

Government That Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

BERNARDS TOWNSHIP SCHOOL DISTRICT

DONALD T. DiFRANCESCO

Acting Governor

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DECEMBER, 2001



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Bernards Township School District

New Jerseyans deserve the best government their tax dollars can provide. Efficiency in government and a common sense approach to the way government does business, both at the state and at the local level, are important to Acting Governor Donald T. DiFrancesco. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. The Local Government Budget Review (LGBR) program was created in 1994 by former Governor Whitman, marking the first time the state worked as closely with towns to examine what is behind those costs. The Local Government Budget Review (LGBR) program's mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service provided by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, the program was expanded, tripling the number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of the review, team members interviewed each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examined current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relevant information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness on the part of most, to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
BERNARDS TOWNSHIP SCHOOL DISTRICT**

The Local Government Budget Review (LGBR) unit of the New Jersey Department of Treasury conducted an extensive study of the Bernards Township School District in response to a request of the board of education. Some 30 areas were reviewed resulting in recommended cost savings, commendations and/or managerial reform. Several areas and numerous activities were recognized as best practices, along with other commendations cited in the findings. The following is an executive summary of the findings and recommendations and dollar savings, as appropriate:

Comparative Analyses

Three comparable school districts were selected for statistical data to make many of the recommendations contained in this report. Information from other bench-marking sources, such as NJ Department of Education publications, was also utilized. The comparison shows that the Bernards Township School District per pupil costs were generally average or slightly below average.

Administration

The review team commends district officials for preparing an extensive report of district staffing adequacy in relation to the New Jersey "T & E" Efficiency Model, which provides numerical staffing data for a 3,075 pupil school district.

In the LGBR interviews with personnel within the school district, it was evident that the district organization chart recently has been the topic of some controversy within the district. The review team found that the management structure warrants an in-depth examination.

Technology

During school visitations, there was abundant evidence that the district was encountering difficulty in supporting the various school networks and computers. By the second semester of 2000-01, district officials were preparing requests for proposals for privatizing the technology support services.

In a comparison of communication/telephone expenses with three districts of similar size and demographics, the Bernards Township's per pupil expenses were the highest. While T-1 line expenses for the district network are a part of this expense, this report contains six recommendations for telephone cost savings of \$10,000. Also, Bernards school officials should consider applying for the Universal Service Fund E-Rate for revenue enhancement of \$35,000.

District officials should consider utilizing the state's cost-per-copy contract for photocopying savings of \$36,674 a year. The district could save \$44,000 per year by eliminating six photocopiers, at an average leasing cost of \$612 a month each. Total Cost Savings: \$80,674.

Instruction

The Bernards total classroom instructional per pupil cost was about average among 91 similar type and size school districts. With a rapid growth in student enrollments, district instructional per pupil expenditures have been reduced by the employment of many young teachers. This was offset somewhat in 1999-00 by the start up costs of opening a new elementary school. Guidance costs in the middle school and high school were determined to be relatively high.

The Bernards Township special education costs were quite high in comparison with other similar school districts. District officials should review the enrollments in the resource classes, especially study skills and reading in the middle school. Consolidation of some of these classes could result in saving at least the salary and benefits of one teacher position, or \$40,000.

A more efficient utilization of resources would bring Bernards Township expenditures more in parallel with districts of a similar population and structure. If even half the disparity in total special education expenditures between Bernards Township and the next highest district in the comparison group were achieved, the annual savings would amount to \$311,822.

Business Office Operations

District officials are commended for their efforts in saving taxpayers thousands of dollars through cooperative purchasing initiatives.

The district should combine all athletic accounts into one bank account for annual savings of \$540. The district should consider eliminating the six petty cash checking accounts to avoid paying the monthly maintenance charges for cost savings of \$1,080.

District officials should consider developing a policy statement regarding the desired amount of annual surplus balances, perhaps in the 3% to 4% range. Such guidelines could result in more accurate annual estimates of budget revenues, expenditures and surplus balances.

Service Contracts

The district should consider seeking Requests for Proposals (RFP) for the purpose of promoting competitive legal and auditing fees from a number of firms.

Insurance

District officials are commended for maintaining a very favorable experience modification factor and for joining a JIF for workers' compensation insurance. The district through its broker should continue to obtain annual competitive quotes from private companies and JIFs for the various types of insurance coverage.

Facilities and Operations

School officials are commended for their success in maintaining the good operational condition of older buildings and in obtaining approval of new construction to meet the needs of a rapidly growing school district.

The review team recognizes the good quality of operational services received by Bernards Township through privatization. However, district officials should determine why the

maintenance costs are expensive and examine whether the extra costs imposed by the bidding specifications are essential to maintaining the desired level of cleaning and maintenance services for cost savings of \$161,000.

Transportation

The county educational services commission administers and oversees transportation operations for the district. Bernards Township has elected to offer 'subscription busing' service to the parents of those students who reside less than remote from their school, but do not reside along an identified hazardous route. Some courtesy busing is necessary in Bernards Township due to a lack of sidewalks along congested roadways, which creates hazardous conditions for walking students. LGBR recommends that an annual assessment be made of hazardous areas to ascertain the continued need for safety busing.

Food Services

The review team concludes that the Bernards Township food service program is generally running efficiently and effectively.

Board of Education

By seeking more economical services for food costs at meetings, the district could save \$10,000.

Collective Bargaining Issues

In contract negotiations with employee organizations, district officials should consider the following potential savings:

- When the particular courses are available in public universities, many school districts limit staff reimbursement for courses to the state college/university tuition rates.
- A provision that employees contribute 20% of the cost of dependent coverage for health insurance would produce potential cost savings of \$250,000.
- Offering a financial incentive to waive health insurance coverage for those employees who are covered for health insurance through a spouse would likely generate annual district savings of \$90,000.
- District officials are commended for negotiating with the teachers' association a 1998 CAP for district payments that instituted employee contributions for both single and family coverage for dental insurance costs. The same maximum premium provision for administrators and supervisors would have reduced district costs by \$2,500 in 2000-01.

District officials are commended for requiring non-tenured teachers to complete 15 clock hours of training per year, which do not count toward salary guide placement. The district is also commended for negotiating employee contributions for the disability insurance plan.

In summary, the review team analysis of the respective negotiated agreements with employee organizations reveals that Bernards Township School District officials have been very thoughtful in the negotiation process. In general, the implementation costs of contract provisions in Bernards Township are either on par with or less than those found in other comparable school districts.

**COMPARISON OF BUDGET APPROPRIATION, STATE AID
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN
THE BERNARDS TOWNSHIP SCHOOL DISTRICT**

<u>Areas Involving Monetary Recommendations</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Technology			
Apply for Universal Service Fund E-Rate	\$35,000		
Conduct review of telephone usage and eliminate those with less usage	\$3,000		
Evaluate the need and cost effectiveness of cellular phone service	\$4,000		
Eliminate use of directory assistance calls	\$3,000		
Eliminate six photocopiers	\$44,000		
Utilize state's cost-per-copy contract	\$36,674		
			\$125,674
Instruction			
Consolidate classes eliminating one teacher position	\$40,000		
Evaluate planning and budgeting for future special education expenditures	\$311,822		
			\$351,822
Business Office Operation			
Combine all athletic accounts into one bank account	\$540		
Eliminate six petty cash checking accounts to avoid monthly maintenance charges	\$1,080		
			\$1,620
Facilities and Operations			
Re-bid custodial and maintenance service contract with recommended changes	\$161,000		
			\$161,000
Board of Education			
Reduce food costs at staff meetings	\$10,000		
			\$10,000
Collective Bargaining Issues			
Negotiate a provision to have employees contribute 20% of dependent coverage		\$250,000	
Offer financial incentive to waive health insurance if already covered by spouse		\$90,000	
Negotiate for administrators and supervisors to pay the same dental insurance maximum		\$2,500	

**COMPARISON OF BUDGET APPROPRIATION, STATE AID
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN
THE BERNARDS TOWNSHIP SCHOOL DISTRICT**

<u>Areas Involving Monetary Recommendations</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Total Recommended Savings	\$650,116	\$342,500	\$650,116
*\$342,500 not included in savings of \$650,116.			
Total Amount Raised for School Tax			\$34,567,676
Savings as a % of School Tax			2%
Total Budget			\$40,751,718
Savings as a % of Budget			2%
Total State Aid			\$4,984,461
Savings as a % of State Aid			13%

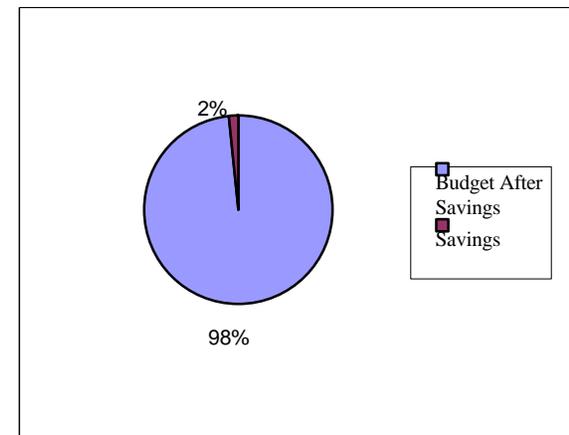
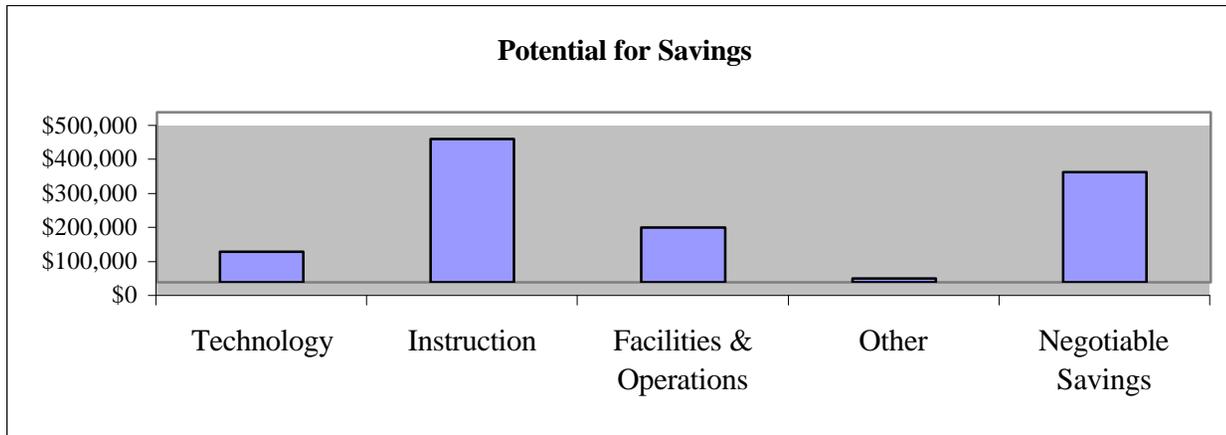


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COMMUNITY OVERVIEW

Noted for its natural beauty, the area that was to become Bernards Township was settled in the late 1600s. Local Indians had developed their culture as they enjoyed the benefits of hunting the vast resources of wild game, excellent fishing and the fertility of the land. The Indians made pottery and other works that showed signs of the influence of other tribes coming from or residing as far away as Vermont. Through land purchases from the Indians, the township was eventually founded in 1760 and it included the communities known today as Basking Ridge, Liberty Corner, Lyons and West Millington. England's King George II chartered Bernards Township in 1760 and named it in honor of Francis Bernard, who had served as the governor-in-chief of New Jersey Province from 1758-1760.

The township's historian has provided the public with an extensive and vivid account of the growth and development of the township and the surrounding areas. Numerous changes, to include secessions of segments of some communities, helped to shape the current township, an attractive area that occupies about 23.7 square miles. The State's Great Swamp, a National Wildlife Refuge, borders the eastern section of the township and is the only remaining evidence of the existence of the earlier Lake Passaic. The Veterans Administration Hospital in Lyons was opened in 1930 to serve the medical needs of U.S. veterans. Approximately 2,500 persons reside in this campus setting served by a large number of staff and volunteers.

The township's residents are nestled in the northwestern corner of Somerset County. The area is strategically located with both New York City and the major cities of Newark, New Brunswick and Morristown in close proximity. The mayor, as the chief executive officer, governs the township along with the city council. The historic six centuries old mighty oak tree stands in the church yard as a beacon of liberty for the citizenry of not only Basking Ridge but also for all residents of the county.

Historical accounts of interest in promoting educational pursuits included a description of the establishment in 1750 of a small private school, known for about 50 years as the Basking Ridge Classical School, which was designed to prepare young men for college. When the small building was outgrown, the Brick Academy was built in 1809. Pupils came from many other states, as well as New Jersey. Several famous individuals were educated at the academy, including Samuel Southard, Governor of New Jersey and Vice President under President Tyler and William L. Dayton, U.S. Senator. In later years, the academy became Public School District # 12, before the building reverted to other uses.

Located about 28 miles west of New York City, Bernards Township is heavily steeped in notable historical events that helped shape this nation. It is a blend of commercial, residential, relatively expansive farmlands, historic areas, and bodies of water and is located in proximity to a network of local and county roads, plus two Interstate highways, Routes 287 and 78. The access to other employment centers by a variety of modes of transportation has been another plus for commuting residents. Nearly half of the total 9,613 individuals in the 1990 civilian workforce, or 4,776

persons, were employed in managerial or professional positions. The area's 1989 per capita income was \$33,458, while the median household income was \$70,000 and the median family income was \$80,572.

Township growth has been substantial over the past few decades. In 1970, the population was only 13,305. It dropped slightly in 1980 to 12,920 before climbing up to 17,199 in 1990. The population estimate for 1998 was set as 22,092 with 717 persons per square mile. The breakdown of race for residents other than White, and designated national origins indicated that Asian/Pacific Islanders were 525, Hispanics were 331, Blacks were 295, and there were only eight American Indians, while persons of other national origins numbered 37.

The median age of the residents as recorded in the 1990 census was 37.3 years. There were 3,623 residents under age 18, 1,997 persons 65 or older and 11,579 residents in the 18 - 64 age range. The community's interest in the achievement of a quality education is evidenced by residents' educational achievements with 2,217 high school graduates, while 6,875 persons were college graduates or better. Further extension of this quest to achieve can be seen in the distribution of the school district's 1999 graduating class. There were 170 graduates in this class with 150 advancing to four-year colleges, 15 moving to two-year colleges, two going into full-time employment, with the remaining three weighing the decision about their respective futures.

According to the 1990 U. S. Census, the township had 6,658 housing units of which 3,882 were single family units and the median single family home was valued at \$287,500. Out of a total of 9,344 parcels of land recorded in 1996, 8,457 were residential, 135 were commercial and 127 were farmlands. During the years 1996-98, building permits for 1,026 new privately owned housing units were authorized. In September, 2000, a local demographer identified 5,530 single-family homes, 3,662 townhouses and condos and 505 assisted living units for senior citizens, or a total of 9,697 residences. In a November, 2000 report, there were projections that the K-12 public school enrollment will continue to increase until 2006-07, with a modest decline thereafter. With recent and extensive school construction, the public school facility capacity appears to be sufficient to accommodate the increased student enrollments, except for the high school building.

Ridge High School and the Cedar Hill Elementary School were built on land that belonged to a succession of wealthy land owners/gentlemen farmers. The land was donated in the mid-1950's to the board of education for the building of the two schools and their respective athletic fields. The donor was the owner of the Red Devil Tool Company. This served as the basis for naming the High School teams the "Red Devils," although the high school's colors are actually green and white.

According to the NJEA Research Bulletin A00-1/March, 2001, Basic Statistical Data, 2000 Edition, Bernards Township School District had an equalized valuation per pupil of \$878,539, which ranked near the 95th percentile among K-12 school districts with 3,500+ students. The professional staff members per 1,000 pupils were 94.7 in 1999-00 compared to an average 91.1 staffing ratio for Somerset County. The Bernards Township equalized school property tax rate in 2000 was \$1.06, which was about the 15th percentile for similar districts. The New Jersey

Department of Education (DOE) ranks the district in the I category of District Factor Groups (DFG), which statewide range from A to J. This is the DOE indicator of the socioeconomic status of the citizens of the district.

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I. BEST PRACTICES

A very important part of each Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for cost and/or service delivery effectiveness.

Business Education Department

The Ridge High School business education department has two programs which save the district an estimated \$39,000 annually. Students, under the guidance of the teacher, run a word processing center, which reproduces school publications, including the program of studies, guidance modules, student activity brochures and other documents. This saves an estimated \$15,000 annually in printing costs. Students in the business education practicum are assigned to work in one of the school offices under the supervision of the school staff. They perform filing, word processing, and photocopying functions. While putting into practice the skills they have learned in class, these student services save the district the salary of one secretary, or \$24,000 annually.

Library Cooperative

The high school media center belongs to the Highlands Regional Library Cooperative (HRLC), composed of over 900 library members in seven northwest counties of New Jersey. Consequently, the high school can take advantage of group purchase discounts on many costly reference items, both print and electronic, and to use Comet as the inter-library loan courier for no charge. The itemized savings are \$12,746 per year.

Community Service

With parental permission, students may be assigned to the Bernards Township Community Service Program to perform physical work on weekends for the community as a consequence for violating the school discipline code. This program negates supervision expenses equal to one half of a teacher's salary (\$20,000) to coordinate and supervise an indoor suspension program, which was eliminated.

Cooperative Purchasing

The review team was favorably impressed with the cooperative purchasing practices of the school district for supplies. Through a well-planned and efficiently executed system, purchase orders per bids were approved for Educational Data Services, Inc. in cooperation with 81 school

districts in central New Jersey. The district purchased \$328,000 in general supplies through this cooperative purchasing system. Based upon review team experience in other districts, the estimated net savings are about \$65,000 per year.

Electric Deregulation

The district has capitalized on deregulation of natural gas and electricity by cooperatively purchasing these commodities from third party suppliers. The savings for gas have been about \$41,000 per year. The district has also joined Alliance for Competitive Energy Services (ACES), a statewide electricity purchase cooperative, and has received competitive rates for district buildings. First year savings were estimated to be \$51,000.

Privatization of Custodial and Maintenance Services

Within the last few years, the district privatized custodial and maintenance services. After negotiating a settlement with the Bernards Township Educational Association to terminate employment of custodial and maintenance employees, reportedly net savings of \$113,000 or more were realized in the first year. Over the four-year period, the cumulative amount saved through the privatization of custodial and maintenance service exceeds \$300,000. Analyses of the 1999-00 costs are contained in a later section of this report.

Employee Health Benefits

Through negotiations with the Bernards Township Education Association, the district implemented a PPO managed care program. Approximately 50% of eligible employees have transferred coverage to this less expensive plan. The district has a minimum premium program requiring that only actual claims be paid each month, with a maximum liability established for the year. The maximum liability has not been reached in the two years since the PPO was offered. Based on the two prior years' billings, it is estimated that net savings through the PPO are about \$124,000 per year.

Education Foundation

The Bernards Township Education Foundation, a not-for-profit organization of concerned parents, educators and community members, has a mission to secure resources for projects to enrich the academic, athletic, cultural and social development of students of the district. The Foundation welcomes support from individuals, corporations, local businesses and other foundations. It supplements public financing so that educational standards will remain high and educational goals can be met. In recent years, New Jersey public education has experienced significant financial pressure due to legislated spending caps and variations in annual state financial school aid. This has often presented local school officials with difficult decisions regarding reductions in services and programs and/or significant increases in local property taxes. Foundation funds totaling \$20,000 to \$25,000 per year support new or enhanced school functions, including grants for faculty and students. Special projects have been funded in the arts, athletics, technology, science and other areas relating to the academic and extracurricular needs of students.

The review team observes that both at the board of education and administration levels, school officials in Bernards Township take pride in offering quality programs for students at reasonable cost. Considerable thought and discussion center around maintaining an exceptionally good school system, while keeping property tax rates at a reasonable level.

II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found the district makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

COMPARATIVE ANALYSES

Many of the recommendations contained in this report are based upon comparative analyses using New Jersey Department of Education data in comparison with districts of similar size and demographics (socio-economic district factor groups–DFG). The comparative data used in this report was compiled in school years 1998-99 and 1999-00, which were current at the time of the review. Other data sources are obtained from district documents, various state agencies, state education associations, publications and private industry. School districts used for comparison with the Bernards Township School District include Hopewell Valley Regional, Millburn Township, and Sparta Township. The following table, Table 1, which is based upon the district's Comprehensive Annual Financial Report (CAFR), compares the revenue sources of the four comparable districts.

**Table 1-Comparison of Revenues
Based on Audit Report as of June 30, 2000**

Revenues	<u>Bernards</u>		<u>Hopewell</u>		<u>Millburn</u>		<u>Sparta</u>	
General Fund								
Local Tax Levy	\$32,459,687	79.7%	\$30,931,914	78.1%	\$31,887,350	81.1%	\$24,715,894	68.6%
State Aid	\$4,643,498	11.4%	\$4,638,372	11.7%	\$4,199,778	10.7%	\$6,294,409	17.5%
Federal Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$1,543,065	4.3%
Tuition	\$54,075	0.1%	\$79,198	0.2%	\$26,867	0.1%	\$19,211	0.1%
Interest on Investments	\$0	0.0%	\$0	0.0%	\$168,863	0.4%	\$0	0.0%
Transportation Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$22,680	0.1%
Miscellaneous	\$485,132	1.2%	\$457,399	1.2%	\$182,648	0.5%	\$322,050	0.9%
Total General Fund	\$37,642,392	92.4%	\$36,106,883	91.1%	\$36,465,505	92.7%	\$32,917,309	91.3%
Special Revenue Fund								
State Aid	\$340,963	0.8%	\$160,590	0.4%	\$303,294	0.8%	\$589,818	1.6%
Federal Aid	\$284,452	0.7%	\$418,452	1.1%	\$300,504	0.8%	\$442,045	1.2%
Other	\$26,050	0.1%	\$33,712	0.1%	\$37,705	0.1%	\$0	0.0%
Total Revenue Fund	\$651,465	1.6%	\$612,754	1.5%	\$641,503	1.6%	\$1,031,863	2.9%
Debt Service Fund								
Local Tax Levy	\$2,107,989	5.2%	\$2,881,027	7.3%	\$2,000,000	5.1%	\$1,899,203	5.3%
State Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$170,899	0.5%
Total Debt Service Fund	\$2,107,989	5.2%	\$2,881,027	7.3%	\$2,000,000	5.1%	\$2,070,102	5.7%
Fiduciary Fund/Trust Fund								
Other	\$7,238	0.0%	\$14,559	0.0%	\$214	0.0%	\$11,273	0.0%
Total Fiduciary Fund	\$7,238	0.0%	\$14,559	0.0%	\$214	0.0%	\$11,273	0.0%
Capital Projects								
Other	\$342,634	0.8%	\$6,865	0.0%	\$224,274	0.6%	\$21,435	0.1%
Total Capital Projects	\$342,634	0.8%	\$6,865	0.0%	\$224,274	0.6%	\$21,435	0.1%
Total Revenues (All Funds)	\$40,751,718	100%	\$39,622,088	100%	\$39,331,496	100%	\$36,051,982	100%

Source: Districts' CAFR for the Fiscal Year ended June 30, 2000.

Note: State aid in the general fund contains non-budgeted revenue items of On Behalf Payment for TPAF Pension Contributions and Reimbursed TPAF Social Security Contributions. These non-budgeted revenues are offset by the general fund expenditures.

In each of the comparison districts, most of the revenue for the general fund comes from local taxes.

The following table, Table 2, illustrates data which compares general fund expenditures based upon the districts' Comprehensive Annual Financial Reports (CAFR):

Table 2
Comparison of General Fund Expenditures
for the Fiscal Year Ended June 30, 2000

Actual	<u>Bernards</u>		<u>Hopewell</u>		<u>Millburn</u>		<u>Sparta</u>	
Regular Program - Instruction	\$14,786,772	38.3%	\$14,919,128	42.2%	\$14,178,353	38.7%	\$11,709,035	36.0%
Special Education	\$2,917,929	7.6%	\$1,366,666	3.9%	\$1,486,594	4.1%	\$1,633,878	5.0%
Basic Skills-Remedial	\$322,311	0.8%	\$326,354	0.9%	\$308,983	0.8%	\$52,116	0.2%
Bilingual Education	\$95,683	0.2%	\$9,673	0.0%	\$176,679	0.5%	\$0	0.0%
Sponsored Co-curricular Act.	\$112,764	0.3%	\$132,636	0.4%	\$209,767	0.6%	\$160,398	0.5%
Sponsored Athletics	\$584,397	1.5%	\$482,450	1.4%	\$598,438	1.6%	\$451,779	1.4%
Other Instruction Program	\$0	0.0%	\$0	0.0%	\$13,136	0.0%	\$145,992	0.4%
Community Services Program	\$0	0.0%	\$0	0.0%	\$56,758	0.2%	\$0	0.0%
Total Instructional Cost	\$18,819,856	48.8%	\$17,236,907	48.8%	\$17,028,708	46.5%	\$14,153,198	43.5%
Undistributed Expense-Instr.	\$1,229,850	3.2%	\$1,562,799	4.4%	\$1,051,436	2.9%	\$687,814	2.1%
General Administration	\$712,990	1.8%	\$631,885	1.8%	\$850,110	2.3%	\$724,972	2.2%
School Administration	\$2,013,765	5.2%	\$1,527,008	4.3%	\$1,621,032	4.4%	\$1,362,042	4.2%
Total Administrative Cost	\$2,726,755	7.1%	\$2,158,893	6.1%	\$2,471,143	6.7%	\$2,087,014	6.4%
Health Service	\$290,851	0.8%	\$378,368	1.1%	\$349,583	1.0%	\$241,389	0.7%
Other Sup. – Stud-Rel. Serv.	\$0	0.0%	\$248,868	0.7%	\$544,131	1.5%	\$402,009	1.2%
Other Sup. - Stud-Extra Serv.	\$179,522	0.5%	\$0	0.0%	\$503,533	1.4%	\$0	0.0%
Other Sup. - Student-Regular	\$1,347,671	3.5%	\$729,574	2.1%	\$679,032	1.9%	\$947,770	2.9%
Other Sup. - Student-Sup. Serv.	\$711,964	1.8%	\$915,973	2.6%	\$1,046,926	2.9%	\$929,771	2.9%
Other - Imp. of Inst. Serv.-Staff	\$766,654	2.0%	\$569,769	1.6%	\$572,100	1.6%	\$537,351	1.7%
Media Service/School Library	\$628,198	1.6%	\$443,281	1.3%	\$834,012	2.3%	\$462,592	1.4%
Instr. Staff Training Serv.	\$367,001	1.0%	\$35,223	0.1%	\$52,293	0.1%	\$69,364	0.2%
Operation of Plant	\$2,435,344	6.3%	\$2,437,447	6.9%	\$2,442,957	6.7%	\$2,331,857	7.2%
Allowable Main. for Sch. Fac.	\$1,443,019	3.7%	\$255,421	0.7%	\$749,477	2.0%	\$645,797	2.0%
Business & Other Support Serv.	\$291,074	0.8%	\$558,954	1.6%	\$502,215	1.4%	\$322,973	1.0%
Total Unallocated Benefits	\$2,672,652	6.9%	\$3,254,853	9.2%	\$3,540,277	9.7%	\$3,847,148	11.8%
Total Support Services	\$11,133,950	28.9%	\$9,827,731	27.8%	\$11,816,537	32.2%	\$10,738,021	33.0%
TPAF Pen & Reimb. SS & Con.	\$317,033	0.8%	\$276,922	0.8%	\$1,382,388	3.8%	\$344,318	1.1%
Reimb. TPAF SS Contrib.	\$1,470,428	3.8%	\$1,282,034	3.6%	\$588,255	1.6%	\$1,198,747	3.7%
Transportation	\$2,035,017	5.3%	\$2,415,624	6.8%	\$1,377,065	3.8%	\$2,047,132	6.3%
Capital Outlay	\$857,129	2.2%	\$503,833	1.4%	\$928,636	2.5%	\$1,258,598	3.9%
Special Schools	\$0	0.0%	\$48,915	0.1%	\$0	0.0%	\$51,500	0.2%
Total Gen. Fund Expend.	\$38,590,018	100%	\$35,313,658	100%	\$36,644,169	100%	\$32,566,342	100%
Avg. Daily Enroll. (1999-00)	3,906		3,570		3,617		3,566	

Source: School districts' 1999-00 CAFR and NJ Department of Education [Comparative Spending Guide](#) (2000).

It should be noted that the [Comparative Spending Guide](#), March 2001, which records the 1999-00 expenditures was not available at the time this report was prepared. The following table, Table 3, indicates the comparative per pupil costs for selected cost factors for the 1998-99 school year:

Table 3
Analysis of Similar Districts Using Per Pupil Expenditures or Staffing Data*

	<u>Bernards</u>	<u>Hopewell</u>	<u>Millburn</u>	<u>Sparta</u>
Total Cost Per Pupil	\$7,764	\$7,794	\$8,930	\$7,116
Total Classroom Instruction	\$4,771	\$4,932	\$5,208	\$4,194
Classroom Salaries & Benefits	\$4,493	\$4,585	\$4,976	\$4,081
Classroom General Supplies & Textbooks	\$250	\$204	\$215	\$97
Classroom Purchased Services & Other	\$28	\$143	\$17	\$16
Total Support Services	\$1,207	\$991	\$1,486	\$1,145
Support Services Salaries & Benefits	\$980	\$878	\$1,313	\$991
Total Administrative Cost	\$791	\$787	\$933	\$694
Salaries & Benefits for Administration	\$577	\$619	\$750	\$553
Operations & Maintenance of Plant	\$797	\$902	\$1,020	\$844
Salaries & Benefits for Oper./Maint. of Plant	\$0	\$498	\$580	\$448
Extracurricular Cost	\$194	\$172	\$257	\$215
Equipment	\$121	\$64	\$80	\$84
Median Teacher Salary	\$40,498	\$45,942	\$46,900	\$57,709
Median Support Service Salary	\$54,301	\$53,541	\$62,813	\$61,509
Median Administrator Salary	\$93,543	\$89,843	\$91,984	\$81,127
Comp. of Bud. Gen. Fd Bal. Vs. Actual- (Used) or Generated	\$1,434,857	\$59,601	-\$196,968	\$661,957
Student/Teacher Ratio	13.0:1	13.5:1	13.1:1	17.1:1
Student/Support Service Ratio	95.6:1	91.6:1	81.3:1	105.7:1
Student/Administrator Ratio	233.8:1	182.3:1	151.6:1	189.3:1
Faculty/Administrator Ratio	20.4:1	15.5:1	13.5:1	12.9:1
Personal Serv.-Employee Benefits	11.7%	14.5%	14.7%	17.1%

Source: NJDOE Comparative Spending Guide, March, 2000

*The total cost per pupil is calculated as the total current expense budget plus certain special revenue funds, particularly early childhood programs, demonstrably effective programs, distance learning network costs and instructional supplement costs. The calculation does not include the local contribution to special revenue, tuition expenditures, and interest payments on the lease purchase of buildings, transportation costs, residential costs and judgments against the school district. Also excluded from this per pupil calculation are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state and federal grants, and debt service expenditures.

A comparison of Bernards' per pupil costs with those of Hopewell Valley Regional, Millburn Township and Sparta Township, based on the Comparative Spending Guide, March, 2000 (Table 3) illustrates that, overall, Bernards' cost were within comparable ranges. Individual line comparisons reflected some costs as being higher, while other costs were lower. Total classroom general supplies and textbooks, equipment and median administrator salary were higher than other districts, while operations and maintenance of plant, and median teacher salary were lower than the other districts. The total cost per pupil, classroom instruction, classroom salaries and benefits, support service salaries and benefits, salaries and benefits for administration, extracurricular cost, and median support services salary were ranked the second lowest among the comparable schools. Classroom purchased services, total support services and total administrative cost were ranked the second highest.

In the 2000 Comparative Spending Guide, Bernards is grouped with 91 K-12 districts with enrollments of 3,500+ students. The following table, Table 4, indicates Bernards' rank in selected cost categories for the school years 1997-98, 1998-99 and 1999-00.

**Table 4- Comparison of Bernards Township among 91 School Districts
(Ranked from “1” (Low Costs) to “91” (High Costs) ***

	1997-98		1998-99		1999-00	
	Actual	Ranking	Actual	Ranking	Budget	Ranking
Cost Per Pupil	\$7,472	30	\$7,764	31	\$8,736	60
Classroom Instruction	\$4,580	44	\$4,771	44	\$4,745	29
Classroom Salaries & Benefits	\$4,276	37	\$4,493	43	\$5,272	76
General Supplies & Textbook	\$264	82	\$250	75	\$244	75
Purchased Services & Other	\$39	48	\$28	39	\$56	41
Support Services	\$1,089	68	\$1,207	74	\$1,265	63
Support Serv. Salaries & Benefits	\$936	57	\$980	60	\$1,012	54
Total Administrative Cost	\$771	22	\$791	25	\$817	27
Salaries & Benefits for Admin.	\$577	15	\$577	12	\$581	14
Operations & Maint.	\$832	35	\$797	15	\$884	28
Sal. & Benefits for Operat./Maint.	\$2	1	\$0	0	\$0	0
Extracurricular Cost	\$193	76	\$194	79	\$198	75
Median Teacher Salary	\$41,056	7	\$40,498	7	\$41,117	8
Median Support Service Salary	\$49,622	13	\$54,301	28	\$58,744	39
Median Administrator Salary	\$92,194	74	\$93,543	78	\$94,765	73

Ranked High Ratio to Low

Student/Teacher Ratio	13.7:1	65:1	13.0:1	77:1	12.2:1	87:1
Student/Support Service Ratio	96.3:1	47:1	95.6:1	52:1	94.6:1	55:1
Student/Administrator Ratio	229.9:1	7:1	233.8:1	9:1	201.4:1	24:1
Faculty/Administrator Ratio	19.1:1	3:1	20.4:1	1:1	18.7:1	9:1

*Source: 1999 & 2000 NJDOE Comparative Spending Guide - Total of 91 School Districts

Bernards was compared among 91 school districts, grades K to 12 with more than 3,500 students, ranked low (1) to high (91), using the Comparative Spending Guide, March, 2000 published by the New Jersey Department of Education. The cost per pupil for Bernards Township School District was ranked 30th in 1997-98, 31st in 1998-99 and 60th (budget) in 1999-00. A ranking of above 45 would reflect a higher cost than the midpoint and a ranking of lower than 45 would reflect costs below the midpoint of the 91 districts. An examination of Table 4 reflects Bernards’s standing when compared with the 91 like enrollment/grade configuration districts.

The total cost per pupil in Bernards for 1997-98 was \$7,472 and in 1998-99 the total cost per pupil was \$7,764, while the state average cost for K-12 schools was \$7,951 in 1997-98 and \$8,204 in 1998-99. Bernards Township School District was below the state average cost for K-12 districts by 6.41 % in 1997-98 and 5.67% in 1998-99. In school year 1999-00, based on the budgeted figure, the district’s per pupil cost was \$8,736, which was 2.85% higher than the state average of \$8,487. Bernards was ranked below the median in most cost categories except for general supplies & textbooks, support services, support service salaries and benefits, extracurricular cost and median administrator salary.

Using the NJ School Report Card and the Comprehensive Annual Financial Report (CAFR), Table 5 provides additional comparative data used in this report.

Table 5-Comparisons Among Select School Districts on General Characteristics

Description	Bernards	Hopewell	Millburn	Sparta
County	Somerset	Mercer	Essex	Sussex
District Type	II	II	II	II
Grades	K-12	K-12	K-12	K-12
District Factor Group	I	I	J	I
Square Miles	23.2	60	10	38
Cert. Employees	342	293	334	279.5
Other Employees	42	196	153	111.7
Total Employees	384	489	487	391.2
Number of Schools				
Elementary	4	3	5	2
Junior High School	1	1	1	1
Senior High School	1	1	1	1
Total Schools	6	5	7	4
Median Salary				
Faculty	\$41,348	\$50,967	\$49,300	\$57,809
Administrators	\$93,543	\$89,843	\$91,984	\$81,127
Median Years of Experience				
Faculty	8	9	9	16
Administrators	23	25	19	28
School Hours				
Instructional Time	5 hrs. 42 mins.	5 hrs. 36 mins.	5 hrs. 44 mins.	5 hrs. 28 mins.
State Average	5 hrs. 39 mins.			
No. of Students per Administrator	232.8:1	182.3:1	160.5:1	191.7:1
No. of Faculty per Administrator	20.4:1	15.5:1	13.5:1	12.9:1
SAT Result				
Math Average Score	581	573	609	N/A
Verbal Average Score	559	553	589	N/A
Total	1,140	1,126	1,198	-
Average Student Enroll. (1999-00)				
Average Class Size - High School	15	18.6	18	28
Student Mobility Rate. 1998-99	3.1%	3.2%	1.5%	9.8%
Post-Graduation Plans				
Four-Year College/University	88%	79%	97%	N/A
Two-Year College	9%	12%	2%	N/A
Other College	1%	0%	0%	N/A
Other Post-Secondary School	0%	4%	0%	N/A
Full-time Employment	1%	5%	1%	N/A
Other	1%	1%	0%	N/A

Source: School districts' 1999-00 CAFR and High School Report Card (1998-99)

ADMINISTRATION

With the recent resignations of the assistant superintendent for curriculum and instruction and the director of pupil personnel services, the district has been undergoing an administrative reorganization. The position of assistant superintendent was not filled and the job of director of pupil personnel services was eliminated. In 1999-00, there was a change in title and job description of the director of special services to director of education and student services. A new position of supervisor of special education was created and an assistant principal was added to the high school. Also, in 1999-00, an assistant principal was placed in each of the four elementary schools and four supervisory positions were also added. The district had the following administrative and supervisory staff in 2000-01.

Central Office Administration

The general administration of the district was composed of a superintendent, business administrator/board secretary, director of human resources, director of education and student services and a director of technology. In January, 2001, the position of director of human resources was upgraded to assistant superintendent.

School Administrators

The district has six school administrators and eight assistant principals in the six respective schools as follows:

- Ridge High School - principal and two assistant principals.
- William Annin Middle School - principal and two assistant principals.
- Cedar Hill School - principal and assistant principal.
- Liberty Corner School - principal and assistant principal.
- Mt. Prospect School - principal and assistant principal.
- Oak Street School - principal and assistant principal.

Supervisory Staff

The district has seven K-12 supervisors in the following areas: fine and practical arts, language arts, mathematics, physical education, science, special education, and world cultures.

Most of the administrative and supervisory personnel have been in their positions for three or fewer years, as only seven of 27 individuals, or 26%, were tenured in 2000-01. A number of district-wide responsibilities have been distributed among supervisors and elementary school assistant principals. The recent list includes:

- | | |
|--------------|--|
| Supervisor A | Manages and maintains curriculum archives.
Supervises curriculum office budget process. |
| Supervisor B | Budgets for and facilitates summer curriculum writing projects.
Coordinates textbook adoption procedures. |

Supervisor C	Facilitates duplication/dissemination of curriculum guides. Facilitates duplication/dissemination of NJ Core Curricular Standards (NJCCS). Manages Right to Know program.
Supervisor D	Researches, designs and implements process for analysis/reporting of standardized test results.
Supervisor E	Researches, designs and implements basic skills program. Coordinates English-as-a-Second Language (ESL) program.
Supervisor F	Coordinates health services.
Supervisor G	Coordinates motivating adolescents program (MAP). Coordinates student assistant program (SAC).
Elem. Asst. Prin.	Researches, designs and implements gifted and talented program. Manages enrichment program. Coordinates building level testing.
Elem. Asst. Prin.	Coordinates crisis management teams. Manages emergency planning. Coordinates building level testing.
Elem. Asst. Prin.	Coordinates development of building objectives for QAAR. Writes/budgets/manages grants. Plans and coordinates K-5 curriculum meetings. Coordinates building level testing.
Elem. Asst. Prin.	Assists with PMSD (afternoon staff development) and other staff development initiatives. Coordinates building level testing.
Dir. of Technology	Coordinates media centers.
Dir. of Education & Student Services	Coordinates SRA remediation. Administers standardized testing program. Coordinates guidance modules.

Organization

The district has job descriptions for the various administrative and supervisory positions. The organizational chart shows school principals and K-12 curriculum supervisors in parallel positions on the chart, reporting to the superintendent and with lines of authority to teachers. Reportedly, teachers in grades K-5 submit their lesson plans to elementary school principals and

teachers in grades 6-12 give their lesson plans to supervisors. Directors are listed with lines of authority to principals and supervisors and the directors' job descriptions indicate that they report to the superintendent. In addition, there are four elementary school assistant principals who perform central office duties on a part-time basis. The newly designated assistant superintendent, who is in charge of human resources, now coordinates these activities. With seven supervisors, six school principals, three central office directors and one assistant superintendent, there are 17 full-time administrative and supervisory personnel reporting directly to the superintendent. The review team observes that this is the largest number of individuals reporting directly to the superintendent encountered to date in LGBR reviews.

The chart was developed as an outgrowth of the strategic plan with two days of meetings with staff. However, in the LGBR interviews with personnel within the school district, it was evident that the district organization chart recently has been the topic of some controversy within the district. Reportedly, some teachers have expressed uncertainty about dual supervision, i.e., supervisors, school principals, etc. Some of the principals reportedly believe that their authority does not equal their responsibility. Some also expressed the view that the position of principal has been downgraded in the organization chart. There was also some concern that, without an assistant superintendent for curriculum, curriculum coordination, articulation, development, etc., would over time become neglected. Some of the concerns about authority and relationships undoubtedly stem from the rapid growth of personnel in central office and the inherent changes that involves.

Recommendation:

The review team observes that any school district has the potential for tension resulting from K-12 supervisors and school principals, who may have some overlapping jurisdictions. In the traditional organization chart, having supervisors designated as staff persons and principals as line persons minimized this potential. The review team does not presume to advise Bernards Township school officials on organizational theory or practice. However, the fundamental nature of organizational structure and the current Bernards Township administrative and supervisory setting, with rapid growth and change in both structure and staff, present the potential for the development of significant operational inefficiencies.

District officials should consider forming an advisory committee to study and clarify this matter. Perhaps volunteer expertise in organizational structure and function could be obtained from corporations located within the township. The optimum span of control and real or perceived overlapping areas of authority and responsibility issues should be examined. Administrative arrangements in other comparable school districts could be explored. Local administrators, supervisors and teachers should have opportunities for input into the process via an anonymous questionnaire and for feedback about implementation. Management structure and operational effectiveness warrant an in-depth re-examination, identification of the preferred structure and staffing and clear communication to all involved personnel and the community at large. In the final analysis, of course, it is the responsibility of the superintendent to recommend the district organizational framework that meets the district's needs.

Future Staffing Plans

The review team commends district officials for preparing an extensive report of staffing adequacy in relation to the New Jersey “T & E” Efficiency Model, which provides numerical staffing data for a 3,075 pupil school district, including 500 pupil elementary schools, a 675 pupil middle school and a 900 pupil high school. Based on projected student enrollments, Bernards Township administrative staffing needs are identified through school year 2003-04.

As student enrollments continue to increase in future years, there are plans to add additional personnel as follows:

2001-02 School Year

- An assistant principal at the high school (one AP for 405 students).

2002-03 School Year

- An assistant principal at the high school (one AP for 342 students).
- An assistant principal at the middle school (one AP for 417 students).

2003-04 School Year

- Reinstate the position of assistant superintendent.

Recommendation:

Since there are some indications of a moderation in the rate of growth in student enrollments, these projected administrative staffing needs should be reviewed annually in comparison with actual student enrollments as a part of the budget preparation process.

In the Comparative Spending Guide published annually by the New Jersey Department of Education, total administrative expenditures relate to the four areas of the annual school district budget statement—general administration, school administration, business and other support services (both business and central) and improvement of instruction services. The 1998-99 total administrative cost in the Bernards Township School District was \$791 per pupil with a ranking of 25 out of 91 school districts (ranked low to high).

The comparable figures for total administrative cost for the four comparable districts are presented in the following table:

Total Administrative Cost – Selected K-12 Comparable Districts	1998-99 Actual Per Pupil* Cost	1998-99 % of Total Comparative Cost/Pupil**	1998-99 Ranking
Hopewell Valley Reg.	\$787	10.1%	24
Millburn Township	\$933	10.4%	56
Sparta Township	\$694	9.8%	9
Three District Average	\$805	10.1%	
Bernards Township	\$791	10.2%	25

*Average daily enrollments (ADE). **Unaudited pupil count.

Administrative salaries and benefits include the full-time, part-time and prorated salaries of superintendents, assistant superintendents, and other general administrators, school business administrators/board secretaries, and other business and central office staff, principals, assistant principals, department chairpersons, supervisors of instruction, curriculum coordinators and related secretarial and clerical staff for these activities. Per pupil costs for salaries and benefits for administration in 1998-99 were \$577 and in 1999-00 the budgeted costs were \$581, which ranked the district 12th and 14th respectively of 91 school districts. The comparisons for the four districts for 1998-99 are as follows:

Salaries and Benefits for Administration – Selected K-12 Comparable Districts	1998-99 Actual Per Pupil Cost (ADE)*	1998-99 % of Total Comparative Cost/Pupil**	1998-99 Ranking
Hopewell Valley Reg.	\$619	7.9%	21
Millburn Township	\$750	8.4%	61
Sparta Township	\$553	7.8%	10
Three-district average	\$641	8.0%	
Bernards Township	\$577	7.4%	12
Per pupil cost (below three-district avg.)	\$64		

*Average daily enrollment (ADE). **Unaudited pupil count.

An examination of salary levels indicates that Bernards Township had a median administrative salary in 1999-00 of \$94,765, or \$5,028 higher, compared to the average of \$89,737 for the three comparable districts. The Bernards Township median administrative salary was also \$6,925 above the state median K-12 administrative salary of \$87,840 in 1999-00. The administrative experience statewide reportedly was 26 years in 1998-99, compared to 23 years in Bernards Township.

According to the Comparative Spending Guide, March 2000, budgeted employee benefits in 1999-00 in Bernards Township were 13.3% of total salaries compared with a 16.0% average for the three similar districts and a K-12 state median of 16.7%.

The costs for administrative salaries and benefits are determined by the number of persons employed and the amount or level of salary and benefits provided by the district. As indicated earlier in the comparative analysis, in 1998-99 Bernards Township had a student/administrator ratio of 233.8 students per administrator compared to an average of 174.4 students for the three similar districts and a K-12 New Jersey average of 171.7. By adjusting the Comparative Spending Guide average daily estimated enrollment data to the actual figures, the review team recalculated the number of Bernards Township students per administrator as about 207 for 1999-00. Consequently, the review team concludes that the number of administrators in the Bernards Township School District remains somewhat less than average in comparisons with the respective per pupil benchmarks.

General Administrative Costs

The review team also examined the Bernards Township general administrative costs in relation to the three other comparable districts. An examination was conducted of the Bernards Township, Hopewell Valley Regional, Millburn Township, and Sparta Township Comprehensive

Educational Improvement and Financing Act (CEIFA) function 230-Support Services, General Administration-account for fiscal year 1999-00. This function includes expenses associated with the board of education, central administration and school elections. The review revealed the following costs for fiscal year 1999-00 (based on the 6/30/00 audit report):

General Administration	Bernards Township	Hopewell Valley Reg.	Millburn Township	Sparta Township
CEIFA Function 230	Somerset Co.	Mercer Co.	Essex Co.	Sussex Co.
Salaries	\$236,135	\$223,850	\$486,037	\$317,997
Legal Service	\$63,909	\$101,929	\$121,484	\$56,603
Other Purchased Prof. Service	\$84,367	\$57,062	\$82,216	\$56,430
Purchased Technical Service	\$0	\$0	\$0	\$33,092
Communications/Telephone	\$211,651	\$103,371	\$70,419	\$116,416
Other Purchased Services	\$7,905	\$94,083	\$16,177	\$52,717
Supplies and Materials	\$33,995	\$1,217	\$26,572	\$43,351
Separate Agreement	\$0	\$0	\$0	\$15,000
Miscellaneous	\$75,028	\$0	\$47,206	\$33,366
Other Objects	\$0	\$50,373	\$0	\$0
Total	\$712,990	\$631,885	\$850,110	\$724,972
Per Pupil (ADE)* Costs	\$183	\$177	\$235	\$203

*The 1999-00 district average daily enrollments were: Bernards Township 3,906, Hopewell Valley Regional 3,570, Millburn Township 3,617, and Sparta Township 3,566 pupils.

An analysis of this data reflects that the general administrative costs for Bernards Township were \$712,990 as compared with \$631,885 for Hopewell Valley Regional, \$850,110 for Millburn Township and \$724,972 for Sparta Township. Bernards Township's costs in other purchased professional services, communication/telephone and miscellaneous in this account were recorded as the highest of the comparative schools. Salaries, legal services, and miscellaneous were the second lowest among the comparison districts. Telephone costs are addressed in more detail in a separate section of this report.

Based on the 1999-00 function 230 budget category, the per pupil administrative costs for Bernards Township were \$183 as compared with \$177 for Hopewell Valley Regional, \$235 for Millburn Township, \$203 for Sparta Township school districts with a three-district average of \$205. In this comparison, the Bernards Township total general administrative per pupil cost was the second lowest among the four districts. However, line item expenditure differences may in some cases be related to accounting decisions as much as employment or purchasing decisions.

School Administration

CEIFA Line 240-Support Service, School Admin.	Bernards Township	Hopewell Valley Reg.	Millburn Township	Sparta Township
Salaries				
Principals & Vice-Principals	\$1,010,912	\$1,008,733	\$1,054,600	\$832,702
Secretarial & Clerical	\$383,859	\$454,400	\$413,820	\$361,546
Other Salaries	\$254,293	\$0	\$7,457	\$0
Purchased Technical Service	\$1,375	\$0	\$0	\$350
Other Purchased Services	\$5,101	\$17,483	\$0	\$87,384
Supplies & Materials	\$136,356	\$38,626	\$114,581	\$72,098
Other Objects	\$221,869	\$7,766	\$30,574	\$7,962
Total	\$2,013,765	\$1,527,008	\$1,621,032	\$1,362,042
Per Pupil (ADE)*Cost	\$516	\$428	\$448	\$382

*The 1999-00 district average daily enrollments were: Bernards Township 3,906, Hopewell Valley Regional 3,570, Millburn Township 3,617, and Sparta Township 3,566 pupils.

As indicated above, Bernards Township's per pupil costs associated with the overall administrative responsibility of individual schools, including the salaries of principals, assistant principals, other supervisory assistants and secretaries are the highest of the four districts. The Bernards Township per pupil cost of \$516 was \$97 higher than the three-district average of \$419.

Reportedly, 20 special education aides' salaries were included under the "other salaries" category. Under the "other objects" line item, about \$175,000 was spent on photocopy leases. The initial expenses associated with the opening of a new elementary school in 1999-00 undoubtedly contributed to the significantly higher figure of \$136,356 for supplies and materials. As indicated earlier in this report, the district utilizes assistant principals to perform some district-wide functions.

Business and Other Support Services (Line 290)	Bernards Township	Hopewell Valley Reg.	Millburn Township	Sparta Township
Salaries	\$251,947	\$417,418	\$397,373	\$267,290
Purchased Prof./Tech. Services	\$0	\$0	\$18,335	\$35,000
Other Purchased Services	\$1,863	\$89,882	\$35,897	\$6,382
Supplies & Materials	\$15,931	\$43,179	\$21,892	\$12,001
Miscellaneous	\$21,333	\$8,475	\$28,719	\$2,300
Total	\$291,074	\$558,954	\$502,216	\$322,973
Per Pupil (ADE)* Cost	\$75	\$157	\$139	\$91

*The 1999-00 district average daily enrollments were: Bernards Township 3,906, Hopewell Valley Regional 3,570, Millburn Township 3,617, and Sparta Township 3,566 pupils.

The Bernards Township business and other support service was the lowest among the comparison districts and at per pupil costs of \$75 was \$54 less than the three-district average of \$129. The privatized supervision of custodial and maintenance services may have some impact on this expenditure category.

The review team examined the CEIFA Function 221 Improvement of Instruction Services. The detailed distribution of salaries among these accounts was not always consistent from district to district.

Improvement of Instruction Services (Line 221)	Bernards Township	Hopewell Valley Reg.	Millburn Township	Sparta Township
Supervisor of Instruction-Sal.	\$472,277	\$394,965	\$496,792	\$483,585
Other Professional Staff	\$14,548	\$86,229	\$53,645	\$0
Secretarial & Clerical	\$89,911	\$68,529	\$0	\$0
Other Salaries	\$0	\$0	\$0	\$40,200
Purchased Prof. Educ. Serv.	\$76,724	\$0	\$0	\$580
Other Purchased Service	\$53,731	\$5,774	\$16,959	\$2,720
Supplies & Materials	\$54,022	\$10,746	\$4,704	\$10,260
Other Objects	\$5,441	\$3,526	\$0	\$2,300
Total	\$766,654	\$569,769	\$572,100	\$539,645
Per Pupil (ADE) Cost	\$196	\$160	\$158	\$151

*The 1999-00 district average daily enrollments were: Bernards Township 3,906, Hopewell Valley Regional 3,570, Millburn Township 3,617, and Sparta Township 3,566 pupils.

The district per pupil cost at \$196 was \$40 above the three-district average of \$156. The higher costs in Bernards Township were generated by non-salary items, including purchased services, supplies and materials. The Bernards Township per pupil salary costs were \$148 compared to a three-district average of \$151.

The following table summarizes the totals of the four CEIFA accounts.

Totals- CEIFA Line Items 221, 230, 240, & 290	Bernards Township	Hopewell Valley Reg.	Millburn Township	Sparta Township
General Administration	\$712,990	\$631,885	\$850,110	\$724,972
School Administration	\$2,013,765	\$1,527,008	\$1,621,032	\$1,362,042
Business & Other Support	\$291,074	\$558,954	\$502,215	\$322,973
Improv. of Instruction	\$766,654	\$569,769	\$572,100	\$539,645
Total	\$3,784,483	\$3,287,616	\$3,545,457	\$2,949,632
Per Pupil (ADE) Cost	\$969	\$921	\$980	\$827

*The 1999-00 district average daily enrollments were: Bernards Township 3,906, Hopewell Valley Regional 3,570, Millburn Township 3,617, and Sparta Township 3,566 pupils.

The Bernards Township School District total administrative cost in 1999-00 was \$969 per pupil, which was second highest of the comparison districts and \$60 above the three-district average of \$909. The Bernards Township median administrator salary was somewhat above the benchmarks, and despite the addition of several administrative and supervisory positions, the number of administrators remained slightly below the comparisons.

Further examination by the review team revealed that combined salary expenditures in Bernards Township totaled \$695 per pupil, while the average administrative salary cost in the three

comparable districts was \$731. Consequently, the non-salary expenditures account for the higher administrative costs in Bernards Township. Photocopy leases totaling about \$175,000 were reported in the 240 Other Objects account. Recommendations regarding photocopy expenses are included in a separate section.

As a district with rapid growth in student enrollments, Bernards Township reorganized and added a net of a half dozen administrative and supervisory positions in 1999-00. Bernards Township School District expended \$969 per pupil on all categories of administration in 1999-00, which was \$60, or 6.6%, above the \$909 three-district average. However, total administrative and supervisory expenses were comparable with two of the three comparison districts.

TECHNOLOGY

The district's technology plan was updated in March 1999, and another revision was expected for March, 2001. The district is endeavoring to infuse educational technology into the curriculum and to assure that students achieve the Core Curriculum Content Standards. The district technology instructional committee, consisting of teacher representatives from grades K-12, has been meeting monthly to develop methods for incorporating the National Education Technology Standards into teaching and learning. Teacher training provides skills and knowledge needed to use educational technology as an effective tool in instruction. In preparing the technology plan, district officials have contracted with several technologies "experts" for local presentations regarding trends in technology and visions of future developments. The district endeavors to:

- present informative and user-friendly web sites;
- provide fast and reliable Internet access;
- maintain a 5 to 1 ratio of multi-media computers to students;
- provide software, CD ROMS and online resources for school curriculum;
- offer staff training and e-mail access for all teachers; and
- include in all construction an infrastructure distribution system with communication outlets in each room and wiring closets in each school for a technology rich environment.

The district does not have the equipment to access satellite transmissions. And, while Internet sites are utilized, Bernards Township students do not participate in classes originating from remote sites, as the district does not have distance learning capabilities.

Networks

During the summer of 1999, the district had an extensive technology rewiring effort that connected each of the six schools for high-speed data, voice and video communications. Over 500,000 feet of category five wire and about 2,000 feet of fiber optic cable were utilized in this endeavor. T-1 lines were provided for each building. The resulting infrastructure provided a local area network (LAN) in each building and a wide area network (WAN) for the district.

The primary connection to the Internet operates at 100Mb over a dedicated point to point T-1 line to the Internet provider. A variety of routers, switches and hubs are used to provide a fast Ethernet network. Point to point T-1 lines are also connected from school buildings to the district's main hub at Cedar Hill School. Each school has a computer server to function as the school's hub for e-mail and file storage for students and staff.

Through this network, the district will provide Internet access to every classroom in the district and a web based e-mail account to each staff member, which is accessible through the district's web page. The district's home page contains general information, school home pages, job openings, calendars, inter-school council and board of education minutes.

The district received \$166,551 in distance learning aid in 1999-00. Excluding salaries, the 2000-01 district technology budget was about \$.5 million, with \$200,000 for instructional and administrative hardware and \$125,000 for software rentals and adaptations. Network and computer repair and maintenance and department supplies were budgeted at \$56,000. The district budget for communications/telephone services for the technology department totaled \$70,100. The anticipated cost of T-1 lines cost was \$25,000, the Internet Service Providers budget for all buildings was \$40,000 and the budget for the various modem dial-in accounts was about \$5,100.

The Universal Service Fund (USF), or E-Rate, is a federally funded program that provides to eligible schools and libraries affordable access to telecommunications services, including both Internet and regular telephone service. The current Bernards Township USF discount rate is 27%. One of the comparison districts, Millburn Township, with 23% discount rate, received \$35,530. It appears that a Bernards Township application should result in a comparable amount.

Recommendation:

Bernards school officials should consider applying for the Universal Service Fund E-Rate for revenue enhancement of \$35,000. Pertinent information is available at: <http://www.state.nj.us/njded/techno/toc.htm>.

Revenue Enhancement: \$35,000

Computers

In an inventory conducted in March, 2000, the district had 883 computers in classrooms and computer laboratories in the six schools. Of that number, 616 were reported as multimedia. The breakdown by schools was as follows:

Schools	Number of Instructional Computers	# of Multimedia Computers	% of Multimedia Computers	% of District Students in Building
Ridge H. S.	231	212	34.4	22.9
Middle School	181	181	29.4	22.9
Cedar Hill	150	63	10.2	15.4
Liberty Corner	133	46	7.5	14.0
Mt. Prospect	86	55	8.9	11.2
Oak Street	102	59	9.6	13.7
Totals	883	616		

Research has shown that a technology rich curriculum has one computer for every five students. The student to computer ratios in Bernards Township School District are 4.48 students per instructional computer and 6.42 students to every multimedia computer.

In 1999-00, the technology plan placed 90 computers in each of the high and middle schools and two computers in every fourth and fifth grade classroom in elementary schools. The 2000-01 plan is to place two computers in every second and third grade classroom and at least one computer in every classroom in the middle school.

When the review team visited the schools in November 2000, the new Mt. Prospect Elementary School had 100 computers, including 94 for instruction and six in the office. Instructionally, there were 58 computers in 33 classrooms, 28 in the computer laboratory and seven in the media center. In the middle school there were 214 instructional computers, with five computer laboratories containing 20 to 26 computers. Each classroom had one computer, and five rooms had two to six computers. In the high school, there were 234 computers for instructional use. There were 170 computers located in computer laboratories, 51 in classrooms and 13 in the media center. This provided a ratio of students to instructional use computers of 4.29. Sixty-one computers were used for administrative or other uses.

Professional Development

The classroom of the future integrates technology into the curriculum and utilizes technical knowledge and skills as tools to empower students and staff. The district offers staff members online education through a connected university. Courses are available at various times and can be completed from the school or home. There is ongoing access to instructors through e-mail and additional resources are available through the web. The district also has created a training room with seven laptops, a scanner and two printers. This relatively small room has been used during the school day for small group training and mini-courses.

The district has announced a district-wide technology incentive program to encourage teachers to improve their technology skills. The incentives include digital cameras, scanners, and computers, which can be obtained through completion of specified technology course hours within a three-year period. Teachers can also earn credits by teaching staff college technology courses or by taking a staff college approved technology class, which includes online classes.

Staff/Support

In 2000-01, the technology department staff included a director, a network administrator and two technicians. At the time of the review team visit, the second technician was employed. Six part-time stipended technology positions, one for each building had been created. Each elementary school had a full-time computer teacher and the middle school had two computer teachers.

During school visitations, there was redundant evidence that the district was encountering difficulty in supporting the various school networks and computers. There were a number of reports of computer laboratories with “down” equipment. This was also evident during team tours of individual schools. The support problem was attributed to “old” equipment. A rapid increase in networks and computers and an insufficient number of support personnel were also likely reasons for the delays in restoring network and computer functions.

Proficient technical personnel are in short supply and therefore difficult for public schools to recruit, employ and retain. Reportedly, by the second semester of 2000-01, district officials were preparing requests for proposals for privatizing the technology department support services.

Administration

The Bernards Township School District has an agreement with the Information Technology Center of the Asbury Park School District for online services for GAAP budgetary accounting and payroll/personnel systems. The district pays \$22,425 per year for the networked computer services. The budget also includes \$5,000 for Pentamation training, \$7,000 for software support, \$5,000 for technical support and \$5,000 for custom reports.

Communications/Telephones

Based on the audit report, the district spent \$172,564 in 1998-99 and \$211,651 in 1999-00 for communication/telephone charges. According to the NJ Department of Education budget guidelines, all telephone expenses, postage equipment rental, and postage expenses should be recorded in the communications/telephones account. The team analyzed the communication cost for 1999-00 school year, which revealed that the postage expense of \$27,097 was not recorded appropriately. The district reported the postage expenses as part of the general supplies and materials expense. Therefore, the actual communication/telephone costs for school year 1999-2000 should be recorded as \$238,748.

The school district has more than 500 telephone lines, which include 15 telephones located in teachers’ lounges, and ten fax lines. Some of the telephone lines have restricted access, but many can be used to make local and long distance calls.

A comparison of the Bernards Township School District’s communication expenses with schools of similar size and demographics revealed Bernards’ per pupil expenses to be the highest at \$61.12. The next highest per pupil cost was \$32.65 and the lowest per pupil cost in this group was \$19.47 per pupil. School officials attribute some of the higher expense in Bernards Township to the provision of T-1 lines for the district network for school facilities and for Internet connections.

	Bernards	Hopewell	Millburn	Sparta
Communications/Telephone	\$238,748 *	\$103,371	\$70,419	\$116,416
Cost Per Pupil	\$61.12	\$28.96	\$19.47	\$32.65

*Includes postage expense adjustment.

The district does not monitor telephones for personal calls nor does it have a policy requiring personnel to reimburse the district for personal telephone usage. Staff members who make personal calls on the cell phones are required to reimburse the district.

In reviewing the costs associated with the telephone service, the team looked at the actual billing. The team found that the district spent \$3,853 for directory assistance calls. The telephone company charges 35 to 50 cents for each local directory assistance call, 95 cents for national assistance call, and 30 cents for each completed call.

During the review, it was also revealed that the telephone company incorrectly charged the district for some costs that were not incurred by the district.

Eleven cellular phones have been issued to the athletic coaches, custodians, computer technicians, and the top administrative members. Some of the athletic teams are transported by bus to practice on fields that are remote from school facilities. These coaches are issued cell phones as a safety precaution.

The district pays a basic charge of \$21.99 to \$29.99 per month for each cellular phone, plus charges for airtime and landlines. The total monthly bills for the cellular phones average \$594 and cost the district approximately \$7,128 annually. Besides cellular phones, the district has two pagers.

Recommendations:

District officials should examine the following areas for possible savings:

- 1. The district has a large number of telephone lines. The district should conduct a review to determine the need for telephones and eliminate those having less usage. The number of telephones located in the teachers' lounge in each building should be evaluated in terms of the need for communication, particularly with parents. The district should consider blocking many of the telephone lines in order to eliminate toll and long distance calls and designating them for local calls only. A limited number of phones could be used for necessary long distance calls enabling enhanced monitoring of usage.**

Cost Savings: \$3,000

- 2. The issuance of cellular phones is a relatively expensive practice. District officials should evaluate the need and cost effectiveness of the cellular phone service. The use of two-way radios or pager services should also be considered.**

Cost Savings: \$4,000

- 3. Directory assistance calls to telephone operators are convenient, but expensive. By utilizing telephone books, computer databases and directory assistance web sites, most of these directory assistance calls can be eliminated.**

Cost Savings: \$3,000

- 4. According to the NJ Department of Education budget guidelines, postage equipment rental and postage expenses should be recorded in the communications/telephones account.**
- 5. The district should consider contacting one or more companies specializing in telephone services to conduct a telephone audit to explore options for cost savings and/or to identify any excess telephone charges. There should be a determination whether some of the plain old telephone (POP) lines can be replaced by the digital network infrastructure.**
- 6. The district should consider initiating a policy requiring reimbursement by district personnel for personal telephone calls.**

Photocopiers

The Bernards Township School District owns and/or leases approximately 41 photocopiers, which are located within its seven facilities. The four elementary schools have 21 photocopiers, the middle school has eight photocopiers, the high school has seven photocopiers and the central office contains five photocopiers. In 1999-00, the district paid in excess of \$175,000 in photocopy costs. The district is continuously engaged in lease arrangements with four vendors for procurement of photocopy equipment. These arrangements normally run for three to five years, after which the machines are typically replaced with new copiers, and the 36 to 60-month payment process starts anew.

Available details of costs and usage associated with the district's copiers in 1999-00 were analyzed. Based upon this review, it appears that the copiers procured by the district exceeded its copying requirements. Many of the copiers have capacities of up to 500,000 copies per month. No photocopier in the district made more than 200,000 copies in any given month. The lowest available count was 9,000. The team also discovered that the district may have too many copiers. It is not uncommon to find two or three high speed/capacity copiers placed together in the same room, such as in the teachers' rooms, the school's main office, or the board office.

The terms of the leasing agreements are varied and not all agreements were available for review. The district entered into a "cost-per-copy" agreement with a couple of vendors. The district paid a basic monthly fee for each copy they made. The monthly fee included parts and supplies for the equipment, with the exception of paper and staples. Some agreements specified the maximum number of copies per month or per leasing term, after which the district was billed an additional charge for each copy made. Vendors charged from \$.0068 to \$.011 for each copy produced.

The State of New Jersey has in place a cost-per-copy contract, which is available for use by school districts, whereby the customer contracts for photocopies, not photocopiers. The contract, which was awarded to various primary and secondary vendors throughout the state, is based upon the anticipated number of monthly copies required, and is intended for copiers making an average of less than 100,000 copies per month. Under this arrangement, the vendor provides the customer agency with a copier for its use. The school district does not rent, lease or buy the copier, but actually purchases only the photocopies. All equipment, parts and supplies, with the exception of paper and staples, are included in the monthly fee. Users guarantee vendors a minimum amount of copies per month called bandwidth and pay a per copy charge for excess usage. The equipment is upgraded to the latest technology every three years.

The following table contains a comparative analysis of costs paid in 1999-00 for 10 selected copiers vs. the estimated costs available through the state cost per copy contract:

	District Contract										
	Xerox	Xerox	Xerox	Xerox	Xerox	Xerox	Xerox	Xerox	Ricoh	Ricoh	Ricoh
	1090	5892	1090	1090	5892	265	5665	650	650	650	
Locations	H. Sch.	Bd. Off.	H. Sch.	M. Sch.	H. Sch.	H. Sch.	H. Sch.	H. Sch.	C. Hill	C. Hill	C. Hill
Mfr's Recom. Volume/Mo.	400,000	350,000	400,000	400,000	350,000	200,000	125,000	100,000	100,000	100,000	100,000
Avg. Copies/Mo.	79,853	47,092	160,518	117,049	186,849	8,796	15,692	74,855	71,719	15,131	
Allow. Per Month	0	0	0	0	0	25,000	0	40,000	40,000	40,000	
Excess Copy Chrg.	\$0.0107	\$0.0075	\$0.0075	\$0.0075	\$0.0085	\$0.0095	\$0.0099	\$0.0110	\$0.0110	\$0.0110	
Monthly Charges	\$350	\$560	\$880	\$880	\$545	\$360	\$700	\$616	\$616	\$616	
Total Added Cost	\$854	\$353	\$1,204	\$878	\$1,588	0	\$155	\$823	\$789	\$166	
Total Cost	\$1,204	\$913	\$2,084	\$1,758	\$2,133	\$360	\$855	\$1,439	\$1,405	\$782	
Actual Cost/Copy	\$0.0151	\$0.0194	\$0.0130	\$0.0150	\$0.0114	\$0.0409	\$0.0545	\$0.0192	\$0.0196	\$0.0517	
	State Contract										
Segments	8	7	8	8	8	3	4	8	8	4	
Per Copy Charges	\$0.0133	\$0.01199	\$0.0133	\$0.0133	\$0.0133	\$0.0139	\$0.0129	\$0.0133	\$0.0133	\$0.0129	
Minimum Copies	60,000	40,000	60,000	60,000	60,000	7,500	12,000	60,000	60,000	12,000	
Avg. Copies Per Mo.	79,853	47,092	160,518	117,049	186,849	8,796	15,692	74,855	71,719	15,131	
Excess Copy Charge	\$264	\$85	\$1,337	\$759	\$1,687	\$18	\$48	\$198	\$156	\$49	
Basic Charges	\$798	\$480	\$798	\$798	\$798	\$104	\$155	\$798	\$798	\$155	
State Contract Cost	\$1,062	\$565	\$2,135	\$1,557	\$2,485	\$122	\$202	\$996	\$954	\$204	
Monthly Savings	\$142	\$348	\$(51)	\$201	\$(352)	\$238	\$653	\$444	\$451	\$579	
Total Monthly Savings										\$3,056	
Total Yearly Savings										\$36,674	

There was no indication that the district has any controls in place regarding the usage of copiers.

Recommendations:

- 1. Selection of the model and number of needed photocopiers should be based upon anticipated usage. District officials should determine anticipated photocopy needs, and take steps to right size the equipment to meet those needs. Based upon volume and number of users, the needed number of copiers with appropriate capacities should be determined and maintained. The district may be able to eliminate some photocopiers, and hence, reduce costs. As copiers need replacement, the district should first look to**

reassign under utilized copiers to meet this need, rather than to enter into further costly lease/purchase arrangements. The district should also examine the number of photocopiers needed in respective buildings and/or rooms. Officials should determine whether a building, such as the middle school or high school, should have more than five copy machines, or whether the usage in a particular room justifies more than two copiers. If the district reduced equipment by as much as six copiers, at the average leasing cost of \$612 a month, there would be savings of \$3,673 a month, or \$44,000 a year.

Cost Savings: \$44,000

2. The district should consider utilizing the state's cost per copy contract. Based upon 1999-00 costs, minimally, the cost-per-copy potential savings is \$3,056 for each month, or a total of \$36,674 for a year.

Cost Savings: \$36,674

3. District officials should consider monitoring photocopier usage in each department and be aware of photocopy expenditure levels. A pin number may be issued to each staff member or department for the purpose of usage control.

INSTRUCTION

District

During the interviews with key personnel in the Bernards Township School District, most people identified growth in student enrollments as the most significant development of the past half-decade. According to the June 30, 2000 audit report, the district average daily enrollments increased from 2,494 in 1994-95 to 3,905.7 in 1999-00. This was an increase of 56.6% over the five-year period. Student enrollments are expected to continue to increase for several years, as the larger number of elementary school students progress through the middle and high schools. The October, 2000 district-wide school enrollment was 4,208 students, a 283-pupil increase over the October enrollment in the previous year.

The district's demographer in a November, 2000 report stated that the number of students in the Bernards Township Public Schools reached an earlier peak of 3,751 students in 1971 and then it was reduced to a minimum of 1,845 in 1985. In 1999-00, or 28 years later, enrollments reached the 1971 level. Following the student low point of 1985, the capacity of the schools has been increased considerably. Cedar Hill School, which had been closed for a number of years, was reopened in 1989, increasing total student capacity from 2,315 to 2,843. As part of a major school construction project, Bernards Township opened in September 1999 a new 87,848 square foot elementary school, i.e., Mount Prospect. At William Annin Middle School, over 42,000 square feet of instructional space was added, which included a new media center. Additional classrooms and a media center totaling 62,324 square feet were completed at Ridge High School. During the period 1989-2000, the total student capacity of the township's schools was increased from about 2,315 to 5,137, a 122% increase. During this time, the student body increased 109%.

Although district enrollments are projected to increase by about 29% in the next ten years, reportedly there will be sufficient K-12 school capacity to accommodate anticipated future growth, except for the high school building. Also, capacities may be impacted by future changes in mandates resulting from programmatic thrusts or by refinements to meet developing educational needs.

In 1998-99, Bernards Township School District had five school buildings, namely a high school, a middle school, and three elementary schools. Liberty Corner School and Oak Street School contained grades K-3, while Cedar Hill School held grades 4-5. With the opening of a fourth elementary school in 1999-00, school officials re-districted the school attendance zones to create four K-5 neighborhood schools. The review team visited each of the six schools in the district in late November and early December, 2000.

According to the Comparative Spending Guide, March, 2000, the Bernards Township total classroom instructional cost was \$4,771 per pupil in 1998-99 with a rank of 44 among 91 school districts. The student/teacher ratio in Bernards Township was 12.2 students per teacher, compared to the state K-12 average of 13.7 to 1. Classroom general supplies and textbooks were \$250 per pupil in 1998-99 in Bernards Township with a rank of 75 of 91 school districts. The state K-12 median was \$183.

Ridge High School

Ridge High School is a 216,500 square foot building, which was originally constructed in 1960 and had additions in 1988 and 1999. The building primarily is a single story structure, except for the 500 wing, which has a second story, and the 600 wing that has a partial lower level. The most recent additions have included new classrooms, the media center, a weight room, music facilities and a number of other rooms. Considering that the 1994-95 enrollment was 682, the school has experienced a substantial enrollment growth that should continue unabated over the next several years. In November, 2000, the school had an enrollment of 1,006 students and a capacity for 1,430. Projected enrollments are expected to reach, and then exceed, the capacity within the next four to five years.

The Ridge High School curricular offerings are comprehensive in nature with over 165 separate courses. The school has 16 courses in business education, 17 courses in industrial arts/technology, 11 in music, 19 in art and related programs and 24 in world languages. In addition to regular college preparatory courses, 30 honors and advanced placement courses are offered.

The mission statement includes creating an orderly environment characterized by high expectations, a strong academic program, quality instruction and remedial assistance as needed. The high school has consistently ranked very high in scholastic achievement among schools in the district factor grouping (DFG) and around the state.

Prior to the beginning of the school year the guidance department, in addition to providing direct guidance service, compiles a program of studies booklet as a means to assist students and their

parents in the selection of courses to meet the students' career and educational goals. Additionally, the student handbook provides information about key school policies and rules to enable students to have a smooth transition from middle school.

A full range of extracurricular activities is available to meet the needs and desires of the student body. Sports teams were issued 358 awards for the fall season, 248 for the winter season and 325 for the spring season. Participation is encouraged through the distribution of an activities booklet that has a descriptive outline of each offering. Another booklet assists seniors in the quest of scholarships by advising them of available sources of financial aid for the continuation of their education.

The district's mobility rate has consistently dropped from a high of 13.5% in 1994-95 to only 3.1% for 1998-99, as compared to the most recent statewide rate of 13.7%.

The school report card also indicated:

- An average class size of 15 as opposed to the state rate of 20.9.
- Language diversity with 11% of students coming from homes where the spoken language is other than English, while the Limited English Proficient Students number about 1%.
- Average daily attendance was 96%, while the state rate was 92.3%.
- Student/faculty ratio in the last three years has remained below the state rate. The latest ratio was 10:1 for the school vs. 11.6: 1 statewide.
- The school's student/administrator ratio was 396: 1, while the state ratio was 330: 1.
- The school's faculty attendance rate exceeded the state ratio annually over the past five years with the latest being 98.4% v. 95.5%.
- The school's length of day and instructional time both slightly exceeded the state time.
- Over the five years (1994-99) the district SAT scores in all areas exceeded both DFG and state averages.
- The Class of 1999 posted a high of 88% of students going to four-year colleges.

The school has both an active parent advisory council and a parent/teacher organization (PTO). There are other activities for parent involvement on the respective grade levels, through the booster and club support groups, and/or on the character education committee.

William Annin Middle School

The school, which was opened in 1969 on a 35-acre site, was named after a local colonial period patriot. In September, 1999, new additions to the school provided a new media center, computer and technology laboratories, gymnasium, health and weight rooms, science laboratories, and classrooms. Modifications were also made to the dining areas and choral music and orchestra practice rooms. Some school officials expressed concern that the renovations may fall short of the school's eventual needs due to rapid enrollment increases.

Originally built as a junior high school, it was converted into a middle school in 1982 and currently serves grades 6-8. The school is organized on an interdisciplinary team approach. The sixth grade has three teams with each team composed of five teachers who provide instruction in

English, mathematics, reading, social studies and science. In the seventh and eighth grades, there are also three teams per grade that offer instruction in communication arts, English, mathematics, science and social studies. Instruction is also offered in five languages, namely French, Italian, Japanese, Latin and Spanish. Elective or exploratory courses include art, music, foods, computers, technology, study skills, thinking skills, etc. The school day commences at 7:40 a.m. and runs until 2:20 p.m.

Administration/faculty/staff work cooperatively with their students to achieve the best possible results. Parental support and interaction, through involvement in the various activities of the school, have helped to facilitate the process. Technology in the school has been upgraded considerably and discussions among faculty and administration continue about potential future needs.

School officials have been cooperative in addressing local business and community requests for facility uses. The building is in demand during after school hours for activities of community-based organizations, including the Boy and Girl Scout programs, a local theater group and the township's recreation program.

The media center and "Cybrary" were high points of the new construction and addition. The center provides space for two classes; and the Cybrary computer laboratory accommodates one class. Over 17,000 volumes, 40 computers, 200 videotapes, and 100 CD-ROM programs are available to staff and students. These materials support the curriculum of the middle school and the interests of 11-14 year old students.

Middle school data on the New Jersey School Report Cards for the year 1998-99 indicates the following:

- Language diversity of 14% with 1% Limited English Proficient Students.
- Student and staff daily attendance exceed the state rates in both categories.
- Average class size was slightly above the state class size by 22 vs. 21.6.
- Student mobility rate was only 4.3%, as opposed to the state's 15.5%.
- Faculty average daily attendance of 98.2% exceeded the state rate of 96.1%.
- The length of the school day and instructional time both slightly exceeded the state's average time for each category.
- The school had a high level of student success in taking the early warning test in eighth grade for both 1997 and 1998. The percentage passing Levels I and II was 99.4 for 1997 and 98.3 for 1998.

In the 1990's the school was highlighted in the news media due to a controversy over the carrying of book bags by students. The issue was presented to the courts and the commissioner of education. The resulting decision was that backpacks are unsafe and should not be carried in school.

The school has a seismograph for recording earth tremors and quakes. The instrument, costing about \$15,000, was provided at no cost to the school district by the Lamont Doherty Earth

Observatory, which is associated with Columbia University. Under the guidance of two seismologists from the observatory, eighth graders set up the equipment. The ongoing student research project is a part of the eighth grade earth science curriculum.

The Application for State School Aid Report for 2000-01, set forth student enrollment projections for the middle school. At the time of the onsite visit, the enrollment had exceeded the original projection of 979 and reached 1,001 students. The entering 6th grade class for 2001-02 is expected to be large and reportedly could take the school's enrollment substantially over the current estimated 1,082 mark.

The school has an active and assertive PTO that assists in fund raising and other efforts to benefit the school. Parental involvement was very high in the development of the strategic plan. Parents have also been very supportive of the staff in the implementation of the educational program.

Elementary Education

The district has four schools serving students in grades K-5, namely: Cedar Hill, Liberty Corner, the recently opened Mount Pleasant and Oak Street Elementary Schools. The schools have a strong educational program that has resulted in very good test scores and a sound preparation for higher levels of learning.

The teaching staff offers a balance between teachers with extensive experience and relatively new educators. Each elementary school has a principal and an assistant principal. The assistant's time is shared between the assigned school and other administrative duties that are usually carried out at the district central office location. Each school has a full-time nurse; a staffed media center and a guidance counselor.

The district has a Basic Skills Improvement program, but it is not funded by the state. The program provides literacy support for those students who fail to meet specific district standards. The selected participants in K-3 are notified of the intended placement by June 30th and those in grade 4 by September 30th. Parents who do not want their child to receive such services must inform the school in writing of their refusal to participate. Students who demonstrate sufficient progress in mathematics/language arts may exit the program.

A district elementary intramural program is offered for students in grades two through five. The after-school program has one-hour sessions running from 3:15 to 4:15 p.m.. Students are charged for attending either single sessions at \$15 each, or the total of three sessions is \$40. The persons in charge of the three sessions are paid a stipend. Depending on the number of participants, the income from the fees can offset the cost of the staff.

Embracing the essence of the statement of Dr. Martin Luther King, Jr., "Intelligence plus character, that is the true goal of education," the district promotes a program highlighting character education development activities. The topics covered are respect, citizenship, caring responsibility, trustworthiness, and fairness. Each theme is explored throughout the school year by involving students in a variety of activities to give them a greater appreciation of the qualities

that constitute good character in dealing with others. As “A Caring Community,” the Liberty Corner School has a handbook that contains a substantial number of character education resources for use in staff training workshops.

The district has employed a large number of new professional staff over the past few years. This influx necessitates the need for continuing staff development activities. As part of the development of the staff to meet the educational and administrative needs of the district and its students, there must be an ever-increasing effort to tie staff development into upgrading all aspects of the district’s operation through improving the existing mode of technology. The district may want to explore the possibility of cooperative staff development ventures with other districts in the effort to increase the program course offerings, while helping to reduce the district’s operating cost.

The supervisors generally have K-12 responsibilities, however the perception is that most of their time is spent working with the middle and high school staff members in the respective subject/skill areas. Although the individual visits to the elementary schools are seemingly limited, the principals and supervisors meet periodically to exchange information. The numerous elements of the core curriculum standards have required a heavy volume of paperwork and reporting, in addition to the usual building, personnel and curricular responsibilities of the principal.

The district has the excel program to provide additional academic challenges beyond the regular curriculum offerings for capable students. The program participants are able to engage in a variety of interdisciplinary projects where they will receive process skills training, while they continue to explore topics of interest. The program is conducted for an hour and a half in the morning once a week, plus one hour of classes during the regular school day.

Cedar Hill Elementary School

This single-story 1957 building had additions built in 1978 and 1994 that brought the facility up to 35 regular classrooms. The school’s media center has 17,437 items, including cassette-books, cassettes, videotapes, and CDs, in addition to the regular book collection for use by students and staff.

In November, 2000, the school had 583 students and was staffed administratively by a principal, a shared time assistant principal, guidance counselor, school nurse and a media specialist. There were five teachers each for kindergarten, first, second, and fourth grades, plus four each for the third and fifth grades. Seven teachers were listed for the special education program. There was also a full complement of full and part-time specialists at the school.

According to the New Jersey 1998-99 School Report Cards:

- The school’s grade configuration for 1994-97 was third through fifth grades and only fourth and fifth grades for 1997-98. (The opening of the Mt. Prospect Elementary School necessitated a redistricting of the boundary lines of the elementary schools based on the neighborhood school concept.)

- In terms of language diversity, 96% of the students come from homes where English is spoken and only 1% of the students have Limited English Proficiency.
- The school's average daily attendance at 96.8% exceeds the state average of 94.9%.
- The school's average class size of 22 pupils is very close to the state average of 21.6 students.
- The student mobility rate of 5.3% is well below the state average of 15.5%.
- The faculty attendance rate of 98.7% is higher than the state average of 96.1%.
- Student/faculty ratio is 13.1: 1 as compared to the state ratio of 13.7: 1.
- The student/administrator ratio is 412: 1, while the state ratio is only 330: 1.
- Although the length of the school day is nine minutes longer than the state average, the time of instruction of five hours, 20 minutes is 10 minutes shorter than the state average.

Liberty Corner Elementary School

The original section of the school was built in 1905, with subsequent additions enabling the housing of the current enrollment of 571 students. The school has first and second floors and a lower level. There are four classes each for the kindergarten, first, second, third and fifth grades, while the fourth grade has five classes. In addition to the school nurse, media specialist and guidance counselor, the school has a full complement of specialized staff members to ensure the delivery of the educational program. The media center has approximately 21,000 items, which have a circulation of 2 ½ times each year.

The 1998-99 New Jersey School Report Cards provided the following information.

- Enrollment gradually increased annually between 1994 and 1999. A drop was recorded for the 1999-00 school year from 631 to 552 students. The enrollment went up slightly to 571 in the 2000-01 school year.
- Since 99% of the students speak English at home, 1% of the students have Limited English Speaking Proficiency.
- Average daily attendance was 96.2% as compared to the state average of 94.9%.
- The school's average class size is 21, while the state's average is 21.6.
- There was a sharp increase in student mobility from 6.5% in 1997-98 to 13.3% in the next year.
- The district's student/faculty 1989-99 ratio was 14.2:1 vs. 13.7:1 for the state, and the student/administrator 1998-99 ratio was 421:1 vs. the 330:1 state ratio.
- The school's length of day exceeded the state average of six hours, 21 minutes by nine minutes. Meanwhile, the actual length of instructional time of five hours, 24 minutes was six minutes less than the state average.
- The faculty attendance rate of 98.6% exceeded the state rate of 96.1%.

With population increases, the district's English as a Second Language program is growing as evidenced by having served 26 students in the 1998-99 school year. Students come from backgrounds with at least 15 different languages. Currently, there is no need for the district to have a bilingual program.

The guidance counselor conducts a series of activities covering a wide range of areas. Some of these activities included classroom guidance lessons, small group counseling, parent and/or teacher consultations, the pupil assistance committee and the testing program. There is also a monthly newsletter, a Newcomers' Club and the "lunch buddies" counseling sessions.

The guidance counselor is also responsible for the school's nature trail program. The school has an outdoor program in kindergarten through fifth grade. It is designed to extend and integrate the science curriculum with objectives for students in language arts, mathematics, social studies, art and music. There is also a "Green Thumbs" gardening club and a third grade cooperative program with the Somerset County Recycling Office.

The parent volunteers are very active in the school in a variety of areas ranging from setting up the web site to helping in the media center. The PTO is supportive of the school. The playground has a blacktop surface, which was provided through the PTO and some equipment was purchased with more to come. A couple of parents who own a nursery have been keeping up the garden area dedicated to the memory of a deceased bus driver. One parent has painted decorative signposts, grass and other articles on the walls in the school hallways.

Mount Prospect Elementary School

When the two-storied 87,848 square foot Mount Pleasant School opened in September, 1999, on a 13-acre site, the district's elementary schools were reorganized and each of the schools experienced some staff changes. Teachers were given an opportunity to express their choice of a school; however, in making assignments, the principals had to consider instructional needs and balancing new and experienced staff from building to building. Nevertheless, the transition went relatively smoothly. Starting with an enrollment of 399 students, there has been a constant rise in the numbers until reaching the figure of 507 in November, 2000.

There are grade level leaders who meet with the principal on a regular basis to facilitate the handling and communication of key items/concerns. The school has a full-time guidance counselor, nurse and a full complement of specials. The media center's collection of books (8,175), videos (370) and magazines (419) totals 8,964 items. There is a media specialist and a part-time aide for 2 ½ hours daily.

As part of the character education concept, the school has a "Doer of Unusual Deeds of Excellence" award for students, parents and teachers as individuals, who exhibit by their actions extraordinary character traits. Every class level is given the opportunity to make a presentation on a relevant topic to their peers during an assembly program.

The school has a very active group of parent volunteers who participate in a wide range of activities to benefit the students and the school. Parent volunteers did a portion of the school's landscaping. Volunteers are provided with an orientation to acquaint them with the school's operating procedures and to identify the activities/programs where they will be involved.

Oak Street

This is an older building, built in the 1930's having a main, upper and lower level. Several additions have been made to enable the school to accommodate its current student population. During the past four years, the school has undergone a number of improvements, but some needed repair items still remain to be addressed.

The enrollment of 556 was ten students more than projected in the ASSA report and an increase of 18 over last year's figure. Most of the enrollment increase for the current year occurred when two sections of a pre-school self-contained program, with 19 students, were added to the school.

Kindergarten had four sections and both the first and second grades had five classes, with an average of about 19 students each. The upper grades each had four sections, with a fourth grade class average of 22 students and the averages for both the 3rd and 5th grades were 24 students. Kindergarten students had an extended day instruction through 1 p.m. On selected days at the conclusion of their lunch period, kindergarten teachers were assigned to provide health instruction for grades 1 through 5. The principal and assistant principal divide the duties of evaluation of teaching staff, except that the principal evaluates the non-tenured persons.

The assistant principal was promoted from the classroom into this position as of May 1st. The principal had a strong background in special education before coming to the district to serve as the assistant principal in this school. When the former principal took over the opening and running of the district's new school, Mt. Pleasant, the assistant principal was promoted to fill the resulting Oak Street vacancy.

As with the assistant principals in other schools, a portion of the assistant's workweek is devoted to specifically assigned central office duties. The school has both a guidance counselor and a nurse on a full-time basis. The school has a media specialist and a total of 17,962 items available to be used by the students and staff.

The New Jersey School Data Report Cards for 1998-99 indicated the following information:

- The enrollment has consistently increased. For the 1994-97 school years as a K-2 school, annual student enrollments moved from 333 to 363. With the addition of the 3rd grade, the enrollment went from 620 in 1997-98 to 647 in the following year.
- For 1998-99 the school's student mobility rate was 7.4% vs. the state's 15.5%
- The student/faculty ratio for the 1998-99 year was 15.1:1 vs. the state's 13.7:1.
- In 1998-99, the school's student/administrator ratio was 324:1 vs. the state's 330:1.
- The faculty attendance rate of 98.1% was consistently higher than the state's 96.1%.
- The length of the day was six hours, 30 minutes or nine minutes longer than the state average, while the instructional time @ five hours and 24 minutes was six minutes less than the state average.

The school has a Home-School Council made up of parents, teachers and the principal who work together to set school goals and address current issues. Input is solicited on a regular basis over the telephone or through the council members. The PTO issues a periodic newsletter and

becomes involved in a variety of projects geared to assist the school and faculty. One of the projects is called the Wizards of Words. This is an opportunity for the students to meet and interact with authors and also to purchase autographed copies of these individuals' works. At the same time, this is a way to stimulate student interest in reading a variety of books. A large number of the parents perform school volunteer work ranging from photocopying for teachers to assisting in the media center.

Although the maintenance program at the school works reasonably well, there are some long-standing repairs that seem to linger too long. The divider wall to separate the gym from the cafeteria cannot be closed and thus causes scheduling problems. In addition, there are some roof leaks that are recurring and need to be addressed in a more permanent manner.

When the new Mt. Prospect School opened, it was necessary to move families around to implement the neighborhood school concept. The children in 75 families were placed in this school. The transition went smoothly due to the ongoing dialogue that took place between school officials and the parents.

Media Service/School Library

Each school has a media center staffed by a media specialist. The centers have Internet access and carry an adequate stock of books, materials and supplies. During the onsite visit, numerous parent volunteers were observed helping with the tasks that normally have to be performed in running a library/media center. The Bernards Township per pupil cost of \$161 ranked second among the comparison districts and was about the same as the \$162 average for the districts of Hopewell, Millburn and Sparta.

Media Service/ School Library	Bernards	Hopewell	Millburn	Sparta
Salaries	\$430,845	\$323,906	\$624,360	\$395,385
Purchased Prof. & Tech. Services	\$16,596	\$24,811	\$25,000	\$450
Other Purchased Services	\$0	\$667	\$1,330	\$756
Supplies and Materials	\$156,857	\$92,984	\$183,322	\$65,906
Other Objects	\$23,900	\$913	\$0	\$95
Total Media Service/School Library	\$628,198	\$443,281	\$834,012	\$462,592
Cost Per Pupil	\$161	\$124	\$231	\$130

Funding was obtained through a grant for "Cybrary Skills: Information Literacy for the New Millennium," to provide both students and staff with instructional programs relating to effectively utilizing electronic sources and Internet informational data.

The high school media center, which has 19,800 materials available for use by students and staff, participates in the Highlands Regional Library Cooperative. Through several initiatives included in the program, the school was able to realize \$12,746 in savings.

Health Services

Each school has a certified school nurse to serve the health needs of the students. Additionally, elementary school nurses are normally responsible for maintaining the daily attendance. In the

high school, an aide assists in this function. Physicians are not employees of the district, consequently they bill the district for services rendered. A comparison of health services costs for the four districts indicated that Bernards Township's \$74 per pupil cost was less than the \$90 average of the three comparison districts.

Health Services	Bernards	Hopewell	Millburn	Sparta
Salaries	\$252,130	\$357,508	\$327,798	\$225,136
Purchased Prof. & Technical Services	\$30,132	\$15,270	\$13,000	\$8,532
Other Purchased Services	\$0	\$0	\$204	\$789
Supplies and Materials	\$8,589	\$5,411	\$6,390	\$6,457
Other Objects	\$0	\$179	\$2,192	\$475
Total Health Services	\$290,851	\$378,368	\$349,584	\$241,389
Cost Per Pupil – Health Service	\$74	\$106	\$97	\$68

The purchase of medical supplies through a consortium could result in some savings. An anticipated move towards utilizing the services of a medical group could result in some efficiencies of service with cost savings.

Guidance

The district has a guidance counselor in each of the elementary schools with these schools having an average of 553 students. There are four guidance counselors in the middle school for 1,000 students and six in the high school for an equal number of students. Consequently, the district has a low student/counselor ratio in the middle and high schools. The counselors maintain a good level of communication with both parents and staff members concerning the students. The large number of students moving on to highly rated colleges is reported as a positive result of the counseling program.

The Comprehensive Plan for Educational Improvement and Financing published by the NJ Department of Education in May, 1996, has served as a comparison basis for some school districts. The benchmark for guidance staffing suggests student/counselor ratios of 500:1 for elementary schools, 337:1 for middle schools and 225:1 for high schools. In Bernards Township in 2000-01, the number of guidance counselors in the middle school and high school exceeds the ratios by at least 1.5 counselors.

The larger number of staff has impacted the cost of salaries for both professional (\$1,139,799) and support staff (\$162,902). In the salaries of secretarial and clerical assistant line item, there were five school secretaries and one central office secretary recorded. It should also be noted that in addition to the counselors mentioned above, the district has recorded in this account the salaries of two professionals in the motivating adolescent performance (MAP) program at the middle and high school levels. In the following table, the costs of these two positions have been removed in making the comparison of guidance costs.

Guidance	Bernards	Hopewell	Millburn	Sparta
Salaries of Other Professional Staff	\$1,139,799	\$641,031	\$506,661	\$793,285
Salaries of Secretarial and Clerical Assistants	\$162,902	\$76,148	\$96,372	\$96,032
Other Salaries	\$0	\$0	\$75,600	\$0
Purchased Prof.-Educational Services	\$38,551	\$0	\$0	\$2,695
Other Purchased Prof. and Tech. Services	\$0	\$0	\$0	\$17,493
Other Purchased Services (400-500 series)	\$1,835	\$3,342	\$400	\$8,569
Supplies and Materials	\$606	\$9,053	\$0	\$29,357
Other Objects	\$3,978	\$0	\$0	\$339
Total Support Services-Students-Regular	\$1,347,671	\$729,574	\$679,033	\$947,770
Minus two MAP Professionals	(\$142,475)			
Adjusted Bernards Twp. Guidance Cost	\$1,205,196			
Cost Per Pupil - Guidance	\$309	\$204	\$188	\$266

The three comparison districts had total salaries that amounted to \$2,285,089 for an average of \$761,686. When this amount is compared to the Bernards Township School District's salary total of \$1,205,196, the Bernards Township guidance costs were substantially higher than the comparison districts.

Recommendation:

The review team recognizes the rapid growth in student enrollments projected for both the middle school and high school in the near future. However, at the time of the review team visitation, district officials appear to have been somewhat “ahead of the growth curve” in the employment of guidance counselors. These comparisons support the conclusion that the district has a combined excess of 1.5 counselors at the middle school and high school levels. Secretarial staffing costs also are somewhat high. As the student enrollments continue to increase, district officials should evaluate the need for additional staffing for guidance in future budgets.

Professional Development Activities

During 1999-00, the district held two in-service days, one in September and another in May. The first in-service day had the morning devoted to a keynote speaker and communication. In the afternoon, the staff met at department, grade level or team meetings on curriculum content and articulation. The second day provided a number of workshops on teaching strategies, mandated programs, etc.

Professional staff members reported attendance at 817 professional days, including workshops delivered in-house by district supervisors and those attended out of district. Teachers also attend and/or teach Staff College Workshops. Non-tenured teachers are required to attend at least 15 hours.

Basic Skills/Remedial

A number of program approaches are used in the Bernards Township district to address the needs of nonclassified students with educational weaknesses. Among them are pullout instructional programs for identified students, in-class remedial instruction at the elementary level, and

integrated programming in the middle school years. The criteria for students to be part of these programs include testing results, on both commercial standardized tests and those required by the New Jersey Department of Education, teacher recommendations, and parental requests.

In the elementary schools, there are 14 different staff members providing remedial services in reading, writing, and mathematics under the title “literacy support.” Groups meet for 30 minutes or 40 minutes, and from one to three times per week, depending on the school and the needs of the particular students. The total full-time equivalent of the literacy support teachers is 8.4, with many of them either being part-time staff or having additional teaching assignments. The median group size, including both pullout and in-class formats, is between two and three students, with a range of one to seven. The average student/teacher ratio is 39:1 in the elementary grades (kindergarten through grade 5).

In the middle school, which includes grades six, seven and eight, most identified students receive remedial instruction in their regular English and/or mathematics class rather than through a separate basic skills program. Students are grouped heterogeneously in academic subjects, and teaching staff endeavor to help all students achieve to their potential. Teachers meet regularly in teams, organized within each grade level, to discuss students with apparent academic deficiencies and to develop ways to address those needs in class. Parents are also advised when a student is encountering academic difficulty, or when standardized test scores are below the designated district or state-established cutoff. Through a shared decision-making process involving both parents and school staff, it is determined whether or not the student will receive additional instructional services, and how those services will be delivered. Students whose scores are above the cutoff scores, as well as those falling below, may be considered for help through the “MAP” (Motivating Adolescent Performance) program, which was established in 1989.

Remedial programming at Ridge High School is provided to students in classes that meet for one period daily. As very few students are identified with such needs, the schedule for the 2000-01 school year contains only one section of Basic Skills English and one of Basic Skills Mathematics each semester. Teachers from the English and mathematics departments teach these classes.

Expenditures for the remedial programming in the district, funded entirely by local funds over the three audited years, are shown below.

	1997-1998	1998-1999	1999-2000
Salaries, Teachers	\$281,159	\$347,827	\$322,311
General Supplies	\$0	\$355	\$0
Basic Skills/Remedial - Total	\$281,159	\$348,182	\$322,311

Source: District Comprehensive Annual Financial Reports (CAFR), 6/99 & 6/00

In relation to the other districts in the comparison group, Bernards Township allocates a similar amount of local funds to the basic skills/remedial programs as three of the four. A reduction in expenditures in Bernards Township is noted over the two years, whereas each of the other districts increased their expenditures in this program area.

	1998-1999	1999-2000
Bernards Twp.	\$348,182	\$322,311
Hopewell Valley	\$312,535	\$326,354
Millburn	\$301,170	\$308,983
Sparta	\$41,047	\$52,116

Source: Districts' Comprehensive Annual Financial Reports (CAFR), 6/00

The district does not receive funding under Federal Title I because of the few students who qualify as economically disadvantaged, such as meeting requirements for free lunches. That potential funding source is included in the consolidated IASA (Improving America's School Act) application, which also encompasses Title II, Title IV, and Title VI.

Based on the available information, the review team found that Bernards Township is effectively utilizing staff and resources to address the remedial needs of students in the district.

English-as-a-Second-Language (ESL)

Reflecting the diversity within the population of the community, the ESL program in the Bernards Township School District has grown substantially in recent years. As reported in the past three annual surveys of native language conducted by the district, students are from as many as 41 different linguistic backgrounds in a given year. The table below shows the number of students in the district who are from non-native English language backgrounds, as well as those who were determined to be Limited English Proficient (LEP).

Year	Non-Native English Language Students	LEP Students
1998	310	26
1999	362	41
2000	439	43

Source: Limited English Proficient Student Enrollment/Retention Tracking System Reports

Students are determined to be eligible for the ESL program based on their performance on the Language Assessment Battery, while exit from the program is determined by multiple measures, including scores on the Maculaitis Assessment Program, other standardized tests, classroom performance, and teacher recommendations.

ESL is part of the Department of Education and Student Services, with the director and supervisor of that department, along with the principals of the respective schools, providing administrative support. During the 2000-01 school year, three teachers, who each divide their time between two schools, provide ESL services. One teaches ESL classes on a full-time basis, one is a full-time teacher whose assignment includes both ESL classes and Literacy Support classes, and one is a part-time (0.8) staff member. At the elementary level, students spend 30 minutes daily in a small-group setting with the ESL teacher. Groups average four students in the elementary schools and at the high school. In the middle school (where the average ESL class size is seven) and the high school, ESL is a scheduled class, which meets for one period daily.

Based on the budget summary contained in the Bilingual/ESL three-year program plan, 1999-02, funding for the district ESL program in 1999-00 was split between state bilingual categorical aid (\$27,260) and local sources (\$61,132). The table below shows actual expenditures (from local funds) in ESL over the last three audited years:

Bilingual/ESL Expenditures	1999-00	1998-99	1997-98
Salaries, Teachers	\$95,683	\$54,849	\$55,518
Bilingual/ESL – Total	\$95,683	\$54,849	\$55,518

Source: Comprehensive Annual Financial Reports (includes local funds only), 6/99 & 6/00

As noted, there was a significant increase in expenditures for teachers' salaries, commensurate with the increase in LEP student enrollment between the 1998-99 and 1999-00 school years.

Because of the unique demographic characteristics of each district and the variety of funding sources used to address the needs of LEP students, a comprehensive comparison and analysis of program expenditures across the comparative districts is difficult to formulate. However, based solely on local funding, Bernards Township was the second highest of the four districts for expenditures in this program area, as well as for state bilingual aid, during 1998-99 and 1999-00. The following table illustrates the relative expenditures (local funds only) and state categorical aid for the four districts in the comparison group.

	1999-00		1998-99	
	Expenditures	Bilingual Aid	Expenditures	Bilingual Aid
Bernards Township	\$95,683	\$41,963	\$54,849	\$33,060
Hopewell Valley	\$9,673	\$9,048	\$20,165	\$7,714
Millburn	\$176,679	\$63,568	\$171,869	\$74,936
Sparta	\$0	\$14,703	\$0	\$0

Source: Comprehensive Annual Financial Reports, 6/99 & 6/00

Overall, the ESL program in Bernards Township is effectively meeting the needs of the population of students served. Furthermore, the program utilizes funding from all possible sources and is designed to maximize the deployment of staff throughout the schools in the district.

Recommendation:

To assure that the ESL program continues to operate in an efficient manner in meeting the needs of students, the district is encouraged to review group sizes in each school. By consolidating small ESL classes with students of similar ages, staff could be assigned additional duties, such as to provide remedial instruction, as one teacher does now. Another solution that might prove to be cost effective is a magnet school for limited English proficient students. The district should consider conducting a feasibility study to explore such options.

Special Education

Special Education programs are organized under the director of education and student services. In addition, there is a supervisor of special education, who also has district-wide responsibilities for supervising the instructional staff in the literacy support and English-as-a-Second-Language (ESL) programs. According to the district's organizational chart, both of those staff members report directly to the superintendent.

Bernards Township provides a full continuum of programs and services for eligible special education students. These include in-district resource programs, self-contained classes, supported regular education, and related services. If a student's needs cannot be met appropriately in programs within the district, placement on a tuition basis is considered through the process of developing an individualized education program (IEP).

The classified students (those with identified special education needs) on roll in the district, from the Application for State School Aid (ASSA) for the most recent two years, are summarized below according to the New Jersey Department of Education "tier" system. Used as a basis for determining state special education categorical aid to school districts, the tiers provide a general index of the severity of disability. Tiers II, III, and IV relate to a student's special education classification category. Tier I, which is not shown, addresses related services, such as speech/language services, physical therapy, occupational therapy, or counseling, included in a student's IEP. (Students placed in a county special services school district or a state facility are not included in these totals.)

	October-1999	October-2000
Tier II	300.0	322.5
Tier III	48.0	63.0
Tier IV	23.0	25.0
Total	371.0	410.5

Source: Application for State School Aid (ASSA)

In relation to the comparison group, the classification rate in Bernards Township has varied from the lowest to the second highest, as depicted in the following table. Throughout the period, the rate has been below the state average by at least three percent. However, since district enrollment has grown by nearly 50% over the five years, there has been a significant increase in the number of students served by special education.

	RESIDENT ENROLLMENT					% CHILD STUDY TEAM CLASSIFIED				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
Bernards Twp.	2,697	2,957	3,250	3,548	3,966	8.9	8.3	8.3	8.8	9.8
Hopewell Valley Reg.	2,950	3,108	3,300	3,450	3,587	10	10.1	10.7	11	11.6
Millburn Twp.	2,790	2,999	3,142	3,347	3,588	8	8.7	8.6	8.8	9
Sparta	3,079	3,227	3,374	3,467	3,594	10	9.7	8.9	9.1	9.5
State Average						11.7	12	12.1	12.4	12.8

Source: Department of Education, Office of Special Education Programs

The change in student population also is reflected in an increase in staff associated with special education. The following table shows the number of positions reported in the district's Special Education Annual Data Report, completed each December. Of particular note are the increases in resource teachers (24%), basic child study team members (36%), and aides (127%) over three school years.

	1998	1999	2000
Special Class Teacher	6.0	8.0	8.0
Resource Teacher	36.0	42.5	44.5
Preschool Teacher	1.0	1.0	1.5
Aide	11.0	0.0	25.0
Speech/Language Specialist	6.0	7.0	8.0
School Psychologists	3.8	2.2	4.0
LDT-C	3.0	3.0	4.0
Social Workers	2.0	2.0	4.0

Support Staff

Aside from the director and the special education supervisor, the special services staff includes four full-time child study teams, each consisting of a school social worker, a school psychologist, and a learning disabilities teacher-consultant (LDT-C). In addition, there is one part-time psychologist. Each team is assigned to one or two schools, while being housed in facilities within one of the schools served. In addition to completing their diagnostic evaluations, child study team members act as case managers for classified students and serve on the Pupil Assistance Committee in the building(s) to which they are assigned. The district also employs eight full-time speech/language specialists, while three occupational therapists and one physical therapist are contracted on an hourly basis, as needed. Three 12-month clerical staff members, all located in the central office, are assigned to the department.

The ratio of child study team (CST) members to resident students in the district is 1:315, compared to the ratio (1:439) contained in the State's Comprehensive Plan for Educational Improvement and Financing Act (CEIFA) model. Using that formula, the total child study team staff in Bernards Township should be nine. However, in comparing the child study team staff members in the four districts in the comparison group, based on the most recent report published by the Department of Education, Office of Special Education Programs, the total number in Bernards Township is the third highest of the four districts.

District Self-Contained Programs

Within the district, there are various self-contained special education classes, as listed in the table below.

SCHOOL	LEVEL	CLASS TYPE	GRADE RANGE	ENROLLMENT	AIDE(S)	CLASS MAXIMUM
Cedar Hill	Elementary	Presch. Dis. (AM)	Pre-K	7	2	12
Cedar Hill	Elementary	Presch. Dis. (PM)	Pre-K	8	2	12
Cedar Hill	Elementary	LLD	K-2	10	2.5	16
Cedar Hill	Elementary	LLD	3 TO 5	6	2	16
Liberty Corner	Elementary	LLD	K TO 1	10	2	16
Liberty Corner	Elementary	LLD	2 TO 5	9	1	16
Liberty Corner	Elementary	LLD	1 TO 5	11	1	16
Mount Prospect	Elementary	Presch. Dis. (Full Day)	Pre-K	3	2	12
Mount Prospect	Elementary	Autistic (Primary)	1	2*	1	6
Oak Street	Elementary	Presch. Dis. (AM)	Pre-K	7	2	12
Oak Street	Elementary	Presch. Dis. (PM)	Pre-K	4	1	8
Wm. Annin Middle	Middle	LLD	6 TO 8	8	2.5	16
Ridge High	High School	LLD	9 TO 12	4	2.5	16
*Includes 1 tuition student.						

Class Type Abbreviations:

LLD: Learning &/or Language Disabilities,
 Presch. Dis.: Preschool Disabilities

The number of self-contained classes for students with disabilities appears sufficient to meet the district's needs. The autistic class, which was recently introduced, also receives one student from a neighboring district on a tuition basis. Efforts to publicize and promote the success of this program may encourage other districts to consider placing students when space allows, thus enhancing revenue for Bernards Township.

Instructional aides are used in a variety of ways to serve special education students. They spend time assisting a number of students in the self-contained class, they are assigned to a student on an individual basis (if that is required on the student's IEP), or they assist one or more classified students in a regular or general education class. The latter arrangement allows students to participate, when appropriate, with nondisabled peers in the least restrictive environment. As a result, although the number of aides in a particular class may seem unwarranted, it is likely that the aides are also working with students outside the self-contained class.

Resource Programs

Resource programs address the educational needs of the vast majority of classified students in Bernards Township. Class sizes vary considerably within the limits allowed by the New Jersey Administrative Code (N.J.A.C. 6A:14). Where possible, students are grouped with others in the same grade. One of the resource teachers in the high school also specializes as a transition resource person, helping classified students explore and develop their post-secondary goals. In addition to pullout resource programs, where students are removed from their regular classroom for instruction, in-class support resource programs allow students to remain in the general education setting with their nondisabled classmates. In this arrangement, a special education teacher works cooperatively in the classroom with a regular education teacher to provide assistance to classified students when that program type is specified in the IEP of one or more students.

A breakdown of the numbers of students scheduled for in-class support by class was provided for Ridge High School, but not for other schools. Therefore, it is not possible to draw conclusions or make any specific recommendations concerning greater efficiency in utilization of staff in that type of setting. However, many duplicate sections of courses or class assignments at all grade levels were indicated.

Class sizes in pullout resource courses are generally at or near the maximum permitted by the administrative code. However, one exception was noted at the middle school level study skills classes, in which students are grouped by grade. Based on class counts from the Fall, 2000 semester, fewer sections are needed than are provided. The following table illustrates the class sizes:

Grade	# of Sections	# of Students	Average Class Size
6	5	26	6
7	6	34	6
8	5	39	8
Total	16	99	7

If the total group (99) is divided by the number of students permitted in this type of class (9), eleven sections could accommodate all of the students. Even if the separation by grade level were maintained, a reduction of at least four sections could be achieved. Since many of the classes are scheduled at the same times for a given grade level, consolidation should be possible. Another example of this type of increased efficiency is noted in the resource reading course at Annin Middle School, where there are two sections scheduled for the same period, each with six students. With an aide in the room, those two groups could be combined and instructed by one teacher.

Tuition Placements

Of the 410.5 students included in the district’s ASSA count in October, 2000, there were 32 students placed outside the district. Thus, the district provides in-district programming for more than 92% of the special education population. Of the students who were placed in other programs, 13 were in public schools and 19 were in state-approved private schools for students with disabilities. Autistic was the most common category of disability for those students. In response to growth in that classification, the district initiated an Autism class at the primary grade level, with expansion of that program planned. There is a sizable population (7) of students within a two-year age span, from six years old to eight years old, with that classification placed in tuition programs. A class drawn from that group could be considered. This would be beneficial in enabling the students to participate to a greater degree in programs and activities with nondisabled peers and in their home district. Another advantage of maintaining programs in district schools is that the cost per student is generally less than for tuition and transportation expenses for students in out-of-district placements.

Recommendation:

The review team recommends that the district continue its efforts to consider opening a second self-contained class for Autism at the elementary level, and to identify students, within the IEP process, who may be successfully returned to the district from tuition placements.

The district is commended for opening its special education programs to students from other districts. Efforts to expand this pattern, when class sizes and other factors permit, could include organized and regular communication regarding available space with the special services departments of neighboring communities, either directly or through the County Office of Education.

In addition, the district should review the enrollment in the resource classes, especially study skills and reading in the middle school. Consolidation of some classes could reduce the number of teacher assignments. Unless student’s skills are too dissimilar, or their IEP’s stipulate otherwise, consideration should be given to establishing multi-grade groups in courses such as Study Skills. This would also facilitate scheduling of students and increase efficient use of staff at both secondary schools. The net result of those steps should be savings of at least \$40,000, the cost of salary and benefits for one teacher position.

Cost Savings: \$40,000

Expenditures

	Bernards	Hopewell	Millburn	Sparta
Special Education Expenditures-1999-00	Twp.	Valley Reg.	Twp.	Twp.
MR - Trainable/Cognitive Moderate	N/A	N/A	\$20,134	N/A
Learning &/or Language Disabilities	\$607,831	\$41,468	\$40,005	\$10,959
Visually Impaired	N/A	N/A	\$950	\$3,323
Multiple Disabilities/Multiply Handicapped	\$1,294	\$41,674	N/A	N/A
Autism	\$41,865	N/A	\$106,564	N/A
Resource Room/Center	\$2,114,815	\$1,283,524	\$1,201,661	\$1,558,516
Preschool Handicapped: Part-time	\$126,698	N/A	\$117,281	\$61,080
Preschool Handicapped: Full-time	\$25,426	N/A	N/A	N/A
Total Special Education Instruction	\$2,917,929	\$1,366,666	\$1,486,594	\$1,663,878
Speech/Related Services	\$218,000	\$248,868	\$544,131	\$402,009
Extraordinary Services	\$179,522	N/A	\$503,533	N/A
Undistributed Expenditures – Instr. (Sp. Ed. Tuition)	\$1,228,850	\$1,562,799	\$1,051,436	\$687,814
Other Support Services - Special Services	\$711,964	\$915,973	\$1,046,926	\$929,771
Special Education Expenditures	\$5,256,265	\$4,094,306	\$4,632,621	\$3,653,472

Source: Districts’ Comprehensive Annual Financial Reports (CAFR), 6/00

The table above shows the expenditures associated with special education for each district during the 1999-00 school year. (Transportation is not included, but is addressed in a separate section of the review.) Bernards Township is the highest of the group in expenditures for special education

instruction and for total special education expenditures. The most prominent areas of disparity, based on the specific types of programs and expenditures, were in the self-contained learning and/or language disabilities (LLD) classes and in resource rooms/centers. If those two programs alone are considered, Bernards Township surpassed the next highest district by more than \$1.1 million. As shown below, Bernards Township exceeded the next highest district by more than 150 percent both in dollar amount and in percent of total general fund expenditures.

Actual Expenditures for Special Education Instruction, 1999-00

	Bernards	Hopewell	Millburn	Sparta
Amount	\$2,917,929	\$1,366,666	\$1,486,594	\$1,633,878
% of Total Gen. Fund Expend.	7.6%	3.9%	4.1%	5.0%

Source: Districts' Comprehensive Annual Financial Reports (CAFR), 6/00

Using these amounts, the special education expenditures, on a per pupil basis, were also higher for Bernards Township than for any of the other districts. This is noted whether referenced to total district enrollment or to the number of students classified by the child study team in each district.

Per Pupil Special Education Instruction Expenditures

	Bernards	Hopewell	Millburn	Sparta
Total District Enrollment	\$747	\$383	\$411	\$468
Total CST Classified Students	\$7,619	\$3,301	\$4,560	\$4,926

Source: Districts' Comprehensive Annual Financial Reports (CAFR), 6/00

If all special education costs (except transportation) are considered, per pupil expenditures in Bernards Township were still the highest of the group when all students are included, and they were the second highest if only students classified by the child study team are included.

Total Per Pupil Special Education Expenditures

	Bernards	Hopewell	Millburn	Sparta
Total District Enrollment	\$1,346	\$1,147	\$1,281	\$1,072
Total CST Classified Students	\$13,724	\$9,890	\$14,210	\$11,1273

Source: Districts' Comprehensive Annual Financial Reports (CAFR), 6/00

Analysis of the Bernards Township CAFR and other reports reveals that the expenditures for special education classroom staff (teachers and aides) were substantially higher in 1999-00 than in the prior year. The difference in the sum of the "teacher salaries" and "other salaries for instruction" lines over the two years was \$427,189. This reflects an increase of 8.5 teacher positions (from 42 to 50.5) in the special education department between December, 1998 and December, 1999. (Unfortunately, aides are listed on the 1998 Annual Data Report filed by the district, but not in the 1999 Annual Data Report. However, from 1998 to 2000, the number of aide positions reported grew from 11 to 25.) One other major difference in expenditures during

1999-00 was \$187,326 for “other objects” in the learning &/or language disabilities classes. Overall, while each of the other comparative districts reported a rise in expenditures for special education over the same two-year period, none showed as large an increase.

Recommendation:

While there are complex reasons for the dramatic growth in special education expenditures for instruction, this is an area that the district will need to evaluate in planning and budgeting for the future. Certainly, increased student enrollment in the district accounts for some of the upsurge in instructional needs. However, a relatively consistent percentage of classified students has been reported over recent years. The nature of special education programs is shifting in many districts throughout the state and nationwide, with relatively more students being served through resource programs or in regular education than in self-contained or segregated classes. Yet, this change appears to be having more of an impact on the allocation of resources in Bernards Township than in any of the other comparative districts used in this review. A more efficient utilization of resources should bring Bernards Township more in line with districts of a similar population and structure. If even half the disparity in total special education expenditures between Bernards Township and the next highest district in the comparison group were achieved, the savings would amount to \$311,822.

Cost Savings: \$311,822

IDEA

Each year the Bernards Township district applies for its full allocation of federal flow-through funds under the Individuals with Disabilities Education Act (IDEA). The district uses these funds to support additional costs associated with special education.

For fiscal year 2000, the district designated its IDEA, Part B Basic flow-through funds (\$288,252) for staff salaries, student assessments by other professionals, instructional materials and equipment. IDEA preschool funds, in the amount of \$18,968, were applied toward salaries and materials needed for the preschool disabilities program.

Medicaid

Bernards Township is not enrolled in the Special Education Medicaid Initiative (SEMI) or the Early and Periodic Screening and Diagnostic Treatment (EPSDT) programs. However, due to the current socioeconomic level of the community, the estimated number of classified students who would be eligible for Medicaid, based on projections by the New Jersey Department of Education, is fewer than three. Thus, it is unlikely that this program would yield sufficient revenue to support the staff and effort required as an initial step to participate in these programs. The district should, however, monitor the number of students who are eligible for free lunch or who otherwise exhibit a level of economic need. If that percentage increases, efforts to enroll the district and its students in the SEMI and EPSDT programs would be advantageous for all parties.

BUSINESS OFFICE OPERATION

Surplus/Budget

Surplus is the amount of money held in reserve and remaining when current year revenues have exceeded expenditures. A deficit occurs when expenses exceed the amount of revenues plus any prior year carry over of surplus funds. In accordance with state law, public school accounts cannot go into deficit. Surplus is included in a district's budget in order to provide funds for emergencies or other unanticipated expenditures which are beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA) 18A:7F1 through 18A:7F-34, which became effective December 20, 1996, established a maximum allowable undesignated surplus of 6%. In accordance with N.J.S.A. 18A: 7F-7, the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the Comprehensive Education Improvement and Financing Act of 1996 (CEIFA). Accordingly, school districts are required to reserve General Fund surplus at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The state does not stipulate the minimum amount of surplus a district should maintain. However, as expenditures may vary from month to month and revenues are not always received on a timely basis, the district must anticipate its cash flow needs throughout the year.

A district's ability to estimate surplus accurately is strongly predicated on success in establishing internal controls and sound budgetary procedures. Implementation of these procedures can ensure adequate budgetary and financial control during the year and accurate accountability at year-end. With these items in place, management can be alerted and corrective action can be instituted. when significant budget and accounting data deviations from original estimates occur.

Tracking trends in revenues, expenditures and annual surplus can assist districts in estimating surpluses accurately. When district personnel prepare the budget, they know fairly precisely the amount of revenue the district will receive for the upcoming year. Over the past three years (1997-98 through 1999-00), local taxes provided approximately 91% and state financial aid 6.5% to 8% of the total revenue for the general fund. Tuition revenues provided approximately 0.1% of the total general fund revenue for the past three years and miscellaneous revenues have ranged from 1.4% to 1.6%. The following table illustrates the district's revenue distribution in the general fund during the past three years.

	1997-98		1998-99		1999-00	
	Actual	%	Actual	%	Actual	%
General fund						
Local tax levy	\$25,864,997	91.8%	\$30,128,190	91.0%	\$32,459,687	90.5%
Tuition	\$30,446	0.1%	\$47,115	0.1%	\$54,075	0.2%
Trans. Fees From Individuals	\$0	0.0%	\$143,672	0.4%	\$0	0.0%
Miscellaneous	\$446,039	1.6%	\$384,047	1.2%	\$485,132	1.4%
State Aid*	\$1,823,218	6.5%	\$2,407,197	7.3%	\$2,856,037	8.0%
Total Revenue	\$28,164,700	100.0%	\$33,110,221	100.0%	\$35,854,931	100.0%

Sources: Districts' CAFR - * excluded pension and social security contributions.

Approximately 62% of the Bernards Township School District's 1999-00 expenses were for salaries. Except during contract renewal years, the district should be able to determine, with reasonable accuracy, the budgeted amount needed for salaries. However, salary estimates can often be higher than actual expenditures as a result of resignations, retirements, etc., which may occur after the budget has been adopted. The other 38% of the general fund budget is more variable, although budget projections can be reasonably determined through the use of multiyear contracts, purchase agreements and by examining the trends in prior revenues.

The following table illustrates the differences between the district's budgeted and actual revenues, expenditures, and surpluses in the general fund for school years 1997-98, 1998-99 and 1999-00.

Budgeted versus Actual Revenues & Balances

	1997-98			Chg.	1998-99			Chg.	1999-00			Chg.
	Budget	Actual	in %		Budget	Actual	in %		Budget	Actual	in %	
Local Tax Levy	\$25,864,997	\$25,864,997	0.00%		\$30,128,190	\$30,128,190	0.00%		\$32,459,687	\$32,459,687	0.00%	
Tuition	\$5,000	\$30,446	508.92%		\$5,000	\$47,115	842.30%		\$25,000	\$54,075	116.30%	
Transportation	\$0	\$0	0.00%		\$220,000	\$143,672	-34.69%		\$0	\$0	0.00%	
State Aid*	\$1,823,218	\$1,823,218	0.00%		\$2,310,119	\$2,407,197	4.20%		\$2,658,162	\$2,856,037	7.44%	
Miscellaneous	\$345,000	\$446,039	29.29%		\$79,442	\$384,047	383.43%		\$400,000	\$485,132	21.28%	
Total Revenue	\$28,038,215	\$28,164,700	0.45%		\$32,742,751	\$33,110,221	1.12%		\$35,542,849	\$35,854,931	0.88%	
Total Expend.	\$28,038,215	\$27,696,065	-1.22%		\$32,742,751	\$31,260,898	-4.53%		\$37,746,778	\$36,802,557	-2.50%	
(O)/U Expend	\$0	\$468,635	100.00%		\$0	\$1,849,323	100.00%		-\$2,203,929	-\$947,626	57.00%	
Other Fin. Src.	\$0	\$58,890	100.00%		\$0	\$274	100.00%		\$0	\$69,307	100.00%	
Surplus/(Deficit)	\$0	\$527,525	100.00%		\$0	\$1,849,597	100.00%		-\$2,203,929	-\$878,319	60.15%	
Beg. Fund Bal.	\$96,084	\$96,084	0.00%		\$623,609	\$623,609	0.00%		\$2,473,206	\$2,473,206	0.00%	
Ending Fund Bal.	\$96,084	\$623,609	549.02%		\$623,609	\$2,473,206	296.60%		\$269,277	\$1,594,887	492.28%	
Fund Bal./T Exp.	0.34%	2.25%			1.90%	7.91%			0.71%	4.33%		

Sources: The district's CAFR - * excluded TPAF pension and social security contributions.

Over this period, the amount of revenue anticipated and actually received was exactly the same, except for tuition, transportation and miscellaneous revenue. The district projected tuition revenue of \$5,000 for school years 1997-98 and 1998-99, but it actualized \$30,446 and \$47,115. For school year 1999-00, the tuition revenue was underestimated by \$29,075 or 116%. Most of the tuition revenues were generated from non-resident students, such as special education students or those who commute from another township, while a house is being built in town. The transportation fees, generated from subscription busing, were overestimated by \$76,328, or 35%, for school year 1998-99. The school district reported transportation revenue as a part of the miscellaneous revenue for the past three years, except in 1998-99. The district's miscellaneous revenue, which includes interest on investments and rebates, was underestimated from a low of 21% to a high of 383%. A big variance between projected and actual revenues indicates that the areas may need more accurate attention during budget preparation.

The local tax revenues received by the district were exactly the same as those budgeted. The district's local tax levy increased \$6.5 million, or 25%, in the past three years due to housing developments and the rapid growth in student enrollments.

In school year 1996-97, the district had a fund balance of \$96,084, or less than 1% of the general fund expenditure. In 1997-98 and 1998-99, the board projected no surplus. In two recent years, the district under-spent the budget and generated a surplus of \$468,635 in 1997-98 and \$1,849,323 in 1998-99. This did not include the other financial sources of \$58,890 (1997-98) and \$274 (1998-99) as transfers into the general fund. With other finance sources, the fund balance vs. general expenditure increased from \$96,084 (.34%) to \$623,609 (2.25%) in 1997-98 and from \$623,609 (1.9%) to \$2,473,206 (7.91%) in 1998-99. In 1999-00, in order to fund \$37.7 million in projected expenses, the board appropriated \$2.2 million from the \$2.47 million surplus balance, leaving a projected surplus of \$269,277 (.71% of the general fund budget amount). However, instead the district actualized a \$1.59 million, or 4.33%, surplus balance.

Based on the past three years of surplus fund balances, the district has experienced wide variations in surplus balances ranging from less than 1% to nearly 8%. The district has usually closed the school year with a greater surplus than originally estimated. To reduce the variance between the budgeted and actual surplus, the district could improve its estimates of revenues, expenditures and balances.

Recommendations:

- 1. District officials should consider developing a policy statement regarding the desired amount of annual surplus balances, perhaps in the 3% to 4% range. Such guidelines could result in more accurate annual estimates of budget revenues, expenditures and surplus balances.**
- 2. District officials should consider seeking Department of Education approval to report investment revenue as a separate item in the Comprehensive Annual Financial Report. This would provide the district with more readily available information for budget preparation and control.**

Banking and Investment

The checking and savings accounts maintained by the Bernards Township School District were reviewed for the purpose of possibly identifying ways the district could improve its interest income and reduce the costs associated with reconciling and maintaining its banking accounts. During 1999-00, the district maintained a total of 16 accounts in one bank, which does not include three investment accounts. Among the 16 accounts, six accounts were for petty cash and four accounts were for athletics. The district also maintained accounts for custodian of school monies (operating account), payroll agency account, payroll account, enrichment program, enterprise fund and unemployment accounts.

In school year 1999-00, the district assessed over \$19,000 in service charges. These charges included account maintenance fees of \$15 per month, \$.50 for each deposit ticket made, \$.20 for each check paid, and \$1.50 for night drop bag deposit. For the record, the district supposedly does not pay the full service fee to the bank, but they actually did. The bank states that they will waive the service charge if the district maintains a minimum balance in the account. However, the district earns no interest from the minimum balance amount. In other words, the bank uses

the earned interest to cover the service charges. In 1997-98, all bank accounts were listed to have an earnings interest from 4.35% to 5.10%, but after all service charges, the school district actually received net interest income below 2.5%.

The team compared service charges between the district's bank and another bank, identified as Bank X, as illustrated in the following table:

	District's Bank		Bank X	
	Service Charge	Balance Required	Service Charge	Balance Required
Account maintenance	\$15.00	\$3,987.00	\$10.00	\$2,354.84
Checks	\$0.20	\$53.16	\$0.15	\$35.32
Deposits	\$0.50	\$132.90	\$0.40	\$87.60

Based on the above table, the district paid more in service fees and was required to maintain a higher fund balance when compared to the other bank. Service fee negotiations are necessary to achieve maximum interest income.

The Bernards Township School District has a sweep account. The sweep account is an investment account, which collects every night all the cash balances from one of the major operating accounts. It allows the district to earn overnight interest. A review of the amount of interest earned by the district in its operating account disclosed that the average monthly balances in 1999-00 ranged from approximately \$2,050,036 to \$5,748,018. The district received more than \$180,000, or an average 5.2% in interest income for school year 1999-00 from the sweep account.

Most districts invest a portion of their balances that are in excess of the positive available balance into Certificates of Deposits or other investment funds to earn a higher rate of interest. Bernards invested excess funds in the Municipal Bonds Insurance Assurance (MBIA) and the New Jersey Asset and Rebate Management Program (NJ/ARM) to secure higher interest. MBIA is a conservative investment fund like New Jersey Cash Management Fund (NJCMF), which is utilized by the state. This fund is designed to provide participants with a convenient method of pooling proceeds to invest in government discount notes, securities and U.S. Treasury Bills. This portfolio is very liquid. Excess funds easily can be transferred into this account for investment purposes and withdrawn by the district when there is a need. The district pays no transfer fees. Administrative fees are charged to the district and accrued on a daily basis by multiplying the value of the investment property as determined each day by the fee rate of 40 basis points (.0040) divided by 365 days. The district is earning a gross income in this program of \$1,641 with an average balance of \$30,718, or 4.76% to 5.48% for the 1999-00 school year.

The New Jersey Asset and Rebate Management Program is a financial service organization created and run exclusively for New Jersey municipalities, authorities, schools and other local and regional governmental type entities. The program was designed to help achieve excellence in investment programs. It was created as a joint investment trust under the Interlocal Service

Act. NJ/ARM provides participants with investment and arbitrage rebate compliance services for both bond proceeds and general operating funds. The district is earning a yield of 5.5% from this investment.

For comparative purposes, the team evaluated interest paid to the district from its bank against interest rates that could have been paid by the MBIA or NJ/ARM. It was revealed that the district would get a better return if it invested in the MBIA or NJ/ARM; however, MBIA and NJ/ARM do not provide the services that the bank provides to the district, such as check printing and processing. The sweep account is serving the needs of the school district with a rate just a little bit lower than MBIA or NJ/ARM. Overall, the district's funds are managed effectively.

The district does not have a formal written agreement with its banking institutions outlining the specific services to be provided, the cost per unit of service, and the manner in which these costs will be paid. There was no indication that the district has ever prepared a cash flow analysis or that it evaluates the market to secure highest returns.

Recommendations:

- 1. The district should combine all athletic accounts into one bank account. This would provide a simpler and more efficient method of account management and would result in enhanced opportunities for interest earnings, while minimizing account maintenance charges.**

Cost Savings: \$540

- 2. The district should periodically review the banking and investment program with area bank offerings in order to maintain optimum investment opportunities for its money. The district should consider entering into a formal written agreement with the designated bank outlining the specific services to be provided, the cost per unit of service, and the manner in which these costs will be paid.**
- 3. All banking accounts should be invested or linked into the overnight investment sweep account to secure more interest income. The district should continue to invest excess funds in the Municipal Bonds Insurance Assurance (MBIA) and New Jersey Asset and Rebate Management Program (NJ/ARM) to secure higher interest revenue.**

Purchasing

Purchasing is a function of the business office and is performed by a staff member who handles about 5,000 purchase orders per year. The district uses the Asbury Park School District computer software system for purchasing. Purchasing is initiated primarily from each school and is controlled by the business office. Steps in the purchasing process are as follows:

- 1. The teachers or staff members initiate an informal requisition, which is subject to approval by the principal. The school secretary inputs the information from the requisition into the computer software program that transmits it via the network as a purchase order to the business office.**

2. The assistant bookkeeper in the business office verifies that the proper account number is on the purchase order; there are sufficient funds in the account; all necessary data is included; and purchasing procedures are followed. Purchasing procedures have been established relative to pricing, the use of state contracts when available, and obtaining quotations or bids on the cost of the item(s).
3. After the business administrator approves and signs the purchase order, it is sent to the vendor with copies to the requester and one copy is kept in the business office. The requester copy is later used to verify delivery.
4. When the requester receives the ordered item(s), a copy of the purchase order is sent to the accounts payable clerk for payment.
5. The accounts payable clerk matches the receiving copy with the business office copy, and, if they match, the business office creates a bill list for board approval for payment.

Many school districts find that they can purchase items in large quantities at lower prices. They achieve such savings through extensive involvement in cooperative purchasing efforts with numerous organizations. Bernards Township has participated in several joint-purchasing efforts with state, county, and local entities to help reduce the costs of purchases.

All purchase requests for general and school supplies go through the Education Data Service, Inc. (EDS). This firm processes joint purchasing for 300 school districts in the state. Presently, Bernards Township School District has a joint purchase agreement with more than 22 school districts within this consortium.

EDS produces an extensive bid list for its members. The school districts review their respective bid lists and note any additions, changes and /or deletions. Subsequently, the districts return their revised bid lists to EDS through the Lawrenceville School District. This organization is utilized as the local education agency, as it qualifies as a non-profit organization, which is the only type of entity that can serve as an agent to accept bids for other school districts.

As a companion to the bid list, Education Data Service Inc. produces at the end of the year a preliminary booklet, which itemizes a large variety of items. This catalog contains more than 600 general office supplies, as well as school supplies, paper products and custodial supplies. Furthermore, the catalog illustrates supplies for art, athletics, audiovisual, computers (not software/hardware), and copiers/duplicators, custodial, fine arts, health, home economics, physical education and science. In the springtime, a revised catalog is prepared and distributed to the consortium members. This is done after the revised bid lists are returned to EDS and the changes are recorded. This company also provides its members with an updated vendor list every year. Likewise, EDS is responsible for advertising the products illustrated in its catalog. The vast array of items offered via this cooperative purchasing agreement enables the school district to take advantage of bulk discounts for most items.

The company is paid for its service by an annual administrative fee from each consortium member. For school year 1999-00, the Bernards Township School District paid \$15,900 in administrative fees to EDS. However, the district has received discounts of 12% to 50% on individual item purchases through EDS, and total annual savings of about \$90,000.

District officials are commended for their efforts to save taxpayers thousands of dollars through cooperative purchasing initiatives and networking with the local community, county and state agencies.

Petty Cash

The district has 12 petty cash accounts, which include six petty cash checking accounts and six petty cash box accounts. The board office (2), special services, curriculum office, athletic office, four elementary schools, middle school and high school (2) maintain petty cash accounts. Petty cash accounts permit the administration the ability to fund projects or make emergency purchases on short-term notices. At the beginning of each school year, funds are distributed to the petty cash account custodian in the amount of \$250. During the school year, as the school draws down the account, the custodian of these funds can submit to the school business administrator a request for replenishment. Each voucher request for petty cash must be submitted with the appropriate receipts and be signed by the person making the request before receiving reimbursement. At the end of the school year, all petty cash funds are closed out for audit.

Two petty cash accounts were selected for a detailed review in 1998-99. It revealed that most of the expenditures were related to supplies, postage and refreshments. The board has a policy on the use of petty cash. Individual petty cash expenditures may not exceed \$25.

Recommendations:

- 1. For better management and control, the district should consider allowing only one petty cash account in each building, or a total of seven.**
- 2. Petty cash is used for the purchase of small items on short-term notices. Therefore, petty cash checking accounts do not serve the purpose of emergency purchases, but incur additional bank service charges. The district should keep its petty cash in locked safe containers. The district should consider eliminating the six petty cash checking accounts to avoid paying the monthly maintenance charges.**

Cost Savings: \$1,080

Inventory and Fixed Assets

The recent conversion to Generally Accepted Accounting Principles (GAAP) for New Jersey School Districts mandated that districts set up a general fixed asset group of accounts and provide an inventory method to quantify the historical cost of fixed assets for the district.

The Bernards Township School District has an inventory list, which is prepared and controlled by an outside vendor. Inventory stock and appraisal fixed asset lists provide organizations with

valuable information. They not only list public assets, but also help identify theft, establish consumption guidelines, and prevent unnecessary purchasing. An incomplete inventory listing makes it difficult to identify a loss or to maintain proper insurance coverage for the district.

A consultant firm has been hired by the district each year to conduct a revaluation of the district's property inventory and accounting cost records. The consultant also tabs the equipment and updates the fixed asset data file. The district has very little or no control of its fixed asset ledger. A summary revaluation report was issued by the firm, which provided all inventory information, including the book value, original cost, location and depreciation cost, etc. The district also submitted this report to the insurance company, which covers its properties.

In a review of the fixed assets, the team found that school equipment, such as computers, fax machines, etc., were tabbed. Fixed assets valued under \$500 were also included in the fixed assets lists. The board has a policy outlining the procedures for disposal of obsolete property.

Recommendation:

The district is currently using the Asbury Park School System computer software for purchasing. The Asbury Park data center offers many programs to school districts, which includes GAAP budgetary accounting, purchasing, payroll, student information and fixed assets, etc. Since the Bernards Township School District is currently using Asbury Park's budgetary accounting and payroll program, the district should consider using their fixed asset program, which would identify assets and prepare up-to-date lists at the time of purchase.

Long-term Debt

Debt service is the accumulation of resources for payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. The district receives some debt service funds from the state. Along with tax revenues, most of the debt service funds are used to pay for the debt incurred for school construction.

Bernards Township School District is comprised of four elementary schools, a middle school and a high school. One of the oldest schools was acquired in 1903. The average age of three of the elementary schools is 67 years, which does not include the Mount Prospect School built in 1999. The high school was built in 1961 and the middle school was built in 1969. Due to the ages of some school buildings and plans to accommodate the increase in student enrollments, the district had a need for both additional rooms and renovations. There were several additions to existing structures between 1952 and 1995. To avoid a rapid increase of local taxes, the district issued long term bonds to raise cash for school improvements, renovations and repairs and for construction of the new school.

The district has more than \$47 million in long-term debts, which consists of school bonds (\$46,665,000), school facilities loan assistance (\$13,197), capital leases (\$86,784) and

compensated absences payable (\$851,659). In the school years 1986 and 1994, \$12 million school bonds were issued for additions to two elementary schools. The district is paying 5.3% to 6.5% interests on these bonds.

In June, 1997, the voters approved a \$40,745,000 referendum, payable over 22 years. The proceeds of the bonds (\$37,745,000) were used to construct and equip a new K-5 elementary school, construct additions to and renovate the middle and high schools, and to install technology wiring in three elementary schools. The remaining \$3 million was used to pay the redemption price of all of the district's outstanding \$2,774,000 school bonds dated July 1, 1987 and to pay related interest.

School facility loan assistance was obtained from the State of New Jersey for the Bernards School District in the amount of \$34,000. The loan was obtained at a rate of 1.5% interest to be paid over four years.

The district owns two school buses, two copiers and some technology equipment. The district is paying interest at the rate of 4.69% to 9% in financing \$820,426 for equipment and bus purchases.

The district reserved \$851,659 for compensated absences payable. This payment is required by the state, as a reserve for payment of retirees' accumulated sick pay or vacation pay.

Grants

The Bernards Township School District had over 20 grants in operation for education programs during 1999-00. These include both entitlement and competitive grants from the federal and state governments. Nine grants from the state government are for non-public schools. The federal education grants for the district include Title II-Eisenhower Professional Development, Title IV-Safe and Drug Free Schools and Communities, Title VI-Innovative Education Program Strategies, and IDEA (Individuals with Disabilities Education Act). The state education grants for the district include the Distance Learning Network Aid and various non-public aids. The non-public aids are used for auxiliary services, handicapped services, nursing, or purchases of textbooks and technology.

In the 1999-00 school year, the Bernards Township School District was awarded \$368,211 in federal grants and \$354,286 in state restricted grants. State restricted grants included \$187,735 for non-public schools and \$166,551 for local public schools. The following table contains a list of grants awarded in the last two years:

Federal Grants	1999-00	1998-99
Title VI - Class Size Reduction	\$20,396	\$0
Title VI	\$17,055	\$0
Title VI – Summer	\$0	\$14,804
I.D.E.A. Part B, Basic	\$279,990	\$197,370
I.D.E.A. Part B, Capacity Building	\$8,262	\$10,449
I.D.E.A. Part B, Preschool	\$18,968	\$23,672
Title II	\$8,719	\$7,352
Title IV	\$14,821	\$17,890
Total Federal Grants	\$368,211	\$271,537
State Grants		
Distance Learning Networks Aid	\$166,551	\$145,550
NJ Technology Grant	\$0	\$2,451
Non-Public Aid :		
Textbook Aid	\$27,246	\$26,082
Nursing	\$35,551	\$32,786
Auxiliary Services:		
English as Second Language	\$2,548	\$3,822
Transportation	\$3,316	\$3,030
Compensatory Education	\$4,677	\$7,088
Home Instruction	\$648	\$0
Handicapped Service:		
Supplemental Instruction	\$14,296	\$9,781
Examination and Classification	\$28,039	\$23,837
Corrective Speech	\$48,574	\$34,855
Technology	\$22,840	\$10,480
Total State Grants	\$354,286	\$299,762
Total Federal/State Grants	\$722,497	\$571,299

Various grant monies are awarded for a period extending past June 30th, after the close of the CAFR reporting period. Therefore, unspent grant monies are deferred and spent after the school year ends. A review of grant funds expended during the 1999-00 school year is denoted in Exhibit C-2 of the CAFR, which includes unspent, carryover funds from previous years. The district expended \$299,224 in federal funds and \$340,963 in state funds. Unexpended grants may be returned to the grantor if not spent within the designated grant calendar as prescribed in the program guidelines. In 1999-00, unexpended funds for the district in the amount of \$11,998 were returned to Grantor, which included non-public funds of \$9,547.

Besides federal and state grants, the district assertively endeavors to acquire more money from local or private sources through writing and submitting applications to enhance its education program and the delivery of educational services to students. In 1999-00, the district successfully

acquired grants from Lucent Peer Helper (\$5,100), Geraldine Dodge Foundation (\$1,200), Bernards Township Education Foundation (\$30,482) and Toyota 2000 (\$169). All these grants were used for education or staff development.

The district does not have a full-time grant writer or a central grant application office. Principal, supervisors, and teachers usually handle grant applications.

Recommendations:

1. **The district should frequently visit the New Jersey Department of Education web site (www.state.nj.us/education) and United States Department of Education web sites (www.ed.gov/inits.html) (www.ed.gov/funding.html) for current information on available grant programs. These web sites provide excellent sources of information for the schools to obtain additional grants, if qualified.**
2. **The district should continue to keep track of the grant awards obtained under contract with private firms or local government.**
3. **The district should closely monitor all grants to ensure that expenditures are incurred within the period budgeted to avoid excess carryover or returns back to the grantor.**

SERVICE CONTRACTS

Auditor Fees

The district expended \$23,000 for audit fees in 1999-00. The audit fee is included as part of the general administration cost, which is recorded in the “other purchased professional services” accounting category. The district has approved annual renewable contracts with the same audit firm for more than four years for its annual audit. District officials are very satisfied with the service and do not seek proposals from others for auditing services.

The review team conducted a comparative review of auditor fees paid by the Bernards, Hopewell, Millburn and Sparta school districts. The Bernards Township Board of Education paid the second highest auditing service fee in school year 1998-99. However, the Bernards auditing fee was \$2,100 less than the average for the three other school districts. In school year 1999-00, Bernards Township paid a comparable rate for auditing service. A comparison of the basic rates paid for auditing fees for the four districts for the 1998-99 and 1999-00 school years is contained in the following table:

Audit Expenditures, School Years 1998-99 and 1999-00

	Bernards	Hopewell	Millburn	Sparta
1998-99	\$21,000	\$16,800	\$17,500	\$35,000
1999-00	\$23,000	\$24,000	\$18,100	\$35,000

Recommendation:

The district should consider seeking Requests for Proposals (RFP) for the purpose of promoting competitive audit fees from a number of accounting firms.

Legal fees

An analysis of the district’s legal expenses over the past two years, 1998-99 and 1999-00, revealed expenditures totaling \$36,016 and \$63,909 respectively. Legal fees increased by \$27,893 or 77% in 1999-00 from 1998-99 due to the litigation with the former superintendent. A review of the vendor analysis records for school year 1998-99 and 1999-00 was conducted. Most legal fees were paid for consultation, litigation, review of the board agenda, policy and contracts, and attendance at board meeting, when needed. The Bernards Township School District has utilized the legal services of the same law firm for more than seven years. The district is very satisfied with the service from this law firm, and does not seek proposals from others for legal services. The board has a contract with the law firm, which is renewed every year. The district is presently paying \$150 per hour for legal service, plus out of pocket costs. The district pays no retainer fee.

Under the current system, the top management, such as the school superintendent and business administrator, has access to contact the board attorney for legal consultation.

The review team conducted a comparative review of legal fees paid by the Bernards, Hopewell, Millburn and Sparta school districts. It revealed that Bernards Township School Board is paying the highest hourly rate to their board attorney.

The following are the comparisons of the hourly rates for the attorney of various school districts for 1999-00.

	Bernards	Hopewell	Millburn	Sparta
Hourly rate	\$150	\$125	\$125	\$140
Retainer fees	\$0	\$2,000	\$0	\$0
Total legal expense 1999-00	\$62,792	\$101,929	\$121,484	\$52,382

Recommendation:

The district should consider seeking RFP’s for the purpose of promoting competitive legal fees from different law firms.

INSURANCE

In 1999-00, the district spent a total of \$176,498.88 for all forms of insurance, with the exceptions of health and dental, from seven different companies/agencies. According to the June 30, 2000 audit report, the district had the following public entity package and other insurance policies:

School Package Policy	Coverage	Deductible
Property Coverage	\$53,718,715	\$1,000
Auto Coverage	\$5,000,000	\$500
General Liability & Employee Benefits Liability	\$5,000,000	\$1,000
Inland Marine	\$15,000,000	\$1,000
Builder's Risk	\$5,000,000	\$0
Flood/Earthquake	\$2,000,000	\$0
Other Insurance		
Commercial Umbrella Liability	\$15,000,000	\$10,000
Boiler & Machinery Coverage	\$53,718,715	\$1,000
Wrongful Acts Coverage	\$1,000,000	\$2,500
Workers' Comp. & Employer's Liability	\$1,000,000	\$0
Public Official's Bond (2)	\$130,000	\$0

The district property and casualty coverage for building replacement cost was increased to \$84,990,147 on July 1, 2000, with a \$5,000,000 maximum per building. The premium for comprehensive coverage for property, general liability, employee benefit liability, automobiles, Inland Marine, boiler and machinery and crime was \$73,133 in 2000-01. The combined premiums for 2000-01 for all insurance, including umbrella, educators' legal liability, workers' compensation, excess liability and student accident, totaled \$173,240. The insurance broker obtains quotes from insurance companies each year to secure the most favorable prices.

During 1999-00, Bernards Township had workers' compensation insurance with a private firm with an annual premium of \$73,596.

District	Bernards Township	Hopewell Valley Reg. Mercer	Millburn Township Essex	Sparta Township Sussex	Three-District Average
County					
# Prof. & Clerical Employees	342	293	334	279.5	302
# Non-Prof. & Drivers Employ.	42	196	153	111.7	154
# Total Employees*	384	489	487	391.2	456
Workers' Compensation Cost	\$73,596	\$67,458	\$123,884	\$99,740	\$97,027
Cost Per Employee	\$192	\$138	\$254	\$255	\$216

*The number of employees was obtained from the CAFR and is not audited.

The below average cost of workers' compensation insurance in the Bernards Township School District is determined to a significant extent by the lower proportion of non-professional and driver employees, who are rated by insurance companies as much more likely than certificated employees to utilize workers' compensation benefits. As the above table indicates, Bernards had only 10.9% of total staff in the non-professional and driver category compared to an average of 33.8% for the other three districts. This results from the privatization of the custodial and maintenance functions, as well as food services. In addition, Bernards Township contracts with the Somerset County Education Commission for pupil transportation services.

The district also has a very good claims experience record. The insurance industry now rates the Bernards Township School District as .596, which is an exceptionally favorable experience modification factor.

Effective July 1, 2000, the district became a participant in the New Jersey School Boards Association Insurance Group (NJSBAIG), which offers workers' compensation, property and liability insurance. The insurance group NJSBAIG, as a non-profit entity, is a joint insurance fund, or JIF, which school districts join for the purpose of self-insuring or combining their insurance purchasing power.

The Bernards Township School District, which benefits from discounts as a participant in the JIF, now purchases workers' compensation and a school leaders' errors and omissions policy with the group. NJSBAIG has safety, loss control and claims staff, as well as rehabilitation nurses, and field investigators to assist member districts in identifying and reducing the causes of loss. The NJSBAIG quoted annual premium amounts of \$59,360 for workers' compensation insurance for the Bernards Township School District for 2000-01. This amount may increase somewhat by year-end due to any increased staffing since the quotation. However, it appears that the district has saved about \$10,000 by joining the JIF.

Recommendation:

District officials are commended for maintaining a very favorable experience modification factor and for joining a JIF for workers' compensation insurance. Reportedly, the insurance market is currently undergoing another of many periodic fluctuations in pricing for property and casualty insurance. The district should encourage its broker to continue to obtain annual competitive quotes from private companies and JIFs for the various types of insurance coverage.

FACILITIES AND OPERATIONS

Overview

As districts throughout the state attempt to balance the need for reasonable taxes with the responsibility of ensuring structurally sound, environmentally safe, and energy efficient educational facilities, building construction and repair costs continue to rise. Efficiencies and cost-cutting measures must necessarily consider the health and safety of students and staff while maintaining acceptable spending levels.

Bernards Township's facilities consist of approximately 645,900 square feet of space in six schools and an administration building.

Bernards Township-School Facilities Profile

School	Grades	Square Footage	Acreage
Cedar Hill	K-5	60,024	*16.2
Liberty Corner	K-5	82,200	3.2
Mt. Prospect	K-5	87,000	5.2
Oak Street	K-5	65,470	7.7
William Annin MS	6-8	144,500	10.7
Ridge HS	9-12	201,500	*16.2
BOE Offices		5,200	

*Cedar Hill and Ridge High School share the lot.

Maintenance and Custodial Operations

Bernards Township privatized the district maintenance and custodial services approximately four years ago. Anticipating the completion of the construction projects, which would add approximately 200,000 square feet of space to the district total, the contract was re-bid and awarded in May of 1999 for the 1999-00 school year. The original vendor was again awarded the contract to supply the maintenance and custodial services.

School districts that have had the greatest success in contracting for maintenance and custodial services have been able to define and communicate in advance exactly what the district requires. These requirements are published in the Request for Proposals (RFP) and include salaries and benefits for potential employees, provisions concerning current employees, performance standards, equipment minimums, and penalties for non-compliance. All of these factors have an impact on the final cost of the contract and the quality of services received.

Contractors who provide these services are required to comply with all appropriate statutes regarding security and background checks for potential cleaning and maintenance employees. The better the contractor understands the needs and expectations of the district, the better chance they will have to meet them.

Bernards Township developed a very comprehensive RFP, described in the specifications as Comprehensive Custodial/Maintenance Services, which delineated each service required and provided a concise but inclusive scope of contract. Personnel requirements and salary minimums were established which district officials feel set higher standards for staffing than RFP's without this control.

The overall LGBR team impression of the services rendered under the maintenance contract is good. The schools are clean, projects are well managed, and building administrators and staff are pleased with the responsiveness of the management team. A recent survey taken by the vendor demonstrated this approval.

Cost of Operations

One of the tools utilized in the review process is the NJDOE Comparative Spending Guide. This guide compares the per pupil costs of school districts in the state with comparably sized districts

(student enrollment of 3,500+) and those with like grade structures (K-12). Utilizing budget data, the Bernards Township School District average cost per pupil for Operations and Maintenance of Plant (\$884) ranked 28 out of 91 comparable districts for the 1999-00 school year. However, this same calculation performed with 1999-00 actual expenditure data taken from the district CAFR shows a per pupil cost of \$993. This is an increase of 20% from 1998-99.

An additional analysis compares Bernards Township with three districts that are similar in terms of type, size and socioeconomic factors. The complete comparison is included in a separate section of this review and is also based on information from the NJDOE Comparative Spending Guide. The school districts that were used for detailed comparison with Bernards Township were Hopewell Valley Regional, Millburn Township, and Sparta Township.

Table A below compares the per pupil costs for the four districts utilizing actual expenditures for the 1999-00 school year as reported in the Comprehensive Annual Financial Report:

Table A-1999-00 Actual Expenditures

	Bernards	Hopewell	Millburn	Sparta
Operation of Plant	\$2,435,344	\$2,437,447	\$2,442,957	\$2,331,857
Allowable Maintenance	\$1,443,019	\$255,421	\$749,477	\$645,797
Average Enrollment	3,906	3,570	3,617	3,566
Per Pupil Costs	\$993	\$754	\$883	\$835

NOTE: The costs of benefits for salaried employees for the comparison districts are not included in Table A, while these costs are reflected in the contracted costs for Bernards Township.

Based on the general fund expenditures for selected cost factors for the 1999-00 school year for the three comparison districts, Bernards Township’s cost for operation of plant was about average, but the Allowable Maintenance for School Facilities was 162% above the average for the three comparable districts.

Another process utilized to analyze the cost of operations in the Bernards Township school district consists of performing a square foot analysis for the district and comparing the cost per square foot against regional benchmarks and other school districts reviewed by Local Government Budget Review Teams. For regional benchmarking, the review team utilizes the *American School and University [ASU]*, a national publication for facilities, purchasing and business administration. The ASU performs annual maintenance and operations surveys of school districts around the country. It provides reports on the cost to operate schools [including, but not limited to, payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies] on a regional level. Region 2 includes New York and New Jersey.

Table B compares average salaries as required in the district specifications for Comprehensive Custodial/Maintenance Services, Schedule J, with the National Median and Region 2 results from the 1999-00 ASU survey.

Table B-Average Salaries *

	Custodian	Maintenance **
Bernards Township	\$20,252	\$34,473
Region 2	\$24,987	\$29,802
National Median	\$22,574	\$27,942

* Excludes benefits and fringes.

** Maintenance salaries do not include trades, i.e., electrician, plumber, etc.

Table C compares Bernards Township’s Total Maintenance and Operations costs for 1999-00 with the National Median and Region 2 results from the ASU survey on a square foot and per pupil basis.

Table C-Total Maintenance and Operations Costs-1999-00

	Cost Per Square Foot	Per Pupil Costs
Bernards Township	\$6.01	\$993
Region 2	\$5.28	\$693
National Median	\$3.72	\$572

Table D compares the 1995-96 costs utilizing district employees with the 1996-97 privatized costs. Since the privatized costs include fringe benefits, the review team has inserted an estimated 20% fringe benefits cost into the 1995-96 column to make the comparisons more valid.

Table D-Comparison of Public Employment vs. Privatization

Operating & Maintenance Expenses	Public Employees	Privatized
	1995-96	1996-97
Salaries	\$953,344	\$21,459
*Estimated Fringe Benefits @ 20%	\$190,669	\$0
Contracted Cleaning and Maintenance	\$436,598	\$1,486,632
Other Purchased Property Services	\$48,123	\$0
Insurance*	\$165,423	\$137,043
General Supplies	\$151,318	\$191,833
Energy	\$595,165	\$606,836
Total	\$2,540,640	\$2,443,803
Cost Per SF	\$5.60	\$5.39

*According to the Comparative Spending Guide, March, 2000, employee benefits in the Bernards Township School District were 11.7% of total salaries in 1998-99. The review team assumes that the percentage would be higher for support personnel.

Assuming a 3% increased cost for the public school operations and maintenance budget from 1995-96 to 1996-97, Bernards Township saved in the first year of privatization about \$.38 per square foot, or approximately \$170,000.

However, as illustrated in Table E, cost trends for maintenance and operations have increased over the four years of privatization from 1996-97 through 1999-00. By 1997-98, the projected

public and actual private costs were essentially the same, i.e., within \$10,000. While the square footage of Bernards Township school facilities increased significantly in 1999-00 due to construction, the cost per square foot continued to increase during each of the four years.

Table E-Bernards Township Privatization Costs for Maintenance & Operations

	1996-97	1997-98	1998-99	1999-00
Salaries	\$21,459	\$4,877	\$0	\$0
Contr. Cleaning & Maintenance	\$1,486,632	\$1,556,368	\$1,689,576	\$2,590,662
Other Purchased Property Service	\$0	\$94,953	\$135,536	\$160,262
Insurance*	\$137,043	\$56,840	\$107,371	N/A*
General Supplies	\$191,833	\$274,274	\$257,845	\$259,142
Energy	\$606,836	\$700,690	\$618,316	\$868,297
Total	\$2,443,803	\$2,688,002	\$2,808,644	\$3,878,363
Cost Per SF	\$5.39	\$5.92	\$5.98	\$6.01*

*Insurance costs for the district have been removed from the maintenance and operations budget effective in the 1999-00 school year, although CEIFA guidelines require property liability to be included.

This comparison clearly demonstrates that overall expenditures for maintenance and operations have continued to increase with the privatization of services. The 1999-00 costs per square foot would be over \$6.17 if costs for the district property insurance had been properly budgeted in these line items as in previous years. The privatization increased costs per square foot have ranged from 1% to 10% annually and averaged about 5% increases over the four-year period, which is significantly higher than the rate of inflation during the same time period.

In reviewed districts with similar per pupil and square foot costs, the LGBR team frequently recommended contracting out these services. While Bernards Township has experienced cumulative cost savings of about \$300,000 from privatization over the four years, it appears that the specifications and imposed salary minimums have elevated costs and mitigated savings that might otherwise have been derived.

Recommendations:

The review team recognizes that Bernards Township School District officials are very pleased with the quality of services received through privatization and that this result is an important consideration. However, district officials should determine why the maintenance costs are expensive and examine whether the extra costs imposed by the bidding specifications are essential to maintaining the desired level of cleaning and maintenance services.

LGBR suggests that the district consider re-bidding the custodial and maintenance services contract with the following changes:

- 1. Eliminate or significantly modify the minimum salary requirements for maintenance and custodial employees.**
- 2. Eliminate the supervisory positions required in the specifications.**

3. **Eliminate the requirement to document coordination/cooperation with food service organizations. This would appear to be exclusionary and perhaps limits the number of bidders.**
4. **Reduce the number of “start-up” requirements in the specifications. The district has an established program, which another vendor should be able to assume, if necessary.**

It is estimated that implementation of the above recommendations would save the district approximately \$.25 per square foot and most likely not adversely affect the program.

Cost Savings: \$161,000

TRANSPORTATION

A fundamental, and often controversial, component of school district budgets is that of providing a safe means for students to travel to and from school. The escalating costs associated with the safe and efficient transportation for New Jersey’s public and private school students has received increasing attention from the media, state and local officials, and taxpaying residents. There are numerous factors that can affect transportation expenditures including management’s knowledge of transportation; employee salaries and benefits; terms of negotiated agreements; privatization; competition for services; quality of route and vehicle specifications; geography; and board policies. The LGBR review process examines the level of service provided to the students in the district as well as the costs of such services.

The State of New Jersey provides aid to qualifying school districts under the provisions of State Statute 18A:39-1 through 25 which stipulates that elementary school pupils who live more than two miles from their public school or secondary pupils who live more than two and one half miles from their public school are entitled to transportation to and from school. In addition, the statute grants students attending a remote school other than a public school, operated not for profit, located not more than 20 miles from the pupil’s residence, transportation within the requirements of the New Jersey Administrative Code, Title 6A:27-2.1 through 2.5. State statute requirements include restricting the cost of non-public transportation to a stated yearly amount (1997-98, \$675; 1998-99, \$702; 1999-00, \$707). If transportation cannot be provided for this amount or less, parents are reimbursed the legislated amount.

There are several terms utilized to differentiate between students whose transportation to and from school is an expense recognized as necessary, and therefore qualifying for state aid, and those students whose services are provided for reasons of safety or other local conditions or policies. Students who reside a qualifying distance from the school are said to live “remote from the school house” or are termed “eligible” referring to state aid requirements.

“Courtesy” busing is defined as transportation of students who reside two miles or less from the school for elementary grades and two and one half miles or less for the secondary grades. Under

state guidelines, this transportation is unaided if provided. The term “courtesy” busing is used interchangeably by school districts with “safety” busing, “hazardous” busing and “ineligible” students, again referring to state aid qualifications.

Bernards Township is a kindergarten through 12th grade district located in Somerset County. Encompassing approximately 23 square miles, the geographic makeup of the district offers many challenges to pupil transportation. The township road system is plagued with numerous curves, blind intersections, and increasing traffic.

District Operations

Upon the retirement of the district transportation supervisor at the end of the 1997-98 school year, the Bernards Township Board of Education accepted a proposal from the Somerset County Educational Services School District (SCESC) to administer and oversee transportation operations for the district.

The utilization of commissions and cooperatives is often recommended as a source of efficiencies. Specializing in combining the needs of several districts into cost effective bus routes, the role of these consortiums in pupil transportation in the state has grown tremendously. There are several commissions in the state that have purchased buses and are competing with the private contractors. The majority of these commissions and cooperatives, however, write specifications, generate route packages, and handle the bid process for contracted route services. Management fees are charged based on the total cost of the routes. Just as privatization should not always be viewed as a quick fix for all district transportation problems, cooperative services are not always the most cost-effective method for attaining routes. In order for both of these to be effective, care must be taken in both the presentation of the information and supervision of the final product.

SCESC has opted to maintain a partial fleet of school buses and vans to augment contracted operations. With in-house staff and vehicles as an option, the commission has been able to reduce costs by continually assessing vendor bids. The commission operates routes directly when in-house costs are determined to be lower than vendor bids.

Under the contract with Bernards Township, the commission maintains the transportation data base, making additions and deletions as necessary; maintains the routes, making changes and adding stops as needed; files all mandated state reports; responds to all communications with parents, public schools and the staff and administration of the district. At the end of the 1998-99 school year, the commission re-bid all of the Bernards Township contracted routes, holding the contracts in the name of the commission. The district is billed for the actual cost of the routes and a flat fee is charged annually for the management services.

In addition, the commission hired four bus drivers employed by the district at the time of the agreement. The salary and benefit costs for these drivers are billed back to the district as separate charges.

All services related to the transportation of Bernards Township's public school and non-public school students are covered under the agreement and administrative charges are covered under the flat fee. Extracurricular transportation costs are also managed by commission staff and billed under the contract with no additional management fees.

Special education routing is an additional function operated by the commission on behalf of Bernards Township. However, administration fees for this service are charged separately due to the fluctuations involved in this type of transportation.

Route Configuration

The strategy of "tiering" bus routes is one of the methods utilized to increase efficiency and save transportation monies. Transportation efficiency in a public school district can be defined as "equal or improved services for fewer dollars." When runs are combined or tiered, each vehicle is assigned to a group of runs, thereby utilizing the vehicle for as many hours during the day as is possible, without compromising instructional time. The basic principal of this efficiency is:

Yearly vehicle operational costs, i.e., lease or amortized cost, repair parts and labor, and insurance expense are stable, regardless of how many trips the vehicle is assigned to during the course of the year (Excluding fuel, driver salaries, benefits, etc.).

When these operational costs are applied to Vehicle A for Year 1 at \$15,000 and that vehicle is assigned to only an elementary school run throughout the school year, then the operational costs for that bus run become \$15,000. Assuming that the bus was a 54-passenger vehicle and that it held a full student load, the operational per pupil cost would be \$277.78. The same vehicle assigned to runs for a high school, middle school and elementary school in the morning and afternoon produces a per run cost of \$5,000 or \$92.60 per pupil.

The successful preparation of "tiered" bus runs requires bell schedules sufficiently spaced to allow buses to pick up a full load of students in between trips to the schools. The bell schedules in Bernards Township are sufficiently aligned to accommodate some tiering of bus routes. High school and middle school students ride combined routes due to the extremely tight bell schedules. Buses to the four elementary schools are tiered with the high school/middle school buses where and when time permits.

After the initial year of the agreement, the SCESC transportation director restructured the Bernards Township routes, saving the district an approximate \$60,000.

Additionally, in May of 1999, a proposal for revised bell schedules was presented to the Bernards Township Board of Education. Incorporating routes with neighboring districts, the proposal would have reduced the number of vehicles utilized in the district from 26 to 19, and realized a savings for Bernards Township of \$383,000. However, the bell schedule changes were dramatic, particularly for the elementary students, and the districts involved were unable to come to an agreement.

Recommendation:

LGBR recommends that the subject of bell schedule changes be revisited, with an emphasis on compromise. The management of SCESC has proven to be very efficient and willing to work with the district to save transportation dollars. This resource should be utilized to explore additional ideas for savings.

Courtesy Busing

Courtesy busing is defined as transportation provided for students who do not meet the state profile for eligible students to and from school. As stated earlier in this review section, pupil transportation is governed by statute and school districts are provided with state aid for students who reside “remote” from the school. Districts that choose to transport students as a courtesy do not receive aid for these students.

School Year	Courtesy Students	Regular Students
1998-99	393	2,012
1999-00	507	1,550
2000-01	492	1,726

With the opening of the Mt. Prospect School in 1999-00, and a restructuring which created four K-5 neighborhood schools, the total number of students transported dropped from 2,405 in 1998-99 to 2,057 in 1999-00. However, the number of courtesy students increased as the neighborhood school concept created an increased student base required to travel to and from school over roads with few sidewalks.

Some courtesy busing is necessary in Bernards Township due to a lack of sidewalks along congested roadways, which creates hazardous conditions for walking students. However, the district should work with the township, as required by N.J.S.A. 18A:38-1.5 a. and b., to identify hazardous areas. The district should then adopt specific policies for the transportation of students along the identified routes.

Although there is no provision under current state law to provide aid for districts which bus courtesy students, N.J.A.C. 6A:27-1.3 (a) 1 states that “district boards of education may elect to charge parents for all or part of the cost of this service in accordance with N.J.S.A. 18A:39-1.3.” Bernards Township has elected to offer this “subscription busing” service to the parents of those students who reside less than remote from their school, but do not reside along an identified hazardous route. During the 1999-00 school year, approximately 200 students were bused under this program at a cost of \$375 per student. Revenues from this program were reimbursed directly into the transportation account.

The law also stipulates that students may not be excluded from this service due to an inability to pay. In such cases, the criteria used to determine financial hardship is to be the same as the statewide eligibility standards utilized for free and reduced price school lunches.

Recommendation:

LGBR recommends that an annual assessment be made of hazardous areas to ascertain the continued need for safety busing. This assessment should be made in concert with municipal officials and in accordance with N.J.S.A. 18A: 39-1.5 a. and b. Policies should be adopted that list hazardous areas and the criteria utilized in the designation process.

Non-Public Transportation

Students attending private or non-public schools are entitled to transportation under the same statute and guidelines that govern public school student transportation, i.e., elementary school pupils who live more than two miles from their school, or secondary pupils who live more than two and one half miles from their school, are entitled to state aided transportation. However, such transportation must meet other requirements. One of these requirements limits the cost of transportation for non-public students to a mandated amount, which is determined by the state each year. When the costs of transportation exceed this amount, the district must reimburse the parents for providing their own transportation to and from the non-public school. The amount of the reimbursement to parents is restricted to the statutory amount.

In addition, parents requesting non-public transportation for their children must file applications with the district by set deadlines, meet distance requirements, and have their children enrolled in a not-for-profit non-public school.

During the year of review, 1999-00, Bernards Township provided transportation to 328 non-public students and paid aid-in-lieu of transportation to the parents of 129 students. SCESC manages this important transportation function for the district, collecting parental paperwork and contracting for the bus routes. The district is currently responsible only for issuing checks to those parents receiving aid-in-lieu of transportation.

SCESC management works diligently to incorporate Bernards Township students on routes with neighboring districts to increase the numbers of students transported on each bus.

Comparative Analysis

One of the tools utilized in the review process is a comparison of the cost of transportation in the district under review with three districts that are similar in terms of type, size and socio-economic factors. A complete comparison of district costs is included in Tables 2 and 3 in a separate section of this review and is also based on information from the NJDOE Comparative Spending Guide. The school districts that were used for detailed comparison with Bernards Township include Hopewell Valley, Millburn and Sparta. For the purposes of the transportation analysis, Millburn was excluded due to district makeup, i.e., a district where the majority of the students walk to school.

Based on the comparison of expenditures as a percentage of total budget for the 1999-00 school year for the three districts, Bernards Township's costs were 5.3% of the budget, while Sparta and Hopewell Valley's costs averaged 6.6%. Total expenditures for transportation in Bernards Township were 6% lower than the average of the three districts.

FOOD SERVICE

Food service has been privatized in the Bernards Township Public Schools for many years. Aramark Educational Service, Inc., a Delaware corporation, provides management services for the food service operation. The food service contract with Aramark is renewable annually. Aramark charges the school district for costs incurred such as salaries, benefits, supplies and materials, and the cost of sales. In 1999-00, the management fees were \$42,226 or \$.0725 per meal. All remaining moneys are returned to the district.

An extensive review was conducted of the district's food service program. This included interviews with the food service director and other personnel, visits to school kitchens and cafeterias to observe operations, and an analysis of various documents.

According to budget guidelines, if a district receives state and/or federal reimbursement for food service costs, or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in a separate enterprise fund and not within the general fund of the budget. Any contribution made by the board toward the food service operation is reported as a lump sum contribution transferred to cover any deficits. These costs should not be included elsewhere in the budget. The Bernards Township District appropriately records the operation. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises with the intent that the costs of providing goods or services be financed through user charges.

The district has six production kitchens located in the high, middle, and four elementary schools. School lunches, breakfasts, food for meetings and special functions are prepared in the production kitchens. Production kitchens generally provide higher quality meals and offer more flexibility to tailor meals to student preferences. However, full service kitchens are generally more costly and require more staff than satellite kitchens. Bernards Township currently charges \$1.65 for student lunches in the elementary schools, \$1.80 in the middle school and \$2.55 in the high school. Teachers and staff members can purchase lunch for \$3.55. Breakfast is only offered in the high school at a la carte prices. The high school does not qualify for the child nutrition program, as the number of qualified participants is less than five percent of the school enrollment (N.J.A.C. 6:20-9.6).

The food services is staffed by 33 employees, including six lead food service workers and one manager. The management company employs all of the food service staff.

The participation rate in Bernards Township was approximately 71% in school year 1999-00. The participation rate was calculated based on the average daily enrollment. The fact that a high number of children are participating in the lunch program indicates a good level of satisfaction with the program among students. A high participation rate can impact the kitchen's operating efficiency, benefiting the economies of scale in food purchases and preparation.

The following table illustrates the district's meal counts for school years 1997-98, 1998-99 and 1999-00.

School Lunches	1999-00	1998-99	1997-98
Paid	131,833	118,571	102,804
Reduced	420	305	801
Free	2,516	2,850	2,273
Total	134,769	121,726	105,878

The number of participants or total counts for paid, reduced and free lunches have increased more than 11% between school years 1998-99 and 1999-00. Increased student enrollments are part of the reason for the increased lunch counts.

The students in primary school have a 20 minute lunch period and 20 minutes for playtime. The district hires lunch aides to supervise the students during lunchtime in the elementary schools. Lunch aides also share other job duties as assigned by the administration, such as copy making, etc. In the high school, teachers are assigned in accordance with the negotiated agreement to supervise students during lunch duty.

Identification of a surplus or deficit in the food services enterprise fund is intended to determine whether the fund is self-sufficient and operating efficiently. The following table illustrates the actual profit and loss for the food service program for 1997-98 to 1999-00:

	1999-00	1998-99	1997-98
Operating Revenues:			
Daily Sales-Reimbursable Programs	\$203,851	\$199,216	\$169,952
Daily Sales Non-Reimbursable Program	\$562,724	\$499,116	\$403,729
Miscellaneous	\$16,593	\$16,735	\$17,948
Total daily sales-reimbursable programs	\$783,168	\$715,067	\$591,629
Total Operating Revenue	\$783,168	\$715,067	\$591,629
Non-Operating Revenues:			
State School Lunch Program	\$5,567	\$5,058	\$4,420
National School Lunch Program	\$30,693	\$27,350	23,994
Food Distribution Program	\$43,185	\$34,571	\$0
U.S.D.A. Commodities	\$0	\$0	\$10,957
Total Non-Operating Revenues	\$79,445	\$66,979	\$39,371
Total Revenue	\$862,613	\$782,046	\$631,000
Operating Expenses:			
Salaries	\$293,725	\$247,730	\$223,860
Employee Benefits	\$54,481	\$51,650	\$44,349
Management Fee	\$42,226	\$42,435	\$34,235
Other	\$78,276	\$58,180	\$53,385
Maintenance	\$0	\$13,327	\$18,448
Miscellaneous	\$14,074	\$0	\$0
Depreciation	\$17,137	\$16,331	\$14,998
Cost of Sales	\$358,418	\$310,263	\$238,299
Total Operating Expenses	\$858,337	\$739,916	\$627,574
Net Income	\$4,276	\$42,130	\$3,426

In the 1998-99 school year, the second year of operation under Aramark, the food program had a net profit of \$42,130, which was \$38,704 more than 1997-98 year. However, in school year 1999-00, the net profits decreased by \$37,854. According to the food director, the district spent more on salaries and purchases of small equipment for the new school. In June, 2000, the district requested proposals from five independent contractors. Only one proposal was received and that was from the current contractor. The management fee was \$52,155 with a guaranteed profit of \$30,019, which will be used to purchase new or replacement food service equipment for the six schools.

While the district should continue to encourage competition in the bidding process, the review team concludes that the Bernards Township food service program is generally running efficiently and effectively.

BOARD OF EDUCATION

The Bernards Township Board of Education consists of nine members who are elected to serve overlapping three-year terms. Three members are elected each year, plus occasionally there is the replacement for any member who does not complete the three-year term. Board committees include curriculum, finance/buildings & grounds, personnel, policy and technology. Committees, which are normally composed of three members meet about once a month and act in an advisory capacity to the board. The board president serves as ex officio member of each committee and a member of the central office administration serves as an advisor and/or staff person. Bernards Township has the advantage of having four central office administrators to work with the respective board committees. At the time of the review, an ad hoc committee was examining the adequacy of the athletic facilities.

The Bernards Township Board of Education has a contentious history over the past two decades of employing superintendents for relatively brief periods of a few years each. The last superintendent was employed for only a few months. Since the individual managed to secure employment in another state, the board was able to reach a modest settlement payment of \$55,000. The board then employed the current superintendent, who was the previous business administrator and board secretary within the district.

The review team attended several Bernards Township board meetings and was favorably impressed with the businesslike and considerate manner in which the meetings were conducted. The board president and individual board members were interested in conducting productive meetings and in communicating with the public. Having recently completed school construction, which significantly expanded and enhanced school facilities, and having employed a new superintendent, the district appears at the present time to be benefiting from good leadership and positive relationships, both at the board and administrative levels.

Board Expenses

The board has a policy governing board member expense reimbursement and all board member expenses are recorded in the miscellaneous account. Board members in Bernards Township seldom go to conferences; therefore individual board member expenditures are relatively small in amount.

Since the district does not have a separate account to record board member expenses, the review team conducted an analysis of the miscellaneous account in order to identify the expenses incurred for the 1999-00 school year. Most of the expenses were paid for association membership dues or other expenses (\$51,694), food (\$4,394), supplies (\$1,200), printing (\$1,069), postage (\$3,000), tuition (\$1,585), field trip (\$942), administration fees (\$3,180), lodging (\$396), consultation fees (\$5,000) and miscellaneous (\$2,568).

Membership fees and other costs included \$19,999 paid to New Jersey School Boards Association, \$18,718 to the Morris Union Jointure Commission, \$3,491 to the Somerset and Hunterdon County Business Education Partnership and \$9,486 for individual membership fees. Postage, tuition, consultant fees and some membership dues, including principal dues and Morris Union Jointure Commission fees, were incorrectly reported in the miscellaneous account. A credit card was issued to the superintendent. The district spent \$593 in credit card purchases.

Teacher orientations for five days and a couple of other meetings, with breakfast or lunch provided, were held outside of school buildings. The district paid \$13 for each breakfast and \$28 for each lunch. The district paid \$19,529 to one vendor for food and \$1,425 for room rentals when holding meetings outside the school district in 1999-2000. District officials indicated that significant food costs were incurred during five days of orientation for new teachers.

Recommendations:

- 1. According to the NJ Department of Education budget guidelines, postage expenses should be recorded in the general administration function under the communications/telephone account. Consultation fees should be recorded in the other purchased professional service account. Tuition reimbursements are considered as employee benefits and should be recorded in the other employee benefits accounts. Principal membership dues should be recorded in the school administration function.**
- 2. On October 2, 1998, a letter was issued by the NJ Department of Education to all school districts, county superintendents and public school accountants regarding the prohibition against using credit cards and travel entertainment cards by boards of education or district officials. Consequently, the district should not use credit cards for any purchases.**

- 3. District officials should examine food costs as a potential source for further economies. Food costs at meetings could be reduced by seeking more economical services, by having participants contribute part or all of their share of the cost, or by setting a dollar limit on cost per individual per meal. In comparison with other school district expenditures for food, the review team estimates that Bernards Township food costs could be reduced by about one-half.**

Cost Savings: \$10,000

III. COLLECTIVE BARGAINING ISSUES

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally through a well-conceived process of redeveloping compensation packages to be equitable and comprehensive. For this reason we present those issues subject to collective bargaining agreements separately in this section.

Any of the recommendations in the following sections, which involve changes to the negotiated agreement, necessarily would require negotiations and agreement by the respective parties in order to be implemented. Review team analysis of those provisions of the contract that have a financial or productivity impact and the related recommendations are presented in bold type in the following paragraphs.

EDUCATION ASSOCIATION

The agreement with the Bernards Township Education Association (BTEA), effective 1998-2001, covers personnel under contract, on leave, presently employed or employed any time during the contract years by the board. The term “teacher” refers to all professional personnel except for exclusions, which include administrators and supervisors by title, confidential secretaries, the director of pupil personnel services, director of education, athletic director and director of special education. The 42-page document contains 26 articles and 15 related schedules of specific terms and conditions. This report will deal with those aspects of the contract that have productivity and/or financial implications for the school year 1999-00, which is the year being analyzed.

Teacher Employment

The board of education has sole discretion to place new employees any place on the guide.

Teachers with previous experience in the district upon return to the system receive full credit on the salary schedule for all outside teaching experience in a duly accredited school, military experience, and as otherwise specified. Previously accumulated unused leave days are restored to all teachers who are returning from leave or who have been subject to a reduction in force.

Employees hired before February 1st advance to the next step of the guide in the ensuing year. Employees hired after February 1st will remain on the same step of the salary guide in the ensuing year.

Academic Responsibilities

The teaching profession consists largely of academic responsibilities (class instruction, lesson planning, evaluating students’ work, working with individual students, working with groups of

students in unassigned situations and assemblies), and of academically related responsibilities (parent conferences, professional meetings and seminars, professional study, state and accrediting agencies, and public relations).

The following provisions apply to class instruction:

- Grade K-5 Teachers-The daily teaching load shall not exceed five hours of classroom instruction and one hour of extra pupil contact. Substitutes are provided for teachers of special subjects when absent. Teachers have six preparation periods per week. Every effort is made to arrange schedules so that teachers will not have more than 2.5 hours of continuous teaching.
- Grade 6-12 Teachers-The daily teaching load shall not exceed five teaching periods, each of which may not exceed 50 minutes, except as otherwise noted. Teachers are not required to teach more than three different subject areas, or to have more than a total of three teaching preparations, except by agreement of the specified parties. Teachers are not required to teach continuously for more than three periods, except when deemed necessary by the interested principal and agreed to by the head building representative and teacher(s) concerned. When possible, teachers serve on only one interdisciplinary teaching team in grades 9-12.
- The contract contains several paragraphs regarding administrative flexibility in scheduling in grades 6-12, a memorandum of understanding to teach more than 25 periods per week, a zero-period option where a teacher is required to teach or schedule a related activity outside the normal school day, etc.

Each teacher is available a minimum of 15 minutes immediately following the dismissal of students at the end of each school day for the purpose of working with individual students or groups of students, with exceptions noted for high school teachers and those with extracurricular responsibilities.

Non-Academic Services

Both parties recognize that there are operational functions not directly related to the educational process, which are performed effectively by members of the teaching staff. These functions include before and after school supervision of students (grades 6-12 only), bus duty, cafeteria supervision (grades 6-12 only), classroom supervision prior to the start of instruction (grades 6-8 only) and other services traditionally performed by teachers (hall duty, study hall). The contract contains provisions for equitable distribution of non-academic services.

The parties agree that certain non-academic services can be performed effectively by persons other than teachers. Teachers may not be required to collect funds, to compile PTA lists, or to drive students to activities that take place away from school buildings.

Miscellaneous

Teachers may leave the building without requesting permission during their scheduled duty-free lunch period and/or during preparation periods provided notice is given to some person designated by the building principal.

The practice of using a regular teacher as a substitute, thereby depriving him/her of a preparation period, is undesirable and therefore discouraged. In those cases where regular substitutes are unavailable, regular teachers may volunteer or in the absence of volunteers, a teacher may be assigned to serve as a substitute and be paid according to schedule N.

All increases in the length of the school day, as it affects the length of each teacher's workday (i.e., the total daily time teachers are required to be in the building) will be subject to negotiations.

Teacher Work Year

The in-school work year for teachers employed on a 10-month basis (other than new personnel who may be required to attend an additional five days of orientation) does not exceed 187 days. Specifically, staff members are required to be in attendance on the day before school opens and there are 183 contact days, including three snow days. There is no student contact time on the two staff development days and the day after the close of school. Snow days in excess of three are taken out of the spring vacation.

The in-school work year of teachers employed on an 11-month basis does not exceed 207 days. The in school work year includes days when pupils are in attendance, orientation days and any other days when teacher attendance is required.

Professional Improvement

Both parties support the principle of continuing training of teachers and the improvement of instruction. One half of the cost of registration and tuition or \$225 per academic year (whichever is greater) for further study is paid to teachers with complete certification as applied to courses taken in isolation, i.e., not part of a degree program. Up to 100% reimbursement is provided for courses which are a part of a degree program related to the field of education. Those staff members who were accepted for enrollment in a degree program as of July 1, 1995 do not have this expense capped. Where such reimbursement is expected, courses must have prior approval of the superintendent.

The district cost of tuition reimbursements in 1999-00 was \$184,847.

Full reimbursements of all reasonable expenses are made to teachers who are required or requested by the administration, or who receive such approval, to attend workshops, seminars, conferences, in-service sessions, or other professional meetings.

The reimbursed expenses for attendance at conferences were \$39,578 in 1999-00.

A staff college has been established as a part of the in-service training program for full-time, non-tenured staff members, except for those who are participating in either the mentoring or alternative route programs. Non-tenured staff members are required to attend 15 clock hours of training per year, which are not accruable toward credit on the salary guide. In-servicing scheduled during the workday does not count towards the 15 hours. Participation is voluntary for tenured staff members.

District officials are commended for requiring non-tenured teachers to complete 15 clock hours of training per year, which do not count toward salary guide placement.

In-service courses relating to instructional issues, which are conducted outside of the school day/year, are eligible for one credit for each 20-clock hours. The first time they teach such a course, staff members are eligible to choose between receiving credit on the salary guide or receiving a stipend. Thereafter, they receive a stipend.

The contract sets forth provisions for the mentoring process and the method of payment.

Sick Leave

Non-tenured teachers are allowed 10 days sick leave, while tenured staff members have 13 days of sick leave annually. Unused sick leave days accumulate in accordance with state law.

Teachers transferred from another district within the state are allowed one-half of all the sick leave days accumulated in the prior district up to a maximum of 45 days.

The district reserves the right to have the reason(s) for absence due to illness validated by a doctor's statement. As a general rule, such a request will not be made until after the third day of illness.

Sick Leave Reimbursement

Unused accumulated sick leave is reimbursable at retirement at the rate of \$25 per day, with a maximum of \$5,000.

District officials are commended for negotiating a CAP of \$5,000 for payment of unused sick leave upon retirement and a reasonable daily rate of payment.

Temporary Leaves of Absence

Leaves of absence with full pay are granted annually for the following reasons:

Upon approval of the principal

- For personal illness in the immediate* family-maximum allowance of five days.
- For death in the immediate* family-maximum allowance of five days.
- For other death in the family*-maximum allowance of one day per occasion.
- For the purpose of visiting other schools or attending meeting or conferences of an educational nature-maximum allowance of two days per occasion.

*As defined in the contract.

Other Leaves

1. To discharge a business or family obligation or responsibility that cannot be handled outside school hours-maximum allowance of two days per year. There are restrictions before or after school holidays, vacations, and school terms.
2. For jury duty-as required.

3. For appearance in any legal proceeding connected with the teacher's employment or with the school system or any other legal proceeding if the teacher is required by law to attend.
4. For temporary active duty with any unit of the U.S. Reserves or the State National Guard provided such obligation cannot be fulfilled when school is not in session-leave with regular pay as required.

Upon notification to the superintendent, a maximum of four days each for two representatives to attend conferences of state and national affiliates is granted.

Payment for other leaves of absence or emergency absence may be granted by the superintendent with board approval, with or without full pay, i.e., per diem salary.

Extended Leaves of Absence

The contract provides for leaves of absence without pay for child care, military leave or leave for Peace Corps, VISTA, National Teacher Corps, exchange teacher, or Fullbright or other approved scholarship.

Sabbatical Leaves

The board, on the recommendation of the superintendent, may grant a sabbatical leave of up to one year to a teacher for study, travel, or other activities of value to the school system, subject to specified conditions. Teachers must have at least seven full continuous teaching years of service in the district. Such leaves are only granted to a maximum of two eligible teachers at any one time.

A teacher on sabbatical leave is paid at the rate of 75% times one-half of his/her base salary for a half-year sabbatical leave or 50% times the salary for a full year of such leave.

No sabbatical leaves have been requested or granted during the past two years.

Insurance Protection

The district provides health-care insurance protection and pays the full premium for employees and their dependents. There are two plans offered to employees: the traditional plan and a PPO health plan, with 80% out-of-network benefits. Both insurance plans are structured in compliance with the Mental Health Parity Act. Part-time non-certified employees who work at least 20 hours per week are eligible on September 1st of the school year following initial employment.

The district provides a dental benefit insurance plan for enrolled employees and dependents. The district pays the premium at the rate in effect on June 30, 1998. Any increase in the premium above that amount is deducted from the employee's salary.

For each eligible person employed for the full school year, the district makes payment of premiums to provide insurance coverage for the full 12-month period commencing July first and ending June 30th. When necessary, premiums are made retroactively or prospectively to insure uninterrupted participation and coverage.

At any time, insurance carriers may be changed but only by mutual agreement of the board and BTEA.

Retirees may elect to participate in major medical insurance coverage by paying the total annual premium cost to the board secretary. To remain eligible, the retiree must remain continually enrolled. Retired employees may belong to the major medical plan only until such time as they become eligible to participate in another major medical plan through their spouse or other employment.

Only three retired persons participate in the major medical insurance program.

Salaries

The salaries of all employees are set forth in schedules A through N in the contract.

Schedule A-1999-00 Salary Guide for Professional Staff and (Degreed) Nurses

Step	B.A	B.A+	M. A.	M.A.+
1	\$34,103	\$36,490	\$38,468	\$41,469
2	\$34,819	\$37,256	\$39,276	\$42,340
3	\$35,550	\$38,038	\$40,100	\$43,229
4	\$36,297	\$38,837	\$40,942	\$44,137
5	\$37,059	\$39,653	\$41,802	\$45,063
6	\$37,837	\$40,486	\$42,680	\$46,010
7	\$38,632	\$41,336	\$43,576	\$46,976
8	\$39,443	\$42,204	\$44,492	\$47,962
9	\$40,271	\$43,090	\$45,426	\$48,970
10	\$41,117	\$43,995	\$46,380	\$49,998
11	\$42,515	\$45,491	\$47,957	\$51,698
12	\$43,960	\$47,038	\$49,587	\$53,456
13	\$45,455	\$48,637	\$51,273	\$55,273
14	\$46,887	\$50,169	\$52,888	\$57,014
15	\$48,364	\$51,749	\$54,554	\$58,810
16	\$49,887	\$53,379	\$56,273	\$60,663
17	\$51,459	\$55,061	\$58,045	\$62,574
18	\$53,080	\$56,795	\$60,019	\$64,701
19	\$54,752	\$58,584	\$62,240	\$68,260
20	\$59,096	\$63,233	\$66,860	\$72,430
21	\$63,785	\$68,250	\$71,824	\$76,856

A. Any person who has been hired on the B. A. guide does not progress beyond the 10th step, unless he/she fulfills course credit obligations, which would make said person eligible for the next column of the guide. Upon commencement of the school year following completion of the necessary credit obligations, the teacher is placed on step 11 of the appropriate column.

B. Doctoral degree stipend-\$1,000.

According to the Comparative Spending Guide, March, 2000, the Bernards Township 1998-99 costs of classroom salaries and benefits were \$4,493 per pupil with a rank of 43 out of 91 school districts. The student/teacher ratio in Bernards Township was 12.2 to one, compared to the state K-12 average ratio of 13.7 students per teacher. The median teacher salary in 1998-99 was \$40,498 with a ranking of 7 among 91 districts. The NJ Report Card indicates the district median year of teacher experience as eight, while the state median year of experience was 15 in 1998-99. The personnel office reports that 65% of the faculty were non-tenured in 2000-01.

The Bernards Township School District, with recent rapid growth in student enrollments, has a relatively young teaching staff due to the employment of many new teachers. When the rate of growth in student enrollments subsides in future years and the employment needs are primarily limited to staff replacements of the smaller number of senior teachers, the median age of the teaching staff will begin to increase. A more experienced teaching staff will occupy higher levels on the teachers' salary guide resulting in higher average salaries and more expensive instructional costs.

While the district needs to maintain reasonably competitive salary guides for the employment and retention of a quality staff, any inflation of senior salary levels will likely become quite expensive in future years. The review team observes that the two increments between steps one and three of the teachers' salary guide average about \$800, while the two increments between steps 19 and 21 average \$4,610, or 5.75 times greater.

Media Specialist

If employed for July or August, the media specialists are compensated at one-tenth of their annual base salary.

Guidance Counselors

The 10-month contract for guidance counselors are the same duration as teachers, plus 10 additional days, which are paid a salary differential of 5%.

Special Services

Members of special services working in the summer are paid at the per diem rate of 1/180 of the annual base salary.

Summer Curriculum

All summer curriculum work, or any similar project, is specifically defined (nature and duration) and posted in April. Payment is made at the rate of \$150 per diem for a five-hour day.

Coordinators (K-12) & Head Teachers

Coordinator extra compensation in 1999-00 was \$3,353, while head teachers received \$2,353.

No coordinator extra compensation was made in 1999-00.

Faculty, Team and Elementary Grade Level Leaders

High school faculty leaders' stipends were listed as \$2,179 in 1999-00, while middle school leaders and elementary grade level leaders received \$2,690.

There were no high school faculty leaders in 1999-00 or 2000-01. The middle school had nine grade team leaders with total costs of \$25,155 in 2000-01. There were 24 grade level team leaders whose stipends totaled \$33,540.

Extracurricular Activities

The negotiated agreement lists nearly 100 extracurricular titles, which range in stipend amount from \$1 to \$7,488.

Athletic and intramural stipends totaled \$324,362 in 2000-01.

Longevity

The longevity schedule (for previous years in the district) for 1999-00 was as follows:

1999-00	Longevity	Longevity
Years	Points	Amount
5-9	1	\$129
10-14	2	\$259
15-19	3	\$389
20+ Years	4	\$519

Longevity payments for supervision of extra-curricular activities totaled \$15,218 in 2000-01. There were 55 payments ranging from \$134 to \$539 each.

Building Support Activities

In 1999-00, personnel employed to perform technical support per building received \$2,153, while the right-to-know stipend was \$1,076.

Bedside Instruction

Teachers providing bedside instruction in 1999-00 received \$33.48 per hour.

Travel/Substitute Class Coverage

Travel incurred as part of instructional assignments, approved conferences, workshops, etc., is reimbursed at the current Internal Revenue Service (IRS) rate per mile.

Substitute class coverage is paid at \$15 per class.

BUS DRIVERS AND SCHOOL AIDES

The regular workweek is 40 hours. All hours over 40 in any week are paid at the rate of one and one-half times the regular salary, except that hours worked on Sundays and holidays are paid at the rate of two times the regular salary.

The district retains the right to hire personnel at hourly rates for full-time or part-time duties; however, such employment arrangements do not exceed 20 consecutive working days.

Leaves of Absence

All employees covered by this agreement are entitled to the same sick leave, including sick leave reimbursement. They have 10 sick days a year and the same temporary leave of absence policies as apply to the professional staff.

Insurance Protection

All employees covered by this agreement are entitled to the same insurance protection policies as apply to the professional staff.

Conferences

When employees in this category are scheduled to participate during working hours in conferences and/or meetings respecting this agreement, they receive no loss in pay providing permission of the building principal or supervisor has been obtained for such participation.

Salaries

The 1999-00 salaries of bus drivers and school aides are set forth in Schedules I and J.

	I. - Bus Drivers	J. - School Aides
Step	Hourly Rate	Hourly Rate
1	\$17.79	\$13.76
2	\$18.68	
3	\$19.61	
4	\$20.59	

SECRETARIES

The regular workweek is 40 hours, including a one-hour lunch period. The regular work year is 12 months. The building principal or supervisor and the employee(s) agree upon the work schedule.

Employees required to work beyond 40 hours in one week, exclusive of their lunch hours, are paid at one and one-half times the contractual rate.

Insurance Protection

All employees covered by this agreement are entitled to the same insurance protection policies as apply to the professional staff.

Conferences

When employees in this category are scheduled to participate during working hours in conferences and/or meetings respecting this agreement, they receive no loss in pay providing permission of the building principal or supervisor has been obtained for such participation.

Vacation Schedule

Secretarial personnel have days off to coincide with the school calendar. Secretaries have vacation days equal to one half the number of workdays in the months of July and August. Vacation days are prorated based on length of employment during the current school year. Vacation days may be taken at any time during the year with prior approval of the immediate supervisor. With approval of the building principal or supervisor, the employee may elect to work during one of the school vacation weeks and add this week to vacation time during that year. Vacation days are not cumulative and must be used within the year they are earned.

Classification/Promotion

If there is a change of classification during the contract year, the employee is paid the salary corresponding to the new classification for whatever time remains in the contract year.

Salaries

Secretarial 1999-00 salaries are illustrated in the following table.

1999-00	Secretaries
Step	Salary
1	\$22,730
2	\$23,071
3	\$23,418
4	\$23,769
5	\$24,125
6	\$24,487
7	\$24,854
8	\$25,227
Maximum	\$30,147

Notes: A. An additional stipend of \$200 per year is paid to secretaries who qualify by passing a stenography test administered annually. B. The superintendent has sole discretion to place new employees any place on the guide. C. The 1999-00 salary for the substitute acquisition clerk is \$4,306 in 1999-00.

INSTRUCTIONAL AIDES

The regular workweek is 40 hours, including a one-hour lunch period. The regular work year is 12 months. The building principal or supervisor and the employee(s) agree upon the work schedule.

Employees required to work beyond 40 hours in one week, exclusive of their lunch hours, are paid at one and one-half times the contractual rate.

Insurance Protection

All employees covered by this agreement are entitled to the same insurance protection policies as apply to the professional staff.

Conferences

When employees in this category are scheduled to participate during working hours in conferences and/or meetings respecting this agreement, they receive no loss in pay providing permission of the building principal or supervisor has been obtained for such participation.

Classification/Promotion

If there is a change of classification during the contract year, the employee is paid the salary corresponding to the new classification for whatever time remains in the contract year.

The 1999-00 compensation of instructional aides is included in the following table.

1999-00	Instructional Aides
Step	Hourly Rate
1	\$16.20
2	\$16.68
3	\$17.18
4	\$17.70
5	\$18.23

ASSOCIATION OF ADMINISTRATORS

The agreement with the Bernards Township Administrators' Association (BTAA) is effective for the three-year period 1999-2002. The contract covers principals, assistant principals, directors, supervisors and others, with the exceptions of the superintendent, assistant superintendent and business administrator. (Note: Principals withdrew from the Bernards Township Association of Administrators and attempted to form a separate negotiating organization. Apparently, they have been advised that they cannot unilaterally form a separate organization.)

The 24-page document contains a number of articles (such as recognition, negotiations of successor agreement, grievance procedure, employee rights, etc.), which are more procedural than economic. Pertinent contractual provisions are summarized in brief outline form with

attention to the 1999-00 salary guide, which is the year selected for financial comparisons with other benchmarks. Review team analysis of those provisions of the contract that have a financial or productivity impact and the related recommendations are presented in bold type in the following paragraphs.

Work Year

All members who are on 12-month contracts are given an annual paid vacation of 23 working days. Exact dates of vacation are set jointly by the member and the superintendent. All, or portions of, said vacation may be taken in months other than July or August with the approval of the superintendent.

With prior approval of the superintendent, vacation days not used during one contract period may be applied to vacation during the following contract period. Deferred vacation accumulated days can not exceed 10 working days.

New Members

Current members promoted from within the district are not considered new members. Initial salary for new members should reflect consideration of educational background, previous teaching and administrative experience, military or alternative civilian service and the salary of equivalent professional personnel adjusted for length of contract and responsibilities of the position. The initial salary of BTAA personnel is a matter between the board and individual.

Holidays

Eight holidays and one religious holiday are identified as paid, non-working days. In addition, for tenured members, 10 non-working days during school recess periods are paid and for non-tenured members, five such days during school recess periods are paid. Substitutions for the above days may be made under the terms of this agreement when mutually acceptable to the individual employee and the superintendent.

Communications-Public

Both parties encourage an atmosphere of open communication between the school system and the public. It is agreed that the central office administration will encourage citizens to resolve any complaints/concerns at the lowest level of supervision and from thereon through the chain of command.

Sick Leave

Twelve-month employees are allowed 15 days sick leave per year. All unused sick leave days are accumulated for reimbursement at retirement at the rate of \$30 per day to a maximum of \$6,000. Employees hired from another district within the state are allowed one-half of all sick leave days accumulated in their prior district, up to a maximum of 45 days.

Article IX, Sick Leave, Paragraph 4 states that effective July 1, 1981, the board implemented a plan for reimbursement of accumulated sick leave days payable at retirement as follows:

- a. Members are notified yearly by September 15th of their accumulated sick days as of the closing of the preceding school year.
- b. Upon leaving the school district, members will be paid for unused vacation days at their per diem rate.

This article pertains to reimbursement for unused sick leave rather than vacation days. When asked, district officials did not have an explanation for the language discrepancy. This contract language needs clarification in future negotiations. Reimbursements at per diem rates are quite expensive and not generally practiced by most school districts.

Leaves of Absence

Upon the approval and at the discretion of the superintendent or the board, leaves of absence with pay are granted for the following reasons:

Temporary Leaves

1. For personal illness in the immediate family, as defined-maximum of five school days per year.
2. For death in the immediate family-maximum of five school days per occasion.
3. For other death in the family, as specified-maximum of one school day per occasion.
4. For the discharge of a business or family obligation or responsibility which cannot be handled outside school hours-maximum two days per year.

The contract also provides for non-paid childcare leave, extended professional leave, temporary academic leave, and military leave.

Sabbatical Leave

A sabbatical leave of up to one year for study, travel or other reasons of value to the school system may be granted to an employee by the board upon recommendation of the superintendent. The employee must have completed seven full years of service in the district, which need not be consecutive. An employee on a half year sabbatical leave is paid at the rate of 75% of one-half of his/her full year's salary, while an employee on a full year sabbatical leave is paid at 50% of the salary for the full year.

No sabbatical leaves were requested or approved within the past two years.

Transportation

No employee is required or encouraged to transport pupils in a privately owned vehicle. For employees who transport pupils in a privately owned vehicle, with the written authorization of the superintendent or designee, the district provides liability insurance coverage for the employee and vehicle of not less than \$.5 to \$1 million coverage.

All employees using their privately owned vehicles for transportation to activities directly related to their assignment are compensated at the current IRS rate.

Insurance Protection

The district provides health-care insurance protection and pays the full premium for employees and their dependents. Two plans are offered to employees: 1) the current traditional plan and 2) a PPO health plan, with 80% out-of-network benefits.

The district pays the full premium for employees and their dependents for a dental insurance plan.

Major medical insurance coverage for retirees is provided in accordance with N.J.S.A. 52:14-17.32 and N.J.S.A. 18A:16-18.

The district pays the premium at the rate in effect on June 30, 1998 to fund a group disability insurance plan for members. Members assume 50% of the cost of any premium increase after that date.

The district is commended for negotiating employee contributions for the disability insurance plan.

At any time, insurance carriers may be changed, but only by mutual agreement of the board and the BTAA.

Salaries

The compensation schedule for administrators is based upon a base salary supplemented by the following factors: completed years of administrative experience inside or outside of the district and responsibility of the position as determined from the job description. All new hires must have a Masters degree, plus 30 credits. An additional five percent factor is included for a doctoral degree.

The compensation for bargaining unit members is determined by a formula which can be represented as $C=B \times R \times E$ ($\times 1.05$ for doctorate) where:

- C = compensation for the year in question.
- B = base salary negotiated for each year of the agreement.
- R = the relative responsibility of positions in the bargaining unit, as unilaterally determined by the board.
- E = years of school administrative experience both within and without the district, as well as other experience at a rate of one percent per year during each of the three years of this agreement. The application of the factor to a new hire is subject to the unifying evaluation of the board based upon the recommendation of the superintendent.

The parties acknowledge that the base salaries and the factors which make up the salary guide are negotiable terms and conditions of employment and that in the future all factors will be subject to negotiation.

The contracted 1999-00 salaries for the 17 BTAA members ranged from \$81,642 to \$116,779 and totaled \$1,613,201. The average percentage of increase in 1999-00 over 1998-99 was 4.224%, with most increases in the 3.8 to 4.0% range.

Miscellaneous

The district pays the full cost of tuition and fees for courses approved in advance by the superintendent and taken for professional growth of employees.

When the particular courses are available in public universities, many school districts limit staff reimbursement for courses to the state college/university tuition rates.

In addition to Principals and Supervisors Association dues, each member is allowed membership dues in either the Elementary or Secondary Principal's Association.

The district reimburses reasonable expenses incurred by employees as the result of their attendance at approved meetings and conventions. Reasonable expenses may include registration fees, transportation expense, meals during or between sessions, housing and costs of related publications.

The cost for administrators and supervisors to attend conferences, workshops, etc. in 1999-00 was \$5,101.

Bargaining unit members are entitled to a physical examination once in any period of three years if their age is 35 years or less, one physical examination in any two-year period if they are between the ages of 36 and 45 and an annual examination upon attaining age 46. The maximum district reimbursement is \$200 for those up to age 45 and \$300, with specified medical examinations, for those who are 46 and over.

HEALTH INSURANCE

During 1999-00, the Bernards Township School District spent about \$2,120,000 on health and dental insurance. Of that amount, \$150,000 was spent on dental insurance. The district contracts for health insurance with a private carrier under a minimum premium funding arrangement whereby claims for each month, plus a monthly administrative fee, are paid.

For each eligible person employed for the full school year, the district makes payment of premiums to provide insurance coverage for the full 12-month period commencing July 1st and ending June 30th. When necessary, premiums are made retroactively or prospectively to insure uninterrupted participation and coverage.

The district provides health-care insurance protection and pays the full premium for employees and their dependents. There are two plans offered to employees: the traditional plan and a PPO health plan, with 80% out-of-network benefits. Both insurance plans are structured in

compliance with the Mental Health Parity Act. Part-time non-certified employees who work at least 20 hours per week are eligible on September 1st of the school year following initial employment.

The district has nearly equal numbers of employees enrolled in each health insurance plan (PPO and traditional). In November, 2000, there were 250 regular group PPO subscribers, or 49.3%, and 257 employees enrolled in the traditional plan. There is a clear trend toward participation in the PPO plan by younger and more recently hired employees. However, the review team premium calculations indicate that the traditional plan costs only 2.16% more than the PPO, or in 2000-01 a total annual dollar difference of about \$58,600 for the district.

The renewal for 2000-01 was increased 9.37% for the maximum liability, or maximum cost exposure to claims activity.

Bernards Township School District-Monthly Health Insurance Contract Exposure

	Traditional		PPO	
Category	1999-00	2000-01	1999-00	2000-01
Single	\$198.21	\$216.78	\$190.27	\$208.10
Family	\$540.48	\$591.12	\$518.87	\$567.49
Parent & Child	\$256.79	\$280.85	\$246.52	\$269.62

LGBR reports generally focus on the school year with the most recent audit, i.e., 1999-00. However, with continuing changes in health insurance pricing and coverage, more recent information concerning the number of employees, negotiated settlements and health insurance costs may be utilized in making recommendations.

Under the negotiated agreements, retirees may elect to participate in major medical insurance coverage by paying the total annual premium cost to the board secretary. To remain eligible, the retiree must remain continually enrolled. Retired employees may belong to the major medical plan only until such time as they become eligible to participate in another major medical plan through their spouse or other employment. Seven retired persons were listed on the health insurance bill for October, 2000. The monthly premiums totaled \$1,363 and the retirees reimbursed the district for the costs. Similarly, seven COBRA subscribers also paid for their insurance.

The review team also calculated the cost for the Bernards Township School District to participate in the State Health Benefits Program. The State “Without a Prescription” Health Benefits Plan would cost the district an additional \$137,115 in 2000-01. The NJ State BOE Assessment (A4) in 1999-00 was \$79,368, which was reduced in 2000-01 to \$38,783. Consequently, the district’s total health insurance cost with the private carrier in 2000-01 was about \$100,000 less than the state plan.

The Bernards Township School District, with recent rapid growth in student enrollment, has a relatively young teaching staff due to the employment of many new teachers. A younger

employee group tends to favor the district somewhat in terms of claims experience for the purchase of health insurance. When the growth in student enrollments subsides in future years and the employment needs are primarily limited to staff replacements of the smaller number of senior teachers, the median age of the teaching staff will begin to increase. In turn, a more mature teaching staff will likely impact health insurance experience ratings and increase future costs. Prior to that development, district officials may wish to negotiate some employee contributions for health insurance. For example, if employees had contributed 20% of the cost of dependent coverage in 2000-01, the district would have saved about \$250,000, or about 12% of the total district cost.

Recommendation:

District officials should consider negotiating a provision that employees contribute 20% of the cost of dependent coverage for health insurance.

Potential Cost Savings: \$250,000

According to the Comparative Spending Guide, March, 2000, the Bernards Township School District in 1998-99 expended 11.7% of total salaries on employee benefits. This was well below the 15.4% average of the three comparison districts and the 15.9% median of the K-12 school districts statewide.

A number of school districts in New Jersey provide a financial incentive to waive health insurance coverage for those employees who are covered for health insurance through a spouse. Bernards school officials should consider offering such an option to its employees.

Recommendation:

The Bernards Township School District could negotiate an offer to pay \$1,000 per year to each employee who already has coverage through a spouse to waive health insurance coverage for a saving of several thousand dollars each. In the event of a change in coverage by the spouse, there would need to be a save harmless provision for the employee. On the basis of the experiences in other districts of similar size, Bernards Township potentially could save about \$90,000 or more annually.

Potential Cost Savings: \$90,000

Dental Insurance

In accordance with the BTEA contract for the years 1998-2001, beginning July 1, 1998, a maximum premium payable by the Bernards Township School District for dental insurance was established. The rates have increased about 6 to 7% each year since 1998. The cost for the 2000-01 school year increased to \$305.28 for single and \$492.80 for family coverage. This required employees, who wished to continue coverage, to contribute through payroll deductions \$70.50 for single and \$113.84 for family coverage, which was 23% of the total cost.

By maintaining the maximum premium payable by the district at the 1998 level and with continuation of the current pattern of annual premium increases, employees would be paying about half of the dental insurance cost within a decade.

District officials are commended for negotiating with the teachers' association a 1998 CAP for district payments that instituted employee contributions for both single and family coverage for dental insurance costs. This provision saved the school district approximately \$45,000 in premium payments in school year 2000-01.

The district pays the full premium for employees and their dependents for a dental insurance plan for members of the Administrators' Association.

Recommendation:

District officials should consider negotiating for administrators and supervisors the same dental insurance maximum premium payable by the school district as that provided in the teachers' contract. Had such a provision been in the administrative agreement in 2000-01, the district would have saved over \$2,500 in premium payments. As the dental insurance costs increase over time, the savings would be even greater in future years.

Potential Cost Savings: \$2,500

Conclusion:

The review team analysis of the respective negotiated agreements with employee organizations reveals that Bernards Township School District officials have been very thoughtful in the negotiation process. In general, the implementation costs of contract provisions in Bernards are either on par with or less than those found in other comparable school districts.

IV. SHARED SERVICES

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation.

Consortia

The Somerset County Educational Services Commission (SCESC) contracts with Bernards Township School District to provide K-12 transportation services, including to and from school, special education and extracurricular trips. SCESC maintains a partial fleet of school buses and vans to augment contracted operations. With in-house staff and vehicles as an option, the commission has been able to reduce costs by continually assessing vendor bids. The commission operates routes directly when in-house costs are determined to be lower than vendor bids. The Commission also administers the Bernards Township non-public transportation and school services.

The Somerset-Hunterdon Business Education Partnership offers training for school staff members through several corporations whose training classes have a few empty seats. Participating corporations and business establishments contribute management time and some funds to support the various partnership programs. Local school districts pay a modest fee per pupil as members of the partnership.

Private Business & Industry

Bernards Township has a number of large corporations located either within or adjacent to the township boundaries. Aside from periodic donations of excess equipment and occasional small monetary grants, there is limited evidence of contact between the school district and the business community.

These business enterprises have facilities, services and technical expertise that could be beneficial to the school district. For example, a large learning center located at a nearby corporation could be made available on special occasions for staff training. Corporate or university organizational expertise could be used on a voluntary basis by the district in establishing the structure and related staffing for the school district management team. Corporate technical and scientific resources could further enrich the curricular experiences of students at the respective schools.

Recommendation:

School district officials should consider establishing a committee or task force composed of key business and school leaders to explore mutual interests, resources and needs for cooperative future endeavors. The local bi-county school/business partnership may be able to assist in organizing such endeavors.

Cooperative Purchasing

In cooperation with 81 school districts in central New Jersey, the Bernards Township School District purchases supplies through a well-planned and efficiently executed system of large scale bidding by Educational Data Services, Inc. The district purchased \$328,000 in general supplies through this cooperative purchasing system. Based upon review team experience in other districts, the estimated net savings are about \$65,000 per year.

School Districts

Students with disabilities from Bernards Township are placed in programs operated by neighboring school districts (Warren Hills, Watchung Hills) or other public entities (Morris-Union Jointure Commission, Morris Regional Day School). One student from another district participates in a self-contained special education class in the district on a tuition basis.

Services such as remedial instruction, supplemental instruction, speech/language services, and child study team evaluations, are provided to students in nonpublic (private and parochial) schools under Chapter 192/193 through the Somerset County Educational Services Commission.

Distance learning discussions are ongoing to offer advanced placement courses and possibly chemistry and physics. Physical science teachers are difficult to recruit as they can earn a much higher salary in the business environment. With the shortage of certified teachers, the district could explore the use of ITV in providing certain aspects of the rapidly expanding world language instruction. District officials should also consider any opportunities for sharing the costs with neighboring school districts for cooperative programs of enhanced staff in-service training.

Township

During the winter months, Bernards Township provides some snow removal services for the school district. Occasionally, the school district may borrow equipment from the township for special projects. Reportedly, the school district purchases gasoline for its vehicles from the township. In return, the township parks and recreation department makes extensive use of public school buildings, grounds and equipment. School facilities are used every day of the week, except Sunday. The township assists in the maintenance of some of the fields that it uses.

The township provides a resource police officer, who is stationed in the high school, and the DARE program for the four elementary schools and the middle school. The township is involved in traffic safety issues, sidewalks, crossing guards and in the past with courtesy busing. Several years ago there was a referendum regarding funding for courtesy busing, which did not receive

voter approval. The district now makes available subscription busing for parents who agree to pay for the cost. Many parents carpool their child(ren) to school, which causes some auto congestion at several school entrances.

In addition to savings to be realized by joining services, there are relatively new state programs designed to encourage and reward local governmental units and their taxpayers for regionalizing, sharing and joining services with other units of local government. P. L. 1999, Chapter 60 was signed into law by Governor Whitman to provide aid to local units of government, including school districts, to study regionalization and shared and consolidated services. A school district that plans to study or implement a regional service agreement may apply for a grant and/or loan to study regional service or consolidation opportunities and to fund one-time start-up costs of regional or consolidated services by visiting the DOE Website at: <http://www.state.nj.us.njded/grants/redi.htm> or by calling the DOE at 609-633-2454. District officials are encouraged to continue to explore additional areas where shared services would be cost effective for the school district and the municipalities.

V. STATUTORY AND REGULATORY REFORM

It is not uncommon for local officials to attribute high costs and increased taxes in part to "state mandates". The fifth and final section of the report, Statutory and Regulatory Reform, identifies state mandates cited by local officials as impeding efficient and cost effective operations. Issues raised in this section can often be addressed only through changes in statute, code, or procedural rules and regulations.

All board of education members and key administrators were interviewed and given the opportunity to express their concerns regarding the various regulations that impact the public schools. District officials provided the following written summary of the most frequently expressed concerns.

The State of New Jersey funding formula for public education has serious deficiencies, including a lack of consistency from year to year, insufficient state contributions, and appropriations for many programs that are below statutory provisions. This creates public relations difficulties for local school officials, as citizens do not understand the lack of governmental support. The state also often sets unrealistic timelines for the collection of data from local school districts. The recent Five-Year Facilities Plan is an example of both of these weaknesses. The state allowed seven weeks for the completion of this extensive report, but did not have sufficiently developed software to accommodate the data entry. The complexity of the report required districts to retain architectural expertise. Bernards Township incurred an estimated \$60,000 in architectural fees for the portions of the report that could not be completed by district personnel. Additionally, the report consumed several weeks of administrative and clerical time. As a new state mandate, the state should have been obligated to pay the costs incurred, both direct and indirect.

There are serious concerns about the content, length and need for the state prescribed Elementary School Proficiency Assessment (ESPA). The language arts, math and science sections of the test presumably assess knowledge of the Core Curriculum Content Standards as adopted by the state. The test is a reductionism approach that assumes that whatever is worth learning can be measured and, indeed, can be measured in one sitting.

The test results vary greatly, within and among districts, and also among the subject tests themselves. Students across the state tested very poorly in language arts, while the same students read the science test well enough to score quite proficiently. Because of the wide divergence in results, this year the state re-scored the 1999 and 2000 results of the language arts sections.

The testing period is lengthy and detracts from instruction time. Prior to the ESPA, districts chose their own testing instrument, which provided district-wide consistency and trending capability in result analysis. ESPA provides neither. Because of the time involved in the testing period, it is impractical to administer both a district-chosen assessment and the ESPA.

**LOCAL GOVERNMENT BUDGET REVIEW
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