

18A:7E-6

LEGISLATIVE HISTORY CHECKLIST
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("School Efficiency Program")

NJSA: 18A:7E-6

LAWS OF: 1995 **CHAPTER:** 236

BILL NO: S2079

SPONSOR(S): DiFrancesco and others

DATE INTRODUCED: June 1, 1995

COMMITTEE: **ASSEMBLY** ---

SENATE: Education

AMENDED DURING PASSAGE: Yes Amendments during passage
Second reprint enacted denoted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: June 26, 1995

SENATE: June 22, 1995

DATE OF APPROVAL: August 23, 1995

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: No

SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

974.90 New Jersey. Legislature. Senate. Education Committee.
E24 Public hearing on "the proposed excessive administrative
1995d penalty program, held 2-21-95. Trenton, 1995.

See newspaper clipping--attached:

"Whitman signs bills making schools more accountable," 8-24-95, Atlantic City Press.

KBG:pp

[SECOND REPRINT]

SENATE, No. 2079

STATE OF NEW JERSEY

INTRODUCED JUNE 1, 1995

By Senators DiFRANCESCO, EWING, Bennett,
Cardinale, Martin, Assemblywomen Wright and Bark

1 AN ACT establishing a program to penalize excessive
2 administrative expenditures and to reward administrative
3 efficiency in the public schools and supplementing Title 18A of
4 the New Jersey Statutes.

5
6 BE IT ENACTED *by the Senate and General Assembly of the*
7 *State of New Jersey:*

8 1. This act shall be known and may be cited as the "School
9 Efficiency Program Act."

10 2. The Legislature finds and declares that:

11 a. New Jersey spends more money per pupil than any other
12 State in the nation, but is near the last in the proportion of
13 education dollars spent on actual classroom instruction;

14 b. The achievement of students is directly and strongly related
15 to the proportion of education resources that are devoted to
16 classroom instruction;

17 c. There is a need to direct State and local resources to the
18 classroom and to take decisive action against excessive
19 administrative spending;

20 d. Excessive spending by school districts is unfair to the
21 taxpayers of the community who have a right to see their tax
22 dollars spent prudently and efficiently;

23 e. The State has an obligation to protect the rights of
24 taxpayers to the efficient operation of public institutions; and

25 f. The creation of a program of fiscal rewards and sanctions
26 will serve to promote efficient spending practices in school
27 districts, increase the percentage of education dollars spent on
28 classroom instruction and ultimately will result in the
29 improvement of the achievement of students.

30 ²[13. As used in this act, a region is one of the following
31 groups of counties: the northern region which includes the
32 counties of Bergen, Essex, Hudson, Morris, Passaic, Sussex, and
33 Warren; the central region which includes the counties of
34 Hunterdon, Mercer, Middlesex, Monmouth, Ocean, Somerset, and
35 Union; or the southern region which includes the counties of
36 Atlantic, Burlington, Camden, Cape May, Cumberland,
37 Gloucester, and Salem.¹²

38 ¹[3.] ²[4.] ¹ 3.² a. Any school district whose budgeted per pupil
39 administrative spending for the preceding school year exceeds the
40 median budgeted per pupil administrative spending for the
41 preceding school year for districts of the same operating type
42 ²[in the same region]¹² by the percentage indicated in

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SED committee amendments adopted June 19, 1995.

² Assembly floor amendments adopted June 26, 1995.

1 subsection c. of this section shall have its school aid reduced by
2 the dollar amount of the excess. The penalty shall not exceed
3 10% of the district's budgeted administrative spending. ¹All
4 school districts shall be notified of their per pupil administrative
5 costs and the applicable median per pupil cost by October 1 of
6 the year preceding the affected year, and any adjustments caused
7 by subsequent restorations of municipal reductions or proposals to
8 exceed the permissible maximum net budget shall be made no
9 later than November 1 of that year.¹

10 b. Administrative spending shall include expenditures for
11 improvement of instruction services and other support services –
12 instructional staff; support services–general administration;
13 support services–school administration; business and other
14 support services, including salaries, purchased professional
15 services, purchased technical services, other purchased services,
16 supplies and materials, interest on current loans, and
17 miscellaneous expenditures; and the prorata share of fringe
18 benefits for salaries included in the preceding categories ¹for the
19 employer's share of Social Security, pension payments other than
20 for the Teachers' Pension and Annuity Fund, unemployment
21 compensation, and other generally recognized employee benefits.
22 Administrative spending shall not include expenditures for
23 in-service teacher training and professional development¹. The
24 amount of any judgements against the school district shall be
25 deducted from the total amount of expenditures. All
26 expenditures shall be based originally upon the district's
27 budgeted data of the preceding year and adjusted in the
28 subsequent year based upon audited data ¹; however, the median
29 budgeted per pupil administrative spending calculated for
30 districts of the same operating type ²[in the same region]²
31 pursuant to subsection a. of this section shall not be
32 recalculated¹.

33 c. The percentage shall equal 129% in the first year of
34 implementation, 128% in the second year, 127% in the third year,
35 126% in the fourth year and 125% in the fifth year and each
36 succeeding year.

37 ¹d. A school district may appeal a penalty imposed pursuant to
38 this section to the Commissioner of Education. The appeal shall
39 be based on the following factors:

40 (1) an error made by the Department of Education in
41 calculating the administrative spending of the school district;

42 (2) an error made by the school district in reporting data to
43 the department;

44 (3) costs associated with services provided by a school district
45 to other districts in joint educational or service arrangements
46 other than a sending-receiving relationship; and

47 (4) any other factor deemed appropriate by the commissioner.¹

48 ¹[4.] ²[5.1] 4.2 a. A school district shall be eligible for a
49 reward if it meets the following criteria:

50 (1) the school district's budgeted per pupil administrative
51 spending, as defined in subsection b. of section 3 of this act, is
52 below 115% of the median budgeted per pupil administrative
53 spending for the preceding school year for districts of the same
54 operating type ²[in the same region]¹²;

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

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

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

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

19 ¹[5.] ²[6.1] 5.² This act shall take effect immediately and shall
20 first apply to State aid for the 1996-97 school year.

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25 Establishes the "School Efficiency Program."

1 benefits for salaries included in the preceding categories. The
2 amount of any judgements against the school district shall be
3 deducted from the total amount of expenditures. All
4 expenditures shall be based originally upon the district's
5 budgeted data of the preceding year and adjusted in the
6 subsequent year based upon audited data.

7 c. The percentage shall equal 129% in the first year of
8 implementation, 128% in the second year, 127% in the third year,
9 126% in the fourth year and 125% in the fifth year and each
10 succeeding year.

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

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

18 (2) the school district is a multi-school K-12 school district, a
19 county vocational-technical school district or a county special
20 services school district; and

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

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

29 c. The amount of funding to be distributed in rewards shall
30 equal the total amount of funds in penalties as specified in
31 section 3 of this act. A qualified district shall be eligible for a
32 reward in one of two amounts, which shall be based on the total
33 enrollment of pupils in the district. A district with an enrollment
34 of 2,500 or more pupils shall receive a reward twice as large as a
35 district with an enrollment of fewer than 2,500 pupils.

36 5. This act shall take effect immediately and shall first apply
37 to State aid for the 1996-97 school year.

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STATEMENT

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42 This bill establishes the "School Efficiency Program" which
43 will penalize excessive administrative expenditures and reward
44 administrative efficiency in the public schools. Under the
45 program, any school district whose budgeted per pupil
46 administrative spending for the preceding school year exceeds the
47 median budgeted per pupil administrative spending for the
48 preceding school year for districts of the same operating type by
49 a percentage specified in the bill shall have its school aid reduced
50 by the amount of the excess. The percentages specified are 129%
51 for the first year of implementation, 128% in the second year,
52 127% in the third year, 126% in the fourth year and 125% in the
53 fifth and each succeeding year. No penalty, however, shall
54 exceed 10% of the district's budgeted administrative spending.

1 Administrative spending is defined using the categories now
2 employed under the generally accepted accounting principles
3 (GAAP) and includes such expenditures as expenditures for
4 improvement of instruction services; support services of the
5 general and school administration; and certain business and other
6 support services. A prorata share of the fringe benefits is also
7 included for the salaries in the applicable categories. The
8 amount of any judgements against the school district would be
9 deducted from the total amount of expenditures, and all
10 expenditures would be based upon audited budget data.

11 The bill also provides for rewards to school districts who meet
12 certain criteria. The criteria are that (1) the school district's
13 budgeted per pupil administrative spending is below 115% of the
14 median budgeted per pupil administrative spending for the
15 preceding school year for districts of the same operating type; (2)
16 the school district is a multi-school K-12 school district, a
17 county vocational-technical school district or a county special
18 services school district; and (3) the school district is certified by
19 the Department of Education as providing a thorough and
20 efficient education. If a district is under investigation by any
21 agency of the State or federal government for fiscal
22 mismanagement, the reward would be withheld until the district
23 is cleared of wrongdoing. The amount of funding to be
24 distributed in rewards would equal the total amount of funds in
25 penalties. A qualified district would be eligible for a reward in
26 one of two amounts based on the total enrollment of pupils in the
27 district. A district with an enrollment of 2,500 or more pupils
28 would receive a reward twice as large as a district with an
29 enrollment of fewer than 2,500 pupils.

30 The school efficiency program would first apply to State school
31 aid for the 1996-97 school year.

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Establishes the "School Efficiency Program."

SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 2079

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 19, 1995

The Senate Education Committee favorably reports Senate Bill No. 2079 with committee amendments.

As amended, this bill establishes a "School Efficiency Program." The purpose of the program is to penalize excessive administrative expenditures and reward administrative efficiency within public school districts.

Under the bill's provisions, any school district whose budgeted per pupil administrative spending for the preceding school year exceeds the median budgeted per pupil administrative spending for the preceding school year for districts of the same operating type in the same region by a percentage specified in the bill will have its school aid reduced by the amount of the excess. The percentages established are 129% in the first year of implementation, 128% in the second year, 127% in the third year, 126% in the fourth year, and 125% in the fifth and each succeeding year. No penalty, however, shall exceed 10% of the district's budgeted administrative spending.

The bill defines administrative spending using the categories currently employed under the generally accepted accounting principles (GAAP) which include expenditures for improvement of instruction services; support services of the general and school administration; and certain business and other support services. The definition also includes a prorata share of the fringe benefits for salaries in the applicable categories. The amount of any judgements against the school district would be deducted from the total amount of expenditures and all expenditures would be based upon audited budget data.

The bill also establishes rewards for school districts which meet the following criteria: (1) the district's budgeted per pupil administrative spending is below 115% of the median budgeted per pupil administrative spending for the preceding school year for districts of the same operating type in the same region; (2) the district is a multi-school K-12 school district, a county vocational-technical school district, or a county special services school district; and (3) the district is certified by the Department of Education as providing a thorough and efficient education. A qualified district would be eligible for a reward in one of two amounts based on the total enrollment of pupils in the district. A district with an enrollment of 2,500 or more pupils would receive a reward twice as large as a district with an enrollment of fewer than 2,500 pupils. The total amount of funding to be distributed in rewards under the program would equal the total amount of funds in penalties.

The School Efficiency Program would first apply to State school aid for the 1996-97 school year.

The committee adopted amendments which: 1) provide for a regional evaluation of districts for the purposes of the penalties and rewards and define a region as one of three groups of counties divided into a northern, central, or southern region; 2) provide that all school districts must be notified of their per pupil administrative costs and the applicable median per pupil cost by October 1 of the year preceding the affected year and require that any adjustments be made no later than November 1 of that year; 3) identify the specific items which must be included when determining the administrative expenditures associated with the prorata share of fringe benefits; 4) provide that the median budgeted per pupil administrative spending shall only be calculated once during the year; and 5) provide for an appeal to the Commissioner of Education concerning an administrative penalty imposed upon a school district.



OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001 BECKY TAYLOR
Contact: JAYNE REBOVICH
609-777-2600

TRENTON, N.J. 08625
Release: WEDNESDAY
AUG. 23, 1995

Gov. Christie Whitman signed two education reform bills today which will give parents and taxpayers greater leverage to make schools more accountable.

The School Efficiency Program, S-2079/A-2905, sponsored by Senate President Donald DiFrancesco (R-Middlesex/Morris/Somerset/Union) and Senator Jack Ewing (R-Morris/Somerset) and Assemblywomen Barbara Wright (R-Mercer/Middlesex) and Martha Bark (R-Atlantic/Burlington/Camden), will penalize excessive administrative expenditures and reward administrative efficiency in the public schools.

"Our message to all school districts should be clear: Put dollars behind teaching and learning in the classroom," said Gov. Whitman.

Under the program, any school district whose per pupil administrative spending for the preceding school year exceeds the median for districts of the same operating type by percentages ranging from 129% in the first year to 125% in the fifth and succeeding years shall have its school aid reduced by the amount of the excess. No penalty, however, can exceed 10% of the district's budgeted administrative spending.

The legislation also provides monetary rewards to schools that demonstrate that they are operating efficiently. To receive a reward, districts must meet certain criteria such as maintaining a K-12 curriculum and obtaining certification and must spend below 115% of the state median.

S-367, sponsored by Senator Joseph Kyrillos (R-Middlesex/Monmouth), requires schools to provide parents and other taxpayers in the district with annual report cards.

"The School Report Card Program promotes accountability," said Gov. Whitman. "It gives parents important information they need to have a greater role in their children's education."

The report cards will provide information such as the results of testing programs, graduation and dropout rates, Scholastic Aptitude Test scores, per pupil expenditures, and administrative expenditures. Also included will be the percentage increases in administrative and instructional personnel and a profile of the most recent graduating class concerning their educational or employment plans following graduations. The report card information provided for a school district will be compared with statewide averages and with schools of similar characteristics.