
Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON GOVERNMENT CONSOLIDATION AND SHARED SERVICES

Assembly Bill No. 54
Senate Bill Nos. 577, 2266, and 2267

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: October 18, 2006
10:00 a.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Bob Smith, Co-Chair
Assemblyman John S. Wisniewski, Co-Chair
Senator Ellen Karcher
Senator Joseph M. Kyrillos Jr.
Assemblyman Robert M. Gordon
Assemblyman Joseph R. Malone III



ALSO PRESENT:

Brian J. McCord
Joseph J. Blaney
*Office of Legislative Services
Committee Aides*

Patrick Gillespie
*Senate Majority
Hannah Shostack
Assembly Majority
Committee Aides*

Rosemary Pramuk
Nicole DeCostello
*Senate Republican
Marianne L. Ingrao
Assembly Republican
Committee Aides*

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ASSEMBLYMAN JOHN S. WISNIEWSKI (Co-Chair):

Good morning. Welcome to the eighth edition of the Joint Committee on Government Consolidation and Shared Services. Today, we have a list of six witnesses who will be testifying. I think that they can be grouped into two panels.

Before I do that, I would just like to ask anybody who has their cell phone if they could either switch it off or put it on vibrate.

We are being recorded. A transcript is being prepared, so be careful what you say in the first row, because it is liable to be picked up and recorded for posterity. (laughter)

With that, I would like to call up Barbara Keshishian of the New Jersey Education Association; John Donahue of the New Jersey Association of School Business Officials; and John Lichtenberg of the Principal and Supervisors Association.

And whoever would like to begin may begin, and identify yourself for the record.

JOHN F. DONAHUE: I will begin if you like.

ASSEMBLYMAN WISNIEWSKI: All right. Is your red light on? (referring to microphone)

MR. DONAHUE: Yes.

ASSEMBLYMAN WISNIEWSKI: Okay. Thank you.

MR. DONAHUE: Thank you, Assemblyman Wisniewski.

My name is John Donahue, and I'm with the Association of School Business Officials. I'm the Assistant Director.

I was a business administrator in the City of New Brunswick for over 30 years, and I came to the Association just a few years ago. And I am

a director of professional development programs for business office personnel in the State.

I have a short, brief statement, and I think it would be best-- I think you are more interested in having your questions answered than, maybe, my views on these issues. So I will make a brief statement, and be ready to respond to your specific questions.

Inasmuch as we have had little time to study and evaluate S 2266 and S-2267 -- and A-54 and S-577 -- in our opinion overshadow these bills, I thought I would take a moment to address the theme of the proposals before this Committee and use my time to answer your specific questions.

The theme I refer to is property tax relief, and to be more specific, to reduce the cost of public service by consolidating the administration of these services to some level that does not require 600 separate units of governance.

If, for a moment, we view public education as a large school bus, school administration is the wheels on that bus. The real cost, in our opinion, is the bus itself. It is the tens of thousands of teachers, teacher aides, custodians, security aides, and all the other personnel that support public education. The real cost is in salaries, and the other related and uncontrollable benefits related to those salaries.

We have been told that the effort to consolidate for reasons of economy is a myth. We have heard that much of the savings in an effort to consolidate are eroded when staffs in the consolidated districts gravitate to higher salary guides. Although claims have been made that significant

savings can be realized by combining small districts, it has been reported that maximum efficiency is reached with student populations of 3,000.

But if we return to the theme I mentioned earlier, true property tax relief must include municipal services as well. New Jersey has as many municipal governments as it does school districts. To propose any level of governmental consolidation without considering municipalities is only looking at half of the picture. But first and foremost, we believe that the decision should be left up to the voters.

We have had little time to evaluate and little evidence to support a proposal that a county system of governance is effective or efficient. We believe that contiguous municipalities should study the benefits of consolidating their municipal and educational services into one governmental entity. That study should be presented at various public forums throughout the affected municipalities, and that should be followed by a referendum. Do you either support or not support the consolidation? And finally, if the voters decide to advance to consolidation, the State should stand ready to assist these municipalities during this transition period.

In closing, I wish to recognize the efforts of Educational Service Commissions, joint transportation agencies, Joint Insurance Funds, and many boards of education that have worked hard to consolidate the procurement of common services, such as transportation, risk management, special ed, accounting and payroll services, and the general procurement of goods and services. By aggregating their collective buying power, cost efficiencies and tax savings have been recognized statewide.

We stand ready to be supportive and to assist this Committee in any way we can if it is in the best interest of the children and taxpayers of this State.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you very much for your testimony. I'm sure members of the Committee have questions.

I just wanted to start off with one question. Part of what you just said was that there is a belief that the optimum size for a school district is 2,000 or 3,000 pupils. Is that correct?

MR. DONAHUE: Yes, I did.

ASSEMBLYMAN WISNIEWSKI: Okay. Does that mean that each of those 2,000 to 3,000 students needs to have a superintendent?

MR. DONAHUE: No, not necessarily so. But we go back to our position that if that consolidation -- and if they are contiguous school districts, we think that decision should be left up to the voters of the affected municipalities.

ASSEMBLYMAN WISNIEWSKI: And I think there is a lot of support on this Committee for involving the voters in the decisions that need to be made about consolidation and shared services, but I think one of the issues that the Committee has often talked about -- going back to our very first meeting -- is about the administrative side of education versus the delivery of the educational services.

No doubt we all want qualified teachers in the classroom. We want a class size that is conducive to those children learning well. But when we look at examples of adjoining states -- and I know there is some dispute

as to the accuracy of the numbers, but clearly Maryland has lower administrative costs than the State of New Jersey, by any standard.

And my view -- and you can tell me why it is wrong -- is that they seem to have a more efficient administrative structure. And if nothing else, creating a more efficient administrative structure is one way of saving property tax dollars without fundamentally changing anything else.

Do you agree or disagree with that?

MR. DONAHUE: Well I disagree, based upon the testimony that I heard, if we are referring -- I believe her name was Mary Clapsaddle from Maryland. She had originally testified that their cost per pupil for administration was far less than what was recorded by the National Center for Educational Statistics.

I believe she -- at this Committee meeting -- indicated that costs per pupil were in the \$400 range, when, in fact, when you look at NCES statistics, they were more in excess of \$900.

I do agree, Assemblyman, that the cost was less than New Jersey, but if New Jersey -- I don't have the exact numbers with me-- If New Jersey was \$910, they were \$905, for example. It wasn't as dramatic as originally presented to this Committee.

ASSEMBLYMAN WISNIEWSKI: I don't want to put words in your mouth. Is it your opinion then that we should only approach or we should only try to achieve savings where the savings are significant? If there are just minimum savings we should leave it alone?

MR. DONAHUE: I think it should be the responsibility of the Legislature to put in place a framework by which school districts can evaluate what these efficiencies are, study those efficiencies, present them to

the affected municipalities, and after that discussion, require -- require in those municipalities a referendum to either support or not to support that level of consolidation.

But I have to say it is not enough. It is our simple opinion that to look simply at education-- There are just as many New Jersey school districts as there are municipalities. I don't think this decision should be left up to us. It is going to sound self-serving for us to say otherwise.

We don't think it should be left up to local politicians or local councils. We think the commission (*sic*) -- the framework should be established by this body or the Legislature in general, and let the communities decide if it is in their best interests for reasons of, one, efficiency and good education. And if they decide, we support that. We support that.

ASSEMBLYMAN WISNIEWSKI: You're absolutely right, and certainly there are as many -- almost as many-- There are still more school districts than there are municipalities, but--

MR. DONAHUE: Yes, you are right.

ASSEMBLYMAN WISNIEWSKI: --this panel is not exclusively looking at education. We've looked at municipalities. We've talked about counties. We are going to talk about State government. We are looking at it in all respects.

Senator Smith.

SENATOR SMITH: Yes. I have a couple of questions for John, and just some opening information.

First of all, Mr. Chairman, you are right that we are not just looking at school districts. We are looking at municipalities. We are

looking at fire districts, and we are looking at the way in which we do insurance. I mean, we have a whole host of topic areas where we hope to provide some property tax relief for the citizens of New Jersey.

But I don't think you want to put your own remarks in the context, well, it is the salaries of the teachers and staff -- that you are never going to get any savings if you just look at administration. I don't think that is very productive for the discussion. I think what we really -- especially since you are representing the administration of school districts, we should focus on that.

One of the comments you made was that there really aren't significant savings -- when we had this back and forth with Maryland, we resulted in numbers that were pretty much the same. That actually is not correct. The School Boards were kind enough to point out the error in the first presentation from Maryland. And there was an error, because they were comparing apples and oranges. They were comparing their central administrative costs with New Jersey's total administrative costs. And there was a disconnect.

We took the School Boards' response and sent it to Maryland, and we said, "please respond." And they did respond in writing, and they said, "Oops, we thought that we were both talking about the same thing -- central administrative -- we made a mistake in that, but now let's compare central administrative."

The letter back to us said that in Maryland the cost of central administrative services is .5 of 1 percent. In New Jersey, the costs of central administrative services is 2.5 percent of the cost of educating a child. In effect, Maryland does central administrative services -- where they have

county districts -- for one-fifth of the cost of New Jersey; on central administration, not principals, business administrators, superintendents, the support staff for both of those -- central functions.

In response to that letter that we received from Maryland saying that they are one-fifth of the cost, we asked the State Auditor to do an audit on central administrative costs in New Jersey. We now have that audit today, and that audit says that in New Jersey we spend \$553 million on central administrative costs for more than 600 districts. And by the way, that \$553 million is very, very conservative.

What the auditor did was to take just three sections of the school districts' CAFR codes: Section 230, which is support services for general administration -- that is support personnel for the board, superintendent, secretary, treasurer of school funds, clerical support for the boards' secretary; Section 251, which is central services -- business officials, budget directors, personnel, human resource professionals, purchasing, planning personnel for curriculum or capital; and then Section 252, which is administrative information technology -- systems, support personnel, programmers, technical personnel related to IT. Now these are the actual New Jersey numbers.

So our State Auditor has said, on just those limited central services, we New Jersey taxpayers pay \$553 million. When I look at the Maryland numbers -- where they have county-based school districts -- they do it for one-fifth the cost -- central administration -- than we do. And that means to me that we have a potential savings of more than \$400 million.

So my question to you is, isn't that a significant savings if we could do it?

MR. DONAHUE: Sure. You have me at a disadvantage if you have information like that.

SENATOR SMITH: We do.

MR. DONAHUE: I mean, I referred to -- and weigh heavily on NCES, which is the National Center for Educational Statistics. I wasn't aware that there was a request to study just those two functions, meaning central office and business.

SENATOR SMITH: Three.

MR. DONAHUE: Yes, we have three functions. We would have to add function 240 to that list to bring schools in. So yes, you have me at a disadvantage.

SENATOR SMITH: All right.

MR. DONAHUE: What I admit-- Is \$400 million significant? Sure, on the face of it, it certainly is. I just don't know what the offsetting cost is going to be. We're not going to--

SENATOR SMITH: Well, no, the offsetting cost is in that. If you take one-fifth of \$553 million, then you are going to spend more than \$100 million for the new centralized, county-based administrative services, and you would save \$400 million.

Now listen, maybe we can't achieve those savings. Maybe we can only achieve 50 percent. So now it is a \$200 million savings. But in Maryland, when they have central administrative school districts, it is one-fifth the cost of the cost in New Jersey. And by the way, that was conservative.

It doesn't take into account what you would save -- because now you are -- when you purchase things, you are purchasing in larger

quantities, so there are greater discounts. When you do benefits contracts, whether it is health insurance or other kinds of insurance, you are going to get the advantage of larger pools of insured so there is potential savings there. I mean, this is a scratch-the-surface kind of a savings.

What would be preferable is to not point the finger at the teachers or not point the finger at the municipalities, but to say, with regard to school business administration, if we had county-based delivery of administrative services--

Do you think if we had those kind of savings, it would be worth the State pursuing?

MR. DONAHUE: No question, there are significant savings there.

But I still am not sure, Senator Smith, that we are comparing apples and apples.

SENATOR SMITH: Okay. Thank you.

MR. DONAHUE: I personally know that in the State of New Jersey we are burdened day after day and year after year with a level of administrative requirements, and requirements of the Department of Education, the Federal government, that I'm not so sure is reflected in the educational costs -- administrative costs -- in the State of Maryland, because I'm not familiar with their system.

SENATOR SMITH: The same Federal law applies to Maryland as it does in New Jersey.

MR. DONAHUE: But not New Jersey State regulations, sir.

SENATOR SMITH: That's true. On the other hand, maybe if we had central administrative service and not had 618 different school

districts trying to respond to it, maybe it could be done in a more efficient way.

All we are trying to do is to see whether that has potential savings, and maybe a better educational delivery service to the students. There may be a better system, and we are trying to examine that.

MR. DONAHUE: We are open to that, and if a study -- if a study can identify educational and financial efficiencies, we support that. We have every reason to believe that there are efficiencies that can be made out there. We just simply rely on the right of the voters, the taxpayers, the citizens, the parents of constituent municipalities to make that decision.

SENATOR SMITH: Thank you.

MR. DONAHUE: Thank you.

ASSEMBLYMAN WISNIEWSKI: Are there any other questions?

Assemblyman Malone.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

And John--

MR. DONAHUE: Hi.

ASSEMBLYMAN MALONE: --who I have known all of my educational career. He was the business administrator when I taught in New Brunswick.

Can you see any common sense in consolidation in any form basically being mandated? If you were king -- and I've asked this question before and in the same way-- If it were your decision, can you see any consolidation that you would think would be appropriate?

MR. DONAHUE: Given some time, probably. I just would require a little bit more time to consider an answer to that question. I know I'm avoiding the question, aren't I?

ASSEMBLYMAN MALONE: I know from knowing you that you have given that a lot of thought before you came here. (laughter)

MR. DONAHUE: No, quite frankly, I had not. I think what many of the proposals that we have on the table today do not recognize is that there are efforts made by educational services commissions in this State to consolidate services, to consolidate procurement, to take advantage of leverage by way of volume-- Joint transportation--

The Morris County joint transportation agency serves 28 school districts in 5 counties up in North Jersey. They provide transportation -- I think it's 240 buses they run a day up there. We have joint insurance pools and funds where school districts join those insurance funds and collectively aggregate their needs for fire, property, liability, air and emissions insurance.

ASSEMBLYMAN MALONE: Have you ever had, as a topic during one of your business official meetings, the topic of consolidation of school districts within counties or in regions? Have you ever had that as a serious--

MR. DONAHUE: No. I think what is common-- Our association breaks down on the county basis, but I do think what is common is that there are conversations at the county level whenever there is an opportunity to aggregate the need for common goods and services. And that is why we enter into agreements with other boards of education

and ESCs and the like -- to take advantage of that volume and capitalize on that leverage.

So to say that we have gone there and said, "Let's talk about consolidation," no.

It's a relatively new topic for us, you have to admit, Assemblyman.

ASSEMBLYMAN MALONE: It has been around for a long time.

MR. DONAHUE: It's been around for a long time, but it's the real topic of the day now. So I can't say that, as such, has been--

ASSEMBLYMAN MALONE: Well, let me ask you a question. Would you be adverse to members of this Committee coming to your county meetings and having -- getting first-hand, from your business officials--

MR. DONAHUE: I would be more than welcome -- welcome you guys--

ASSEMBLYMAN MALONE: Okay.

MR. DONAHUE: --or ladies and gentlemen to attend one of those meetings; and if you tell me to today, I would be happy to contact all of you and provide that invitation. I thank you for suggesting that.

ASSEMBLYMAN MALONE: Because I think we should be really getting engaged at the county roundtables--

MR. DONAHUE: I love the idea.

ASSEMBLYMAN MALONE: --and at these county meetings, because--

MR. DONAHUE: Joe, I love the idea.

ASSEMBLYMAN MALONE: Because to listen to -- whether it is real or perceived or just parochial nonsense that we're listening to--

MR. DONAHUE: Believe me-- Let me say this, Joe -- Assemblyman Malone, things have changed. I have witnessed dramatic change in the opinions and the minds of school business officials throughout this state. We would -- I would not be here today taking the position I am if it wasn't for the efforts of this Committee and the Legislature.

We have, I think, come a long way in recognizing that there are efficiencies that we have to stand ready to evaluate and stand ready to support if it is in the best interest of children, if it's in the best interest of taxpayers.

ASSEMBLYMAN MALONE: Let me ask you a couple of other questions. I think I understand -- being a member of the faculty when this occurred -- the-- Two issues -- I'll ask you the first one.

If we went to a strong county superintendent, as proposed by Speaker Roberts, which gives the county superintendent much more authority and much more power to oversee the activities of school districts, would your group support that effort?

MR. DONAHUE: I think of Essex County, Assemblyman Malone. Newark scares me, and to think that one person is going to oversee the likes of Newark, Irvington, West Orange, East Orange, and 20 other school districts, I don't see how it can happen.

The title of this position -- and I don't mean to be funny here, but the title of this position at one point -- in one of the bills -- was "super superintendent," and I thought of Superman. And again, I'm not trying to

be funny, but I don't know if we have super men and women out there who can handle the likes of 70 school districts in the County of Bergen, and do justice to it -- and do efficiency studies and justice to the overall operations of all those school districts.

So do I support that? Not without-- Does our association support it? No, not without a great deal of further study, and even at that rate, the scope and size of it worries me.

ASSEMBLYMAN MALONE: How do you perceive the present county superintendents' role in how they oversee what goes on within the counties?

MR. DONAHUE: I think county superintendents perform -- you know -- important roles, but they're ministerial in nature. It is their obligation and responsibility currently to enforce regulations and codes as promulgated by the Commissioner of Education. We have-- There are county meetings, business official county meetings, and county superintendent meetings, and the primary purpose there is to explain new code and new requirements of the Commissioner and the State Board of Education.

They have powers -- S-1701 put in place powers to county superintendents that currently exist in one of these proposals. (indicating)

You know, for example, if I choose to put out a separate proposal to the voters, the county superintendent has the power and the right to question me and make me prove that I have put in place all the efficiencies that I possibly can in terms of the administration and sharing of services at central office. The county superintendent can stop that second

proposal if I can't demonstrate those efficiencies. I think there is a great deal they can do.

ASSEMBLYMAN MALONE: The last item-- Having had the experience that you had with the basic breakup of New Brunswick and North Brunswick, and all the upheaval that went-- If we went to a county system, we would be redistributing students based on available classroom size.

So if you had a county system and the super, super county superintendent said, "Look, we have space in North Brunswick, we need space to send children from this town to this town" -- and I don't know if that is in the bill or not -- would you perceive that as being a potential problem vis-à-vis your experience with New Brunswick and North Brunswick?

MR. DONAHUE: Well, that is why they left New Brunswick. I mean, that is why North Brunswick and Milltown left New Brunswick, because they thought they could do it better.

I mean, is that problematic? Sure it is. But again, that is up to discussions and evaluations by these local districts -- contiguous districts. I go back to that to make that decision.

I happen to think -- on the opposite side of that, Assemblyman--

ASSEMBLYMAN MALONE: No, but if we go to a county system and we go to super superintendents, that decision is going to be made based -- just as we do now-- In Bordentown, we had a redistribution of students based on the availability of classroom space within Bordentown City and Bordentown Township. They realigned all of the grades, so

actually more kids are now bused because of space, and age differences, and grouping of kids.

If we go to a county system, are we going to be creating a situation where we redistribute children based on available space within reasonable distances within the county? Do you think--

MR. DONAHUE: To not do that is not going to take advantage of all of the efficiencies that are available to those constituent districts. We have to recognize it. If I've got-- Why should I build a school for 30 more unhoused students, if I've got 20 or 30 seats available in other districts? That is what consolidation is all about. We can't take that off the table.

And I guess I just realized what your point was there.

ASSEMBLYMAN MALONE: I think what it is, if you do have a super superintendent, that individual will be charged with the responsibility to more efficiently and effectively utilize facility space within the county and redistribute children to fit the spaces that might be available before we go ahead and build new buildings. That is what I think--

MR. DONAHUE: It makes perfect sense to me.

ASSEMBLYMAN MALONE: --is the consequence of possibly doing this. And it may have good consequences and bad consequences, but if we go out and look through this consolidation or county system, it has to be a complete look at critical uses of facilities, staff -- you may move staff from one facility to another, if you have excess teachers here -- classroom size. Again, I don't know if you take a county inventory in, let's say Burlington County, of where there is excess space.

I know Pemberton -- they always talk about Pemberton having excess space. Would we shift kids from Easthampton over to Pemberton, or from Mount Holly over to Pemberton just to even out classroom size within that county? So I think it's a question--

MR. DONAHUE: Agreed.

ASSEMBLYMAN MALONE: --that we need to look at from a legislative standpoint; and you, as administrators -- both educationally and cost wise -- have to take a look at what are some of the additional aspects of county regionalization.

MR. DONAHUE: Agreed, Assemblyman.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman. Assemblyman Gordon.

ASSEMBLYMAN GORDON: Thank you, Mr. Chairman.

I would like to just pick up on the point that Assemblyman Malone made about the opportunity of having the super superintendent to coordinate space needs, and I would just like to relate an experience I had yesterday.

I visited with the fourth-graders in one of the school districts in my legislative district and was taken into a school that had a new wing constructed. It was a gorgeous facility -- state-of-the-art, electronic whiteboards; the building was soundproof because of its proximity to a highway and an airport. It was just a gorgeous facility.

The community has a population of 2,500. It is a one-school district. The principal of the school is also the superintendent. I went back

to my office and I had the staff call the SCC to find out how much this new wing cost -- \$8.3 million. And do you know what the population of the school is? Two hundred thirty-seven.

And the thought occurred to me that this facility could probably accommodate the student bodies of the two or three adjoining communities, and I really believe if we had some kind of coordinating mechanism that we don't have now, we wouldn't have this inefficient use of resources. We wouldn't have all of these -- this duplication of equipment at the municipal level, as well, and we really need to find some way to bring this all together.

ASSEMBLYMAN WISNIEWSKI: An excellent point.

Are there any other members? (no response)

John, thank you for your testimony. Stay right there, we may have more questions for you.

MR. DONAHUE: Thank you.

ASSEMBLYMAN WISNIEWSKI: I am, next, going to call Barbara Keshishian from the New Jersey Education Association.

Barbara.

BARBARA KESHISHIAN: Thank you, Assemblyman.

And good morning, Senator Smith and Assemblyman Wisniewski, and members of the Committee.

I am Barbara Keshishian. I am the Vice President of the 196,000-member New Jersey Education Association. And accompanying me here today are Vince Giordano, the Assistant Executive Director of NJEA; and Bob Willoughby, Associate Director from Research.

I would like to begin by thanking you for providing me and us the opportunity to testify today.

Everyone understands that New Jersey must cut property taxes and provide relief to homeowners, but how we achieve that goal is the true measure of how well we understand the problem. We must never sacrifice the quality of our public schools in pursuit of savings -- savings that may be minimal, ephemeral or even nonexistent.

New Jersey's public schools are among the best in the nation. We have the highest graduation rate in the nation, and more than 80 percent of our graduates go on to college. Our advanced placement scores are consistently among the highest in the nation. Our elementary, middle, and high school test scores, already near the top, are rising steadily.

In short, our public schools are a valuable resource in this state, making a major contribution every day to the strong economy that has produced one of the wealthiest states in the nation both in terms of income and property values.

Keeping our public schools strong should be the highest priority of this and every Legislature, and any policy decision that could impact the public schools should be considered carefully and deliberately. Any policy decision that assumes that we can economize our way to property tax relief ignores some fundamental facts.

First, anyone who claims that runaway school spending is the cause of property tax problems is just plain wrong. For the past 30 years, public education has consumed a constant 55 percent of local property tax revenues in New Jersey. That is for the past 30 years.

The problem -- and we all know it -- is that New Jersey public schools are over-reliant on property taxes. It is a fact that the income tax cuts enacted by the Legislature in the mid-1990s -- cuts that stripped nearly 15 percent of income tax revenues from the State's Treasury -- are at the root of the problem. The cumulative impact of these cuts is compounded each and every year. And the State's property taxpayers were left holding the bag.

I would like to share some statistics with you. The average state government in America provides close to 50 percent of local education revenues, but here in New Jersey the State provides only 38 percent of those revenues. As a result, we rank 43rd in the nation. We get nearly 60 percent of our public school revenues from property taxes, and that is why we rank 5th in the nation in percentage of school revenue from property taxes.

Let's not forget that if the Legislature had fully funded the CEIFA law, we wouldn't be having this conversation today. CEIFA is currently underfunded by more than a billion dollars. But before we look too far forward, we just might benefit from a look to the past, because the entire notion of regionalization and consolidation is nothing new.

Before we embark on a large-scale effort to regionalize or consolidate school districts, we must have a clear sense of the savings that may be realized, the costs that will have to be borne, and the State's role in helping to equalize property taxes in participating districts.

We can all agree on some potential cost savings. For example, eliminating nonoperating school districts, while ensuring that students who reside in them still have access to quality public schools. That might clearly

be a wise decision. Cooperative purchasing of school supplies, of maintenance supplies, materials, and equipment should always be encouraged. Shared services, such as purchasing and accounting, should be explored and implemented when proven to be cost-effective.

And districts should always be looking to find new ways to create economies of scale with other districts. For example, if three districts each need to purchase a new school bus, they would obviously have better bidding leverage if they submitted a joint bid to a bus manufacturer. On these things I believe we can all agree.

Let's also agree that any proposal to save money must not do so at the expense of the quality of our public schools or at the expense of the family and the children -- families and the children who attend them. We believe that any consolidation or regionalization should be undertaken on a voluntary basis by the districts and municipalities involved.

In the same spirit, we believe that the rights of school employees must never be abrogated in any way by consolidation or regionalization. Those employees must be included in any reorganization process through mandatory negotiations between their employers and all certified collective-bargaining representatives in the affected districts. That is only fair.

Shared services must not be an excuse for a wholesale privatization of services. It is a documented fact that publicly employed school bus drivers live in the communities in which they work. They know their students, they know the families of their students, and they care about them as neighbors. No price tag can be placed on the safety of our children, and we must never forget that.

I would like to comment briefly on the proposal to create what may be called *super county superintendents* with sweeping new powers over local school districts. Some proponents of this measure cite the county-based public school system of Maryland as an example -- as an example of what New Jersey should be striving to achieve.

But Maryland and New Jersey defy simple comparison. For one thing, Maryland's county-based system has been in effect for 200 years, and while it has been refined over those years, Maryland is not New Jersey. We have a much larger population of disadvantaged, urban students, and correspondingly higher special education costs.

And don't believe those who will try to tell you that Maryland's administrative costs are dramatically lower than New Jersey's. The fact is only seven-tenths of a percentage point separate the two states -- seven-tenths of a percentage point -- and both are below the national average in administrative costs, at less than 10 percent of their total school budgets.

Research tends to suggest that just as all politics are local, the delivery of services is most effective at the local level also. The farther away that you get from the local level -- to the county or to the State or to the Federal level-- And by the way, the so-called No Child Left Behind law is a perfect example of this -- the farther you get away, the less efficient those services are apt to be. So allow that to be a cautionary note.

These super superintendents would be gubernatorial appointees, which would potentially politicize school governance even more. This is not the direction that we need to take. Any steps to regionalize or consolidate must contain both a fiscal impact study and an educational impact study to justify them as sound policy options. Research

again tells us that regionalization and consolidation do not guarantee cost savings, particularly early in the process when traditional (*sic*) costs tend to exceed immediate savings.

Many experts in regionalization and consolidation of school districts have been invited to testify before this Committee. Our understanding is that not one of them -- not one -- has been able to document significant cost savings. It would be wise to approach the entire issue of consolidation and regionalization carefully.

Let us do the fiscal and educational impact studies. Let us be sure of any proposal's feasibility. Let us conduct a forensic study of all cost savings to be derived from any proposal, and then let us pilot it before making it broad-based public policy. Let us identify fiscal best practices wherever we can find them, and share them with all districts for possible replication. Because in the end, we must avoid the constant quest for a silver bullet -- the silver bullet to solve the complex issues that we face.

If there were any easy solutions to high property taxes and financing public education, they would have been implemented long ago. Most importantly, let us always be aware of the bad lessons learned in states that did seek quick fixes but ended up damaging their public schools in the process. Whether we look at the impact of Proposition 13 in California, or the impact of Proposition 2½ in Massachusetts, or the impact of the Taxpayer Bill of Rights in Colorado, the lesson to learn from these examples is that we must not rush headlong into what may look like meaningful reforms, but may instead end up harming countless innocent students and educators who are left to cope with ill-conceived cutbacks in education revenue.

We have a proud tradition of high quality public schools in New Jersey. I have already mentioned that. We are a leader in education, and we should commit to remaining one. If we are forced to choose between cutting costs and reducing educational quality in our State, I know where NJEA's 196,000 members will stand. The question that the Legislature and the Governor of this State must answer is, where will they stand?

Thank you very much.

ASSEMBLYMAN WISNIEWSKI: Thank you very much for your testimony, and I'm sure there are a lot of questions up here by the members. I'm going to start off.

Your testimony seems to say -- if I were to summarize it in one respect -- that there really aren't any efficiencies, economies, or savings that can be achieved in the educational system. Is that correct?

MS. KESHISHIAN: No, that is not correct. You may have missed a section.

ASSEMBLYMAN WISNIEWSKI: Okay. Where?

MS. KESHISHIAN: I believe the section where I referenced being able to look at some shared services in terms of purchasing, shared services in terms of, perhaps, accounting purposes, buying materials and supplies for school districts. I believe I went through a whole section.

ASSEMBLYMAN WISNIEWSKI: Okay. So we can agree that -- let's call them back-office services, logistical services is an area that might be ripe for consolidation. Would you agree with that?

MS. KESHISHIAN: If that is what you call logistical services.

ASSEMBLYMAN WISNIEWSKI: Buying textbooks, contracting for busing, contracting for infrastructure services -- would you agree with that?

MS. KESHISHIAN: If that is the terminology, yes.

ASSEMBLYMAN WISNIEWSKI: You don't believe that there is a-- Is it correct that you don't believe that there is any room for efficiencies on the administrative side?

MS. KESHISHIAN: We don't believe that it should be something that should be rushed into without having facts and figures to actually back up what the savings would be, and whether or not there would be a negative impact on the educational services that would be provided.

ASSEMBLYMAN WISNIEWSKI: Is it fair to say that the NJEA's position is that it is unclear or it is not proven that consolidating administrative services is going to result in savings?

MS. KESHISHIAN: I don't believe that we have any data that says that it does result in any major savings. My research person could--

Is there anything else that we need to-- (speaking to other person)

ASSEMBLYMAN WISNIEWSKI: And--

MS. KESHISHIAN: I think you have heard from your own experts that you have had appear before this Committee that there really are no -- no exhaustive savings. They did not present any research -- it is my understanding -- to you that would indicate that there are any significant savings in that area.

ASSEMBLYMAN WISNIEWSKI: So the only area that you believe where there is an opportunity for savings are the things like textbook purchases, busing, and transportation, and those types of services?

MS. KESHISHIAN: Those are the ones that come to mind, yes. We haven't had a tremendous amount of time to delve into the-- Two of the bills we just received late yesterday afternoon, so it was extremely difficult in the last twelve hours to try to exhaustively prepare for that.

ASSEMBLYMAN WISNIEWSKI: With all due respect, I'm just trying to understand-- The consolidation and this issue is not new. I've been in the Legislature for 11 years, and for 11 years this has been talked about in one aspect or another. Why wouldn't the NJEA have a better idea of where we stand in terms of the ability to share--

I mean, to say that we're not really clear seems to me to really not address the issue. You have been addressing this as long as we have been addressing it, and it is a tough issue; that is why nothing has been done.

I'm just trying to understand that position.

MS. KESHISHIAN: I guess because every time the issue has been raised -- you said it yourself, Assemblyman -- nothing has been done, and we've addressed, I would imagine, in the same way -- the same manner that I am addressing it here with you today.

NJEA puts the educational impact probably as paramount in the consideration, so our consideration would probably not change, because we are not -- certainly not convinced that what it is that you are proposing to do-- You don't address the educational impact at all in any of the bills that you have presented. We're concerned about what impact there would

be on regionalization and consolidation of shared services based upon educational impact, and I don't see that being addressed in the bills.

ASSEMBLYMAN WISNIEWSKI: Is it the NJEA's position then that reducing administrative costs, whether it be by consolidating superintendents or reducing administrative office staff, has an impact on educational performance?

MS. KESHISHIAN: Absolutely. If you consolidate administration, there will be an impact on educational services.

ASSEMBLYMAN WISNIEWSKI: No, not services, performance. If you have one superintendent per county, as opposed to 25 say -- just taking Middlesex County -- what's the-- How do you correlate that one superintendent is going to make test scores less than they are now?

MS. KESHISHIAN: I'm not certain how-- I'm going to use Bergen County as an example, because it is my county, and it is the county I am most familiar with. I'm not certain how one superintendent, on a county level, would be able to successfully administrate and oversee 76 local school districts -- that would be in Bergen County -- and at the same time, determine educational needs for each one of those districts. It just seems unwieldy to me.

ASSEMBLYMAN WISNIEWSKI: Okay. So you basically believe that there is really no economies of scale in having that happen?

MS. KESHISHIAN: If you could provide us with what it is that you see occurring, or what it is that you would like to see occur, we would certainly be willing to take a look at that. We have certainly not closed the door on examining things that might come before us, but what we are saying is that-- What we currently see in the bills is not something

that we see as doing what it is you are looking to do, and at the same time maintaining the quality of education that we have in the State of New Jersey. Quality education costs.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Senator Smith.

SENATOR SMITH: First, let me thank you for participating.

MS. KESHISHIAN: You're welcome.

SENATOR SMITH: Secondly, let me respond to what I respectfully believe to be points of disagreement. For example, there is a statement in here that we New Jerseyans have a much larger population of disadvantaged urban students and correspondingly higher education costs.

One of the main measures of that is the School Lunch Program, because in effect you have students who don't have the money to have the nutrition that they need, and that is one of the Federal programs designed to help underprivileged students. In the case of Maryland, they have a significantly larger School Lunch Program. So I don't know that I agree that Maryland, in terms of the comparison, may even be more difficult than New Jersey.

Also, the comments you made concerning -- the fact is that only seven-tenths of a percentage point separates the two states in terms of administrative costs. That is the old information -- misunderstood information. That is the one where there was -- as we pointed out in our earlier comment -- that Maryland and New Jersey had testimony where there was some confusion about central administrative costs versus the total administrative costs.

In terms of central administrative costs -- and this is the response from Maryland after they saw the comment from School Boards, that you weren't comparing apples and oranges -- is that in New Jersey, 2.5 percent of the cost of educating a child in New Jersey is administrative costs.

And by the way, if you look at the math, it's perfect. There is a \$20 billion figure for education in New Jersey. If you take 2.5 percent of it, you are at \$500 million, and our audit says it is \$553 million at a very conservative estimate. So that 2.5 percent number is absolutely on the money. In terms of Maryland where they already have county districts, it is .5 percent.

Now, above and beyond all that, even if you talked about the overall costs of administration -- you always have to remember that in Maryland the cost of educating a child is \$9,000-plus, and in New Jersey it is \$12,000-plus. So even if it was just seven-tenths, there are some enormous differences. But it is not seven-tenths; what we're really talking about is that 2 percent difference on central administrative.

And I disagree with the premise that by making the delivery of educational services more efficient that somehow we're having a negative educational impact. There is no member of this Legislature who doesn't want to see any child in the State not have the best possible education, be given the most possible opportunities in their adult life by having that good education.

So that is not where we are coming from. Where we are coming from is 618 school districts, and how can anybody in the world justify that overburdened, overlapped, inefficient, and wasteful system.

That is where we are coming from, not-- We're not here to talk about hurting any teacher or any child in the classroom, or any principal in a school, but we are talking about those 600 overlapping bureaucracies that do exactly the same thing in 618 places, and is there a way to make that more efficient.

Now, specific questions that I would like to ask, and this is a tribute to NJEA. I have been in the Legislature for a long time, and I think NJEA is probably the best professional representative organization of any that I have seen in the State -- even better than the PBA, even better than the Association of Trial Lawyers -- you have a great association and you are very effective

But I want to ask you if this went forward -- if we had county-based delivery of services -- and one of the things that would happen is that ultimately you would have a county contract. As individual town's contracts would expire, the local bargaining unit would then negotiate with a county entity. How do you see that affecting your role? Does that, in any way, change the dynamic between labor and management -- or professionals and management? Because you really are the professional backbone of the educational system. Does that, in any way, change the dynamic of negotiations, if you are negotiating a contract with a county versus those 600 school districts?

MS. KESHISHIAN: I guess the immediate response to that is that-- Well, of course, if that were to go into effect, there would be an effect on the manner in which collective bargaining took place.

SENATOR SMITH: What do you think the impact would be?

MS. KESHISHIAN: I can't predict that -- what the impact would be.

SENATOR SMITH: How about your colleagues? Does anybody have an idea of how the dynamic would be changed?

MR. McCORD (Committee Aide): You have to change the mike. You'll have to speak closely into one of the four mikes you see in the forefront there for the purposes of recording. (referring to witness microphone)

V I N C E N T G I O R D A N O: I am Vince Giordano, the Assistant Executive Director of NJEA, as Barbara has indicated; but in my real life I have been involved in the collective bargaining process, in particular, at NJEA--

SENATOR SMITH: Great.

MR. GIORDANO: --for my 36 years here.

I think that is a good question, by the way, and I think you would have to take a look at exactly what the process would be that you are talking about. If you are simply saying, would there be an impact if we had one round of negotiations in the county that would cover all of the school districts -- there would be one collective bargaining contract -- I think it is fairly self-evident that there would be significant changes.

SENATOR SMITH: What would they be?

MR. GIORDANO: They would be, I assume, that someone would, first of all, have to look at significant changes in existing legislation. Under the PERC statute, that is not something that is currently permissible. There are provisions in the current statutes that require a collective bargaining representative to be recognized by the local employer and

sometimes by the commission, actually. So all of that would have to be taken into account. If you got through that confusion, I think what would occur -- and you actually got to a process where there would be that, you would start from--

And I'll use Bergen County, also -- that is my experience and my background. You would start from approximately 75 or 76 contracts, each having different provisions, each having different salary guides, each having different health benefit arrangements, each of them presumably reflecting the wants and needs of the community that is represented by the public employer.

SENATOR SMITH: Right. Totally agree.

MR. GIORDANO: And to try to take those 76 different arrangements and merge them into -- and I'm assuming again, without you having clarified this -- one collective bargaining agreement that would--

SENATOR SMITH: Well, let me clarify.

MR. GIORDANO: Okay.

SENATOR SMITH: I think the way it would work is that as each contract expired, the local bargaining unit would then either decide that they wanted to have a whole bargaining unit that did the negotiations on behalf of all of the professionals, or the local bargaining unit would then negotiate with the county school board.

And ultimately where I'm leading with the question is, do you think it would be unfair to teachers for you now to be negotiating with a county entity, as opposed to the individual school district entity as you are now? Are you better or worse off with 600 school districts or with 21 county districts, or does it make no difference?

MR. GIORDANO: I think that would be a pretty significant sea change, and I think we would have to really analyze what the impact of that would be. If you are asking in terms of the direct impact on the employees that we represent, I think it will depend upon how that, again, is set up and structured. And I didn't get the clarification that you were seeking to provide.

SENATOR SMITH: Well the clarification--

MR. GIORDANO: Would there be one bargaining team, countywide, of school employees who would go meet with one bargaining team of the county, and they would work out all of the conditions that would apply now to all of the employees in the 76 school districts?

SENATOR SMITH: With the passage of time, as each contract in each municipal school district expired, there would then be a negotiated county contract. My guess is that, again with the passage of time, you would ultimately -- over a period of years -- end up with one uniform contract for a county.

But the question to you -- with that clarification -- is do you feel that NJEA is advantaged or disadvantaged, or it makes no difference?

MR. GIORDANO: We have had some experience with what we call *coordinated bargaining*, where we take certain districts and try to coordinate them, because they have a lot of common interests, etc. That is about as close to the model that you are suggesting.

Whether that would work to the advantage of the employees would depend upon how strong a union they had -- and I appreciate your very complimentary reference to the NJEA.

SENATOR SMITH: You are the world's best.

MR. GIORDANO: I'm not sure the PBA is going to be as complimentary to you subsequently, but-- (laughter) We would be able to deal with, I think, pretty much any model or any system that would be put into place. I think it would be an extremely difficult situation to embrace in this State.

Our history has always been local bargaining, and I think to try to superimpose systems from other states -- Maryland does have county structures for their bargaining, etc.-- I think you are biting off a lot more than you might want to bite off and that we might want to bite off, and that the school districts themselves might want to bite off. I think that is a pretty adventurous idea.

SENATOR SMITH: I appreciate your candor.

Back to Ms. Keshishian, if I can. And I appreciated many of the comments you made in your remarks on behalf of the NJEA, but let me ask you the bottom-line question. Because we are, in effect, in this Committee and with all of our support staff and all of the studies that have been done on this, this is not-- As Assemblyman Wisniewski indicated, this is not a new topic. We have been talking about this for more than a decade.

If the legislation -- S-2266 -- went forward, which would require -- which would allow voters in every county to decide how much government they want and what they are willing to pay for it, would NJEA be in favor of that or opposed to allowing the voters to decide?

MS. KESHISHIAN: Well, that is one of the bills that we just got late yesterday afternoon, and I have not had an opportunity to really review everything. I know what the gist of the message is. We would

certainly not want -- not want anything to go forth that was going to negatively impact the education systems in the counties themselves.

SENATOR SMITH: Right, but forgetting that for a second, on the concept of letting the voters decide what kind of school government they want, does the NJEA have an objection to that or is that acceptable to you?

MS. KESHISHIAN: If it came down to that, it would probably be agreeable for the voters to make the decision.

SENATOR SMITH: Okay. Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Senator Smith.
Assemblyman Malone.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

The point you raised earlier, Ms. Keshishian, relative to the amount of money we spend-- It is my understanding that we spend probably the highest or at the highest level per pupil of any state in the country. Do you know if that is true or not?

MS. KESHISHIAN: The highest in the country?

ASSEMBLYMAN MALONE: Per pupil in the country, or pretty close to the highest in the country per pupil?

MS. KESHISHIAN: Pretty close, yes.

ASSEMBLYMAN MALONE: Okay. So the fact that you say we don't spend enough in education just seems to be--

MS. KESHISHIAN: The State doesn't spend enough, not the-- The State doesn't contribute enough, not that we don't spend enough. The State doesn't contribute enough.

ASSEMBLYMAN MALONE: Let me ask you in another way then, because this is something that I have had several conversations with other people-- Do you believe that the crisis that we now have in property taxes is a suburban issue?

It really is, in my opinion, the only people who are absolutely outraged about their property taxes are suburban communities, because they have been flat funded, basically, for the last five years. If CEIFA funding, as you say, had basically gone through its process, we probably would not be sitting here today.

I have the Town of Jackson, which has lost about \$15 million in the last five years in State aid. I have a whole host of communities -- Washington Township -- I could name you the list of communities that I represent that are absolutely outraged by the fact that they have had to go to the property taxpayers to actually give them the support that they should truly be getting from the State of New Jersey. I think that really we have to focus in on who is basically driving this property tax issue.

I sat at a hearing in this very room when an individual -- we talked about the parking tax and a wage tax situation -- hotel tax -- in Newark, and a property owner got up and complained his taxes in 1970 were \$1,000 and how dare, in 2005, his taxes be raised to \$2,000. I know what my own taxes have gone up in Bordentown in the last five years. They have gone from \$8,500 to close to \$13,000, and the primary cause of that is flat funding of our schools in the suburban districts. So I think that we ought to really make sure that we understand that this is, in fact, a suburban New Jersey crisis of school funding, not--

The Abbotts -- even though they got flat funded this year -- have been pretty well funded over the last five to 10 years as far as their needs are concerned. Would you agree to that, at this point?

MS. KESHISHIAN: The Abbotts have been funded according to the Supreme Court ruling; that would be my understanding. I don't think I agree that the only places where you are hearing property tax concerns are in the suburbs. And yes, it is true that they have been flat funded for around the last five years, but I believe, in general, property taxes are a problem across the State, not only in the suburbs.

ASSEMBLYMAN MALONE: Well, I think maybe we should take a closer look at that because, again, I represent all suburban, rural communities which have been absolutely obliterated by property taxes, and that is not the case in most of the Abbotts or urban areas. They have been obliterated, and I think really we ought to focus in on exactly who the real problem -- who is handling this major problem.

Going back to Senator Smith's questions about the formation of county school districts. If we went to a county school district, do you think that salaries and benefits would diminish under a county system?

MS. KESHISHIAN: I have no idea. With all due respect, we have collective bargaining laws, and to ask me to create a hypothetical on-- I don't know.

ASSEMBLYMAN MALONE: I'll just-- I think probably that would be the result of doing a countywide system, and I think that is one of the concerns that I think many people have. That if we do go to a county system, the power of going to a county system would actually, probably drive down salaries in the educational area -- both from a superintendent

right on down through teacher aides, cafeteria workers, and everything else. That does concern me a little bit, because of-- I've had 33 years in education experience, and I just don't want to arbitrarily take the legs out of individuals.

Another issue that may sort of be something-- Currently, it is my understanding that schools, NJEA, teachers' associations do not have binding arbitration, as do the police and fire. Is that something that NJEA would like to have, or would they not like to have binding arbitration?

MR. GIORDANO: Do you want to answer that?

MS. KESHISHIAN: Go ahead, you are the collective bargaining person.

MR. GIORDANO: Let me try to take that one. No, we have for years and years had policy that does not support a final binding arbitration step to the collective bargaining process.

We think that it is unwise to have third parties who are detached from the community insert themselves and decide what the settlement is, and in effect decide what the property tax impact is, etc. The parties who live in that community, the parties who work in that community are best able to determine what is in the best interest of that community. So we would prefer not to have a third party. We have resisted that.

We understand that is the current system for the police. They seem to do reasonably well by it, and they like it and support it. That is why they make chocolate and vanilla ice cream, I think. So we'll take the vanilla on this one.

ASSEMBLYMAN MALONE: The issue you brought up earlier about redistributing students. If we went to a county system, do you think that will be one of the upshots of a countywide system -- that we would, in fact, redistribute students to fit available space within a reasonable distance of where they might live?

MS. KESHISHIAN: It was my understanding in the bill that there would be no displacement of students, that students would remain in the school where they are currently located. That was my understanding.

ASSEMBLYMAN MALONE: Well, what if we had, in one community, an excess of -- a growth spurt, a bubble in community *X*. Would we build another school in community *X* or would we ship those kids to another community for their educational endeavors?

MS. KESHISHIAN: That would have to be something that would have to be looked at in terms of all the factors that were involved. I can't answer a hypothetical like that.

ASSEMBLYMAN MALONE: Well, I think it is something that really should be answered before we move forward. I think that is going to be a question as contentious as realignment was in our community -- moving grades around within one district. I can imagine how contentious it would be moving schoolchildren from town *X* to town *Y* to town *B*. It would be a major contention if, in fact, we did that as part of a county system, just to be more efficient in the use of facilities and space.

I think that is an issue that, really, I think needs exploration. Because if you are a parent who is walking your child to school from first through six grade -- or something to that effect -- and then all of a sudden, one through three go to this school, and four through six go to another

school that is ten miles away -- I mean, parents go a little bit berserk when that happens. So I think that is an issue that has to be looked at very closely in this county model.

MS. KESHISHIAN: We absolutely agree with that.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

Thank you very much.

SENATOR SMITH: Thank you.

Are there other questions?

Senator Kyrillos.

SENATOR KYRILLOS: Thank you, Mr. Chairman.

I guess we have other groups to come, right? School boards and--

SENATOR SMITH: Yes.

SENATOR KYRILLOS: --the like--

I'll just make a couple of general comments, and maybe then ask a question. And I suppose my comments and question would be applicable to the other people to come.

But I think it is very important for your constituencies to understand the depths of the problem in New Jersey. These are dramatic times. The State is at a tipping point. Administrators and their families, school teachers and their families, and their neighbors -- they are feeling the same kinds of stresses that everybody else is. And this Legislature and Executive Branch better make some real progress here; and I am still hopeful that we may. And even when we do, it is going to take some time for changes to be implemented. And all the proper analysis ought to be

done -- people are concerned about analysis and study -- and then take time for the effects to take place. So I hear everybody has concerns, right? People are concerned about change. We all are, that is human nature. But you are going to have to go back--

And the business administrators, the officials -- that is your group, right, sir?

MR. DONAHUE: Yes.

SENATOR KYRILLOS: You know, you are out there every day. You have been doing it for years. You have an obligation to come to this Committee with some real suggestions. The teachers aren't going to thrive in an atmosphere of real stress, anxiety, if we don't do something in this state. So the teachers' union has an obligation, too.

So this is the first of other meetings, I would suspect. There is no bill that is up for a vote today. I'm not sure how I feel about the super superintendent bill. I'm not sure how I feel, necessarily, about countywide districts -- I have a very open mind about it. I do understand that there are a lot of business functions that we can abrogate and separate out from academic decisions at the local school board level, which is why I have offered my bill for county-based school boards; but there is no monopoly on wisdom here. We don't know what the right answer precisely is yet, but that is what we are trying to get to. But we do know that the status quo has to be changed.

Now, Ms. Keshishian -- am I pronouncing your name right?

MS. KESHISHIAN: Yes, you are, Senator.

SENATOR KYRILLOS: I apologize.

MS. KESHISHIAN: Yes, you are.

SENATOR KYRILLOS: You say in your testimony -- I'm going to read from it -- "Cooperative purchasing of school supplies, maintenance supplies, materials, equipment should always be encouraged. Shared services, such as purchasing, accounting should be explored and implemented... districts should always look to find new ways to create economies of scale with other districts." You used the example of new school bus transportation.

You should lead with that. You should say, "Look, we want to help you -- we want to mobilize our members and try to make change." That ought to be the centerpiece of your testimony. You can get into your concerns -- you ought to have concerns -- but these are sensible ideas that this Legislature hasn't been capable, up till now, of achieving. You think they are simple. We think they are commonsensical, but we've never done it. So help us do it, help us do it. Recast your emphasis as we go forward, that is my request of you.

SENATOR SMITH: Thank you, Senator.

Senator Karcher.

SENATOR KARCHER: Thank you, Mr. Chairman.

Thank you for your testimony. I just want to follow what Senator Kyrillos -- where he was reading-- I'm a bit confused, because it seems that you want to go so far and then back away, because if privatization is the end result there seems to be some concern.

And I'll read: You said, "shared services must not be an excuse for wholesale privatization of services." What you wrote, but you didn't say was, "Consider the impact of privatization on school transportation. Every time you pick up a newspaper and read about a bus driver who fails to pick

up a student, who leaves a student behind, or who is derelict in his or her duty, the vast majority of the time it is a driver for a private company.”

Now, I took a special interest in this last year, because a child in Marlboro -- an autistic child -- was left on a school bus for three hours in the blazing sun -- locked in there in the summertime. And when I looked into this issue, that was not a private company; and the research I did found that it was not, in fact, the vast majority of time that it would be a private company bus driver or private company.

If you have something to support this, I would really be interested to see that. Certainly, it is a fact that if they are a municipal-based or town-based bus driver that they have concerns about their neighbors, as you say. But I am concerned about how far you are willing to go, and then said, “but don’t go into privatization.” In my own community, we’re saving hundreds of thousands of dollars this year by privatizing custodial services.

Now, where would you draw the line? You seem to suggest busing, but then -- oh, wait, no. Exactly where would you draw the line? Is it transportation, privatizing bus services, custodial services, and how would you balance how much we are saving -- in the case of my town, hundreds of thousands of dollars for private custodial services -- against your interest not to have wholesale privatization?

MS. KESHISHIAN: I would imagine that each district or group of districts or counties, or however it was going to be set up, would have to be looked at individually, because I don’t think one plan would be for the entire State. So I really can’t answer that question in terms of how far I would go.

I know that we will go so far as to say that we don't want any privatization to occur that will result in anything that will be harmful to the educational systems as they currently exist.

And certainly-- You mentioned the school bus drivers, and they are people who are in the community, for the most part, and so are-- You mentioned custodial services, and I'm sorry to hear that they were privatized, wherever it is that you live -- but they are the people who are within our schools, and they are the people who, for the most part, live and work in the communities in which they--

They live in the communities in which they work, and they care about the students. They care about the families. They are not outside groups who are just coming in for a profit. They are people who live and work in those communities every day, and there is certainly a much closer relationship -- we would not want to lose that for for-profit companies.

SENATOR KARCHER: Let me get this straight, you are sorry that my town decided -- my school district decided to privatize the custodians, although that was decided at the school board level, and it went to a vote and the community supported it. Taxpayers can now save and hope that they -- and have a contractor providing the same services. If I heard you straight, you said you were sorry that they did that.

So that is where my confusion is. There really is this push and pull -- we need to save lots of money, we want to perform for the taxpayers, and still deliver, certainly. And this has been repeated again and again -- we want to make sure that services are delivered. We want to make sure our kids are safe and well educated and cared for -- that is not a debate. But when you are holding those two different things in your -- at the same time,

you are sorry that we did that, but we are giving relief to taxpayers. I really am having a hard time grasping this, and that is why I think that if that is what was reflected in your testimony -- your written testimony-- And I think there needs to be a degree of intellectual constraint in the arguments that we're having.

And I'm sorry, but I don't seem to see that.

Thank you.

MR. GIORDANO: May I try to just clarify something?

MR. McCORD: If you would move the mike, sir. (referring to microphone)

MR. GIORDANO: Sorry.

I think, sometimes-- I don't get to come and testify to this august body a lot, but I think sometimes we're just not candid enough with one another. You are the Legislature. The school board is the school board representing the public. We are the union, so of course there is going to be a demarcation point where our interests are not always necessarily congruent with yours.

Privatization is a concept where you are taking people who are our members and they are losing their jobs, they are losing their pensions, etc. So if you want to know where we draw the line, that is where we draw the line. Let's be a little bit more open with one another about these things.

And while I'm lecturing -- and I don't mean to -- I find it very interesting that we are in the middle of these procedures, but there are also already four or five bills swirling around. There was a core plan put out about three months ago or more by Speaker Roberts. It seems to me that somebody has the horse and cart a little out of sync.

I understand that all of those bills could always be amended, and they aren't laws, they are bills. But it would seem to me that a lot of what you are looking for here, in terms of input from both us as kind of an interest group and also from the public, would have been done before all of those bills got put on the table.

It colored this issue negatively -- I will be candid with you again -- when we see things coming out, that seem to be foregone conclusions about what the best way to do all these things are, as much as three or four months ago.

Thank you.

ASSEMBLYMAN WISNIEWSKI: I'm not sure anything is a foregone conclusion in front of this Committee. And I think Chairman Smith, Senator Kyrillos, Senator Karcher, Assemblyman Malone, Assemblyman Gordon -- we have all said at various times over the last eight meetings that everything is on the table, but there are no final decisions being made.

One of our frustrations, quite frankly, is that we run-- We're confronted with the question, "Well, we would love to comment on it, but we don't have any specifics." We put specifics on the table, and we're told, "Well look, it's a foregone conclusion." It's really a no-win situation.

The fact of the matter is -- and just to echo my colleague's comments up here -- that we represent the taxpayers, and we would like to make sure that there is a way of saving them tax dollars. That is our charge. We have to find a way to do it, and as has been said in the past, and I'll say it again, the status quo is not acceptable.

Any other questions?

Senator Kyrillos.

SENATOR KYRILLOS: Mr. Chairman, I agree with everything you just said.

I agree with everything, sir, you said -- that our interests are not exactly the same. There is a big overlap. Nothing has been cast in stone, but direction has been set, because it needs to be set. And where you are wrong, sir, is that it has not been cast negatively -- to use your words. I think, accurately, it is being received -- in my judgment -- by the majority of citizens, positively. And so the leaders of individual constituent groups had better catch up with the people out there, and help us put the specifics in place that are necessary to move in the direction that we have to move in. We've got to make big changes in this State -- not just in this Committee, but in the others, as well. It has to happen.

ASSEMBLYMAN WISNIEWSKI: Thank you, Senator.

Now, I would like to call, next, John Lichtenberg of the Principals and Supervisors Association.

John.

JOHN R. LICHTENBERG: Thank you.

ASSEMBLYMAN WISNIEWSKI: Please make sure your red light is on. (referring to microphone)

MR. LICHTENBERG: Thank you.

And thank you for the opportunity to speak to you today.

I'm going to actually add a 1-A opening to my 1-B opening that you have in front of you, probably. (referring to written testimony)

And that is to open with a comment on Senator Kyrillos and his invitation of an opening--

I would like to move -- and I appreciate your suggestion, Senator -- that PSA feels that we should be working hand-in-hand with you to work out situations that would take care of maintenance, grounds, electrical, teamwork -- working with other districts or other municipalities to lower the costs for the taxpayers. So with your suggestion, Senator, if you don't mind me piggybacking on that -- that was opening *A*. I'll go to opening *B* at this point now.

Good morning. My name is John Lichtenberg, and I am the Chief School Administrator of the Island Heights Grade School. I previously have served as a principal in Mount Laurel and Tinton Falls. I have been in education for 30 years, with the last 18 in school administration. I am also a member of the New Jersey Principals and Supervisors Association, an association I am proud to represent today.

At NJPSA, we represent the building-level managers who are the instructional leaders of our schools. Our members are responsible for the delivery of educational programs and services, school safety and discipline, staff hiring and evaluation, testing, accountability, and other day-to-day operations. We welcome the opportunity to be part of this debate on the organization and operation of the public schools.

As school leaders, we strive to provide a quality educational experience to every student. Through years of flat State aid, we have learned to do more with less, to increase our services and efficiencies through shared service arrangements. We are proud of these efforts, of the performance of the New Jersey public schools in the top tier of states on every national measure of student performance.

I realize that we are here today to discuss saving money. However, I urge this Committee to work with us to ensure that no matter where we go with future legislation, we do not diminish educational quality or opportunity currently provided to our New Jersey students. The needs of children, not merely the needs of efficiency, should drive the reforms that we collectively consider.

With that said, I realize that this Joint Committee has considered several specific topics, and I would like to take this opportunity to address some of them.

Shared services-- On shared services, NJPSA members fully support the expansions of efforts to share services with school districts and municipalities through jointure efforts. The NJPSA is also willing to examine regional or county-based services providers, similar to the Pennsylvania intermediate unit structure. These regional education agencies provide a menu of services for purchase by local school districts. Many school districts would benefit from those services -- especially with special education, which drives many local costs but is outside local control.

The role of the county superintendent-- This Committee has also discussed an expanded role of the county superintendent, as noted in A-54. NJPSA believes that the county superintendent plays a vital role in promoting shared services, acting as a resources on State policies, providing technical assistance, and serving as a liaison with the State Department of Education.

Additionally, NJPSA strongly supports increasing the county superintendent's authority to examine unnecessary State mandates. It has been well over two years since the Educational Mandate Review Study

Commission issued its recommendations to eliminate expensive and unnecessary State mandates on local school districts. The Legislature has still failed to pass a bill implementing these recommendations.

NJPSA also supports an enhanced role with helping districts to share services and provide technical assistance with the new State monitoring system, NJQSAC. The county superintendent would be a cooperative partner in identifying opportunities to work with other districts in the county.

And by the way, a side note: In Ocean County we have -- and I sit on that Committee -- developed a countywide committee to join hands in joint services and purchases for the county, and that has been led by our county superintendent who has been very effective in doing so.

However, NJPSA has some additional concerns about the changing role. One concern is that county superintendents may become too political if directly appointed by the Governor. If these individuals take a greater role in local schools, they should have an educational background. The Commissioner of Education, who reports to the Governor, should be responsible for making these appointments.

Additionally, the Legislature must ensure that the county superintendent's offices have the tools to take on the greater duties. The current capacity of the county superintendent offices varies widely from district to district. In some cases, the county superintendent acts as an individual resource for local schools. This is particularly helpful when dealing with the State Department of Education to ensure prompt review of teacher certification. However, in other cases, the role of the county superintendent is less clear. We need to be sure that we get consistent

results across counties without simply replacing one maze of bureaucracy for another.

Finally, NJPSA needs clarification on some definitions, especially as it relates to the review of budgets and the recommendations of consolidation of administrative services. When it comes to education, NJPSA questions the need for a line-item veto; that we believe that, at a minimum, an appeals process should be in place for county superintendents' decisions within a local school district budget. Furthermore, we believe that the definition of administrative services in the bill should be clarified.

K-12 regionalization-- This Committee also -- has also discussed regionalization and consolidation of school districts. NJPSA is open to the concept of regionalization into a K-12 system, so long as educational quality and community input are preserved. This system could provide more curriculum choices, more extra-curricular activity, more interaction with kids at different grade levels, more expertise, and a common school calendar.

However, there are practical risks and concerns by moving to large school system. Educational research supports small schools and small school learning communities. New Jersey has recognized this by creating a system of charter schools. By creating big districts, we risk students spending more time on the bus, increasing class size, and losing kids in the crowd. From a school safety perspective, a large school poses additional challenges. We must also look to ensure that communities feel adequately represented in a large school.

With these risks and benefits in mind, NJPSA looks forward to working with you to ensure that whatever direction we take, we work to preserve education quality and to safeguard community input.

Conclusion-- In conclusion, we recognize that the task before us -- before you -- is a daunting one, and we appreciate the opportunity to work with you on these important issues. As we look at ways of making our system more efficient, NJPSA is here to answer your questions on effective ways of moving forward.

Thank you for this opportunity to testify.

ASSEMBLYMAN WISNIEWSKI: Thank you very much, Mr. Lichtenberg.

Just a couple of questions, and then I'll open it up to the other members of the Committee. You had, in your prepared remarks, echoed a comment that was heard earlier, that the appointment of a county superintendent, a so-called super superintendent, would be political. Why?

MR. LICHTENBERG: From experience of appointments of governors before, and I think my feeling to that personally is that that person should have an educational background.

ASSEMBLYMAN WISNIEWSKI: Well, let's assume that they do. Let's assume that whoever is going to be county superintendent has to have an educational background. Are you saying that the appointment of the Education Commissioner is a political appointment?

MR. LICHTENBERG: No, I refer to in the report, actually, that the super superintendents -- or whatever they may be called -- should be appointed by that person, who I have great respect for.

ASSEMBLYMAN WISNIEWSKI: No, but what I'm trying to say-- Why would, if the appointment by the Governor of an Education Commissioner is not political, why would the appointment by the Governor of a super superintendent become political? Where does the wheels come off that non-political decision? Because it's a county-based office it is going to become political?

MR. LICHTENBERG: Possibly could, but I also believe -- as I stated before -- that the Commissioner of Education, who has been appointed by the Governor, should have that role. I think you are removing the power of that position.

ASSEMBLYMAN WISNIEWSKI: But you are not-- I'm trying to understand why, when if the-- If we are willing to say that the appointment of the Education Commission is not political, but the appointment of a county superintendent is, why does the Governor suddenly lose his mind and become a political appointer, as opposed to a good government appointer, because simply it's a county position? Why does that happen?

MR. LICHTENBERG: Well, there are certainly a lot of positions that are appointed that become political.

ASSEMBLYMAN WISNIEWSKI: In every respect, including-- Are you trying to tell me that the appointment of a municipal superintendent has absolutely nothing to do with politics?

MR. LICHTENBERG: In my town, no, absolutely not.

ASSEMBLYMAN WISNIEWSKI: That's not my question. I don't know you town.

MR. LICHTENBERG: Okay.

ASSEMBLYMAN WISNIEWSKI: Are you saying that every 500 or 600 superintendents in this State -- none of them have any political basis for appointment?

MR. LICHTENBERG: I don't know that. I know my town.

ASSEMBLYMAN WISNIEWSKI: I know that in every human endeavor there are going to be politics involved, and certainly, I would be hard-pressed to believe that there are no politics involved in the appointment of a municipal superintendent now.

One of the other issues you touched upon -- talking about consolidation -- you made the connection in your comments that consolidation means larger schools or consolidation means more time on the bus. Why?

MR. LICHTENBERG: Well, actually, right now my school district is involved in a dissolution from a central regional school district, which is kind of opposite of the movement of the State. So it confuses me a little bit in that avenue.

But that said, one of the reasons my public is requesting to remove themselves from a regional school district is, in fact, because of travel time, because we have a local school that serves the local public. If we go anywhere else, including where we go to now, our travel time increases.

ASSEMBLYMAN WISNIEWSKI: Let me pose this question to you: You have Town A and Town B, each town has X number of schools with a certain number of students per school and a certain number of students being bused to those schools. If you merge those two school districts -- so instead of having two superintendents and two central

administrations you have one -- why would any class size, school size have to increase? You would keep the same number of buildings. You would keep the same number of pupils.

MR. LICHTENBERG: Well, I think Assemblyman Roberts before-- Assemblyman Malone, before, made a very interesting point, which I totally believe in. Students will be bused from place to place, otherwise you lose some of the advantage of consolidating.

For instance, if I were to consolidate with a larger school district, students from that school district would come to fill my schools or I would go to fill their schools, and it would be poor management if I didn't do that.

ASSEMBLYMAN WISNIEWSKI: But you would also-- If you did nothing else, you could consolidate top-heavy administrations and leave all the educational functions exactly as they are, and you would save those costs as administrative costs that you would no longer have.

MR. LICHTENBERG: If we did what? Go to a county superintendent? Is that--

ASSEMBLYMAN WISNIEWSKI: If you-- I'm just saying, in the hypothetical, if you take Town A and Town B -- currently Town A has a superintendent, Town A has a board secretary, so does Town B, and all the ancillary offices that go with that -- merge them into one superintendent and you are going to save money.

MR. LICHTENBERG: I would assume so. I don't know if you will save anything else as far as the educational--

Someone asked the question before, relative to testing: would a countywide superintendent change testing? And by a person who lives in a

school hallway and in a classroom daily, I think the answer to that is yes. And I think it answers your question, as well. Can we save money? Yes, but at the cost of educating children, because what you have here--

ASSEMBLYMAN WISNIEWSKI: No, no, let me stop you there.

MR. LICHTENBERG: Let me just finish my comment, if I could.

If I have 25 superintendents now in a particular county -- and I'm just using an arbitrary number -- and now I have one, test scores-- And I've raised test scores in every school district I've been in by large percentages, and that is why I'm hired where I am now. However, the way to do that is by focus, daily contact, speaking with professional teachers in the classroom, and being a part of your school on a daily basis.

If there are 25 superintendents and 25 school districts, and now there is one replacing him, I would have to assume that someone thinks that the local superintendents are doing nothing all day, that they can be replaced with one person.

ASSEMBLYMAN WISNIEWSKI: I don't think that anybody is assuming that.

My question to you simply is, would you agree with the proposition that if the issue was consolidating central office staff, you can consolidate two districts and not necessarily have any impact on school size or distance busing?

MR. LICHTENBERG: And I think we opened with, that we would be more than happy to hold hands and discuss those issues, and if

they can show us -- and we research it, as we spoke before -- and it shows savings, we should move that way.

And I think there are savings, and I can give you personal experience where I have had a school board administrator, full-time, and reduced it to a consolidated effort with another school district -- what I'll call shared services -- to reduce that to one-third of what we paid. So there are savings in doing shared services and consolidating services.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Are there any questions? (no response)

Thank you very much. Do you have anyone else with you who is supposed to-- (no response) Okay, thank you for your testimony. We appreciate it very much.

Next, from the New Jersey School Boards Association, I would like to invite up Eva Nagy; from the Garden State Coalition of School Districts, Lynne Strickland; and from the New Jersey Association of School Administrators, Dr. Barry Galasso.

You all don't have to sit to the right. You can sit in the center.

Good morning. I'll ask Eva Nagy from the New Jersey School Boards Association to start off.

E V A M. N A G Y: Okay, thank you very much.

Good morning, Chairman Smith, Chairman Wisniewski, and members of the Committee. My name is Eva Nagy, and I am Vice President for Legislation and Resolutions for the New Jersey School Boards Association. And with me is Mike Vrancic, Director of our Governmental Relations Department. We very much welcome the opportunity to discuss issues of consolidation and shared services.

In spite of what you might have read in a recent newspaper story, NJSBA supports regionalizing school districts. However, we also believe in self-determination by local voters. Regionalization is not something we should foist upon them by representatives in Trenton.

In addition, we believe communities that explore consolidation should perform feasibility studies to demonstrate to taxpayers that regionalization will save money. That is because, in some cases, regionalization can reduce taxes, and in some cases it can increase taxes.

As legislators, you have heard the simple solution from some in the press and public, fewer school districts means fewer school administrators, and therefore, property taxes will go down. It is a simplistic solution and one that, unfortunately, proves wrong. Simply reducing the number of school districts does not guarantee across-the-board property tax relief. There are a number of efforts that could ease the property tax burden throughout the State; consolidation is not one of them.

We need to look no further than the most recent statewide study of regionalization, a 1999 report by the State Assembly Task Force on School District Regionalization. The authors of the report recommend that school district mergers remain a local decision. They conclude, and I quote, "Not every school district is conducive to a regionalized agreement. School regionalization does not automatically reap major savings or improve the quality of education. In fact, some studies have shown the converse."

The Task Force found small -- cases of small, one-school districts that operate extremely efficiently, and cases of large districts that didn't. In short, you can't make the connection between regional school

districts and lower property taxes. That is because there are a host of other cost drivers that must be taken into account.

One major issue is the impact on salary scales. State law requires that the teachers' contract that was in place in the larger school district before consolidation become the new contract for everyone in the newly formed region. This could have a serious financial impact when a K-12 school system is formed by merging a large regional high school district and its smaller elementary school feeder districts.

When we compare the salary guides of smaller K-6 and K-8 districts to large K-12 districts, we find that the larger districts consistently have higher salaries. In short, any savings in administrative costs would most likely be counteracted by the rank-and-file staff ramping up to a better-paying contract. Where does the funding come from to cover these increases?

Earlier this month, our association sponsored a forum on consolidation. Speakers included supporters of the concept, including Dr. Ernest Reock, former Director of Rutgers Bureau of Government Services. But even Dr. Reock noted that the estimated cost savings that he cited in his studies on school district consolidation did not -- did not -- take into account changes in salary grades. As he noted, "Salary grades almost always go up."

The 1999 Assembly Task Force study also noted that creating new, larger school districts could result in more student transportation costs, another cost that could offset any savings from eliminating one or more superintendent positions.

Tax apportionment is another major obstacle to regionalization. Virtually every time that school districts explore regionalization, they find it changes the apportionment of costs or the total amount that each community pays toward public schools. Whether the apportionment is based on the number of pupils or the total valuation of each community, we typically find that one town's taxes will go up while the taxes in another district go down. When you regionalize, there will be winners and there will be losers.

In the past 20 years, only 3 districts have regionalized, but that doesn't mean school officials aren't interested in consolidation. Historically, the plans die on the vine or, if they do reach the voters, the proposals reach defeat at the polls.

Financial factors played a role in stopping recent regionalization initiatives between Andover Regional and Green Township in Sussex County; and in West Morris Regional, Chester Township Consolidated, Mendham Township, Mendham Borough, and Washington Township in Morris County. Recently, the Farmingdale School District in Monmouth County responded to residents' suggestions and explored merging with neighboring Howell Township. The district found that the merger would result in sharply increased costs for the Farmingdale property taxpayers.

Other studies have found savings so limited as to not make the change worth the effort. This experience was shared by Lakeland Regional High School, Ringwood, and Wanaque in Passaic County; as well as Boonton Township and Mountain Lakes in Morris County.

Apportionment and salary guides are two of the major obstacles to regionalization. There are more school-- More school districts risk losing

any cost savings they achieved in the area of employee benefits. We have documented numerous cases where districts saved millions by negotiating third-party health benefit contracts, but what happens to these cost savings when districts take on a larger district contract settlement? Who picks up the tab for the increase?

School district debt is another issue. Many school board members say a major impediment to merging is the neighboring district's outstanding debt. This could be an obstacle especially when consolidation proposals involve fast-growing suburban districts that have taken on major construction and renovation projects.

The idea of transferring responsibility for administrative functions from local districts to a countywide level also raises some similar questions, as well as some new ones. How much of the cumulative savings earned by eliminating current local superintendents, business administrators, and other administrative staff would be offset by the newly proposed district supervisors?

Will the proposed county boards default to larger-level contracts for salaries and benefits, and to what extent will that increase base salaries and curtail health benefit cost savings?

We also question the transferring of the purchasing and procurement authority from individual school boards to a county level. Is there a guarantee that the larger contracts will match terms in existing ones?

We all seek solutions to high property taxes. From NJSBA's perspective, the root of the problem lies in the fact that New Jersey's State aid to local schools is among the lowest in the nation. The State of New Jersey covers 38 percent of the cost of public education, where the average

state pays 50 percent. We believe the remedy is moving toward a more progressive, State-level revenue source to fund schools, one that is matched dollar-for-dollar by a decrease in property taxes.

But this Committee is charged with exploring consolidation and shared services. You are looking for solutions, not resistance. That is why we propose the following changes to encourage cost efficiencies and consolidation where it brings educational and financial benefits.

If indeed we move toward regional school districts, three important points need to be stressed. First, we must remove financial barriers to consolidation. To take consolidation proposals beyond the planning stage, the Legislature should create a statewide program or amend the current statutes to mitigate the spikes in property taxes that typically result from regionalizing school districts.

We believe that incentives at the State level would enable communities to study the educational and financial impact of mergers. Such incentives have been available in the past, most recently through grants provided by REDI programs. A large number of school districts conducted studies of regionalization as a result of these grants. Such feasibility studies are an essential first step for communities to identify the benefits and the drawbacks of school district mergers. Without them, citizens will not be armed with the information they need to determine the value of consolidation.

Second, we should encourage, not mandate, consolidation. For consolidation to work, we need the buy-in from the communities that will be affected. The Assembly's own Task Force on School District Regionalization supports this concept saying that, "The decision to

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

Third, we should focus on shared services. The Task Force made it clear that once districts are in a regional system it can be an overwhelming task to withdraw. Rather than locking school districts into regional systems, the Legislature should achieve great bang for the buck by encouraging shared services among the school districts and municipalities.

Last year in my home county, the Somerset County Business Partnership estimated that shared services among the school districts, municipalities, and county agencies saved county taxpayers \$13.6 million. To the south of us, the Middlesex Regional Educational Services Commission generated \$29 million in savings last year to school districts in 12 different counties. And in 2001, the Regionalization Efficiency Aid Program recognized 352 new shared-service agreements involving local school districts. More can be done. These types of cost-saving efforts can be implemented through current configuration, without forcing consolidation and risking higher costs and changes in the tax rates.

School districts are keenly interested in shared services. The potential for growth is enormous. The Legislature should give priority to establishing an incentive program, similar to REDI and REAP, that would give schools and municipalities the tools to realize the full benefit of shared services.

The New Jersey School Boards Association is currently engaged in a year-long study of shared service among school districts and municipalities. The project will identify best practices, as well as legislative

and regulatory obstacles to shared services. We are looking forward to sharing the results with the Legislature.

In early 2005, Governor McGreevey charged Education Commissioner William Librera with developing plans to abolish nonoperating districts and encourage consolidation, or at least consolidating services among small districts. But in news reports, Librera himself showed that the Department of Education had learned the lesson of past regionalization campaigns. In quoting him from *The Star-Ledger*, “Blanket endorsement of regionalization doesn’t work. Blanket indictments of small schools doesn’t work.”

Time and again, we have seen that consolidation is not the cure-all for high property taxes. Regionalizing school districts sounds like a simple solution, but the reality proves otherwise. If you decide that New Jersey has too many school districts, that’s one issue. But suggesting that reducing the number of districts automatically yields great cost savings is an entirely different story.

We ask that the Legislature work toward meaningful change, a change that is proven to lower property taxes, change that not only safeguards the ability of voters to determine what occurs in their communities, but also safeguards the quality of our public schools.

I thank you for inviting us to testify today, and we will be happy to answer any question that you have.

ASSEMBLYMAN WISNIEWSKI: Thank you very much for your testimony.

Senator Smith.

SENATOR SMITH: First, Eva, for the record, you are one of my school board presidents--

MS. NAGY: Yes.

SENATOR SMITH: --in the 17th Legislative District.

MS. NAGY: Yes.

SENATOR SMITH: So let me thank you for coming down as a representative of the Association.

But I do think there are some clarifications needed. Number one, you were right on the money -- literally on the money, no pun intended -- when you said that one of the problems with consolidation is the tax-shift argument. That if Town *A* and Town *B* decide to merge their school districts, Town *A* is a loser and Town *B* is a winner. And that has, invariably, made it very distasteful to the residents of at least one of the two communities involved.

I'm sure you haven't had a chance to study this bill in great detail, but let me just tell you what is in S-2266. There are no-- There is no tax shift, and there are no losers anywhere. And the reason -- the way it was structured was that for every local district, noncentral administrative costs -- but just the cost of delivering the education -- that stays with that school district -- the local district. That remains in effect. And those taxes are certified by the county school board, and those taxes are collected from that municipality's property tax assets.

Where the savings come about is, that once you have the county administrative district and you now, we believe -- or at least I believe -- that you have significantly less administrative cost -- hopefully, one-fifth

of what the costs are now -- the savings are then shared with every municipality.

And the way in which that is done is, that county administrative costs are divided by the number of pupils who are in each town, and then that is assessed against the town. But hopefully, theoretically and practically, you would have one-fifth of the administrative cost now imposed on each district for collection. The local district would still pay the local cost of the services that it already has within the district. So there is no tax shift. There is no loser. Every one of the citizens in every municipality in the State sees the savings associated with the administrative cost reduction. That is one of the beauties of this bill.

MS. NAGY: But what about where the salaries for the staff administrators come in, because they are going to be different in different towns? And eventually, whether it happens when the contracts expire or whether it happens initially, there still will be a major change.

SENATOR SMITH: Well, let me ask you a question about the current situation -- the 600 operating school districts.

Right now, every one of those districts does individual negotiations with its professional bargaining units and support staff, correct?

MS. NAGY: Yes.

SENATOR SMITH: All right. Have you ever felt unequal in the task?

MS. NAGY: As to certain things--

SENATOR SMITH: The 100-pound weakling dealing with the 800-pound gorilla.

MS. NAGY: Certain things have been taken away legislatively from local boards that have put us at a disadvantage, like the last best offer.

SENATOR SMITH: Okay. So you don't quite feel that you are in an equal position with the other team?

MS. NAGY: No. However, we have worked, because of our local situation, a win-win approach to negotiation which has worked very effectively, and we look at the needs of our community.

SENATOR SMITH: I understand that you are making the best-- School boards make the best of a difficult situation, but there are some who would argue that because you have 600 districts, and each one of you -- each one of these districts has to do individual negotiations, and you don't have the same resources that are available to the other team.

I don't want to say, is the other team the 800-pound gorilla? But I would say to you that we all have great respect for the organized professional staff and the organized support staff, and my question to you is: when you have a school board that is elected by 8 to 10 percent of the people, in a school board election -- and I don't think anybody would tell me that school board elections are outstanding examples of democracy-- I mean, voter participation in school district elections is awful. There is more of a chance that the people who are elected by a very low percentage of the population have to be extremely sensitive to the organized staff of their district.

One of the advantages to the county-based school district with a board of school estimate -- wherein you have the freeholders participating in the process -- is that you have people who are elected by 50 or 60 percent of the people in the November general election, who have to deal with the

tax implications of the decisions that they make. That perhaps you would end up with two 800-pound gorillas negotiating with each other, as opposed to 600 100-pound weaklings dealing with an 800-pound gorilla.

Do you think there is any validity to that position?

MS. NAGY: I'm going to defer to our Director of GR, but I do have a comment after that.

M I C H A E L A. V R A N C I K: Senator, I think you're right, but there are two perspectives here. There is the short view and the long view.

I think it is difficult to argue that, ultimately, going from 600 contract negotiations to 21 contract negotiations there wouldn't be some economies, but we've done some research.

We have looked at two counties in particular, and we have tried to decipher what it means to go from individual contracts to larger ones. And it looks to us -- and we would be happy to provide you with our research -- that the salary guides invariably go up, and the increase is significant.

So I think to answer your question, in the short term there wouldn't be savings. I think you would see, if we went in a very gradual way from 600 contracts to 21 contracts, in the short term there would be a lot of pressure to go to a higher-level contract -- a higher-level salary grade. In fact, there are some statutory impediments to actually reducing contracts for some districts.

But over the long term, I think there would be savings. So the question ultimately is: will this provide tax relief? I think long term, yes. In the short term, I think there would be a lot of pressure to go to a higher

salary grade when you go to a larger contract negotiation, so it would mitigate the short-term savings.

SENATOR SMITH: I agree that there is pressure, but the pressure is different. The pressure in the case of the individual school district is that you have a board that is elected by 8 to 10 percent of the population -- whoever gets to the polls wins -- as opposed to having the county board of school estimate, where you have three freeholders who are elected by 50 to 60 percent of the people, and who, as one of their major goals, is to provide great services at reasonable costs. And they have to report to the vast proportion and be accountable to the vast proportion of the public.

And let me just throw one other concept on the table. In your experience in school boards, is there ever the situation where you have -- in school board elections -- teams formed, slates formed, and one slate is known to be the slate of the individuals who would like to see better benefits, better salaries for the employees of the district, versus the other team who are the fiscal conservatives?

And is it not a fact that once the school board election is over, the contract negotiation is over?

MS. NAGY: It can happen in some places.

SENATOR SMITH: How often does it happen?

MS. NAGY: I don't know statewide. I know in our local, there are times the teachers' union is very much involved in the election, and there are times it isn't. And whether there are slates-- Everyone puts together-- There are platforms whether you are running for a State office,

county office, local office, or local school boards. People put together platforms and different folks support them.

SENATOR SMITH: Isn't this the basic problem?

MS. NAGY: To have the analogy-- And also, on a local level, we get voted in or we get voted out. On the county level, people will get voted in or voted out, but we still have to address the needs on a local level with--

SENATOR SMITH: No question.

MS. NAGY: --the staff who are there. And what we do know and we do bring to the table is what our folks are talking about -- what happens when the budget goes down and town council queries us and puts us on the spot and suggests things. So that is all brought to the table--

SENATOR SMITH: Right.

MS. NAGY: --whether you do it on the local level or on another level.

SENATOR SMITH: I don't disagree that it gets put on the table, but how it gets handled is radically different.

In the case of a board of school estimate, where you have people reporting to and accountable to the vast majority of the electorate, they take an extremely fiscally conservative approach to everything that they do. And that is not to say that school boards don't, but when you are elected by 8 to 10 percent of the population and 100 votes this way or that way decides who is on the school board, the question is: Can you really be independent of those pressures when you have to make those decisions?

And I don't know the answer to that question. It has been thrown out hypothetically.

MS. NAGY: But let me throw another question out: If you have the county association, teachers' association, the bargaining unit and negotiations do not go well, does that mean all the local areas and the schools are going to have work-to-the-rule actions and job actions?

SENATOR SMITH: Well, I can only report on the 11 states that have county school districts. We don't see any more labor ferment in those states than we do here, and maybe even less. I mean, it would be a very interesting thing to check out, and maybe if there is any way to check it out, I would like to do that.

MS. NAGY: Because that's another issue--

SENATOR SMITH: But you have 11 states where this works, and it's a fine model.

MS. NAGY: Because I have had negotiations both ways, and I know what happens when it does not--

SENATOR SMITH: There is no guarantee. No guarantee, right.

MS. NAGY: --work well, and then do we compound that on a state level -- on a county level, as well?

SENATOR SMITH: And by the way, one other advantage to S-2266: You have school budgets -- once they are set by the board of school estimate, they are in place. There is not a situation where you have a budget going down, and then going to the town council. And everybody admits the town council may not be in the best position to decide what should or should not be educational priorities. And then you would have that appeal to the Commissioner of Education, and then you get this process that creates turmoil in school government for about two months.

MS. NAGY: But we can fix that without a county system.

SENATOR SMITH: Well, let me ask you this: If this goes on the board -- if this is on the ballot in 2007, and we're allowing the people of New Jersey to decide what kind of government they want and what they are willing to pay for it, could I assume because people -- that citizens -- would have that ultimate decision, that school boards would be in favor of that particular approach, or would you be opposed?

MS. NAGY: Mike?

MR. VRANCIK: I think that is probably a fair assumption, Senator, but I have a few questions.

SENATOR SMITH: What is a fair assumption? That you would be in favor of it?

MR. VRANCIK: That we would support it--

SENATOR SMITH: Okay.

MR. VRANCIK: --as long as it was put to the voters.

My question is: Is it a simple majority of all the voters in the county--

SENATOR SMITH: Yes.

MR. VRANCIK: --or is it a majority of voters in the districts?

SENATOR SMITH: The majority of all the voters in the county.

MR. VRANCIK: We would probably want to think about that further before we would say we support it.

SENATOR SMITH: Well, otherwise, you're saying that the smallest town -- which, by the way, might have the most to gain -- would be able to effectively veto the consolidation.

MR. VRANCIK: I just think we need to look at--

SENATOR SMITH: And pure democracy is 50 percent plus 1. Let the people decide.

MR. VRANCIK: On the other hand, the largest districts -- there may be fewer than in the overall county -- would impact-- I mean, I think of a county like Essex; there are a lot of smaller districts and one very large one. That one large one would have a disproportionate say in what happened in the county.

SENATOR SMITH: Right, but that say may be that they don't want to. I mean, ultimately, it is the people who are paying the taxes. Why not let the citizens decide how much government they want and what they are willing to pay for it? That is the principle behind this.

MR. VRANCIK: We need to take a closer look at it, Senator.

SENATOR SMITH: Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Mr. Chairman.

Are there other members?

Assemblyman Malone.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

The question of moving school elections to November came up at the last meeting. How do you feel about moving school elections?

MS. NAGY: We are opposed to that, because right now politics, except in a few cases, does not enter it. And as board members, we could not get elected unless we aligned ourselves directly or indirectly with political parties, and many board members are independent. Plus also,

putting politics in the school district does not work best for the educational system for kids.

ASSEMBLYMAN MALONE: To some degree. In some towns, politics doesn't enter school board elections. But as I think the discussion--

SENATOR SMITH: Name three. (laughter)

ASSEMBLYMAN MALONE: It really-- In anything I've seen, usually the school board election is the primer to moving on to higher office. There are some exceptions to that, but--

MS. NAGY: There are a number of exceptions.

ASSEMBLYMAN MALONE: But in many of the towns that I have been familiar with, there have been partisan politics involved in putting slates together and groups of people together to run. Even though it is a nonpartisan election, they do run under somebody's guiding principles. So it may sound that way, but I think it does happen.

To get back to the concept that the Senator was talking about, the county system.

In the dialogue back-and-forth between you and the Senator, it sounded as though we were going to have a -- basically a county school tax, and that would be redistributed to level out the disproportionate taxes paid by municipalities. Is that the understanding that I had between the two conversations? (negative response)

Then where-- How do you balance it? If you don't have a county school tax, how do we balance out the differential?

MS. NAGY: For instance, in Somerset County, our teachers in my districts -- their salaries are average. If I--

ASSEMBLYMAN MALONE: I'm not worried about salaries.

This is--

MS. NAGY: But those are all costs that are involved.

ASSEMBLYMAN MALONE: No. I'm just talking about how you pay. Currently, we have individual towns pay a tax, and if we went to a county system -- and to level out the highs and the lows, if you went to a county tax for schools, you would end up changing the playing field, and everybody would pay basically a county tax rate for schools.

MS. NAGY: No. I don't think that is what is being proposed.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Malone, I think Senator Smith has an answer.

SENATOR SMITH: Yes. Let me be helpful.

ASSEMBLYMAN MALONE: Sure.

SENATOR SMITH: If you take a look at S-2266--

ASSEMBLYMAN MALONE: Okay. I haven't had a chance to really review it yet.

SENATOR SMITH: I understand that. But what we tried to do was to set up a system where there would be no losers--

ASSEMBLYMAN MALONE: I understand.

SENATOR SMITH: --in any town. No tax shift. And the way the tax would be done is as follows: First of all, there would be a local budget for the local delivery of educational services. So all the principals, the teachers, the janitors, the support staff, the capital, the whatever would still -- whatever is in Dunellen now, would stay in Dunellen now, with one exception, and the one exception -- once all of the administrative overburden went to the county administrative district, you would now have

a new cost for administration, and the new cost for administration would be set by dividing the number of pupils into the actual central administrative costs.

We believe that those central administrative costs will be reduced by one-fifth to one-half of what they there were previously. So now every district gets the basic cost that it has, and it is accessed against its local ratables -- as it is now; the only exception, though, is that they get a chance to take advantage of the savings of the central administration.

ASSEMBLYMAN MALONE: Okay. I think I understand that concept, but we're still not addressing the property tax issue. If we're in a mode here of looking at how we are going to reduce property taxes, I'm not sure that reduces property taxes. It may shift some around.

Let's say if I have a school district with an Abbott in it -- a county with an Abbott or multiple Abbotts in it--

SENATOR SMITH: Right.

ASSEMBLYMAN MALONE: Where do you get the additional money to pay for the Abbotts within that county structure without raising a county tax rate, because in essence-- Let's say, Newark, for example, paid little or no of their own money into Newark.

SENATOR SMITH: Right, you have to break--

ASSEMBLYMAN MALONE: Essex County would pay for Newark?

SENATOR SMITH: No. No, no, no, absolutely not. There is no tax shift. There are only tax reductions for every town in the State. You have to divide up the way-- You have to think about the way in which, right now, we fund local education. And the way you fund local education

is you assess your local property taxpayers and your ratables for what is collected locally, and then separately, you receive State aid.

Right now, the State aid formulas are being revised by another Committee in the Legislature in this special session. I believe they are going to have a totally new approach to funding. But the bottom line is that the Abbott costs don't get shared with any other towns. The local district costs are assessed. They are sent to the local tax collector to be certified and to be collected locally.

What you are talking about -- Abbott aid -- is aid that comes from the State. It doesn't get collected from anybody else.

ASSEMBLYMAN MALONE: I just don't want to see the floor of the local tax--

SENATOR SMITH: You don't want to see tax shift.

ASSEMBLYMAN MALONE: But I just don't even want to see the floor raised even though it is equal. If you raise everybody and it is equal, then we're raising more money, and we're actually costing people more.

SENATOR SMITH: We are not.

ASSEMBLYMAN MALONE: Right now people, in my opinion, should be paying less property taxes. We shouldn't even be talking about equalizing county property taxes.

SENATOR SMITH: We're not. We're not.

ASSEMBLYMAN MALONE: We ought to be saying, "Town X, you're going to pay less."

SENATOR SMITH: I must be the most inarticulate legislator in the New Jersey Legislature.

ASSEMBLYMAN GORDON: I understand you, Senator.

SENATOR SMITH: But honest to God, there is no tax shift under this proposal. The local district pays for its local education services.

ASSEMBLYMAN MALONE: Bob. Bob, I don't care about the tax shift. I want to pay less.

SENATOR SMITH: Well, that's where you get it.

ASSEMBLYMAN MALONE: And considerably less in property tax.

SENATOR SMITH: Your administrative costs, hopefully, will go down one-fifth.

ASSEMBLYMAN GORDON: The administrative economies--

ASSEMBLYMAN MALONE: Look, I don't think the administrative economies are going to give you significant tax reduction in the county. I think what we're talking about here is what are we going to do to reduce -- particularly, in my town, or Town X, Y, or Z -- lowering the property taxes considerably lower than it is today. I don't think it is a matter of-- People are not going to be satisfied with just the status quo.

SENATOR SMITH: Oh, I'm with you. But the only-- And I will tell you honestly, the only thing that my -- the bill that I have on the table deals with, is the \$553 million of administrative costs. It doesn't deal with, perhaps, the bigger picture of what the source of the revenue should be, who should be paying, or whatever. But it just--

ASSEMBLYMAN MALONE: Okay. I can accept that.

SENATOR SMITH: And maybe it is just that when I look at what we -- what I think we can reasonably do for the taxpayers-- The one place where it struck me where there were glaring inefficiencies was the way

in which we administered education in New Jersey, and that is the one thing this bill tries to deal with.

But there may be other issues, like the ones you are pointing out, where you can be helpful. We're ready to look at any legislation that anybody has.

ASSEMBLYMAN MALONE: When we get done -- this whole process -- I'm looking to see how much we are reducing property taxes in individual communities, so that we can go out to the public-- Because that is what we are here for.

SENATOR SMITH: No question.

ASSEMBLYMAN MALONE: And if we have to be able to go out and say to the public, "your property taxes are going to be 5 percent less, 10 percent less," whatever the amount is, we need to be able to say that directly to those individuals.

SENATOR SMITH: Yes. And by the way, all my bill deals with is 2 percent.

ASSEMBLYMAN MALONE: Okay.

SENATOR SMITH: And I don't want to overrate the expectations of anybody. And remember, as well, they may not get the savings unless they decide they want to change their school government. I would say, put the fate of this into the hands of the people. Let it go on a county referendum, and let them decide if they want it.

ASSEMBLYMAN MALONE: I have a couple more questions of the School Boards.

MS. NAGY: If I may put it--

ASSEMBLYMAN WISNIEWSKI: I have to say, let's ask the questions--

ASSEMBLYMAN MALONE: Sure. I just needed some clarification.

ASSEMBLYMAN WISNIEWSKI: We can talk amongst ourselves-- (laughter)

ASSEMBLYMAN MALONE: We had a situation where you talked about a board of school estimates. Currently, the county vocational school systems have a board of school estimate with the county freeholders. That budget is primarily controlled by the county elected officials. It is not a nonpartisan situation.

If you, as a board of school estimate -- whether it is at the local level or at the county level-- I mean, I was involved originally with our school, which was an appointed board and had a board of school estimate. We had more voting members on the board of school estimate than the school board did. So in essence, it was-- Even though it didn't go to a school election, it was really left into the hands of the municipal elected officials to make determinations.

Has that changed -- to my knowledge -- or is it the same as it is now?

MS. NAGY: I don't know what changes are there. We are a local board, so our nine members vote on our budget. We don't have a board of estimate.

ASSEMBLYMAN MALONE: No. So you are an elected board?

MS. NAGY: Yes.

ASSEMBLYMAN MALONE: But if you had a town that has an appointed board, if there is disagreement on that budget between the local officials and the school board, the board of school estimate could say, "We do not agree with the school board's budget, therefore we are not approving the tax rate," and an appeal could be taken to the Commissioner.

Right now, we have an election--

MS. NAGY: Yes. That is the way it is now.

ASSEMBLYMAN MALONE: --if it is not approved by the voters, it goes to the municipality. They can either leave it the same, cut it, whatever they want to do, and if the school board doesn't like it, then they--

MS. NAGY: But where it is a board of estimates, that is also an appointed board.

ASSEMBLYMAN MALONE: Correct.

So you have an appointed board dealing with elected municipal officials, which actually is the same if the budget is defeated.

MS. NAGY: Well, I don't know if on the local level the board of adjustments (*sic*) is the elected officials.

ASSEMBLYMAN MALONE: I'm pretty sure it is.

MS. NAGY: Town council. Okay, yes.

ASSEMBLYMAN MALONE: Okay. I just wanted to get that--

MS. NAGY: But just to put a frame on-- In our township, \$1 million would be about a \$23 savings on taxes. Our central administrative costs are not at that point. Also, we would have to take into consideration that there would be a local supervisor with this system, so some of those

costs would be there, as well as staff. So just to put a picture on it, it's not that much of a savings if at all.

ASSEMBLYMAN MALONE: Okay.

Thank you very much, Mr. Chairman.

And thank you very much.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Are there any other questions from the Committee? (no reponse)

Don't go away, we may have more for you.

MS. NAGY: Oh, I'm here.

ASSEMBLYMAN WISNIEWSKI: Next, I would like to have Dr. Barry Galasso, from the New Jersey Association of School Administrators.

B A R R Y J. G A L A S S O Ed.D.: Yes. Thank you.

And good afternoon. I was going to say good morning, but will say good afternoon to both Co-Chairs and the members of the New Jersey Joint Legislative Committee.

My name is Barry Galasso, and I am the Executive Director of the New Jersey Association of School Administrators. I am appreciative of the opportunity to speak here today on behalf of the New Jersey Association of School Administrators.

First, I want to commend the members of the Legislature and the current administration for rising to the challenge of exploring the issue of property tax relief for the residents of New Jersey.

There is no question in my mind, or in the mind of our Association, that your job responsibility in addressing this significant topic

is most difficult. I am confident that the objective in this process has been and will be to accomplish property tax relief while maintaining the continued emphasis on quality education.

Our Association believes it is the best interest of all concerned -- students, parents, and taxpayers -- to maintain excellence in public education in New Jersey. The State's economic and cultural prominence in our global world is directly related to how the Garden State sustains public education in our state.

It is the Association's understanding that the Joint Committee is requesting comments on the four bills presented today. These bills would radically alter the current governance of public education in New Jersey.

Each proposal warrants careful consideration. Even the slightest alteration in the way public school systems are organized could cost -- or could cause unintended consequences resulting in irreparable damage to excellent public school systems.

The concepts being explored in these bills call for systemic change to the way public schools in New Jersey are managed. Therefore, all the stakeholders in New Jersey's education system need to examine and understand all the details of this change before a position can be taken.

As the New Jersey Association of School Administrators continues to speak out for quality education in New Jersey, we gladly offer the expertise of our members to assist the Joint Committee in your deliberations and refinement of the systemic change of how public schools are governed in New Jersey.

Thank you for the opportunity of allowing our Association to testify, and we look forward to working with you on this critical concern.

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

And our last witness is Lynne Strickland.

Ms. Strickland.

L Y N N E S T R I C K L A N D: Thank you, Senator Smith, Assemblyman Wisniewski, and members of the Joint Committee for having us here today.

I am Lynne Strickland, Executive Director of the Garden State Coalition of Schools. The Garden State Coalition, just to bring you up to date on our membership, is really comprised of parents, board of education members, and school administrators.

Therefore, there is a common denominator of interest in the organization, really, for quality education, refocusing on school finance for stability and predictability, and to move quality education ahead. But we are also very aware of the inextricable link of property taxpayers, property taxes, and support for public education being a critical nexus.

Currently, we represent about 350 (*sic*) public schoolchildren in 110 districts across the State. And we sure appreciate your invitation to speak today.

The proposals under discussion are sweeping in nature, and we anticipate today's opportunity signals a beginning of the most important debate in current history on the structure and delivery of public education in our State.

Overall, we have a few comments -- general comments, for starters. One, please "show us the money." And by that we mean, what are the costs involved in effecting any one of the plans before us today? Before the State takes steps to overhaul its education system, and in the name of

saving money as its first priority, we should be apprised of the inherent costs in these plans so that they can appropriately be factored into the best practice of informed decision making.

To have this discussion in the absence of real numbers on both the plus and minus sides of the ledger is risky business. We need to have a little more information rather than just the savings side.

Two, we are wary of the need for establishing new and/or extended bureaucracies at the county level, especially when this conversation is focused more on 20th century problems of property taxes that haven't yet been grappled with, more than 21st century solutions. And in the back, I have attached a description of what we mean by 21st century solutions. (referring to written testimony)

Three, certain issues would increase property taxes, actually, under the consolidation plans. They require being addressed for this conversation to have realistic legs. You have heard them: salaries -- will they rise to the highest levels of the consolidated group? The tax structure in New Jersey is structured in such a way that one or more districts have to pay more when merged.

And I hear what you were saying, Senator Smith, and you were more articulate than you may think.

Consolidated districts must assume costs of one another. In the event of consolidation, districts would assume a portion of the debt of the new consolidated entity. Again, one plan may differentiate a way to deal with that, and another plan may not. There are varying plans out there that you are discussing today. For a number of districts, transportation

costs would rise significantly in the event of consolidation, and again, property taxes would thus rise.

Four, assure that data is used as a basis-- Excuse me, assure the data used as a basis for this discussion is relevant. In other words, we talk about disaggregating the Abbott District data from the regular operating district data, because a lot of this discussion is based on -- references per pupil costs in the State, and how high they are. We're the only State in the country that really has two different systems of school funding, and they have different impacts on school expenses. And you're really talking about dealing with 550 and more regular operating districts, and then the rest of the districts -- trying to address a problem; but there are different factors and information that go into these.

The same thing would go for the State aid -- that you've heard people speak about also today -- the flat funding for five years and the uneven distribution of State aid among districts within the state. That makes for a conundrum with property taxes that we're dealing with today, and it really is quite the rub. For example, in New Jersey, 45 percent of our regular operating districts are considered too wealthy to receive core curriculum aid. That has a direct impact on local property tax. That is a significantly high percentage. I think it is the highest in the nation. In California, 6 percent of the districts are considered too wealthy to receive basic school aid.

You have asked us to confine our comments today, for discussion purposes only, to four bills. The latter two bills you just released tomorrow (*sic*) morning to us, and we really want to put a caveat in any analysis. It is kind of superficial, because we haven't had an in-depth

opportunity to study those bills. And mindful of the time limit, we'll only be able to give a quick take, anyway, on some of the issues presented in these bills as follows:

A-54, sponsored by Speaker Roberts: A concern, politicizing -- based, again, on the gubernatorial appointment issues. The county executive superintendent is appointed by the Governor on a biannual basis, with the recommendations of the Commissioner. At the same time, the Commissioner is also appointed by the Governor. Politics could take the lead rather than educational and organizational leadership. How can politicization of the role not occur? How can we avoid that?

Bureaucracy at the county level will increase. How can another level of extended bureaucracy and the potential for patronage be avoided? Blurring of organizational lines and authority -- we're not all critical of this bill, I'll get there-- But blurring of organizational lines and authority: the DOE Commissioner and the super county superintendent are both positions that are awarded by gubernatorial appointments. Which role would then really run the show? In addition to the role of the Commissioner likely being weakened in this premise, confusion could override clarity of function. Operational delegation and clarity are necessary priorities in a well-functioning, efficient bureaucracy.

Local control is diminished in the proposed government construct here. Executive superintendents have virtual veto power over school budgets, as well as administrator contracts. Since their contributions would have less effect, boards of education, local parents and citizens could eventually lose some heart and distance themselves from participating in local governments. It is generally accepted that increased local involvement

leads to more effective education for children and a higher level of accountability for school districts.

Consolidation-recommending power, and the public vote that is required: We don't see any provisions for local input into the executive superintendents' consolidation plans that are required under A-54. While each affected locality is required to vote on the Commissioner-approved plan, the bill is silent on what criteria will literally be used to determine if the plan passes or fails.

For instance, if four communities are affected and three out of four vote for the consolidation plan, would that be considered a majority, and would the plan then be passed? Or does the voter sentiment in one community carry the weight in the final outcome? We don't know.

The executive superintendent's evaluation is dependent on administrative reduction. And there is literally a line or two in the bill that say the evaluation will look to see how the executive superintendent -- how he is paying attention -- he or she -- to the administrative personnel, and looks towards reducing of the administrative teacher/student ratio-- Excuse me, administrator/pupil ratios, things like that.

Past a certain point, there are no guidelines stipulated nor ways to assess qualitatively what is too much or too little administration. In addition, there is no easy way to determine quantitative guidelines, since student demographics and needs differ from district to district.

Mandate downsizing -- here you go, we like something. The executive superintendent is granted recommending powers to eliminate certain mandates, while the Legislature is given final oversight opportunity as a check and balance of this. This is a positive.

Local districts may apply to executive county superintendents for certain services: This part of the bill is reminiscent of Pennsylvania's intermediate unit structure, which operates successfully and saves local district monies and yet retains the essence of home rule. GSCS believes that Pennsylvania's system offers positive ways to be cost-effective and, very important, educationally effective at the same time.

This really warrants further investigation, and we would like to be in that discussion.

Senator Kyrillos' bill, S-557 -- or S-577, I think. This bill establishes an interesting structure similar to the BOCES, the Board of Cooperative Educational Services in New York State.

Since a new school funding formula, however, is to be proposed in the near future, certain questions arise that may require the bill to be reworked. The bill establishes two types of county school business boards -- one for Abbots and one for all remaining districts.

That may not be the case from what we are hearing. A new funding formula is likely to be based on individual student needs rather than district wealth and district delineations. So this may need updating, reworking, whatever.

But the BOCES' aspect of the purchasing, and so on, and services it, can provide to districts is also something worthwhile looking into.

S-2266 and S-2677 -- No, it's 267-- I can't get it. (laughter)

But you know what I mean, Senator Smith. Your two bills that just came out yesterday.

It overhauls public education as we know it today, creating a locus of power at the county level -- again with political appointment power of the Governor, the chief executive of the county, and the county board of chosen freeholders. That would exercise -- this structure, entity, would exercise virtually all critical exercise -- aspects of school districts' education programs, including instructional programs and personnel.

We have included parts of the bill below to demonstrate its overwhelming absorption of school district functions, down to making school boards of education irrelevant. (indicating written testimony) It does say that, and advisory only--

SENATOR SMITH: Advisory.

MS. STRICKLAND: And we believe that quality education is threatened by this bill, but we are more than willing to have a discussion about it. There are many aspects that are -- stand out.

We have a bunch of questions. One thing I want to point out to you, particularly, is the ballot -- if I read it right -- lists the savings county-by-county that the State Auditor put together in terms of salaries of staffing. It doesn't have a counterbalance in terms of what it might cost to establish the new county structure, and we think that it could bias that ballot voting when it only states savings and doesn't have a counterbalancing feature there.

We have a number of other questions here. We think that local parents may vote with their feet in the event of a major disruption; and possible diminution of quality education that could be caused by conversion to a county-based system.

It needs full airing. The discussion really needs to be broad, and it needs to engage parents and people all across the State before we make a major, major move in the conversion to either a county system or an executive county superintendent.

We take this as a beginning of that discussion, that this is a work in progress; and we hope that you do too, and are not too confined by the time lines that the Legislature has out there. Major questions.

Thank you.

SENATOR SMITH: We appreciate very much you taking your time to come in and express your views.

Are there any questions for our witness? (no response)

Let me thank you once again, and the entire panel, for coming in. You have been very, very helpful.

The Committee meeting is adjourned.

MEETING CONCLUDED