

[First Reprint]
ASSEMBLY, No. 680

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblymen BAGGER, LeFEVRE and DeSopo

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:

8

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

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AED committee amendments adopted June 3, 1996.

1 duplication of effort and take advantage of the cost savings which can be
2 realized when educational services are conducted on a larger scale, New
3 Jersey's legacy of "home rule" has precluded any effort to force the
4 regionalization of school districts; and

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

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

18

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

23 a. provide grants and loans as approved by the Commissioner of
24 Education to public school districts to finance activities which promote
25 regionalization and shared administrative services, including but not
26 limited to, the costs to the district of ¹[a regionalization or shared
27 administrative services feasibility study,]¹ facilities modification, program
28 expansion, transportation expansion, and modifications to collective
29 bargaining agreements; and

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

33 ¹The commissioner also shall use the incentive fund to provide grants,
34 loans and regionalization incentive aid payments to regional school
35 districts formed before the enactment of P.L., c.
36 (C.)(now pending before the Legislature as this bill) that enlarge,
37 or seek to enlarge, the regional district if a district complies with and is
38 deemed eligible pursuant to the provisions of P.L., c.
39 (C.)(now pending before the Legislature as this bill).¹

40

41 4. (New section) The incentive fund shall annually be credited with
42 the total amount of excess administrative spending penalty funds deducted
43 from the State aid of penalized school districts pursuant to the provisions
44 of section 3 of P.L.1995, c.236 (C.18A:7E-8). The fund shall also be
45 credited with any moneys received from the repayment of loans made
46 from the incentive fund to school districts pursuant to subsection c. of

1 section 5 of P.L. , c. (C) (now pending before the Legislature as
2 this bill) and any interest thereon, and any other moneys appropriated to
3 the fund by the Legislature.

4 ¹In any fiscal year in which there is less than \$6,600,000 in excess
5 ^{administrative spending penalty funds deducted from the State aid of}
6 ^{school districts pursuant to section 3 of P.L.1995, c.236 (C.18A:7E-8),}
7 ^{there shall be appropriated from the General Fund to the incentive fund}
8 ^{such amounts as may be necessary to ensure that the total amount of}
9 ^{funds deposited into the incentive fund in that fiscal year equals at least}
10 ^{\$6,600,000.}¹

11

12 5. a. (New section) Within ^{1[30] 90¹}

days of the notification to
13 school districts of their per pupil administrative costs and the applicable
14 median per pupil administrative costs pursuant to section 3 of P.L.1995,
15 c.236 (C.18A:7E-8), the commissioner shall notify all school districts of
16 the amount of funds available to finance regionalization and shared
17 administrative services grant and loan projects for the budget year and
18 shall invite the submission of applications for the receipt of such funds.

19 b. A local school district which wishes to apply for grant funding shall
20 submit a proposal to the commissioner which outlines the nature of the
21 regionalization or shared administrative services project for which it is
22 requesting grant funding. The proposal shall also include information on
23 the manner in which the project will foster regionalization or the sharing
24 of administrative services among school districts and such other
25 information as the commissioner may require.

26 c. In addition to grants provided to school districts pursuant to
27 subsection b. of this section, the commissioner may use the money in the
28 incentive fund to provide low interest loans to school districts to finance
29 the renovation, repair or other alteration of existing school buildings, the
30 construction of new school buildings, or the conversion of existing school
31 buildings to other instructional purposes which may be necessary for
32 school district regionalization. The amount of the loan and the percentage
33 of the project to be funded by the loan shall be determined by the
34 commissioner in accordance with the amount of money which is available
35 in the incentive fund to provide loans and the number of school districts
36 which have applied for regionalization loan funds.

37 d. Upon application by any school district to the commissioner for a
38 loan to be made under subsection c. of this section, the commissioner shall
39 determine whether to grant approval for the loan based upon the
40 appropriate authorization for the loan pursuant to subsection d. of
41 N.J.S.18A:20-4.2, the relationship of the project to the enhancement of
42 the district's plans for regionalization, the ability of the school district to
43 begin and complete the project in an expeditious manner, and the ability
44 of the school district to proceed with the funding of the balance of the
45 moneys needed for the project.

46 e. The commissioner shall establish the terms of the loan which shall

1 include, but not be limited to, the rate of interest, a schedule for drawing
2 down loan funds, and a repayment schedule. The repayments shall be
3 treated by the school district as net debt service for school aid purposes.
4 In addition to the amount of taxes determined by the legal voters of the
5 district at the annual school election, the secretary of the board of
6 education shall certify the amount required for the repayment of the
7 interest and principal of the loan in the same manner required for interest
8 and debt redemption charges pursuant to N.J.S.18A:22-33, and the
9 amount so certified shall be included in the taxes assessed, levied and
10 collected in the municipality or municipalities comprising the school
11 district for such purposes.

12 f. All repayments, and interest thereon, shall be deposited by the
13 commissioner in the incentive fund for the purposes provided for in
14 P.L. , c. (C.) (now pending before the Legislature as this bill).
15 Net earnings received from the investment or deposit of ¹[monies]
16 moneys¹ in the incentive fund shall be redeposited in the fund for those
17 same purposes.

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

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

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

27 (2) the school district is a multi-school K-12 school district, a county
28 vocational-technical school district or a county special services school
29 district; and

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

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

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

42 The total amount of funds in penalties as specified in section 3 of
43 P.L.1995, c.236 (C.18A:7E-8) shall annually be deposited in the
44 Regionalization and Shared Administrative Services Incentive Fund
45 established pursuant to section 3 of P.L. , c. (C.) (now pending
46 before the Legislature as this bill). The funds shall be distributed by the

1 commissioner to eligible school districts to provide regionalization and
2 shared administrative grants and loans pursuant to section 5 of that act
3 and State regionalization incentive aid payments pursuant to the
4 provisions of subsection b. of section 3 of P.L.1993, c.67
5 (C.18A:7D-37b).

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

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

10 3. a. For a period of five years following regionalization, each regional
11 school district formed after the effective date of this act shall be eligible
12 to receive supplemental State aid equal to the difference between the
13 regional district's State foundation aid calculated pursuant to section 4 of
14 P.L.1992, c.52 (C.18A:7D-4) for the budget year and the sum of
15 foundation aid received by each constituent district of that regional school
16 district in the year prior to regionalization, multiplied by the transition
17 weight. For the purposes of this [section] subsection, the transition
18 weight shall equal 1.0 for the first year following regionalization, .80 for
19 the second year following regionalization, .60 for the third year following
20 regionalization, .40 for the fourth year following regionalization and .20
21 for the fifth year following regionalization.

22 b. In addition to the supplemental State aid received pursuant to
23 subsection a. of this section, for a period of ten years following
24 regionalization, each regional school district formed after ¹[the effective
25 date] enactment¹ of P.L., c. (C.) (now pending before the
26 Legislature as this bill) shall be eligible to receive State regionalization
27 incentive aid in the amount of \$200 per student multiplied by the transition
28 weight. For the purposes of this subsection, the transition weight shall
29 equal 1.0 for the first year following regionalization and shall decrease by
30 .10 in the second and each subsequent year thereafter. ¹A regional school
31 district formed before the enactment of P.L., c.,
32 (C.)(now pending before the Legislature as this bill) also shall be
33 eligible to receive State regionalization incentive aid in the amount of
34 \$200 per additional student multiplied by the transition weight, if the
35 regional district is enlarged by the inclusion of one or more additional
36 districts.¹

37 If the amount of money available to fund State regionalization incentive
38 aid is not sufficient to provide aid in the amount of \$200 per pupil, the
39 commissioner may adjust the per pupil amount of incentive aid in
40 accordance with available funding.

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

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

45 4. Each regional school district formed after the effective date of this
46 act shall, for the purposes of calculation of its maximum permissible net

1 budget pursuant to the provisions of section 85 of P.L.1990, c.52
2 (C.18A:7D-28), have its net budget for the prebudget year increased by
3 an amount equal to the supplemental State aid received by the district
4 pursuant to section 3 of this act plus the amount of any start-up costs
5 incurred by the district in the regionalization process including, but not
6 limited to, the costs to the district of a regionalization study, program
7 expansion, transportation expansion, and modifications to collective
8 bargaining agreements. In addition, each regional school district formed
9 'or enlarged¹ after the effective date of P.L. , c. (C.) (now pending
10 before the Legislature as this bill) shall also have its net budget for the
11 prebudget year increased by an amount equal to the State regionalization
12 incentive aid received by the district pursuant to subsection b. of section
13 3 of P.L.1993, c.67 (C.18A:7D-37).

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

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

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22 Establishes a Regionalization and Shared Administrative Services
23 Incentive Fund for public school districts.
