Studies, School of Education, University of Pittsburgh
 - C. Questions and Answers
- V. STATEMENTS BY THE MEMBERS OF THE CONSORTIUM.
- VI. SCHEDULE AGENDA SETTING MEETING

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REGIONALIZATION CONSORTIUM
COMMISSION ON BUSINESS ETHICS
OF THE PUBLIC SCHOOLS

First Meeting

12:00 PM, Friday, March 11, 1994
New York City

AGENDA

- I. Welcome to the Consortium by the Commission on Business Ethics
 - II. Presentation of the Consortium by the Commission on Business Ethics
 - III. Presentation of the Consortium by the Commission on Business Ethics
 - IV. Presentation of the Consortium by the Commission on Business Ethics
 - V. STATEMENTS BY THE MEMBERS OF THE CONSORTIUM
 - VI. SCHEDULE AGENDA SETTING MEETING
- 1994

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New Jersey Department of Education

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ASSEMBLYMAN DAVID W. WOLFE (Commission Chairman): I would like to call this meeting to order. My name is David Wolfe. I am an Assemblyman from the 10th District, Ocean and Monmouth Counties. I am the Vice Chairman of the Education Committee in the Assembly, and Chairman of the Commission on Business Efficiency of the Public Schools, a joint legislative committee. I have been doing this for the last two years. It has been my pleasure to work with Dennis Smeltzer, who is a very fine staff person. I am sure you can attest from the food before you that Dennis really does his leg work. He wanted me to come this morning to make the sandwiches. We really worked very hard. (laughter) We couldn't find the mustard, but, anyway--

In all seriousness, it is a pleasure to welcome you here today. I'm sure as we go along, you will get a little bit more gist, really, of what it is we are trying to accomplish. Basically, we are not trying to reinvent the wheel. I do not have a prepared statement for you. This is basically a freewheeling, say it as it is, roundtable discussion today.

Primarily, the Commission has looked at a number of issues related to the public schools. Most recently, we have done a rather extensive study of transportation needs. Right now we are undertaking a comprehensive look at regionalization, not with any specific goal in mind, but to look at the specific problem and come up with recommendations for the Legislature, and also for the Governor, keeping in mind the needs and considerations of the school districts, of the kids, and also of the voters in general.

I am sure you are all going to be introduced to each other as we go along. I would like to thank you officially for being here. Personally, I know you represent so many diverse groups and so many different types of opinions, that I would encourage you to let it all go today. We do need to know the

problems we are going to be facing, and perhaps some of the good things we will be facing also.

Again, I would like to thank you very much for coming. Enjoy your lunch. I will now turn it over to our Chairman, Archie.

ARCHIE GREENWOOD (CONSORTIUM CHAIRMAN): Good afternoon. What I would like to do first is just mention that there are some members of the Commission other than Dave and I who are here. We have the Vice Chairman of the Commission, Laurie Fitchett, and we have a member of the Commission, Bob Swissler, whom many of you know from other positions in the Department.

I would like to start off by just kind of going around and introducing those members of the Consortium who are here. If you will just raise your hands. I am just going to go down the list: Debra Cosgrove, New Jersey Principals and Supervisors; John DeCesare, New Jersey Association of School Administrators; Robert Elder, New Jersey Urban Superintendents; James George, New Jersey Education Association; John Henderson, New Jersey School Boards Association; Joan Ponessa -- is Joan here? No, she is not here yet; Ann Prewett, New Jersey League of Women Voters; Tom Renkin, New Jersey League of Municipalities -- Tom is not here yet; John Tergis, New Jersey Council on Senior Citizens; Sam Thompson, Governor Whitman's Office--

DR. THOMPSON: Education Task Force.

MR. GREENWOOD: --Education Task Force; Seymour Weiss, at-large member; Robert Woodford, New Jersey Business and Industry Council; Vincent Yaniro, New Jersey Association of School Business Officials.

We also have two more at-large members, and I would just like to mention their names: Stephen Heller, Bell Atlantic, and Reverend Doctor DeForest Soaries, Pastor of the

First Baptist Church, Somerset. Reverend Soaries is involved in a number of community issues.

As you can see from the introductions, we have a very diverse group, a group that has been involved with this regionalization issue over the years. We have, also, Emmy Hunter, New Jersey Parents and Teachers, and Joan Ponessa, Public Affairs Research Institute of New Jersey, who are not here yet.

What I would like to do to kind of start is just introduce us to the topic. Today we do not expect to solve an issue, a topic, that has been with us for many, many years. What we hope to do is leave here with some common information, information so that when we leave here, we can come back to our next meeting and really start to address the issue.

Over time, this Commission has noticed that every major organization in the State of New Jersey, at some time or another, has supported the concept of regionalization. Yet, really, very little actual progress has occurred in this area. All of you know that there are over 600 school districts in New Jersey; over 1,100,000 students. Two hundred of these districts have fewer than 500 students.

In November of 1992 in Atlantic City, the Commission held an informational meeting, where we brought together representatives from across the education community who are interested in this topic of regionalization. Those who attended that meeting identified three major obstacles to regionalization: First of all, the structure, or the formula for allocating State aid to school districts tends to penalize districts which form regional districts. Second, changes in the relative distribution of tax levies when forming a regional district tend to discourage at least one of the potential members from joining. And three, the quality of information available about regionalization in New Jersey is incomplete and

leaves districts without clear information on the cost benefits and effectiveness of regionalization.

The Commission, after that particular meeting, adopted a purpose statement, and this is the purpose statement: Voluntary regionalization of New Jersey school districts has been publicly supported by the Governor, members of both local parties of the Legislature, the New Jersey Department of Education, members of the New Jersey Association of Public Schools, and private citizens. However, very little has been done to actively promote regionalization of our schools.

Therefore, this Commission's purpose is to promote the voluntary regionalization of New Jersey school districts by raising public awareness, providing information, organizing public interest, and identifying successful strategies.

This Commission is going to pursue this purpose by bringing together interested parties -- and the interested parties are you, this particular Consortium -- to discuss the obstacles to regionalization and the methods of overcoming these obstacles; to develop strategies for informing local school boards of issues important to regionalization; and to identify sources of information on regionalization. That is our purpose; that is our plan. We hope to begin that today.

As you saw from your agenda, we have two speakers this afternoon. The first speaker, Vincent Calabrese, is a friend of all of us sitting around this table, because most of us have been involved in education here in New Jersey for many years. And of course, I really do not need to introduce Vince. He is the former Assistant Commissioner for Finance for the Department. He is currently serving as a consultant. What we have asked Vince to do is to kind of bring everyone through the regionalization history here in New Jersey.

So, Vince, without further ado--

V I N C E N T B . C A L A B R E S E: It is amazing, once you leave public service, all of a sudden you have friends.
(laughter)

What I thought I would do is kind of go back to the beginning of New Jersey to show you the underlying forces that have developed over the last couple of hundred years that face you with major problems in regionalizing the State.

Everyone has said that regionalization is good -- Governors, legislators, community leaders, organizations. Everyone agrees that regionalization is a good idea, but no one really wants regionalization if they have to give up any of the perks or any of the benefits they are currently receiving from a nonregionalized State.

With that as kind of an introduction, let's go through some boring dates and so forth, but you will see a trend as I go through them.

New Jersey started about 1600, and until 1625 its education was a local responsibility solely. The State did not involve itself in any great way. In 1664, New Jersey began as a recognizable entity. In 1669, the first action was taken regarding schools, and Woodbridge was given permission to sell 100 acres of land to support schools. That was the first time that there was any major action by the State to recognize education.

In 1682, the West Jersey Assembly donated an island, with money to go for the education of youth. That brought that simple an action. Around 1693, the East Jersey Assembly ordered property taxes to support a school master. So it wasn't until 1693 that we finally got a school master.

In 1817, the State School Fund was created for the support of the schools. That exists today. It is revenues primarily from riparian rights; its expenditures are pretty well governed by law. It was not until 1829 -- some say 11 years later -- that \$20,000 was distributed from the Fund. In those days, that was a lot of money.

In 1849, \$10,000 was appropriated from General State Funds to support local systems. Remember, during all this

period of time, local districts were bearing almost the entire responsibility for educating the kids in their districts. It was their responsibility; the State was not a factor. People in those days felt that they could better control it.

In 1867, things had gotten to a point where the lawmakers ordered localities to use surplus income to maintain a common school system. So about 1867, the words "common school system" arose. The Legislature authorized townships to levy school taxes on a voluntary basis. You said you are looking at voluntary regionalization. You will see what success the word "voluntary" gives to any major drive.

In 1838, they limited such taxes, but doubled the aid from the School Fund. At best, it was a limited amount. It wasn't until 1845 that the State School Superintendent's Office was created. Taxes for schools were mandated in 1846, but there was a very strong limitation that made the amount almost negligible.

In 1851, unlimited amounts of taxation were permitted if two-thirds of the voters approved, but still retained the limitation that said that only a small number of dollars could be generated. It was not until 1866 that the State Board was created. Complaints continued from that point on. The laws were changed from population to school census. County superintendents were ordered to supervise and direct education in the counties. That was in 1867. There, in retrospect, was a missed opportunity. If there is any state that has organized its counties on a sort of rational basis, New Jersey has done that. Those 21 counties would represent kind of centrally located units of government.

I remember Robert Meyner one time, in discussing getting rid of the counties, mentioned that we had to do something about that "Board of Freeloaders." (laughter) He lived to regret it. In fact, no one heard his speech from that point on.

But in any event, at that point in time, if someone had said, "Why don't we organize on a county basis?" there would have been no objections. Nothing; no fuss raised. Everything was rural. There were no city problems, no urban problems per se. In fact, not too many years later, the term, "The rich are getting richer, and the poor are getting poorer"-- You've heard that term before, and you hear it today, except that the first time it emerged it was the cities that were getting richer and the rural areas that were getting poorer. Today, it is just the reverse.

In 1871, the 2 mil State tax on assessed valuations replaced the erratic township taxes. At that point, tuition was abolished. The schools became free in about 1871. The wealthy counties complained that rural areas were deliberately underassessing to gain a tax advantage. Does that sound familiar? But that was the cities in those days. They were deliberately underassessing to gain a tax advantage.

In 1872, a majority vote was put in -- was legislated -- rather than a two-thirds vote. In 1875, the infamous T&E amendment was passed. People think that was the beginning of our problems, but that was just one of the steps on the way.

In 1881, 90 percent of State school taxes were ordered returned to the county of origin. By the way, that particular requirement was in force when I first came to the State in 1947. We actually had a State school tax. That was the last year of it, I believe; wherein moneys sent to the State, 90 percent was sent back to the districts, and 10 percent retained for so-called "equity distribution." It incorporated the ratable distribution method which persists today -- to this day. So the ratable system started in 1881, and we still have it.

In the 1890s, the practice of using State aid to stimulate education motivation was developed. People claimed that the system was so complicated that, "Only a financial

expert could understand it," and you have heard that term before. It originated in the 1890s.

In 1898, the Legislature called on county superintendents to use State aid to reward districts, which increased the number of full-time teachers and employee supervisors. I think during that period of time -- I do not remember exactly when -- the term "helping teacher" came out. The counties had helping teachers, again giving force to the idea that education is a local responsibility. So at the county level, all we are going to do is have a teacher here to help you, but it is still your responsibility. By the way, local control of education is obviously a myth. If there were true local control of education, you would not have three law books that are this high (demonstrates), regulations that are this high (demonstrates), and all sorts of requirements coming from the Legislature itself, and it should be that way. The State is a single unit. No one district is an island unto itself. Whatever happens in one district affects the others.

In 1907, there was the first passage of a free high school statute. It was not until 1907 that we barely had three high schools. From 1929, a million dollars was sent to districts to cut State school property taxes. Transportation aid was granted to encourage "large high schools." The railroad tax was increased and the revenues earmarked to support schools. The tax was initially used to support new educational programs, but eventually was diverted. Again, doesn't this sound familiar. The Teachers' Retirement Fund will get Department of Education expenditures. Later revenue was diverted to highway construction, veterans' bonuses, and the interest on the State debt. There is really nothing new.

School support from the Fund dropped from 16 percent in 1908 to 3 percent in 1978. Local property taxes declined 60 percent in 20 years. School people were bitterly disturbed by

State school aid, diverting practices, and the term again -- as I mentioned before -- the rich got richer and the poor were getting poorer, which is the reverse of today.

It was not until 1946 -- when I first started working for the State -- that equalization on the broader bases came with the passage of the State aid law. There was a foundation program. Local fair share, nonproperty tax support, and equalized assessments came into being. Aid rose from 5 percent to 12 percent.

In 1948, the Armstrong law added \$9 million distributed per pupil across-the-board. This equalized the aid which rose to 16 percent. That was a period of time -- from '48 on -- where we had the most success in getting districts to regionalize, because they were paying for the cost of education based on a per pupil basis, which, in effect, was a glorified way of saying, "We are paying tuition." A regional district is not a tuition district. It means that everyone in that new region has decided -- at least legally and theoretically -- to consider their district a neighborhood in a bigger district. However, they retained all other aspects of their own city or township identity. They did not think of themselves as a new community. They thought of themselves as a participant in some other community that was kind of removed from them.

That is the basis of one of the things you are going to find is one of your biggest problems today. The districts still think in terms of their own provincial municipalities, and not in terms of what it means to the local regional district. "Why do I have to pay taxes of \$18,000 to send my kids to that high school in the district over there. They are getting the same benefits, and they are only paying \$15,000, \$10,000, \$12,000, or \$9000?" Because you are only a neighborhood. Do you count the times you flush your toilet? Everybody counts up all the flushes and then you pay taxes based on those flushes. Do you count the times the police

visit your home, and based on the number of visits you pay whatever taxes are involved? Do you count the times the firemen visit your home, and then pay fire taxes based only on the number of visits?

There is no basis in a single community for saying, "I should only pay for the services I receive." Governmental services are not based on that. It is not the free economy.

The Dumont law in '54 increased foundation aid to \$200 per pupil -- there is some complicated stuff here that only a legal expert could understand, so I will pass over it -- and aid went from 12 percent to 20 percent. It also established the principle of basing local taxes on equalized, rather than assessed valuations. That may be your single biggest impediment. With all the talk about changing the laws and changing aid, unless the Supreme Court suddenly goes much more conservative than I think it will, that particular stumbling block is there. It will remain unless the Constitution is changed. It will probably never be changed. This is one of the most significant problems in determining regionalization.

Building aid was brought in in 1956. However, enrollment increased and inflation continued to stabilize what was viewed up until then as a State aid situation. You will find that anytime a State aid law is passed and allowed to run as it was originally designed, it takes about three to five years for that State aid law to become a problem in terms of the equity or anything else. You can't have a law that is equitable in terms of how we define equity today and have a static law that stays on forever. Times will change; economic forces will change; enrollment patterns will change, so every three to five years you are going to have to take a look at your law again and bring it up-to-date. However, when you do that, there are new winners and new losers, and that again becomes a problem.

In 1968, we had an Abatement Commission. A net increase from 26.7 percent to 40 percent was recommended over a three-year period. It recommended automatic adjustments in order to maintain State share, but those automatic adjustments obviously never occurred. Incentives to improve quality and scope of programs, more equitable State and local sharing of costs-- It was passed, but with no effective increase in dollars in 1972 over 1971 and 1970, which again doomed it.

Robinson v. Cahill was filed and Chapter 212 passed in '75. It passed only after the Supreme Court threatened to close the schools. It established local contributions to be based on equalized valuations and not assessed. From this point on, you might as well get used to the idea of equalized valuations in terms of what we currently have in the law. It did not permit districts to base tax levels on pupil population, although it allowed a transition period. That transition period was about five years.

It contained an equalization of expenditures requirement through a budget cap. I was with the Department in those days, and the cap itself, we felt, at best, was constitutionally suspect, in that when you begin to cap districts and also require that they have a thorough and efficient system of education, the two terms are almost anti. They are almost to a point where you cannot reconcile the two. You are either going to have a thorough and efficient system of education and you are going to have to aid it, raise taxes to support it, or you do not have it. When you cap it, you try to get something in between.

Suburban districts -- and we all know this these days -- felt that the caps were forcing them to water down their educational efforts to send money to urban areas. Urban areas were faced with high taxes and did not spend to their cap limits. So almost immediately the rift began.

In 1990, the Quality Education was passed. We went back to a foundation program, bringing the process back to full cycle.

The most significant problems facing regionalization are: the tight economy of today, and the tendency of districts, even after regionalization, to view themselves as separate districts, rather than single educational units. The most activity -- the most significant activity -- that has occurred in the last couple of years has been laws and efforts to deregionalize. They have been relatively successful in passing the laws. I am not sure they will stand the test of constitutionality based on how you raise taxes. But at this point in time, the most activity I have seen-- In fact, I am currently doing work with a district that is trying to find out how they break up, not how they regionalize further.

Then there is always the political tendency to sympathize with districts complaining of tax inequities, resulting in renewed efforts to deregionalize existing regionals. The fear, not openly expressed, that regionalization will force the commingling of different socioeconomic groups-- That is behind a lot of this. As soon as you start talking about combining large areas, anyone near a city begins to get nervous.

The questionable constitutionality of any scheme that would channel aid to regionals that are relatively wealthy, if you come up with a scheme that, in effect, says to regionalize, no matter what your wealth; we are going to guarantee that your taxes are not going to go up-- In my opinion, at some point, the courts will step in, or an urban area will say, "You cannot do that. You are taking that money from us to give to wealthy people."

As far as I can see, voluntary regionalization will never be accomplished. It is a nice term. You can use the word "voluntary" all you want, but the very fact that it exists

and is made voluntary-- You will never achieve the objective you are trying to achieve. That will be true as long as these perceptions persist.

I hate to kill your work right off the bat. (laughter) I have been on six of these commissions. I have the books and they are gathering dust. I don't even read them anymore. The only effective measure to bring about regionalization, as we think of it in terms of the strict term, would be a legislative requirement forcing districts to regionalize. In New Jersey, this would be tantamount to declaring World War III. All the fears in the minds of the public would come to the fore and would doom any such effort.

In the past, the seemingly innocuous statement by a Commissioner advocating busing to help to integrate the schools was enough to deny him a future term. Regionalization would have the same implications, unfortunately, and probably the same results. Community identifications are usually strong in New Jersey, and that is natural. For almost 200 years now, you have people who went from their local school controlling-- I missed a page of my statement. At one time, we had 13-- Here it is.

Around 1871, we had 1390 districts; not 600, but 1390. Every local school was its own school district. It raised its own funds; it decided its own educational program; it ran its own affairs. So, in effect, we are at the low point in the number of districts these days, not the high point.

Let me see if I missed anything else here. In 1894, 1408 small neighborhood school districts -- they were up to 1408 by 1894 -- were abolished, creating 374 townships. I have not been able to find out why we went from 374 to 611, or whatever the figure is today.

Community identification, as I said, is unusually strong in New Jersey. I was asked at one of the commissions -- the SLERP Commission, in fact -- by a reporter, "What is the

single greatest impediment to regionalization?" I told him the name of the football team. Until you decide who is going to have their name on that football team, or any other activity in that district, you cannot get people to agree.

Any plan to foster regionalization would have to contain the following components:

- 1) Assure that none of the districts forming the region would experience an adverse tax impact. Again, it is a question of constitutionality.

- 2) Maintain the perceived ethnic and cultural balance of the districts. A major increase in State aid-- Again, that would run into all kinds of trouble constitutionally.

- 3) A major increase in State aid, irrespective of community wealth to show that there would be no negative tax impact-- In fact, we would have to hold forth a promise of decreased taxes.

I have not found -- and I have done two or three studies on regionalization -- at any point where any serious consideration was given to the fact that the educational climate would improve, as opposed to the fact that taxes would increase in one district or the other. As soon as a district heard that taxes were going to increase, it gave up the idea of improved education. That was that, they could not afford it -- the thin guise of the district whose taxes would increase. I don't see any change in that. In fact, what I am working on now is the deregionalization based on the same problem. Those districts which were paying the most want out, because once they get out they will pay less, and the districts that are paying less would have to pay more. No one is talking about the fact that by breaking it up there might be a very definite adverse educational impact.

Neighborhood school concepts would not be disrupted. No busing. Forced expenditure savings, including class size reductions, administrative limits, buildings closing, etc. It

is a myth that regionalization saves a lot of money, unless you decide to play with the class sizes or decide to make some major changes in the program itself. If every district that regionalized had the same class size -- and our salaries are not that far apart district by district -- the savings you would accrue would be at the top administrative levels. No district in this State has much more than 3 percent to 5 percent of its total expenditures in administration. You might find one with 6 percent or 7 percent, I don't know. I have never seen it. Around 5 percent seems to be about the limit.

If a 5 percent savings would occur at that level, it would not be enough to convince anyone to regionalize. So you would have to really go into the regionalization effort and decide, "Yes, when we regionalize, these two schools that are only partially utilized can be combined into one school," and class sizes of 10- or 12-to-1 or 15-to-1 that you have now, would have to go to 25 or 30 as an average. You are not going to make any significant savings. While the public is upset with local taxes, they are not upset with the actual cappings in their schools. They like what is going on in the classrooms, generally; they just don't like the cost of it.

You would have to offer improved educational offerings, but not at the price of increased costs. Once the increased costs come into being, people begin to think twice about the regional effort. Let's state a commitment to hold the line on deregionalization proposals.

All of the efforts we have had at regionalization in the past have been relatively successful jointures -- special education, special services commissions, special education school districts, but you know, they are not regional concepts. They are a way to avoid regionalization. Once you get a special education district that draws all the children from all the various communities and puts them into one place, there is no need to get two or three districts together to

provide the same service at a local level. In my opinion, when you get these large organizations to provide the services that might better have been provided by three or four districts getting together, not only are you not furthering a regionalization concept, but I think you may be doing harm to the actual idea of children being in the least restrictive environment.

Jointures: Same thing. Two districts can get together, but not to give up any control; just to get this group that they think is a problem off to a side organization, rather than actually saying, "Wait a minute, if we have that much in common, why don't we get together as a single district?"

I don't know what other things you have. Special services commissions: A great idea. You need them. I am not downing them at all. However, if we had larger districts, the need for such commissions might not be as great as it is today.

When a regional district is formed, the old district is supposed to disappear. In fact, each district should become a neighborhood in the new region. Just as I indicated before, we do not assess taxes based on police, fire, welfare, and so forth, nor should we assess the cost of taxes to be paid for school services based on a per pupil basis.

That is all I have. That is my experience over the last 40-some years. I am glad I am not in State government, because I would probably have hesitated to say some of the things I said.

MR. GREENWOOD: Thank you very much. You not only gave us the historical perspective, but you editorialized a lot, too. (laughter) You made it very clear as to how difficult our task is going to be.

We are going to have a question and answer period at the end of Dr. McClure's talk, so we will hold any questions or discussion concerning what Vince has said until after Dr. McClure.

Dr. Maureen McClure is an Associate Professor of Administrative and Policy Studies, School of Education, University of Pittsburgh. She has done research on institutional finance and strategy, the positioning of educational institutions in a competitive regional economy. Her teaching is in school finance, resources management, education and the economy, and strategic management. Some of her publications are: "School Districts and the Regional Economy," "Local Control and Workforce Development," and "Public Schools and Regional Economic Change." Some of her presentations have been on topics such as: "The Reform That Wasn't," "The Lighthouse Strategy of Local Control," "Regional Economy, Education, Finance, and Collective Bargaining," and "Low Growth and Fixed Costs Relationships to School Districts."

She is a member of a number of different organizations. She is a member of the Technical Planning Panel for Education Finance, the National Center for Educational Statistics, The Governing Board and University Council of Educational Administration, National Center for Educational Finance, Editorial Board, the Educational Administration Quarterly, and the National Policy Board Educational Finance, University Council for Educational Administration.

Professor McClure is going to do the analytical piece -- the analytical talk -- around this issue of regionalization.

PROFESSOR MAUREEN McCLURE: Hi. I just happen to be the only regionalist in education finance in the country. That is because all of my colleagues think I am totally daft.

The main reason I am a regionalist is that in a state like Pennsylvania, which is very large, we have basically three regions. If you took the state and divided it going from east to west into thirds, you would have the eastern part of the Philadelphia area; you would have the middle, which is very

rural and very poor; and you would have the western part, which is where I come from, which is what is left of the steel and coal region.

I arrived in Pittsburgh in 1983, which was at the bottom of the market. In Allegheny County alone, or in the region, within five years we lost 100,000 jobs in the steel industry, along with an incredible number of other jobs that went with them. So we were forced, very quickly, to kind of fall back on our own resources and think about how it was that we could come together to be more effective.

One of the things we found was that the kind of thinking we had had about regionalization, which was in order to "solve problems," whether they were integration problems, equity problems, was not going to work even in the worst of times. So when Vince said it is going to be tough, I can tell you that, even facing financial bankruptcy, districts will refuse to merge because they do not like folks down the road, even though, and probably sometimes because they are related to half of them.

So out here in New Jersey when people start thinking about sort of race and class issues, I have to explain to you that out in our rural areas we have a Somerset County, too. It is a little different. In Somerset County right now, we have two districts that are thinking about merging -- Meyersdale and Solesbury/El Glick (names spelled phonetically). There are 40 teachers in Solesbury and about 70 in Meyersdale. The whole community, if you put them all together, you would have 12,000 people. They have been trying, for a couple of years now, to talk about coming together. They have the same thing. They have been talking about this now for about 30 years. They figured that the only way they were going -- that it was going to happen, was if they both got so small that they had to come together to have enough people for the football team.

Right now, one of them has -- this is the truth -- one of the best PIA Class I teams. If they merge, it would put them up into Class II, and then they would be small compared to the next size, so they would start losing. One of my students who is out trying to help folks negotiate this came back with a story where they had a small commission. One of the commissioners went home and he got stopped by a local farmer, who said, "Are you still thinking about merging with those folks down the road?" He said, "Yes," and he gave him all these rational reasons, you know, about, "It will broaden the tax base. It will pull us together." The guy looked at him and said, "You do that, and within three weeks I am going to turn you into hog feed."

So as you sit with the possibility of being turned into hog feed, you need to know that what we are talking about is a common human problem. We tend to frame these things in terms of race and class and sometimes gender issues. All of that is true, but when you come right down to it, there are a whole lot of issues about folks having to come together to share, that make it difficult even for those whom you would think have all the right reasons for it.

So, given that, what are some of the things that we have found I would like to share with you today. With the county lot, I would be a total fool to think that anything that would possibly work in western Pennsylvania could be easily applied to New Jersey. One of the things when I started doing a little research on New Jersey-- I was calling some friends of mine and asking them about the differences. They said, "Well, one of the things we have is a fairly clear sense of what a regional economy means. So in western Pennsylvania, we were steel and coal. We could tell you which counties; we could tell you-- There is a sense of a region as an economic community. My colleagues were saying that in New Jersey that is a little hard to work, because--

I went and looked up the Bureau of Economic Analyses' regional areas. It looks like-- You know, the other states are taking chunks out of New Jersey. You have sort of the New York chunk; you've got the Philadelphia chunk; and you have a Delaware chunk. That brings up a lot of questions about how it is that regions get defined. In Pennsylvania, we spill over a little bit into Ohio and into West Virginia and Maryland, but not an awful lot. Here in New Jersey, you are spilling across, you know, many, many states. So the idea that underlies the concept of regionalization that we use, which is trying to bring together a regional economic community, will be a little different. But I would suggest to you that it might be very important, because one of the nice things about thinking about regionalization, not in terms of a solution to school equity problems, but as a way of trying to sustain a regional quality of life, forces us all to come to the table to talk to each other and negotiate this.

One of the things that we found, for example, was that not only were our schools very fragmented-- In Allegheny County alone, we have 43 school districts. I heard Vince say that teachers' salaries were within range of each other. Well, in western Pennsylvania, that is not true. Eighty percent of our teachers graduate from the state university system, and within 10 or 15 years people graduating from the same college, with the same degree, with the same background and everything, can be making \$20,000 difference and be living five miles apart. So we have huge differences in teachers' salaries all within range of each other.

For some reason, folks can't quite figure out why we have the highest number of teachers' strikes in the country. Pennsylvania being a state that does allow strikes, we have more strikes in Pennsylvania than in any other state in the country. Guess where most of them are? We spend an awful lot of time trying to keep folks from killing each other on a

fairly regular basis. It used to be that it was the poorer districts that were fighting the rich districts, because we had this-- You mentioned the Lighthouse. The way it works in Pennsylvania, and in many states, the wealthiest district is the one that sort of sets the salary agenda. Then what happens is that everybody else wants a piece of that, so they all try to negotiate. But of course, they do not have enough money to pay for it. They complained to the state legislature that they needed more money. What happens is that the legislature is supposed to kick in and help raise the level, so you have this kind of leveling up, but you maintain the hierarchy. You maintain rank, so then you have the next round and the lighthouse goes out again and then everybody pushes for new money, and, you know, the whole thing levels up, but the rankings never change.

Now, in good times, that is expensive, but doable. In bad times, it has become a disaster, because the state legislature no longer has the kind of money it had, in order to help leveling up in the old lighthouse way. So in counties and in areas like ours, where we have within a driving distance to work -- which is how we usually call a region-- Economists would say, "What is a region?" An economist will tell you the area in which most folks drive to work, and that changes over time. But if you have teachers getting up in the morning, all running off to very different salaries, it creates -- especially given the same background -- a lot of problems.

So things are getting meaner out in our part of the world, because now what has happened is that the strikes are now in the wealthy districts. So we have Upper Sinclair; right now we have Bethel Park, and Mount Lebanon, which we are going to be looking at pretty soon. These were all the highest paid groups in the county. What has happened is that a lot of the families which used to be big supporters of education are now saying, "Look, you know, we bought these \$300,000 homes in the

'80s. We all thought we were going to live forever, and we had two jobs." Now they are sitting in them. They do not have them furnished very well and they have these kinds of grazed looks in their eyes, because everybody is scared about being laid off. Tensions are rising very rapidly in those areas as anxiety contributes to a lot of concern in the wealthier districts.

One of my jobs is then to try to bring people from these different communities together, rich and poor, to make them understand that in western Pennsylvania, we do not have anybody who is rich anymore. We do not have rich districts anymore. We have a lot of frightened people. What appeared to be wealth was very fragile, and in a lot of the communities we have had everybody is nervous.

The good news is that at least we all have our fear in common, so how is it that we need to think about coming together in order to provide two things. We need to think in terms of the quality of life we can all live with, and how can we sustain that with some, not only concerns about economic prosperity, but political stability.

Now, we have been fairly lucky until recently in terms of urbanization, games, and all that sort of stuff, but it is growing, and it is growing very fast. You know, it is not very far to drive to the suburbs. One of my poor superintendents in a district in Ducaine, which is not far from Bethel Park -- which is a rich district out on strike -- was saying, "You know, the problem with the folks in Bethel Park is that they do not want to kick anything into Ducaine, because they are all them social Darwinists. They think they are where they are because they deserve it because they are experts, and smart, and the folks in Ducaine are dumb, so they will just sit around and shoot each other. That will take care of the problem."

One of my students, who is now the superintendent out there, said, "Maureen, you and I know that they are not dumb;

that they are as economically rational as everybody else. The only reason they are shooting each other right now is because they can pick a nickel off of each other." He said, "But when they run out of that hope, they are going to say, 'Gee, at least if we are going to go, we are going big game hunting, and the big game hunting is going to be in the galleria.'" We had our first galleria shooting within the last three weeks.

The idea of coming together for regional economic quality is something we all have to talk about, much faster than we had publicly anticipated in the past. So how is it that we can frame this notion of a regional economic community? Well, it is, of course, not a new idea, but it is something that has been developed much more clearly in other countries than in the United States. Most of our economic development theory in the United States was based on a concept of national domestic growth. I am not going to give you the long lecture on economic history and strategy in this country, but it is just fair enough to say that the notion of local control and lighthouses is very closely tied to the economic strategy which really was focused on building domestic markets. That meant that everybody, even the domestic market, wants to have what we call "information and transaction costs low." That means you want people to be able to get along so you can trade.

Well, if you can control the culture in that domestic market so that everybody kind of thinks alike and acts alike, it is relatively efficient. So one of the best ways to develop domestic markets is to create school systems that encourage a lot of conformity and a lot of sort of shared ideas. The notion of the gospel of wealth, which was Andrew Carnegie -- thank you, western Pennsylvania -- Henry Clay Frick, Henry Ford-- The idea here that what was good for corporate America was also good for the rest of the United States was based on

the principle that if we could build large corporations, that that would sustain domestic consumer culture.

Well, while we were doing that, and doing an excellent job of it, other countries like France, Germany, Japan, China, and Indonesia, were all working on global trade. They developed very different kinds of economic strategies that focused on being able to negotiate with trading partners that were quite different.

Our economic and cultural strategy, which propelled us into a strong domestic market, now needs to shift. We are in a sort of slow process of shifting more toward an international focus. We have been working with countries like Germany, France, Indonesia, Russia, and Korea, talking to them about how it is that -- Japan as well -- about how it is that they try to think in terms of their regional economic communities, and how they can come together to be more competitive. One of the things that they talk about all the time is that they hope we continue to have our very fragmented tax bases, because that is good for them. They think that our agrarian notion of local control is very helpful, because that puts them in a competitive advantage, where they see themselves as being able to mobilize resources at a regional level in order to be more competitive.

We are spending a lot of time working with ministries of education around the world, trying to figure out how it is we can encourage a thinking about regional communities that is new to the United States. Quite frankly, it is more common to see in the West than in the East, and it is toughest in the Northeast, because the Northeast, which was sort of built incrementally town by town, did not have the kind of large structures that you have in the Southeast, the Southwest, and in the Far West. In terms of being competitive, it is just going to be harder for us, but that's okay, we're used to it.

I was taking some notes here as Vince was speaking about the issue of local control. There are certain things that-- When we developed the concept of local control, which, by the way, I cherish simply because I know it is so important to my constituents-- Having had a father who was in the state legislature and a mother who was the local ward heeler, paying attention to your constituents is extremely important, which also makes me the only serious TQM type in my part of the world really paying attention to what people are thinking.

Local control is essential. I mean, it is just the idea of trying to consolidate, much like, say, Grumman and Martin Marietta. They have tough times, they consolidate. Public services, like education, do not work that way at all. In tough times, we tend to try to decentralize to get closer to our communities, to become more intimate, to worry about providing better services for the kids we have there.

One of the things I would like to suggest to you is that your very strengths and weaknesses are usually the same. Great strategy, great strength, and great weaknesses are usually the same thing. It is how they are applied. Some of the great strengths of the New Jersey education system are its very fragmentation; its tremendous amount of diversity; and its little small schools that can provide a sense of community. What we need to do is figure out how to do that more fairly, how to do that better, and how to do that in a way where we can cooperate, in order to be more competitive.

Some of the problems we have had with local control-- We just have to change our thinking about what we mean by "local control," because when it was first started, the tax base of origin was the tax base of return. So people settled in a community, they grew up there, they were to pay their taxes there. They became small businessmen or farmers. They wanted to pass that on to the next generation.

Well now, the tax base of origin will never be the tax base of return, in part because regions are at a serious disadvantage. As an old school marm, this is the one thing you must write down: Regions are at a disadvantage, because the tax base of origin in the United States cannot be the tax base of return, because in the early 1900s we passed something called the "income tax." The income tax now ensures that regions make all the investments, and the Federal government gets all the returns. So the investments in education are made at a local regional level, but the returns go to the Federal government. This is the problem.

In almost every other country in the world, that is not true. The tax base of origin is the tax base of return. Most countries have national education systems, so they concentrate it all at a federal level. But many countries, like China, Indonesia, and Russia, right now, are trying to decentralize. They think that what we have in terms of more complex communities is good. They do not want those big, large centralized educational systems, but they also know that they have to be able to make sure that regions get the kind of support they need.

Right now, we have a big problem. We don't have tax bases of origin and tax bases of returns that match very well. This is particularly a problem in schools in New Jersey, because hardly anybody who lives in the same district works in the same district. So you have this tremendous-- Especially in New Jersey, with everybody going in every other direction, you have these very, very complex, very, very interdependent relationships, much more than we have out in the western part of the state, because we know where everybody goes. But here it is very complex.

I would suggest that one of the things the Commission might want to think about is to try to match those, because if you are going to make recommendations, one of the things you do

not want to do is recommend something that is going to affect your economic stability. You don't want to screw around with your economic stability; you don't want to screw around with your political stability. One of the things you need to do is to start mapping these complex relationships much more clearly than you have done in the past.

We first need to sort of describe what it is we are doing. Out in western Pennsylvania, we are doing a lot of that. One of the things we have an advantage in, is that regional economics was invented in western Pennsylvania, so we have 30 years of lots of documents of materials and thinking about it. So tax base of origin/tax base of return is the biggest problem.

Another problem we have is that when local control started, most people cared about it, but now-- For example, in my part of the state, fewer than 20 percent of anybody in the district has kids in school. Now when the teachers go out on strike, senior citizens do not care because they don't have any kids in school. The parents cannot mobilize resources in order to help stop it. An aging population causes a lot of problems in terms of the issues or intergenerational transfer. They'll say, "Hey, what do I care?" This is not so much a problem for senior citizens now, but my generation-- It is going to be a disaster, because right now there is enough money in Social Security, there is enough money in pension funds, and it is still -- well, not in New Jersey anymore, but in terms of-- Well, it's not bad at all in terms of selling your house. You can retire now and sell your house. Many senior citizens are able to sell their houses at multiples at what they paid for them, and retire comfortably.

Right now, the intergenerational transfer problem for baby boomers-- It will be acute. Who is going to buy those \$300,000 homes that they cannot afford now, if most of the kids who are being born and raised now will be coming up in school

districts that have limited educational opportunities? At the very time that the baby boomers are going to want to sell their houses and retire and not care about what goes on with the schools anymore, is going to be the time that they are going to be looking around and saying, "Lord, who are we going to sell our houses to?" When local control impedes the quality of a regional economic community, you have problems.

I have about eight hours of material here. I could keep telling these stories all day, but I think it is much more important to get you to start thinking, asking us questions, and trying to-- I have a lot of homework assignments for you, in terms of material I have given Dennis. He has a paper on them. I have given him a number of papers. One is on the lighthouse strategy. It is the issues around coercive comparison. Basically, you have the problems of coercive comparison, and that can be very expensive to a state legislature.

The second one is on looking for politically viable ways of getting at regional issues. One of the things we found out was that they are going to die, rather than merge. Once we knew that they would rather die than merge, we knew we had to do something else. So what we have done is, we have started talking to the county commissioners about where the political useful issues are. For example, we are looking at much more coordination on the two ends of the continuum. So rather than looking at merging institutions, which is a direct attack on property values, what we are looking at is the coordination of early prevention services in, say, K-3, with the social services at that end, and then school-to-work transition at the other -- apprenticeships, job training -- trying to coordinate that with the county a lot more carefully.

I was asking Vince what kind of coordination the educational and municipal services have, and he answered, "Usually not much." So we have been trying to make a lot of

attempts to try to bring municipal/county folks together around issues that would be more politically negotiable than in other areas. That might be some things to think about.

Thank you.

MR. GREENWOOD: Thank you.

You spent too much time with Vince. I thought after hearing you I wouldn't be feeling like we have an insurmountable pass. But you did your job.

What I would like to do now, though, is to give the Consortium an opportunity to ask questions of Professor McClure and, also, Mr. Calabrese. Questions will be directed to them about some of the things -- some of the issues they have raised. At the end, as you can see on your agenda, we are going to give each of you a chance to make a statement, either something you feel based on what you have heard this afternoon, or the position of your association, or something you learned from a previous study.

We did not think we were going to solve the regionalization issue in one meeting. We just wanted to get some ideas out on the table, show you where we have been in New Jersey on regionalization, and pursue some issues that are going to have to be addressed.

Professor McClure, why don't I start by asking you: You were talking about mobilizing as far as local control and things like that are concerned. Can you kind of tie that back from municipality to municipal government, and that to how this applies to school systems?

PROFESSOR McCLURE: Sure. One of the things we have-- We have intermediate units which would be the -- what your special services are, that were regionally formed to coordinate things like special education funding. They would hire teachers that could then be shared by small districts. One of the things that we tried to do was to start coordinating interest in apprenticeship programs, that with the regional

business partnerships. We have found that small businesses and corporations prefer working at an intermediate unit level, rather than at a local school district level, because they find it is too complex.

For example, Mulbay (phonetic spelling) was willing to start an apprenticeship program for chemical technicians. That would not be anything that any one school district could handle. It would make a major contribution to the development of the regional workforce, so they needed to have mechanisms that would help to coordinate that better.

Well, in order to do that, they had to bring two groups together. They had to bring the county commissioners together because of the job training issues, and they had to bring the intermediate unit, or the intermediate unit representing the local school districts, to talk about the people who would be, say, in the 11th and 12th grades, because the chemical technician program would have some combination of both. You would have people who had maybe been dropouts and who were trying to come back in, or people who needed job retraining. They wanted to set up a center for the training of chemical technicians where a corporation would help sponsor that. They needed to have the coordination of both the schools and the municipal government.

Does that answer your question?

MR. GREENWOOD: Yes, thank you.

Where shall we start the questioning? Please state your name and address your question to the front table, because of the recording.

MR. SMELTZER: The silver microphones are the ones being used for the recording.

MR. GREENWOOD: Don't be bashful. Yes?

MS. COSGROVE: I'm Debbie Cosgrove with the Principals Association.

Where we have come from on the issue is that over time everyone is uncomfortable with the idea of forced regionalization, and they say, "We would support something that is voluntary." But practically speaking, what seems to come out among our members and they are comfortable, is the idea of regionalizing services without regionalizing districts. Has anyone done a study on that type of thing? Is that happening in Pennsylvania, such as, you know, transportation, child study teams, those types of things?

PROFESSOR McCLURE: Almost all regionalization efforts that have been done on a voluntary basis have begun with the regionalization of services, usually purchasing. That was usually the one place where people could come together and work on relatively politically less sensitive issues. Anything that did not affect residential property was fair game. So transportation became -- transportation fuel-- We have some fairly sophisticated fuel cooperatives. We have gotten together on utilities. We have gotten together on, again, special hires.

One of the things we are looking at now is the notion of area studies. For example, we have relatively few school districts that could afford, say, Japanese area studies. If I say area studies, does that-- Asian studies-- The University of Pittsburgh has a large Asian studies program and a large Latin American studies program, which are interdisciplinary programs where, at the college level, students come in and learn about the history and the culture of a particular area. There are many people, especially in the wealthier communities, whose parents are traveling a lot internationally, and they are very concerned about the lack of area studies in schools in the United States. What they are saying is, "We don't have students graduating who are very knowledgeable." So the area studies is one place for looking at coming together in curriculum.

Another one is the development of internet satellite systems, communication devices, any of the sort of high-tech stuff. Video monitoring, video studies, for example, would be things that-- There are some rich and some poor districts. Some of the wealthier districts which have the money for the equipment are voluntarily trying to set up programs with poorer districts, and say, "Look, if you have kids who are really psyched about video, maybe we can work out a programmatic deal." You know, we are never going to merge districts, but maybe if we have special interests -- and they are not real big on magnet schools either -- but maybe on a school within a school kind of basis those might be things that they might--

Vince, do you want to--

MR. CALABRESE: New Jersey has played around with all those things, and they have been relatively, I guess, successful if you do not expect too much of them.

For example, getting together on fuel costs, you may save a few dollars, but those few dollars are being projected against the total cost of education. So you know, it is costing us \$10,000 a year to educate students. Go into your fuel cooperative, you might save \$5 or \$10 a student, if you're lucky.

There is also a down side to that, in that some district may end up paying a little bit more for that community effort. I will give you an example: The State had the idea a long time ago to allow districts to ride on State contracts, and an interesting thing occurred. The State found out that it had to pay more money for its own contracts, because the vendor said, "Wait a minute. Now I have a deal to deliver some stuff to Cape May Point at the same price I am delivering it to Trenton, New Jersey, and my factories are in Jersey City?"

Districts found the paper-- As an example, in Hudson County-- The districts in Hudson County could buy paper significantly cheaper than the State costs, because they had to

calculate into their State bid the cost of transporting that paper to any district in the State that wanted it at the State price. I think you will find district by district that in some cases a local district can get a better price because of its location than another district.

So in every case you have to give up something. But all these things are important as you begin to consolidate and to share services. It gives you one little small step toward the bigger picture. But the cost savings themselves, unrelated to the total cost of education, will never be significant enough to answer the question: "Why is it so expensive to educate kids?"

PROFESSOR McCLURE: To support Vince on that, a gentleman named Neil Feobold (phonetic spelling) of the University of Washington, did a study on -- he is now at Indiana -- what happened to all the money that the states put into educational reform in the '80s. He found that-- I mean, when you were talking about saving a few bucks here and there, that's true. The states in the '80s, especially during the economic recovery, from '84 to about '88 or '89, were quite generous. They found that most of it went into health care costs, just like everybody else; paying wages for -- raising the wages of teachers in existing programs; and special education. Those three consumed almost all of the investment in educational reform in the '80s in the places he studied.

MR. CALABRESE: Now, when you look at eliminating health costs, pension costs, teachers' operations, and custodial salaries -- those basic costs that no one really ever attacks -- what you are left with is a relatively insignificant group of expenditures on which you can get together and save a lot of money. It should be done. It is the right step to get districts talking together. But if you expect dramatic results, they are just not there.

PROFESSOR McCLURE: One of the reasons why a lot of attempts at mergers have failed as we try to move from special services to a merger, is that no one wants to put certain-- They take off the table all the expensive things, so the teachers' unions do not want to talk about mergers, because it means somebody might get fired. The custodians do not want to talk about it, because they have their agendas. With the local political officials in Pennsylvania now, in districts where there are relatively few jobs, the only local patronage left are the custodial jobs and food services, so they do not want to deal with it. So the cultural complexities are very important.

One of the nice things about western Pennsylvania -- and I have been told about New Jersey as well -- is that since we tend to be a little on the political side, we at least can come to the table to talk about these issues, sometimes a little more visibly and vocally than others, but at least we can put these-- Sure, they are tough issues, but we put them on the table and we talk about them.

We have the suburban districts taxed the same as the cities: "Well, why should we kick in anything, because your municipal governments are so corrupt, shoot, you have all your relatives-- Now, when you stop hiring all your relatives, or get a handle on that, we will think about kicking in a few bucks." I am very happy when they say these things to each other, because it takes the level of discourse, in a technical sense, to a visible thing. At least we are talking about it.

MR. GEORGE: Jim George, with the New Jersey Education Association.

This is for Dr. McClure. You mentioned unions.

PROFESSOR McCLURE: Yes?

MR. GEORGE: My question is: How did you reconcile differences in collective bargaining contracts, not you

particularly, but those different unions with their boards of education? Did you have problems, or--

PROFESSOR McCLURE: Oh, of course, there are problems. I mean, the single toughest issue in negotiating any merger would be, "What do you do with collective bargaining?" One of the things that has been so difficult in our part of the state is because of the wide differences in salaries. So one of the things we have been talking about is that perhaps we cannot do that directly, because even--

We have some very bright people working very hard at trying to encourage this, but one of the problems has been in the legislature. People have been-- There has not been a lot of coordination of incentives. We passed something called the "Mellow Bill," which encouraged a lot of early retirements, but none of that was tied to any incentives for sharing services. What happened was, all of the expensive old teachers left, at a very large cost to the state, and there was nothing in their educational economic development strategies that encouraged folks to cooperate in hiring new people. So you know, I am left wringing my hands, saying that until folks come together, as you are doing right now, and check in in terms of legislation and other things-- Unless that stuff starts getting coordinated, what is going to happen is that all of these good intentions are going to sink the boat.

That is what we have had. A lot of folks with good intentions do not get things very well coordinated. On the collective bargaining side, we have had both the PFT and the PSEA come together in western Pennsylvania to try to help lower strikes -- lower the number of strikes -- in different ways. Part of that has been a better coordination of negotiations across districts and figuring you are kind of backing into that.

One thing that helped to encourage that was the private sector unions. I got a call years ago from the AFL-CIO, but mostly the steel workers, who were saying, "We

cannot go into any kind of negotiations anymore without the corporate types coming at us saying that western Pennsylvania has a terrible record for attracting business, because it has such lousy labor relations." We sent some grad student out to figure out where all the strikes were coming from, because we haven't had any in 10 years. We found out that it was mostly coming from the public sector and from the teachers' union. There was an effort with Pitt and Carnegie Mellon to bring both the private and public sector unions in -- they do not always get along -- to try to coordinate strategy at an economic development level, which then took a lot of pressure off taxpayers, because many union taxpayers were the ones who were complaining the most about the collective bargaining issues in the public sector.

We have been following some different pathways back to the public, because your biggest problem is going to be public awareness of what the benefits of cooperation might be. We have been finding these channels -- some of them back channels, some of them forward channels -- to try to keep in the public's mind that coming together and working more cooperatively might make better sense. So things that they have been talking about as a possibility-- This has not even been addressed formally at all. It would be, for example, a better coordination of fringe benefits. Maybe we could pool fringe benefits at a regional level. Maybe we could talk about starting to pool-- Some people want to talk about pooling at a state level; some want to talk about pooling at a regional level. But with all the health care reform, we are now thinking that may be one of the opportunities in collective bargaining to help regional cooperatives. Okay?

MR. GEORGE: Thank you.

MR. GREENWOOD: John?

MR. DeCESARE: Yes. Professor McClure--

MR. GREENWOOD: Don't forget to state your name.

MR. DeCESARE: Yes. John DeCesare, representing the New Jersey Association of School Administrators.

Having been born and raised in Pennsylvania and having stayed there until I came to New Jersey about 16 years ago, and being an administrator in Pennsylvania, I thought I recalled-- I am sitting here a little bit confused, because when I was in high school over there, I thought the state pretty much had forced regionalization. As I remember, in 1960 -- in the early 1960s -- people were forced to come together, forced jointures and everything else. I thought it had worked pretty well, from my recollection.

PROFESSOR McCLURE: Well, you're right.

MR. DeCESARE: In addition to that, when I was an administrator there, they had a model system, I thought, for special education in the intermediate units, which was equivalent, generally speaking, to the counties taking care of all special education and vocational education. They were really good setups. I understand that recently all of that has gone by the boards in Pennsylvania. I am wondering why that fell apart. Special education is going back to the individual districts, and the vocational system is breaking up. Maybe I'm wrong.

The other factor is, with the forced regionalization they had back in those days, my understanding was that the State of Pennsylvania was providing about 50 percent of the cost of education in every district.

PROFESSOR McCLURE: That was two questions you gave me, more than two. I had to start writing them down.

MR. DeCESARE: That's it.

PROFESSOR McCLURE: The jointures, yes. Indeed there were forced jointures in the late '60s taking about 1500 districts down to about 500. See, we have about 12 million people, about 500 school districts. If you take out Philadelphia and Pittsburgh, you have an average of a little --

of somewhere around 2000 for a district, which is still pretty small, but much larger than any districts in New Jersey.

The pro side of the jointures was that, indeed, especially in tough times, you have the pooled risk of a more stable tax base. So for those of you who are supporting the notion of regionalization, the biggest single support of the idea is that you have a more stable tax base. What has happened is that the municipal governments which said, "No, we are not forced to merge at all," are the ones that are falling apart, because they are the least stable.

What has happened is that since that, especially because Pennsylvania -- which as you may know is one of the oldest states in the country-- There are so many people who have left, but we have an old state. Not only do we have declining birth rates, but due to out-migration, the system has kind of collapsed in on itself again. In western Pennsylvania, which did have forced mergers, we are now back in another 20-year cycle where we are going to have to deal with that again.

One of the problems that happened was that many of the districts, after making jointures, went out and built new schools as a way of bringing people together. They went out and built the schools out in the middle of someplace that had no access to the community. So now at the very time that we are trying to get kids in an apprenticeship program, and getting back into helping to develop communities and feeling a part of that, they are sort of out on campuses away from the actual sort of life of the community, and that is problematic to many.

In Pennsylvania, we have the same issues that you do. We have lots of very strong support for the quality of small schools and the integration of those small schools into some of this community building thing.

That was one answer. Now, can you remember--

MR. DeCESARE: Well, the special ed and the vocational ed. Why did the intermediate unit and all that stuff fall apart? You seem to be advocating that for a way of getting together.

PROFESSOR McCLURE: Well, what happened with special ed was as much a financial problem in the way the funding formula was set up, Pennsylvania being one of the very first states-- Remember, we were the state that formed the park that became F95142. We had the first funding system for special ed, which was based on excess cost. So anything that was over, the state picked up the entire amount.

Well, you can imagine what happened during the recession, which started in the early '80s. By 1986, we had almost 40 percent of the children in Pennsylvania identified as special ed. So it was the one way-- Folks could not raise taxes in a recession, so overidentification was a wonderful opportunity for people to make up the difference. The state legislature said, "Enough," so they had to change identification. Well, once the excess costs were in, then they said, "Well, shoot, we are not going to send that money to the IUs; we are going to take it home because we need to cover our fixed costs at home." So special education has been almost a function of local districts trying to survive, as opposed to trying to meet quality service at a regional level.

There was also a third thing.

MR. DeCESARE: Why did the vocational thing--

PROFESSOR McCLURE: Similar--

MR. DeCESARE: Similar reasons.

PROFESSOR McCLURE: Yes, similar reasons. In fact, in Johnstown, I was out working with a group of districts out there-- In Johnstown, we had a vo-tech school that was in beautiful shape, one of those campus schools. It had great teachers, a wonderful program. Johnstown is building its own-- They could not afford it. They were building their own

classes, because they could bring the students back. They were losing so many students that they needed the ESBE formula money. They wanted that subsidy. The only way they could get the subsidy was to bring the students home. What was happening with Johnstown, it was causing the collapse of the jointure, because it was financially viable for them to earn money at the expense of the region.

I would suggest to you that one of the most important tasks you have is to -- as you look through your policies -- decide what funding policies you have that encourage districts to protect their self-interest at the expense of the regional economic community. We learned some very hard lessons from that.

MR. CALABRESE: We had an interesting phenomenon one year. The perceptually impaired, apparently, and comp ed are close enough that you can play with the classifications. One year there was an advantage on the excess costs, one over the other. There was a dramatic jump in the number of kids who qualified for one as opposed to the other.

MR. GREENWOOD: Yes?

MR. ELDER: I'm Bob Elder, Pemberton Township Schools. I am representing New Jersey Urban Superintendents.

I would like to build on something John said. I would like, perhaps, for Vince to comment -- as well as you, Professor -- since Vince has the experience here in New Jersey, irrespective of the financial problems. I am interested in the oversight, and regionalization would create a larger oversight board limiting representation within local communities, possibly.

Now, let me describe my district just to give you a sense. I am an urban school district in a rural setting with 13 schools, but we are a receiver district at the high school for two other districts. They have their own boards of education of varying sizes. Also at the high school, we

participate in a regional district called the County Vocational-Technical Schools, and K-12 we also participate in a regional district known as the Burlington County Special Services District. So we are an LEA, we are part of a regional district, and we are a receiver. Each of those has its individual oversight.

In terms of program policies, which is the political issue, since you have very little control, you do have some program control. Additionally, because we are an urban district -- an urban 30, special needs, ostensibly low performing -- we are now required to go into this TQN that you talked about that is called school-based management, which would further decentralize. It seems to me that there are some competing concepts involved in this in terms of oversight and real involvement.

Could you comment on that?

MR. CALABRESE: When you say "oversight," do you mean by the State, or--

MR. ELDER: Oversight by everybody who thinks they are going to have something to do with decision making.

MR. CALABRESE: Well, that would include the entire State then.

MR. ELDER: Yes.

MR. CALABRESE: I'm not sure what your question is, but I see a competition here for involvement. If one of the issues-- The major regionalization studies in New Jersey -- there are three -- all pointed to the issue that individual prerogative and responsibility for decision making was an important reason why people did not want to give up local control -- whatever local control they had. Yet I see these things as very competing in terms of program control.

People feel differently about subjects that depend on their own motivation. For example, say you have two receiving districts. Those districts do not want to join with you, I'm

sure, as a regional district and share in your tax load, because they are getting a better break by paying just the tuition. They do not have to pay whatever debt service costs you have -- all kinds of things out of the formula. They also want some representation on your board as to policy.

MR. ELDER: Absolutely.

MR. CALABRESE: When it comes to regional districts, the fight, when it gets to that point on policy, the districts argue about who should make the decisions -- those who send the kids to the school at a much lower cost, or those that send fewer kids and are paying a lot more money for it. Everyone wants oversight. Usually it revolves again around a fiscal issue, as opposed to an educational issue.

I don't know. My experience is that everybody wants to talk about education until it costs money. Then they want to talk about something else. Everybody wants to be involved at all levels, but not everyone wants to share in the costs that involvement infers. For example, you are involved with the special services district. You are likely to be much more involved in decision making concerning the kids who are going there. But in order to do that, you should be willing to bear that share the county is paying, based on your own district's wealth. You may or may not want to do that, I'm not sure.

Again, the decision as to how much you want to pay for that involvement evolves more around how much you are currently paying, as opposed to the county assessment.

MR. ELDER: On those we actually do pay, because we transfer the State aid to them.

MR. CALABRESE: Yes, but you are also-- The county is also contributing money to that particular school.

MR. ELDER: And we give the excess costs.

MR. CALABRESE: Yes, but you are also paying taxes at the county level.

MR. ELDER: That's correct.

MR. CALABRESE: If you were to take care of those kids at your own level, or have that whole school broken up and gone back to local districts, you would have full control policy-wise, but you would also bear the full fiscal costs. You might not be able to afford that, or you might not want to.

Your question is a little vague.

MR. ELDER: My question was meaningly vague. I just see a series of competing interests and a series of competing problems. We talk about regionalizing on one level, and then we talk about decentralizing on another level. We have now created, by State requirement-- By regulation we have now created school-based management teams. So we have all of these different levels' involvement in policy development, and now we are talking about regionalizing, which would make a larger thing.

Are we getting closer to the decisions, or are we getting further from the decisions?

MR. CALABRESE: We are getting further away, but you want to be closer.

MR. ELDER: I see that as competing interests.

MR. CALABRESE: Even the decisions that are made, for example, to get this group of students and educate them at this particular policy concept, are usually based fiscally also, because they are a problem, both in terms of the money it takes to educate them and the resources that are necessary for them.

It is easier to move them to this other area that is more concentrated. It gets the kids from other districts and you can concentrate on one particular area. I am not so sure it is best for the kids involved -- whether they are better off in one huge complex, or being mainstreamed, or what have you, at the local level.

MR. GREENWOOD: Yes?

MR. HENDERSON: Dennis, do we talk into this one if we do not want to be recorded? (laughter)

MR. SWISSLER: We'll tell you later, John.

ASSEMBLYMAN WOLFE: You'll find out.

MR. HENDERSON: Vince, I always thought-- Having worked for the Department of Ed, I always thought your candor and honesty were at an extraordinarily high level for a State employee. Now that you are free of that, you are even more extraordinarily candid. Now you are really set free and are even more of a State treasure.

This thing of voluntary regionalization -- let me recast it for you -- is an oxymoron.

MR. CALABRESE: I am never quite sure what an oxymoron is.

MR. HENDERSON: Self-canceling. There is no such thing as voluntary regionalization.

MR. CALABRESE: Yes.

MR. HENDERSON: The words do not belong together.

MR. CALABRESE: We have had a couple of cases of voluntary regionalization. The districts were close enough fiscally, culturally, and in every other aspect to bring them together. I think the Chathams are an example of that.

MR. HENDERSON: But I think it is interesting. As soon as you said that, I said, "I'll look at my policies." I have my policies here. I have two pages of policy for regionalization, which is basically, "Give us money, and don't force our hand." I have four pages of policy on deregionalization.

MR. CALABRESE: The only thing that is going to be successful politically will be deregionalization, because you-- There is a compelling argument when someone says, "I am paying \$25,000 a year to send my kid to that school. I could send him to the best private school in the country for what that costs. Why do I have to pay that?" Politically, that is a very difficult-- There is no argument fiscally for that, except to say, "Wait a minute. You're part of a bigger

regional. You are contributing toward the benefit of the region and everything else." Sometimes that works, but most of the time they say, "Whoa, wait a minute. I'm still paying \$25,000."

MR. HENDERSON: So, Maureen, what John asked riveted me, and I need a fuller answer.

Pennsylvania, at one time, 20 years ago, 30 years ago, had 1500 school districts, and now has 500. So there was forced regionalization, basically overnight.

PROFESSOR McCLURE: Yes.

MR. HENDERSON: I don't remember blood in the streets. How did that happen? What was the mechanism, and why wasn't there screaming and revolution, as we are led to believe would happen in New Jersey?

PROFESSOR McCLURE: Well, the national press makes it to New Jersey, but rarely to Pennsylvania. So when New Jersey acts, the entire nation sees it. In Pennsylvania, we can do almost anything we please without very much hope of having the folks come over potholed roads to find out what we have been doing.

Indeed, there was a lot of blood in the streets. We still have-- When we try to talk about it again, almost all school boards complain regularly about it. One of the things we know is that being human beings, complaining does occupy about 60 percent of anybody's conversation. So we simply assumed that that was going to be a topic for 20 years. The question was: Were people willing to act on it?

What happened, though, in the '60s was that there was enough money that the state could throw in to build all those campus schools. But now there is no money. I mean, you know, I just can't imagine-- I keep telling Dennis, you know, "I think we've got it bad, but sort of given what New Jersey is facing these days--" You don't have that pot to be able to reduce the possibility for bloodletting. So the idea of a

forced regionalization in terms of what we did could be very expensive without the resources to help overcome that.

One of the things is, we find ourselves after 20 years back in the same oxymoron. If we don't have enough money to pay it off, then what do we have to do? Well, we have been thinking in terms of having to rethink the whole notion of regionalization. One of the things we have been working on -- and it is sort of why I am a regionalist -- is that I believe it is time to start pulling apart the concept of 13th century Italian bookkeeping, which says that local control -- which, as Vince said, doesn't really exist much anymore -- joins revenues and expenditures in clear ways, and it doesn't. So instead of trying to talk about the things that cause civil wars -- residential property values, who your neighbors are, and who your kids are in school with -- don't you think it might be a little smarter to talk about things like what regional assets do we have that are fairly pooled at a regional level -- commercial/industrial property, agriculture, personal income, those sorts of things? How is it that we can indeed live with the oxymoron?

I am also the only post modernist, which allows me-- Regionalists and post modernists are a natural fit. A post modernist is someone who believes that oxymorons are what we live with; that everything we live with tends to be a contradiction, because there are not self-evident solutions in worlds of different cultural interpretations. So if you have people with very different backgrounds and very different perspectives, we can no longer assume that there can be a self-evident consensus. When we had a world of domestic policy, we could work very hard to try to come to that domestic consensus. In a world of global trade, we have to assume that the people we will be trading with may not share the same interpretations we do. Therefore, living with the oxymoron is what we're-- That is what post modernism is all about.

We are not afraid of it. We just say that indeed-- Oxymoron, yes, indeed. Thorough and efficient is an oxymoron, because there is not enough money to do both. So how can you live with that? Well, you have to come up with balances that then are dynamic, and they change. So you do not have a fixed answer that works forever.

MR. CALABRESE: You know, we can't even solve small problems by rationality in New Jersey. For example, how do we justify a desk that has no chairs; or a city that has an airport, has all kinds of industrial development, and never pays a cent towards schools; or a golf course that has the same thing? There are little pockets in the State that are really kind of laying out there with no reason for existence in terms of public policy, or anything else, but they are there politically. They were generated years ago by Legislatures that fought over it and finally decided, "Yes, they should be little districts all by themselves."

I think in one case one of those districts had one child who went to school, and they paid tuition, and they had \$2 million behind every child in the district when they had four.

MR. GREENWOOD: I am going to take two more questions. Then I am going to give everyone an opportunity to make some comments. Then I am going to ask-- I am asking now so that Professor McClure and Vince have enough time to think about their responses, "Where do we go from here?"

Reverend Soaries?

REVEREND SOARIES: My name is Buster Soaries. I am from the First Baptist Church. I guess for now I would like to say I am from Central New Jersey, because of my question.

I was thrilled to hear your comments, Dr. McClure, relative to regional economic communities. Central New Jersey is where you live if you don't live in North Jersey or South Jersey. So it is a region by default. You know, there is no

other way to define it. We have been talking with the private sector recently about what I now know is a regional economic community.

Did you mean to suggest in your description that perhaps an inducement for regionalization will come from the exterior to really local control, meaning that the private sector, in its restructuring and redefinition of its economic interests by region, could be the catalyst to bring regionalization together in nonprivate sector institutions?

PROFESSOR McCLURE: Well, one of your homework assignments is a couple of readings of something that -- readings of an incredible coup that was pulled off quite recently, alas, more because we were afraid that the Pirates might lose and leave town -- not lose games, but actually leave town. But there was something that was called "a regional assets management district" that was created and went through the legislature, you know, sort of in an overwhelming vote, in the middle of the night. It was wonderful. It was Pennsylvania politics at its very best. We woke up and we had one ad in the paper that was taken out by the Allegheny Conference, which didn't even sign its name, talking about what a great thing this was going to be. What we have done is to -- at least at a countywide level at this point -- pool "regional assets."

What were those regional assets? They were defined as museums, we have an aviary, the zoo -- it just so happened to be that we also own part of the Pirates -- a number of things. This regional assets management district was created, and then there was a dedicated tax, a 1 percent increase in the sales tax, which was dedicated to support that. That was an initiative that came primarily out of the business community. It was welcomed by the public sector.

So there are opportunities for looking at those kinds of possibilities. One of the things we are looking at is,

could we extend that -- extend regional assets management to education, where we would be pooling our tax bases, but we would have to throw in both the assets and the liabilities. For example, for those districts that have large amounts of tax-exempt property, because the property they have is "regionally necessary"-- Why should a single district bear the burden of that?

In addition, we have a shopping mall problem -- I think that is what you were referring to, Vince -- where we have a single district that has a shopping mall which could not be sustained only by local citizen participation. What they are able to do is to keep their own property taxes down and the teachers' salaries up, so everybody within the district is very happy. But everybody outside the district is very unhappy. So the idea of -- we call it "externalities"-- If these lighthouse districts are creating externalities that are impeding the quality of the regional community, then those are things that we should be looking at legally. We are thinking about asking the courts to think about that as well.

MR. GREENWOOD: Yes?

MR. WOODFORD: Bob Woodford, New Jersey Business and Industry Association.

I am interested in knowing -- and maybe this is part of our homework today; if so, just tell me to go home and read it -- whether there really are some good in-depth studies in New Jersey, or elsewhere, that study the relative costs in districts before and after regionalization. Compare like kinds of districts, regional and nonregional, to compare costs.

MR. CALABRESE: I do not know of any. I remember years ago that as a rule of thumb we used to say that it costs more to regionalize than if they stayed separately, and it costs more to deregionalize than if they had stayed regionalized; for some reason a cost increase on either end. But we never had anything to back that up except observances.

I don't know of any studies that compared the relative advantage or disadvantage of education fiscally of regionalization or deregionalization.

PROFESSOR McCLURE: I think you have asked one of the most important questions. I think that of the research we have done, the conclusion is that bureaucracies expand, and that it doesn't matter whether you are regionalizing or deregionalizing, as long as you have bureaucracies that are spending money and are not necessarily having their contributions really -- are not thinking about their contributions to "the regional quality issue." We've got real problems.

One of the things that I would hope you would look at -- and it would be very nice if you would look at this; I am recommending this all over the country -- is that you-- We are caught right now. On one hand, in order to have political and economic stability, we really need to pool our tax base resources to reduce risk. But on the other hand, we want to have small schools and local participation. Right now, I can guarantee you that there is no one in the country who can answer that question, because we have an accounting system which is compliance-spaced. If you are familiar with a financial accounting system versus a managerial accounting system-- We have financial accounting systems that tell the State that we did not put the money in the wrong account when we spent it. We can tell you that we spent the money to meet the special education mandates and not the so and so -- the other mandates.

There isn't a school district or a state in the country that can tell you what that program in such and such a district cost; what the reading program cost. We cannot tell you what the cumulative costs are for a child in school for 12 years, whether by group or by individual. The notion of real

costing, whether it is programmatic, the notion of being able to have cumulative costs and what the implications of those costs are over time on kids-- We do not know. The reason why it is so important is that because we don't know, we are making a lot of assumptions that may not be true.

Another one of my graduate students -- a woman named Liz Gillette -- went out and interviewed students from two high schools, a very rich one and a very poor one, which were close to each other. She talked to students who did not go into college. These were kids who had worked in fast food restaurants before, and they were working in fast food restaurants after.

She found almost no difference in the quality of their lives; almost no difference. They thought alike. They had the same conceptual framework. They had the same job skills. And yet, can you imagine the difference in money that was spent per pupil? I mean, one was making, say, \$4000 a year -- was spending \$4000 a year; the other was spending close to \$10,000. What you have here are tremendous differential investments, but with particular groups of students no clear impact on the quality of their lives.

What we need to do is to have a couple of things: We need to have alumni tracking, or we need to have what we call the "alumni development system." What happens to graduates of public schools? The quality of a regional community is not measured by test scores. It is measured by the contributions that these children can make to their existing generation into the next one.

We found wealthy school districts that could not tell you what happened to their graduates. They did no tracking. There are no formal systems. So the very things that we want to ask, we do not have any information systems for. I would suggest to you that part of the problem is that people react out of fear in terms of regionalization questions. They do not

know much about each other. One of my standard things is that they know more about Oprah Winfrey. They can tell you more about the star culture/sports figures, in both the suburbs and in the cities. They can't tell you anything about each other. Part of that is because they can't cost anything. They can't find measures of "accountability" in the classic sense of contribution to quality. So, go for it.

MR. GREENWOOD: I know it is going to be difficult for a group like this, but let's go around. Each of you give some comments. Don't edit your comments in your mind. Just come out with them, but keep them short so that everyone has an opportunity. Then we will come back to Professor McClure and Mr. Calabrese. I know it is redundant in some respects, because they have mentioned some things that we should be doing -- that we should be looking at. But if you could summarize your comments as to what we should be doing next in our task here--

We will start on this end, and then just go around. You have to start, John, with your name.

MR. HENDERSON: John Henderson.

MR. GREENWOOD: Because we are going to transcribe everything.

MR. HENDERSON: Sure. From the New Jersey School Boards Association.

Our policy-- I will read it briefly. It is longer than I will read it, but I will get the gist of it out.

We support legislation prohibiting the Commissioner and the State Board from ordering forced mergers, 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; meaning that we do not have a position on what is going on in Englewood, because there are

racial issues there. If the regionalization is to take place for that reason, we can support that, because that issue overrides our interests and really deals with national interests.

Other than that, we do not want to be pushed. And beyond that, our thinking is rather very much in line with Vince Calabrese's, that voluntary regionalization is extremely difficult, if not impossible, and that probably we need to be looking at nibbling at the edges of the issue.

It has been proposed to us, for example, that a bill that we very much want, which would allow voting membership on a receiving board-- Right now, for example, in Somerville, which I think has most of its student body made up by Branchburg as a sending relationship-- Nobody in Branchburg has a vote on the Somerville Board. They can't even go to the executive meetings, and yet the majority of the students there -- or 40 percent of the students there -- are out-of-district. We want them to have membership on the local Board there. It has been proposed to us that, "Well, what if Somerville-- That's okay, but what if Somerville wants to regionalize? Then you can have all the members you want." In fact, Branchburg won't be allowed to have membership unless it agrees to regionalize.

That sort of quid pro quo -- the carrot and the stick -- is intriguing, and yet it occurs to us that it is less than what the Commission would like. The Commission might be looking initially to come up with some grand solution. I think we heard big buckets of cold water thrown on that, but maybe the issue can be nibbled at the edges. I think Debra Cosgrove was maybe suggesting that with regionalizing services.

Thank you.

MS. PREWETT: My name is Ann Prewett. I am here representing the League of Women Voters.

The League's position is that the decision on school district regionalization and the sharing services should lie with the citizens in the affected districts, unless constitutional rights are abridged.

Now, having said that, we also realize that we would like to move toward regionalization, and help the State to find a way that it can move toward that, always being cognizant of the citizens who lie within those regions.

MR. WEISS: Seymour Weiss, a former official of the State Department of Education, and a member at large.

I think this group, in terms of addressing the issue of regionalization, has to really wrestle with two fundamental issues. One is the question of how education is financed in New Jersey, and the other one is why we want to have regionalization. Is it essentially a financial issue, or are we talking about an educational -- totally an educational issue? Hopefully, both.

In many respects I share Vince's pessimism, having worked with both Vince and Bob Swissler on this very issue in the Department of Education, and always coming up against the same hard question of how you can induce regionalization and try to provide incentives for regionalization in a situation and circumstance where wealthier school districts, which may have a smaller number of students, pay a larger share, or at least proportionately a larger share of the costs of that regional district. Essentially, no one has addressed this point, and I am not exactly sure whether or how much there is an influence here. But in many respects we have an inherent contradiction involving two clashing constitutional principles. One is a State principle; the other one a Federal principle.

Our State Constitution really dictates the fact that educational costs have to be allocated, essentially, upon ability to pay. On the other hand, representation on boards of

education -- on regional boards of education -- is based upon the Federal constitutional principle of one person/one vote. What you have in many situations and circumstances, in districts which already exist, and districts which might seek to regionalize-- What you have is a circumstance where you could have a wealthy district which pays either a majority of the costs or a disproportionate amount of the costs, and yet be a smaller district in terms of population, having a lesser influence than the board of education.

I have seen this particular problem from both ends. Before I worked in the Department of Education, I was a superintendent of a K-8 school district which was part of a regional. Then, of course, I worked in the State Department of Education, where we were looking at letters primarily from a State perspective.

I think if we are to proceed here, we have to proceed with a series of priorities. I know the Department's position has been -- Bob Swissler and I, I think, sometimes disagreed on it -- that we should be only providing incentives for all-purpose regionals or K-12 regionals. I think we have to look at the financial circumstances; look at the way finances are provided in the State of New Jersey which would provide a greater incentive if we change the method of financing -- a greater incentive for K-12 regionalization. But I also think we ought to look toward a situation and circumstance where we would also be encouraging regionalization at the high school level, with perhaps some legislation which would require a greater degree of cooperation on those districts which constitute the elementary districts making up the regional.

In the regional district where I was the superintendent, we had a common curriculum. We had an educational program which was established -- an educational region which was established so that we had many of the benefits that would accrue to a K-12 regional, but operated and

dealt with the issue of local control. We maintained a certain degree of local control at the elementary level, yet also provided the benefits at the high school level.

MR. GREENWOOD: Sam?

DR. THOMPSON: Sam Thompson, Governor's Task Force on Education.

I am here really more to listen than to state opinions, but of course, one thing we all recognize is that the voters have been turning off the monetary spigot. If they haven't turned it off, they have certainly slowed it down to a trickle.

Consequently, anything that can be done to make use of the available resources more effective, more efficient, and produce a better quality education, is something that must be pursued as far as possible. And of course, there is considerable potential, through regionalization, to effect some of these changes. Exactly what approach is best to take, whether it can't be done on a voluntary basis, through inducements, or whether it should be mandated-- I think you are going to decide some recommendations in that regard, but I think in the end your efforts are certainly going to prove rewarding.

MR. GREENWOOD: I am not going to let you off the hook, though, because on her platform Governor Whitman was in support of regionalization. What is her definition of regionalization?

DR. THOMPSON: I am not in a position to define that for her.

MR. GREENWOOD: Okay. Joan?

MS. PONESSA: I'm Joan Ponessa. I am from the Public Affairs Research Institute.

The Public Affairs Research Institute has had a longtime interest in the regionalization process. We issued a report in 1991 on administrative salary levels in New Jersey,

with the goal of promoting some dialogue on this issue. We felt that since the cost per pupil in New Jersey was one of the highest in the nation -- and since has been designated the highest in the nation -- and since the pupil/teacher ratios are also higher than -- let me make sure I got that the right way -- lower than the rest of the nation, that this was an area that, at the very least, we should take a look at from the perspective of taxpayers.

We also thought it was about time that the Mancuso Report be revisited. With that in mind, we issued our study at that point. I would also like to point out that when we were doing this study, we looked at research around the country on sizes of districts and schools, etc. What we found was that when-- First of all, there isn't much research in that area. Other areas of the country have really addressed the issues of regionalization a long time ago. New Jersey is really one of the last to do that.

The other point is, when we looked at the size of the districts that were being studied, they were not really comparable to New Jersey at all. For instance, if you found a study where they compared the benefits of small districts versus large districts, the idea of a small district was definitely more like New Jersey's medium- to large-size districts. We have to understand that New Jersey has districts that are 50 or 60 children in some cases, so when you look at national studies of small school districts, we are not even in the picture. I think we should keep in mind how really small some of the districts are in New Jersey, and look at it from that perspective.

MR. GREENWOOD: Bob?

MR. WOODFORD: Yes, Bob Woodford again, Business and Industry Association.

Our organization has not had a fixed and firm position, other than to wish for efficiency in the system. I

would just think that we need some good data on the qualitative impact on education of regionalization, if that can be obtained, and the relative cost impact-- I think Joan made a very good point. The rest of the country, which generally spends a lot less per pupil than we do, moved to regionalization long before New Jersey.

There is an aspect of facility use. I'm in a district, East Amwell Township, Hunterdon County, which is a K-8 district, which is a sending district to a regional high school, and a sending district to a vocational -- a county vocational district. We are sitting next to the South Hunterdon Regional High School, which is begging for students, and trying to get people on tuition -- it has space available, although they are not a large facility -- while Hunterdon Central is going to the voters this month with a \$17 million construction proposal bond issue. So there are obviously districts that have had a shrinking population, and others that are now busting at the seams.

I would hope that we can get some good data to support what is my basic hunch that there are efficiencies if your district is not overly large; that there probably should be in State aid formulas a differentiation that pays more to a K-12 district as a carrot, because by regionalization is meant proliferation of districts, at least in the experience that I related to you.

Finally, there is a qualitative issue involved in local involvement. It seems to me that the major studies of restructuring of schools that speak of regional functions that serve schools being centerwise, school-based management with a strong parental and local involvement, can be a solution to the qualitative problem of how you maintain something close to the people with a true involvement of parents and local community. Don't lose that.

I have a friend on a Fairfax, Virginia Board of Education where the entire populace county is one district. Whether anyone gets to know all the schools in the district by name even on that Board is a question. They have bills each month, a stack as big as New Jersey's education regulations. You don't want to go, I don't think, too big.

MR. GREENWOOD: Reverend Soaries?

REVEREND SOARIES: My name is Buster Soaries. I am from the First Baptist Church in Somerset. I represent the General Baptist Convention of New Jersey.

I am not sure why I'm here -- or, I am not sure why I was invited -- but when I was invited my response was that my interest stemmed from both commitment and involvement in urban schools, whose issue today is not one of regionalization, so much as it is survival and equity -- more survival until equity comes.

Also, it is my gut feeling that if voluntary regionalization is an oxymoron, having served on a school board, I think local control is becoming -- has become an oxymoron. I think the Burlington County description suggests that school districts do not have as much control as they think they do. Perhaps the reason the football issue is crucial, is because the only thing we now control is our football teams, realistically.

So in many ways I think one of the challenges is to bring the general public up-to-date on where we are, because we are-- You know, it is paradoxical. In one sense, we are unwilling to regionalize, when in a real sense we are already regional. Crime is regional; drugs are regional; violence is regional. The challenges are more regional than the policies have kept up with. So we have an anachronistic policy/system, and we have a resistance against a regional plan which is almost in effect already.

I was telling Sam, perhaps this should have been a commission of football coaches, because we have, in some ways, a better definition through the sports side of the operation, than we do through the educational side.

My question was the same as Mr. Weiss'. Is this business efficiency proposition for educational improvement, or is it to appease taxpayers? There is an implicit assumption here that if schools are more efficient, then education will be better. I am not sure, having just cursory observations that coincide with Dr. McClure's, that efficiency, and even cost savings, or increases have a direct bearing on the quality of educational outcomes.

I am in the shadow of Rutgers University. One of my frustrations that I hope we can talk about some during our process, is that I don't think we are as well-served as we could be by higher education in New Jersey, specifically Rutgers and Princeton, as it relates to these very serious issues that affect education. When I look at Boston University and the Boston public schools, and when I hear Dr. McClure, you know, my mind keeps looking for names of people in New Jersey higher ed who are serving the interests of the State, as well as others are in other parts of the country.

In Pittsburgh, you know, you have the Indiana University Complex. I just wonder where our higher ed minds are as it relates to some of these difficult issues and analyses and forecasting. Frankly, I do not have a lot of time to do homework, and I am hoping we can get some of our minds from these places, which we also pay taxes to support, to do some of our homework with us and for us.

You know, we have kind of danced around some issues. The Englewood situation was discussed as it relates to race. We have some very serious issues that relate to race even more than they do to control and fear and ignorance. I think ultimately we are going to have to not just sell the public,

but sell ourselves both a product and a description that gets beyond the question of insulation and isolation and some sense of genuine community. I am not convinced yet that we have the moral leadership in the private or public sector that is willing to take on the challenge of creating a sense of community.

Governor Whitman, in my view, has gotten off to a very courageous start in many areas, but there are some definitions lacking, as you suggest, relative to some of these wonderful words. That definition, perhaps, will have to come from this Commission.

I am committed to the process, but I am hoping the process does not simply produce another document that Vince can put in his closet to add to the other six he has.

MR. CALABRESE: It might just as well.

MR. GREENWOOD: Well, you have posed a number of questions which we are not going to answer today.

REVEREND SOARIES: Right.

MR. GREENWOOD: But one question you did answer -- why you are on the Commission. I think your comrades have indicated why you are on the Commission. That is why you were identified as an at-large member.

Laurie?

MS. FITCHETT: As a member of the Commission, I am here to listen and learn, so I do not want to make any comments, other than-- I think that with a group of caring, dedicated people like we have sitting around here, we may possibly come up with a proposal that will help to move some of our districts to looking at each other and trying to work together and regionalize. I really have hopes that maybe we can come up with something that will do it.

I thank you all for being here.

MR. GREENWOOD: Dennis is going to make some comments at the end. Bob?

MR. SWISSLER: Thank you.

I want to extend my sympathies to the people to my left, if you are experiencing what I am. Everybody said, "Each time I write a note, I am going to make that point." Sy Weiss made that point. I was going to say something else about isolation and insulation, and Buster Soaries made that point. So you are in real trouble down there. (laughter) I am going to try to dig up something that hasn't been said yet.

It is impressive how skilled and quickly we get to identifying the obstacles and problems associated with the regionalization of school districts, and how easy it is to say why we can't do things, or why societies do not move to do certain things; also, how difficult it is to suggest what it is they ought to do and how to encourage them.

The issue of regionalization really puzzles me. As I listened to your collective comments, and to our two presenters today it, in a sense, seemed to be getting muddier, rather than clearer. What is it we are talking about? In fact, what are the benefits we want to achieve with regionalization?

I think the word has become like the word "Kleenex." It has kind of become a brand name for something good, and I think we stopped there and are kind of satisfied that that has enough meaning, in and of itself. It seems clear that it doesn't, so I am raising a point, not a very creative one, but simply to say it is probably an area -- a group of mixed interests and of mixed backgrounds that this group represents. We could spend some time. Why in the world do we even want to talk about this as a good that should be accomplished?

I think it has something to do with size, effectiveness, and efficiency, at least it does to me. It seems to take us into that area. That would seem to suggest there is something like an ideal size delivery system. Someone mentioned Ruth Mancuso -- not Ruth herself, but the Mancuso Report, and kind of pulling that back out and dusting it off.

I did. I looked at it, but not whether it was right or wrong. I tried to look at it and identify ideal operating sizes from an efficiency point of view and from an instructional effectiveness point of view.

It seems that if we are talking about size, what is the right size, and is there a right size? I know my image of regionalization has been to always take little pieces and put them together into an effective larger piece. Would it not also be true that you take some extremely large cumbersome pieces and separate them into those little right-size pieces? I mean, it is a sword that would cut both ways. To suggest that East Amwell and whatever those other communities are -- West Amwell, Lambertville, and so on -- should all get together, inherently seems to make sense to me. To suggest that some very large school districts in New Jersey are too large would seem to make sense, following that same principle that there is a right size, that there is an ideal delivery size.

I also think it is going to be very difficult for education, as the education communities around the State, to regionalize in a vacuum. The principles we are going to espouse as the benefits of regionalization would seemingly apply to many, many governmental operations -- municipal, library, fire districts, police, and so on. I think it would be both politically and practically difficult for the education face of the communities to regionalize and the municipal faces and fire faces and police faces not to be considering it. So the audience might need to be a little broader, if, indeed, it is good.

I am much like Laurie. I am a Commission member. I guess I have been talking and listening about regionalization for many, many years. I am essentially here to listen. Again, I am very glad to have you here, too.

Thank you.

MR. GREENWOOD: Bill Schmidt is Secretary to the Commission. Bill, do you have any comments?

MR. SCHMIDT: Absolutely.

MR. GREENWOOD: Okay. Debra?

MS. COSGROVE: I am Debra Cosgrove, with the New Jersey Principals and Supervisors. I am tempted to just say "ditto."

Our Association has had a long-standing opposition to forced regionalization. That was based on most of the reasons that have already been brought out, not only the questions of local identity and local decision making, but also the questions of educational quality. We do not necessarily believe that bigger is better. We think that is a local decision that should be made.

We are interested in looking into the questions like incentives, as well as regionalized services and cost efficiencies, not only in the financial end of things, but also the educational service end of things.

In terms of our membership's self-interest, obviously we believe that every school should have a principal and should have a strong administrative staff, and regionalization directly affects that. One thing our members have been experiencing is that in smaller districts there has been consolidation of schools where you will have one principal and two buildings. We think educational quality definitely suffers under those circumstances.

So that is why we are here. We are also open to listening so we can get some ideas.

MR. GREENWOOD: Thank you. John?

MR. TERGIS: My name is John Tergis. As one of the other speakers said, I am not sure why I'm here. I guess it is because of my interest in the subject.

I formerly lived in Monmouth County, and I was on the Board of Education of the Freehold Regional High School system

for nine years. It is, I guess, the biggest regional system in the State, with five high schools. Three of the high schools were built and one was enlarged during my term of office.

I now live in Burlington County. I am quite interested in the Northern Burlington County Regional School. That is a school that goes from seventh grade through high school. Each of the four constituent districts -- K-6 -- has its own school. There is a tremendous problem concerning the finances of the district right now. As you probably know, Maguire Air Force Base is in this region, and you read in the papers that Maguire Air Force Base is going to be enlarged. They have taken a unit from upstate New York and transferred it down to Burlington County. It has caused a tremendous problem in the finances of the region, because State legislation does not take into account how the military is to be -- how the allocation is going to be decided when you have a military installation.

The Board of Education decided that the best way to solve this problem was to provide allocation on the basis of student enrollment. There was a referendum on this fact. Three of the townships agreed, and one disagreed. To have allocation on the basis of student enrollment would create such an inequity on one of the townships that it could never pass, yet they are going ahead with it. Through all of this, there is a study going on about regionalization of these schools. I do not know how that is going to turn out, but I am very much interested in that. As a matter of fact, two other people and myself are going to have a computer printout of the financial impact on each of the constituent districts under six different allocation plans. We are trying to get the Board of Education educated on this. They have been sort of intimidated by politicians, to be very frank with you. Politicians have taken this up, and they are kind of screwing up the whole thing. So

we are trying to straighten it out. It is going to be a long controversy.

All of this, this impact about regionalization that is going on-- I don't know how it is going to wind up, but we are trying to contend with it.

MR. DeCESARE: John DeCesare, representing the New Jersey Association of School Administrators, which is essentially your superintendents' group in the State, although we have a good number of assistant superintendents, principals, and business administrators in our group. As a matter of fact, the superintendents are now the plurality in the group, rather than the majority.

I am also here because I am a superintendent of a district -- Cedar Grove, in North Jersey. I think our district has taken one of the most recent looks at regionalization with our neighbor, Verona. We did a full one-year study of this a couple of years ago. So at the same time I was chairing the Regionalization Committee for the NJASA, which was looking at it, I was going through it in my own district. So I got to see the fact of the matter as it applied to the situation. We did not merge, or regionalize, by the way, for two essential reasons.

We went into this as altruistically as possible. We didn't even get to the point where we got into the politics and the personalizations. We found after the end of our study that we were not going to achieve the improvements in education by regionalizing that we thought we would, primarily. And secondarily, that the economies of scale would not prevail due to State laws and other impediments that would not allow economies of scale to come into play.

I think it will be interesting, maybe, if I can pass some of that information along to you as we go along, on a personal level.

As far as the organization goes, the Association endorses voluntary regionalization, although it doesn't really believe it can happen under present law, under present legislative conditions and economic situations. So the organization is endorsing voluntary regionalization, thinking that it can have the ultimate good of improved educational product and improved economies. But for that to happen, there have to be a lot of other things take place first on a legislative level, even before you get down to all the nitty-gritties of the personalization.

That is essentially where the organization stands. I have had the experience of it firsthand in recent times. And I guess thirdly, I have a very just personal career interest in it, because this is something that I-- I have been in education for 33, going on 34 years now, and I just have seen it in two states. I have been an administrator for the past 25 years of those 33 years. Something has to change. As I am reaching the twilight of my career, and as today is one of my middle-age birthdays, I would like to see, before my time is over, that we have some progressive change in education.

MR. GREENWOOD: Just to point something out, the Legislature -- the legislators -- are the ones who give us the issues and the topics to address, so there is interest by legislators.

Yes, Bob?

MR. ELDER: I'm Bob Elder. I am Superintendent of Schools in Pemberton Township, one of the urban 30 special needs districts. I am representing the Urban Superintendents. We are a subgroup of the NJASA, and our position is essentially, I believe, aligned with theirs. However, our position is probably aligned, in most part, with most of the comments made around the table. So let me go and talk about some of the things as I see them, and also individually.

John, I'm Pemberton Township, and we are going to fight you for some of those kids, because we cover about 100 square miles, 25 of which are Fort Dix. There is an issue with the base realignment and closure talking about realignment of Fort Dix and Maguire Air Force Base. In New Jersey, the assignment of children to public schools is a legislative issue assigned to the Department of Education. A number of years ago, in one of our court fights, it was determined that children who lived on Fort Dix would go to school in Pemberton Township, regardless of where Fort Dix is. Fort Dix is partially in New Hanover and North Hanover Townships and Mansfield.

Now they are going to change the name of part of Fort Dix. The district that voted down the per-pupil assessment stands to pick up 750 students, for which they will receive Federal impact aid, which will not be delivered to the regional high school district. With that, we invested \$20 million in an addition to our high school, in the hope that those children would come to us. So now, in a Pinelands community that has a decreasing Federal involvement and no tax base -- our two largest industries are Deborah Heart and Lung, a world-class hospital -- oh, it's tax exempt. Yes, I'm sorry -- and Fort Dix, a world-class ultimate weapon, which is also tax exempt-- We have no way to pay for it. We were recently reclassified from a District B to a District C. So regionalization is a real tough issue for us. That is one issue.

The urban districts all believe that the children who live there are, in some respects, accidents of geography. We don't have airports; we don't have golf courses; we don't have shopping malls. We do have the empty stores. So there is a tax ratable that we do not share. That is a problem for us.

If you look at voluntary regionalization -- and I will talk about that in a minute -- very few districts will come over and say, "Pemberton Township, we would like to voluntarily

regionalize with you," in spite of our new programs; in spite of the increases we made in HSPT and EWT; in spite of the 30 percent increase we made in terms of achievement of kids making over the line this year. No one we know is going to come and say, "We would like to regionalize with you." So I do not think voluntary regionalization is going to involve us immediately.

One of our schools is in Pemberton Borough, which is a sending district to us at the high school. It sits directly, building for building, next to their public school. They have a principal. He is a personal, good friend, and we cooperate very well. As a superintendent, or an administrative principal, he is saddled with the job of superintendent, as well as being principal. I would hope that all principals are given the opportunity to be a principal, which means principal, teacher, and educational leader. If he is saddled with additional administrative responsibilities -- and he has many of the same that I do, even though I have thousands and thousands more students than he does -- I hope he gets time to be a principal. I really do.

I live in Medford Township. Medford Township is a K-8 district with a limited purpose regional at the high school. My dissertation was on "The Administrative Possibilities for Medford Township and Medford Lakes." Medford Lakes is a borough of one square mile in the middle of Medford Township. All of our buses pass through there to bus the kids on to the high school or to any of our schools. They have 575 kids. They at one time had 1100 kids. Donald Gross, the Superintendent there, is also a good personal friend, and he has to be superintendent and principal. How efficient and effective is his instructional leadership when he has to be superintendent?

I recently addressed their Board of Education on the issue of regionalization. I concluded in my dissertation that

regionalization would never work because of the representation issue, and that was really the only thing. Medford Lakes is about the size of one subdivision -- I don't know what you would call it -- or like a development in Medford Township, but yet they would only have two votes on a nine-person Board of Education, and they would not have access to run for anything else. These are major issues, so I think it is a complex issue.

From Pemberton Township's point of view, we would be happy to discuss regionalization with anyone who would like to regionalize with us. I probably will not be busy on that count for awhile, even though our programs are getting increasingly better. In Medford Township, I think, "Gee, I would love to have the resource of that empty building in Medford Lakes" -- and they have one -- "in order to do something for my own children." So I'm torn.

MR. GEORGE: It probably will come as no surprise to you that the Constitution of the New Jersey Education Association -- and I am here representing them -- is that the NJEA exists to improve the working conditions of members. But the Constitution of the NJEA also states that we exist to ensure equal educational opportunity for all New Jersey children. It is important that you understand that.

We, too, endorse the regionalization position, but we would like to see it as a voluntary program. We would insist that all employee rights, including seniority and tenure-- Those things must be fully protected. The issue of which contract prevails-- In a regional school district, we would suggest that those issues be resolved through collective bargaining, and that all of the bargaining agents be involved in resolving those issues.

I am reminded of a situation we had with regionalization in Bordentown. Bordentown Regional existed. We consolidated Bordentown Township and Bordentown City into one district, so we were merging three contracts, three

different Boards meeting, and the county superintendent. We would suggest that if we move toward regionalization, that that system be used. We would also suggest that all employees -- all bargaining agents -- be included in the reorganization process.

That's it. Thank you.

MR. YANIRO: I am Vince Yaniro, representing the New Jersey Association of School Business Officials. According to Bob, I am supposed to say something totally new and fresh, so I will try.

Our Association has had a committee in place for the last two years whose primary task was to look at regionalization. We distributed a survey to our members asking about their interest in and feelings on regionalization. We determined that there is definite interest out there, but there were a number -- or there are a number of disincentives in place that serve to impede regionalization. Certainly the major disincentive at the time was the means of apportionment of that regional budget; namely, at the time, the regional budget had to be apportioned on the basis of property valuations, or more specifically, equalized valuations. That, of course, caused a major disincentive to communities getting together to regionalize.

Of course, at the present time, with the change in the law, the apportionment can now be based on either equalized valuations, enrollment, or some combination thereof. That, of course, has caused a greater interest in regionalization, and has served to cause it to be more attractive to a variety of communities coming together. It does not always remove that disincentive, particularly in the case where a district might have its enrollment and equalized valuations very close -- the percentages very close to each other. So there is no real way of changing that apportionment so that a district, in that case, could see their taxes increase under regionalization,

even though a study might indicate that there would be a savings of dollars there. But certainly it goes a long way toward removing that disincentive.

Other disincentives are the more typical ones in terms of the potential loss of schools, local control, and sometimes a distrust on whether or not money can really be saved, due to the uncertainty of the State aid levels, additional transportation costs, and election costs. The coordination of salary guides certainly is an issue, and whether or not staff members can actually be reduced.

So basically the position of our committee is not -- of our Association is not very unique, in that we encourage that regionalization be studied if there is interest within a number of districts, but that it not be mandated.

I can add, from personal experience in Chatham-- I was the Business Administrator there when the Chathams merged, which turned out to be the only voluntary K-12 regionalization in the State's history. Based on that experience, and having done a number of financial feasibility studies, you know, I have determined that whether or not money can be saved is definitely on a case-by-case basis. Certainly in many cases money can be saved; in other cases there will be an additional cost.

But I don't think that regionalization will ever really be sold on the financial level. I think the only way it can be sold is on the educational level. Certainly I believe there are educational benefits in most regionalizations. Certainly there were in Chatham, where we had a situation of both high schools shrinking dramatically to the point where there were under 400 pupils and were destined to go down to around 300 each. That caused a lot of problems. Certainly by merging the districts we believe we are producing a more efficient and a more effective education for those pupils.

MR. GREENWOOD: Thank you.

Now the question I posed, I guess about half an hour or 45 minutes ago. Professor McClure and Mr. Calabrese, after listening to everything, you know where we are from both a historical and a local perspective. What do you suggest to this Consortium as to where we go from here? Or should we just say, like other studies in other forums, "It is too difficult to tackle. Let's forget about it. It was a nice day," and just leave it all.

MR. CALABRESE: Listening to everyone, their objections and so forth, I think the people who said, "I don't know why I'm here," are probably the ones who are the most important to be here. I think all of the other organizations have a fixed position; that is, voluntary regionalization is okay. Anything that smacks of coercion is not.

Unfortunately, unless the State steps in to solve this problem, it will never be solved locally on a voluntary basis. It just won't. The Supreme Court was adamant in its decision Robinson v. Cahill that education is a State, and not a local responsibility. The State can delegate it locally, but it cannot avoid the responsibility to solve local educational problems, which are really State problems.

So if there is anything you can do to get across in your report that the State has a major problem that defies solution under existing perceptions, it would be wise to do it.

What are those major problems? At least one is the decline in enrollment in several districts in the State, to a point where they are no longer able to afford to give -- not even afford, no longer able to even provide an education that other districts provide, simply because they do not have enough kids to do it. I think (indiscernible) Regional, the last time I saw it, had 200-and-some kids. I don't know what they have today. I don't know how you can provide a comprehensive high

school education for 200-and-some children, and I am not even an educator.

Other districts are getting to that point. The Chathams had gradually moved to a point where they recognized that they had to do something. Fortunately for them, their wealth levels were not that far apart, were not that disparate, that a regionalization effort would seriously disrupt their patterns.

The new law concerning assessing taxes on either basis or a combination, simply will not work. I have done two studies on that already. What it does is, the poorer districts pay more, and the richer districts pay less. At some point, someone is going to challenge that. See, that is not what the Supreme Court said in any of its cases. It said that tax effort has to be relatively equal under State guidelines.

In nibbling at the edges, you are really saying, "It is not a State responsibility; it is a local responsibility. Local district, solve the problem. If you don't, we are going to continually criticize you for higher costs, and we are going to tell you that you can save money if only you would regionalize." I hear that all the time politically, that if districts would only regionalize, they would save "X" number of dollars. It comes up every four years. People make all kinds of statements every four years, and then it is promptly forgotten.

What should you do? I think you should identify those trends in the State that are leaning toward a problem that the State is going to have to eventually step in and resolve. So the sooner they do it, the better.

I remember in Abbott v. Burke, when we were looking at the studies there, that one came across that said, "Large is not better. Achievement was not identified with larger districts, but with smaller districts; and interest in the

system begins to wane as the system gets more remote and more distant."

It also begins to wane when you move from elementary to high school. For some reason, parents-- For a lot of reasons, parents are not as involved in their child's high school education as they tend to be involved in the elementary school education, probably because the children get to a point where they want to assert their own independence, and nobody wants to talk to them. But in any event, the interest is greater at the lower levels and less at the higher levels. In some districts, there is no interest. Parental interest isn't actually in the school system. You can see that in the way votes are cast in the local districts; 10 percent, 5 percent of the people come out to vote. The majority in the systems do not care about the schools. They care about the taxes and they raise all kinds of fuss about the taxes, but they don't really care about what is happening to the schools themselves. If they did, they would be out there voting. They would be out there on committees. They would be trying to improve the system.

We have a tuition policy in the State that, in effect, exempts certain costs from being included in the tuition you charge the district that sends to you. Well, maybe that should be looked at. What would be the impact of seeing that every cost that is involved in the local system will be paid by the district sending? In return for that you are going to have a seat on the board, but you are going to pay the full cost of your education in that system. You are going to have a seat on the board, and we will somehow define how assets would be divided in the event of dissolution in the future. But at the present time, there should be a good look at what would happen if sending districts, which had already agreed to a merger of some sort, agreed that they would send their kids to "X" school district, were willing to do it, there was enough common

interest at the high school level, or the middle level -- they are the same tuition, mostly high school -- that they were willing to have their kids go there.

If that is true, then there must be, I think, a series of things that you identify with that makes you agreeable to sending your kids there, besides the fact that if you want to get out, the Commissioner has to have a study and say it's okay. But in any event, at some point there was enough interest for them to get together. No one ever forced a district to send to District A or District B. The State will say that you can't leave District A or District B.

I think it is important that any report you issue identify the positive aspects of regionalization: What is good about it; why it would be better to be part of a larger system; what are the educational benefits; what are the financial benefits.

I guess I have said most of the other things in my first comments. I identified the problems and also what an effective regionalization law would have to contain. Unfortunately, most of the things I said that the effective law would have to contain to get it past the electorate and the people in the State -- most of them are probably unconstitutional.

MR. GREENWOOD: Professor McClure?

PROFESSOR MCCLURE: That is a great note to end your comments on.

One of the things I think you need, from my perspective, is that you cannot get up and go away, even though it is hard. I don't think you have any choice. At this point, I think you are really at a historical moment. The choice is that people -- reasonable people -- come together and try to address these issues in reasonable ways that will cause some pain, hopefully to everybody -- but that some kind of center can be built, because if you don't do it, then the historical

forces that are moving quite counter to all of this reasonableness will push us increasingly toward extremes and to polarization, and will limit our opportunity to be able to grasp the moment. The consequences for that are catastrophic.

It is just that simple. You either do it, or you are all going to die. Do you know what I mean, economically, politically. You know, I think you must realize how important the moment is. The reason is that if we do not, in the United States, start developing regional economic communities at the same time our global competitors are, we are just simply not going to be able to sustain the quality of life we want. It is just that clear.

We have a wonderful opportunity now to address this necessary oxymoron, the regional economic community, and its predecessor, local control. The reason we have to do this is because it is an oxymoron. There is no "solution," because we have this terrible contradiction. The terrible contradiction is that individual self-interest does not sum to public survival. So what we have here -- competitive isolation -- does not lead to a sustained quality of life. The need for education is no longer self-evident. It is not rational for me, as a parent, to take money away from my child's education to subsidize future competitors. In a scarce economy, I look at other children as future competitors. If I am going to be efficient, efficiency will lead me to try to deny as much to my competition and put as much of the margin to myself as possible. This may be great in the marketplace; it is a disaster in a democracy.

What we have to be able to do is look at this problem, this contradiction, because not only do we have to overcome that, we must overcome it in order to sustain a quality regional workforce. If we do not have a quality regional workforce, we will not be able to be all that competitive. The traditional question around regionalization in the past, with

an assumption of status quo-- All of the self-interested parties were asked, "What incentives are needed in order to get you to change?" Those days are gone. There is no more money for those kinds of incentives.

The new question that this Commission has to address is, is the status quo sustainable? That is a profoundly different question. Is the status quo sustainable? What are the consequences for the regional workforce quality? What are the consequences for political stability? These are the questions that address the regional economic community. Instead of self-interest, we now have to talk about self-restraint, or else, as Vince says, we have to talk about coercion. So we have three choices: Self-interest, self-restraint, or coercion.

In western Pennsylvania, what we have gotten folks to do is say, "At least if we are dealing at the county level, even though we have tremendous wealth disparities, cultural disparities, nobody likes each other, but at least it is a devil you know." We are looking at being able to talk about how it is we can negotiate a quality regional workforce, and we are looking at the county level and asking the State to support -- or an intermediate unit and asking the State to help support that.

If we look at the issue of sustainability, then we have to ask the question, "Do school districts' boundaries justify contributions to regional communities?" School districts can no longer-- Each and every one cannot simply assume-- Because they have historical tradition behind them does not give them automatic legitimacy. Are they contributing to the thorough and efficient education of the State? And if they are, then, they may be small, they may be wonderful, live with it. If, however, they are impeding that thorough and efficiency, then you have real problems.

Something you need to do-- You do not have very good information. Most states don't. You need to map your regional assets. You better know what things are necessary for your regional community. Where are your sewage plants? You know, where are your prisons? Where are your shopping malls? How are those contributing to the region, and are there districts that have significant tax advantages, or tax disadvantages that accrue to those districts? What are you going to do about it?

You need better information systems. We need to know what our programs cost. It is not just in terms of direct and indirect costs, but we also need to look at things like political costs, cultural costs. We have to look at more qualitative measures that can capture some of the complexity that my training in corporate strategy wasn't very good at. We are now looking at different kinds of quality measures. One of the things that we are doing is looking at things like, what are the issues of regional quality? How did people define that? What are they willing to come together around? Are your tax systems fair?

The great enemy here is not each other. The great enemy here is cynicism, because cynicism is what causes polarization. Cynicism means that people don't believe that tax assessment systems are fair. They don't believe that the politicians are anything other than corrupt. It is the idea of trying to be able to help the public understand that cynicism is inappropriate. The one thing that we found internationally was that when cynicism sets into a culture, it is very hard to get economic development sustained, because nobody has any faith in the systems. We simply cannot afford that here.

I noticed there was a lot of discussion about the right size. Right size is wrong thinking. There is no ideal size; there is no generic solution to your problem. Each region is unique; each region is special. It has its own historical moment. It has to have its own sustainable answers.

Things you may think about, though, would be pooling -- just stirring things up-- Why not pool all taxes except residential property, because all taxes other than your residential property are related to regional interdependence. Why not regional bargaining -- collective bargaining at a regional level, but site-based management of contracts -- hiring and firing? It's something to think about.

There are new ways of thinking about regionalization that are really quite exciting, really very exciting. I really want to congratulate you for taking the time to really -- and making the commitment -- to try to sustain what a year ago-- Just about a year ago, I was invited to speak at the American Educational Finance Association. Being the maverick in the group, I got up and said, "Well, as your regionalist, I think about the world in a different way. You have been thinging about state and Federal policy, and I have been thinking about whether or not regional economic communities are going to be stable and survive." I said, "I have just about lost hope."

My prediction is that-- I see the end of public schools, because what will happen as people become more and more afraid, they become more and more isolated; they seek more and more private solutions; and they withdraw from public life. This will first lead to the destruction of the public school system, and later to a civil war. I see it as my job to try to keep together the public school system we have, but most of all to try to avoid a civil war.

It was very interesting. Many of the Americans in the group thought I was nuts, and they got up and walked out. All of the international students who were there -- all the international visitors -- stood up and applauded, and said, "That is how we see you. We see America as a country which if we leave it alone, will destroy itself." We don't have to worry about our regional economic competition, because it is --

because the cultural problems are so endemic, we don't have to worry about it.

Don't believe me. I mean, I see-- Go ahead, don't believe me. I think you have some really tough issues, and I am pleased to know that you are working on them.

Thank you.

MR. GREENWOOD: I would like to thank Dr. McClure and Mr. Calabrese. Because of the lateness of the hour, we want to get on to agenda setting as far as a time for our next meeting.

Also, I think I should point out that even though Dennis has sent you a lot of reading material, we know what your schedules are like. So we are not going to send you so much that this is going to be a major, major item on your daily agenda. We do have some resources available to us, but we really have to talk about -- at the next meeting -- what our next step is going to be and what additional resources we need.

Dennis is going to make some comments concerning some of the data, some of the studies that people asked about, because there are some studies, you know, available that we could make available to you. Also, Dennis is very good at agenda setting, so as far as our next meeting is concerned, I would like to turn the meeting over to Dennis right now.

MR. SMELTZER: Just very briefly, I would like to mention that at some future meeting we will be hearing from Henry Ramondo, of the Engleton Institute, who has been studying administrative staffing expenditures. Some of the things he has found have some implications for regionalization, especially in smaller K-8 districts. Ernest Reock, from the Center for Government Research at Rutgers University, has recently completed an examination of-- I believe he did about seven or eight K-12 regional districts, examining their expenditures prior to regionalization -- each of the constituent districts -- the year they regionalized, four years later, and then 10 years later, with the exception of one

district, the Chathams, because they haven't had a 10 years later yet. He looked at just general expenditures and how that changed. He will be available to address us on that.

On the issue of excess facility capacity as it is scattered around the State, the State Planning Commission in the development of the State Plan, mapped out a lot of that information and has a feel for the excess capacity issue. We may be able to get them to address us at a future date as well.

Also, I would like to mention -- and I think that since this is our first meeting we should mention it -- beginning next year we will have a new regional district, the Great Meadows District, where the constituents have given up their liberty and independence, or more precisely, liberty and independence have decided to become the Great Meadows School District. The year '94-'95 will be the beginning of their transition period. All three districts will continue next year, and then the following year they all become Great Meadows.

On to agenda setting: I don't know what feeling people have for what would be an appropriate frequency to meet. We are moving into -- for a lot of school districts -- the budget period, as is the State, so I don't know if the next month or so is going to be a difficult time to arrange a meeting; if we should be looking toward the end of April or the beginning of May. Does that sound reasonable?

MR. DeCESARE: The beginning of May.

MR. SMELTZER: The beginning of May. How are Fridays? Are Fridays a good day? (several members respond in the affirmative at the same time) Okay. That's settled, Fridays, the beginning of May.

MR. WEISS: Could I suggest something? Could Ernie Reock address the issue of taxation in terms of the possibility of discussing the issue of a statewide tax, or someone who could do that, since property issues and assessed valuations are an important issue here?

MR. GREENWOOD: I think that's the way to do it.

MR. SMELTZER: Yes. Another thing, too, is the mention of the at-large memberships. The Commission decided on at-large memberships because we didn't want to make the Consortium too large. We wanted to have all of the organizations represented that had an interest in regionalization, but we also recognized that there were some interests that were not represented by the organizations. So we came up with the at-large memberships.

Now, if you feel along the way -- as we get more deeply involved in this -- that we need other representation sitting around this table involved in this, please bring that out. We can always bring it back to the full Commission, and the full Commission is, of course, the members of the public who are here -- Laurie, Bob, and myself-- We can bring it back to the legislators and propose that we have additional at-large memberships. But that was the reason for the at-large memberships, that we would have a broad spectrum represented, not just organizations.

MR. GEORGE: Dennis, are we looking at May 6, a Friday?

MR. SMELTZER: I think May 6 or May 20. I don't know if anybody has to travel out-of-state on May 6 to go home for Mother's Day, which is that following weekend. But May 6 or May 20. Friday the 13th, I'm sorry, regionalization is a difficult enough issue without facing Friday the 13th.

MR. GEORGE: I don't know about the other members, but the 13th is out for me.

MR. GREENWOOD: What about the 6th?

MR. WEISS: May 6, and what was the other one?

MR. SMELTZER: May 20.

MR. DeCESARE: The 6th.

MR. SMELTZER: The 6th is out for you, though? The 6th is better for you.

MR. DeCESARE: Better.

MR. GREENWOOD: The 6th sounds good?

MR. DeCESARE: The 6th is better, yes.

MR. SMELTZER: The 6th sounds as if it is a better date for most people. Okay? Or do you want to do the 13th?

MR. GEORGE: The 13th? No.

MR. GREENWOOD: To the organizations: If you cannot make the 6th, maybe you could have an alternate to make sure that your interest is represented. Okay?

MR. DeCESARE: Same time, same place?

MR. SMELTZER: Actually, one of the members who was not here -- Stephen Heller -- has offered the use of Bell Atlantic's new facility in Plainsboro.

MR. TERGIS: What day of the week is that?

MR. SMELTZER: It's a Friday.

MR. GREENWOOD: Friday.

MR. SMELTZER: It seems that Fridays are generally better for people.

MR. GREENWOOD: If it is a change of location, we will give you-- You know, that will be sent out in writing.

MR. GEORGE: In the morning?

MR. SMELTZER: Would you generally prefer to meet earlier than noon?

MR. YANIRO: I would think so.

MR. DeCESARE: How about, like 10:00?

MR. GREENWOOD: And of course, the meetings will be shorter. This was an introduction meeting. So I guess we could be finished by noon.

MR. DeCESARE: Get the agenda out for 10:00.

MR. GREENWOOD: We'll make it 10:00 to noon, then, on the 6th. We'll put it in writing.

I would like to thank all of you very much for giving your time and your interest to a most difficult topic.

Hopefully, we will be more successful than past commissions that have tried to address this issue.

Thank you very much.

(MEETING CONCLUDED)

Hopefully, we will be able to provide you with more information than past communications. That has been our goal for this year. Thank you very much.

(THE COX 1990)

