

SENATE, No. 386

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator DiFRANCESCO

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
4 of Title 18A of the New Jersey Statutes.

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6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of 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
11 Act 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
17 voluntary school district regionalization and the sharing of
18 administrative and other services among school districts is of critical
19 importance;

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

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

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

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

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

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

9 The Legislature further finds, therefore, that a program which
10 provides financial incentives to school districts which engage in
11 regionalization activities or activities which lead to the sharing of
12 administrative services among districts would be a wise investment of
13 public dollars in that such a program could provide a catalyst to move
14 school districts in those directions and thus contribute to the
15 stabilization of educational 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,
26 program expansion, transportation expansion, and modifications to
27 collective 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
30 of 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
34 deducted from the State aid of penalized school districts pursuant to
35 the provisions of section 3 of P.L.1995, c.236 (C.18A:7E-8). The
36 fund shall also be credited with any moneys received from the
37 repayment of loans made from the incentive fund to school districts
38 pursuant to subsection c. of section 5 of P.L. , c. (C) (now
39 pending before the Legislature as this bill) and any interest thereon,
40 and any other moneys appropriated to 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
44 median per pupil administrative costs pursuant to section 3 of
45 P.L.1995, c.236 (C.18A:7E-8), the commissioner shall notify all
46 school districts of the amount of funds available to finance

1 regionalization and shared administrative services grant and loan
2 projects for the budget year and shall invite the submission of
3 applications for the receipt of such funds.

4 b. A local school district which wishes to apply for grant funding
5 shall submit a proposal to the commissioner which outlines the nature
6 of the regionalization or shared administrative services project for
7 which it is requesting grant funding. The proposal shall also include
8 information on the manner in which the project will foster
9 regionalization or the sharing of administrative services among school
10 districts and such other information as the commissioner may require.

11 c. In addition to grants provided to school districts pursuant to
12 subsection b. of this section, the commissioner may use the money in
13 the incentive fund to provide low interest loans to school districts to
14 finance the renovation, repair or other alteration of existing school
15 buildings, the construction of new school buildings, or the conversion
16 of existing school buildings to other instructional purposes which may
17 be necessary for school district regionalization. The amount of the
18 loan and the percentage of the project to be funded by the loan shall
19 be determined by the commissioner in accordance with the amount of
20 money which is available in the incentive fund to provide loans and the
21 number of school districts which have applied for regionalization loan
22 funds.

23 d. Upon application by any school district to the commissioner for
24 a loan to be made under subsection c. of this section, the commissioner
25 shall determine whether to grant approval for the loan based upon the
26 appropriate authorization for the loan pursuant to subsection d. of
27 N.J.S. 18A:20-4.2, the relationship of the project to the enhancement
28 of the district's plans for regionalization, the ability of the school
29 district to begin and complete the project in an expeditious manner,
30 and the ability of the school district to proceed with the funding of the
31 balance of the moneys needed for the project.

32 e. The commissioner shall establish the terms of the loan which
33 shall include, but not be limited to, the rate of interest, a schedule for
34 drawing down loan funds, and a repayment schedule. The repayments
35 shall be treated by the school district as net debt service for school aid
36 purposes. In addition to the amount of taxes determined by the legal
37 voters of the district at the annual school election, the secretary of the
38 board of education shall certify the amount required for the repayment
39 of the interest and principal of the loan in the same manner required
40 for interest and debt redemption charges pursuant to N.J.S.18A:22-33,
41 and the amount so certified shall be included in the taxes assessed,
42 levied and collected in the municipality or municipalities comprising
43 the school district for such purposes.

44 f. All repayments, and interest thereon, shall be deposited by the
45 commissioner in the incentive fund for the purposes provided for in
46 P.L. , c. (C.) (now pending before the Legislature as this bill).

1 Net earnings received from the investment or deposit of monies in the
2 incentive fund shall be redeposited in the fund for those same
3 purposes.

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

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

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

13 (2) the school district is a multi-school K-12 school district, a
14 county vocational-technical school district or a county special services
15 school district; and

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

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

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

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

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

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

43 3. a. For a period of five years following regionalization, each
44 regional school district formed after the effective date of this act shall
45 be eligible to receive supplemental State aid equal to the difference
46 between the regional district's State foundation aid calculated pursuant

1 to section 4 of P.L.1992, c.52 (C.18A:7D-4) for the budget year and
2 the sum of foundation aid received by each constituent district of that
3 regional school district in the year prior to regionalization, multiplied
4 by the transition weight. For the purposes of this [section] subsection,
5 the transition weight shall equal 1.0 for the first year following
6 regionalization, .80 for the second year following regionalization, .60
7 for the third year following regionalization, .40 for the fourth year
8 following regionalization and .20 for the fifth year following
9 regionalization.

10 b. In addition to the supplemental State aid received pursuant to
11 subsection a. of this section, for a period of ten years following
12 regionalization, each regional school district formed after the effective
13 date of P.L. , c. (C.) (now pending before the Legislature as this
14 bill) shall be eligible to receive State regionalization incentive aid in
15 the amount of \$200 per student multiplied by the transition weight.
16 For the purposes of this subsection, the transition weight shall equal
17 1.0 for the first year following regionalization and shall decrease by
18 .10 in the second and each subsequent year thereafter.

19 If the amount of money available to fund State regionalization
20 incentive aid is not sufficient to provide aid in the amount of \$200 per
21 pupil, the commissioner may adjust the per pupil amount of incentive
22 aid in accordance with available funding.

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

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

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

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

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

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STATEMENT

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4 This bill establishes a Regionalization and Shared Administrative
5 Services Incentive Fund in the Department of Education. The purpose
6 of the fund would be to provide grants and loans to public school
7 districts to finance activities which promote regionalization and the
8 sharing of administrative services among school districts. The fund
9 would also finance State regionalization incentive aid payments to
10 public school districts which regionalized after the bill's effective date.

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

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

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

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

1 each subsequent year thereafter.

2 It has been well established that there exists a critical need to
3 improve the efficiency and effectiveness of the delivery of K-12
4 educational services within the State. Research has confirmed that at
5 least one of the root causes of the high per pupil costs of educating
6 students in this State is the very large number of school districts many
7 of which have student populations well below the size required to
8 offer a comprehensive and efficient educational program. It is also
9 well known that administrative costs per pupil are much higher than
10 the average in the smaller school districts and that such costs
11 contribute significantly to the overall problem of high per pupil costs.
12 The mechanisms established in this bill provide concrete incentives to
13 school districts to look seriously at designing more efficient K-12
14 educational delivery systems without removing the local option of
15 designing a system which best suits that community. The incentives
16 provided in this bill are significant and should be attractive to school
17 districts. At the same time they represent a wise investment of public
18 dollars because of the promise they hold for stabilizing educational
19 expenditures in the long run.

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24 Establishes a Regionalization and Shared Administrative Services
25 Incentive Fund for public school districts.