

ASSEMBLY, No. 680

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblyman BAGGER

1 AN ACT establishing a Regionalization and Shared Administrative  
2 Services Incentive Fund in the Department of Education, amending  
3 P.L.1995, c.236 and P.L.1993, c.67, and supplementing chapter 13 of  
4 Title 18A of the New Jersey Statutes.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State of  
7 New Jersey:

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9 1. (New section) This act shall be known and may be cited as the  
10 "Regionalization and Shared Administrative Services Incentive Fund Act  
11 of 1996."

12

13 2. (New section) The Legislature finds and declares that:

14 a. It becomes increasingly apparent that in an era of rising student  
15 enrollments, limited fiscal resources, and public insistence on  
16 accountability in the spending of tax dollars, that the issues of voluntary  
17 school district regionalization and the sharing of administrative and other  
18 services among school districts is of critical importance;

19 b. It is also obvious, and has been well documented through a variety  
20 of studies, that improvements are needed in the efficiency and  
21 effectiveness of the delivery of K-12 educational services within the State;

22 c. Research indicates that the need for such improvements is directly  
23 attributable to the fact that New Jersey has more than 600 local school  
24 districts the majority of which are well below the national average in terms  
25 of student population per district and well below the optimal size for  
26 offering a comprehensive yet efficient educational program;

27 d. Research also indicates that administrative costs per pupil are much  
28 higher than the average in smaller school districts, a fact which is of great  
29 significance in this State where almost one-half of the school districts have  
30 fewer than 500 students;

31 e. While regionalization has for many years been advanced as a  
32 mechanism through which school districts may join efforts to avoid  
33 duplication of effort and take advantage of the cost savings which can be  
34 realized when educational services are conducted on a larger scale, New

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 Jersey's legacy of "home rule" has precluded any effort to force the  
2 regionalization of school districts; and

3 f. It has been generally recognized that although regionalization may  
4 benefit some school districts, it may not be the answer for every district  
5 and that it may be more appropriate that those communities which are  
6 well satisfied with their educational program examine other options to  
7 enhance the efficiency and cost effectiveness of their educational  
8 operations.

9 The Legislature further finds, therefore, that a program which provides  
10 financial incentives to school districts which engage in regionalization  
11 activities or activities which lead to the sharing of administrative services  
12 among districts would be a wise investment of public dollars in that such  
13 a program could provide a catalyst to move school districts in those  
14 directions and thus contribute to the stabilization of educational  
15 expenditures.

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17 3. (New section) There is established within the Department of  
18 Education a fund to be known as the "Regionalization and Shared  
19 Administrative Services Incentive Fund," hereinafter referred to as the  
20 "incentive fund." The incentive fund shall be used to:

21 a. provide grants and loans as approved by the Commissioner of  
22 Education to public school districts to finance activities which promote  
23 regionalization and shared administrative services, including but not  
24 limited to, the costs to the district of a regionalization or shared  
25 administrative services feasibility study, facilities modification, program  
26 expansion, transportation expansion, and modifications to collective  
27 bargaining agreements; and

28 b. provide State regionalization incentive aid payments to public  
29 school districts pursuant to the provisions of subsection b. section 3 of  
30 P.L.1993, c.67 (C.18A:7D-37b).

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32 4. (New section) The incentive fund shall annually be credited with  
33 the total amount of excess administrative spending penalty funds deducted  
34 from the State aid of penalized school districts pursuant to the provisions  
35 of section 3 of P.L.1995, c.236 (C.18A:7E-8). The fund shall also be  
36 credited with any moneys received from the repayment of loans made  
37 from the incentive fund to school districts pursuant to subsection c. of  
38 section 5 of P.L. , c. (C ) (now pending before the Legislature as  
39 this bill) and any interest thereon, and any other moneys appropriated to  
40 the fund by the Legislature.

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42 5. a. (New section) Within 30 days of the notification to school  
43 districts of their per pupil administrative costs and the applicable median  
44 per pupil administrative costs pursuant to section 3 of P.L.1995, c.236  
45 (C.18A:7E-8), the commissioner shall notify all school districts of the  
46 amount of funds available to finance regionalization and shared

- 1 administrative services grant and loan projects for the budget year and  
2 shall invite the submission of applications for the receipt of such funds.
- 3 b. A local school district which wishes to apply for grant funding  
4 shall submit a proposal to the commissioner which outlines the nature of  
5 the regionalization or shared administrative services project for which it  
6 is requesting grant funding. The proposal shall also include information  
7 on the manner in which the project will foster regionalization or the  
8 sharing of administrative services among school districts and such other  
9 information as the commissioner may require.
- 10 c. In addition to grants provided to school districts pursuant to  
11 subsection b. of this section, the commissioner may use the money in the  
12 incentive fund to provide low interest loans to school districts to finance  
13 the renovation, repair or other alteration of existing school buildings, the  
14 construction of new school buildings, or the conversion of existing school  
15 buildings to other instructional purposes which may be necessary for  
16 school district regionalization. The amount of the loan and the percentage  
17 of the project to be funded by the loan shall be determined by the  
18 commissioner in accordance with the amount of money which is available  
19 in the incentive fund to provide loans and the number of school districts  
20 which have applied for regionalization loan funds.
- 21 d. Upon application by any school district to the commissioner for a  
22 loan to be made under subsection c. of this section, the commissioner shall  
23 determine whether to grant approval for the loan based upon the  
24 appropriate authorization for the loan pursuant to subsection d. of  
25 N.J.S.18A:20-4.2, the relationship of the project to the enhancement of  
26 the district's plans for regionalization, the ability of the school district to  
27 begin and complete the project in an expeditious manner, and the ability  
28 of the school district to proceed with the funding of the balance of the  
29 moneys needed for the project.
- 30 e. The commissioner shall establish the terms of the loan which shall  
31 include, but not be limited to, the rate of interest, a schedule for drawing  
32 down loan funds, and a repayment schedule. The repayments shall be  
33 treated by the school district as net debt service for school aid purposes.  
34 In addition to the amount of taxes determined by the legal voters of the  
35 district at the annual school election, the secretary of the board of  
36 education shall certify the amount required for the repayment of the  
37 interest and principal of the loan in the same manner required for interest  
38 and debt redemption charges pursuant to N.J.S.18A:22-33, and the  
39 amount so certified shall be included in the taxes assessed, levied and  
40 collected in the municipality or municipalities comprising the school  
41 district for such purposes.
- 42 f. All repayments, and interest thereon, shall be deposited by the  
43 commissioner in the incentive fund for the purposes provided for in  
44 P.L. , c. (C. ) (now pending before the Legislature as this bill).  
45 Net earnings received from the investment or deposit of monies in the  
46 incentive fund shall be redeposited in the fund for those same purposes.

1       6. Section 4 of P.L.1995, c.236 (C.18A:7E-9) is amended to read as  
2 follows:

3       4. [a. A school district shall be eligible for a reward if it meets the  
4 following criteria:

5       (1) the school district's budgeted per pupil administrative spending, as  
6 defined in subsection b. of section 3 of this act, is below 115% of the  
7 median budgeted per pupil administrative spending for the preceding  
8 school year for districts of the same operating type;

9       (2) the school district is a multi-school K-12 school district, a county  
10 vocational-technical school district or a county special services school  
11 district; and

12       (3) the school district is certified by the Department of Education as  
13 providing a thorough and efficient education pursuant to the provisions of  
14 section 10 of P.L.1975, c.212 (C.18A:7A-10).

15       b. If a district is under investigation by any agency of the State or  
16 federal government for fiscal abuse, impropriety or mismanagement, the  
17 reward shall be withheld until the district is cleared of wrongdoing.

18       c. The amount of funding to be distributed in rewards shall equal the  
19 total amount of funds in penalties as specified in section 3 of this act. A  
20 qualified district shall be eligible for a reward in one of two amounts,  
21 which shall be based on the total enrollment of pupils in the district. A  
22 district with an enrollment of 2,500 or more pupils shall receive a reward  
23 twice as large as a district with an enrollment of fewer than 2,500 pupils]

24       The total amount of funds in penalties as specified in section 3 of  
25 P.L.1995, c.236 (C.18A:7E-8) shall annually be deposited in the  
26 Regionalization and Shared Administrative Services Incentive Fund  
27 established pursuant to section 3 of P.L. , c. (C. ) (now pending  
28 before the Legislature as this bill). The funds shall be distributed by the  
29 commissioner to eligible school districts to provide regionalization and  
30 shared administrative grants and loans pursuant to section 5 of that act  
31 and State regionalization incentive aid payments pursuant to the  
32 provisions of subsection b. of section 3 of P.L.1993, c.67  
33 (C.18A:7D-37b).

34 (cf: P.L.1995, c.236, s.4)

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36       7. Section 3 of P.L.1993, c.67 (C.18A:7D-37) is amended to read as  
37 follows:

38       3. a. For a period of five years following regionalization, each regional  
39 school district formed after the effective date of this act shall be eligible  
40 to receive supplemental State aid equal to the difference between the  
41 regional district's State foundation aid calculated pursuant to section 4 of  
42 P.L.1992, c.52 (C.18A:7D-4) for the budget year and the sum of  
43 foundation aid received by each constituent district of that regional school  
44 district in the year prior to regionalization, multiplied by the transition  
45 weight. For the purposes of this [section] subsection, the transition  
46 weight shall equal 1.0 for the first year following regionalization, .80 for

1 the second year following regionalization, .60 for the third year following  
2 regionalization, .40 for the fourth year following regionalization and .20  
3 for the fifth year following regionalization.

4 b. In addition to the supplemental State aid received pursuant to  
5 subsection a. of this section, for a period of ten years following  
6 regionalization, each regional school district formed after the effective  
7 date of P.L. , c. (C. ) (now pending before the Legislature as this bill)  
8 shall be eligible to receive State regionalization incentive aid in the amount  
9 of \$200 per student multiplied by the transition weight. For the purposes  
10 of this subsection, the transition weight shall equal 1.0 for the first year  
11 following regionalization and shall decrease by .10 in the second and each  
12 subsequent year thereafter.

13 If the amount of money available to fund State regionalization incentive  
14 aid is not sufficient to provide aid in the amount of \$200 per pupil, the  
15 commissioner may adjust the per pupil amount of incentive aid in  
16 accordance with available funding.

17 (cf: P.L.1993, c.67, s.3)

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19 8. Section 4 of P.L.1993, c.67 (C.18A:7D-28.5) is amended to read  
20 as follows:

21 4. Each regional school district formed after the effective date of this  
22 act shall, for the purposes of calculation of its maximum permissible net  
23 budget pursuant to the provisions of section 85 of P.L.1990, c.52  
24 (C.18A:7D-28), have its net budget for the prebudget year increased by  
25 an amount equal to the supplemental State aid received by the district  
26 pursuant to section 3 of this act plus the amount of any start-up costs  
27 incurred by the district in the regionalization process including, but not  
28 limited to, the costs to the district of a regionalization study, program  
29 expansion, transportation expansion, and modifications to collective  
30 bargaining agreements. In addition, each regional school district formed  
31 after the effective date of P.L. , c. (C. ) (now pending before the  
32 Legislature as this bill) shall also have its net budget for the prebudget  
33 year increased by an amount equal to the State regionalization incentive  
34 aid received by the district pursuant to subsection b. of section 3 of  
35 P.L.1993, c.67 (C.18A:7D-37b).

36 (cf: P.L.1993, c.67, s.4)

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38 9. This act shall take effect immediately and shall first apply to State  
39 aid for the 1997-98 school year.

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## STATEMENT

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44 This bill establishes a Regionalization and Shared Administrative  
45 Services Incentive Fund in the Department of Education. The purpose of  
46 the fund would be to provide grants and loans to public school districts to

1 finance activities which promote regionalization and the sharing of  
2 administrative services among school districts. The fund would also  
3 finance State regionalization incentive aid payments to public school  
4 districts which regionalized after the bill's effective date.

5 Under the bill's provisions, the fund would annually be credited with the  
6 total amount of excess administrative spending penalty funds which are  
7 deducted from the State aid of school districts pursuant to the provisions  
8 of P.L.1995, c.236. That law provides that any school district whose  
9 budgeted per pupil administrative spending for the preceding school year  
10 exceeds the median budgeted per pupil administrative spending for the  
11 preceding school year for districts of the same operating type by a  
12 percentage established in the law, shall have its school aid reduced by the  
13 dollar amount of the excess. This bill provides that the penalty money will  
14 be deposited into the incentive fund to finance regionalization and shared  
15 administrative services grants and loans as well as regionalization  
16 incentive State aid.

17 The grant funding provided for in the bill would be available to school  
18 districts to finance activities which promote regionalization and shared  
19 administrative services, including but not limited to, the costs to the  
20 district of a feasibility study, facilities modification, program expansion,  
21 transportation expansion, and modifications to collective bargaining  
22 agreements. The grant funding would be distributed by the Commissioner  
23 of Education based on proposals submitted to him.

24 The loan funding provided for in the bill would also be distributed by  
25 the commissioner to provide low interest loans to school districts to  
26 finance the renovation, repair, alteration, or construction of school  
27 buildings or the conversion of existing school buildings to other  
28 instructional purposes which may be necessary to effectuate school district  
29 regionalization. The amount of each loan and the percentage of the  
30 project to be funded by the loan would be determined by the  
31 commissioner in accordance with the amount of money available in the  
32 incentive fund and the number of school districts applying for  
33 regionalization loans.

34 Finally, the incentive fund would also be used to provide incentive  
35 State aid payments to school districts which regionalize after the bill's  
36 effective date. Each such school district would be eligible to receive aid  
37 for a period of ten years following regionalization. The aid would be in  
38 the amount of \$200 per student multiplied by the transition weight. The  
39 transition weight would equal 1.0 for the first year following  
40 regionalization and would decrease by .10 in the second and each  
41 subsequent year thereafter.

42 It has been well established that there exists a critical need to improve  
43 the efficiency and effectiveness of the delivery of K-12 educational  
44 services within the State. Research has confirmed that at least one of the  
45 root causes of the high per pupil costs of educating students in this State  
46 is the very large number of school districts many of which have student

1 populations well below the size required to offer a comprehensive and  
2 efficient educational program. It is also well known that administrative  
3 costs per pupil are much higher than the average in the smaller school  
4 districts and that such costs contribute significantly to the overall problem  
5 of high per pupil costs. The mechanisms established in this bill provide  
6 concrete incentives to school districts to look seriously at designing more  
7 efficient K-12 educational delivery systems without removing the local  
8 option of designing a system which best suits that community. The  
9 incentives provided in this bill are significant and should be attractive to  
10 school districts. At the same time they represent a wise investment of  
11 public dollars because of the promise they hold for stabilizing educational  
12 expenditures in the long run.

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17 Establishes a Regionalization and Shared Administrative Services  
18 Incentive Fund for public school districts.