

State of New Jersey
Commission of Investigation



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**SCI FINDS
QUESTIONABLE AND HIDDEN
PAY, PERKS FOR
TOP SCHOOL OFFICIALS**

TRENTON – The State Commission of Investigation (SCI) today issued the final report of a systemic investigation into questionable and hidden compensation for public school administrators and called for sweeping reforms to ensure full public disclosure, control and oversight of pay and benefit practices that cost New Jersey taxpayers millions of dollars every year.

“Lucrative provisions of privately negotiated deals enable superintendents and others at the top tier of public school administration to receive compensation and benefits often well beyond the reach of any other class of public-service employees,” the report states. “It is not unusual for these arrangements to be structured such that they continue

to benefit recipients with costly and, in some cases, irregular pensions and perquisites well into retirement.”

The inquiry revealed numerous instances in which the prevailing system enables top school administrators to collect total monetary compensation – some of it obscured from public view – in excess of substantial salaries set forth in contracts. One particularly lucrative source of this added pay is the cashing-in of inordinate amounts of unused sick, vacation and other leave on annual basis and at retirement.

The Commission also found instances in which questionable or patently improper steps have been taken to inflate pensions by padding earnings throughout the course of employment, or in the years immediately preceding retirement, with an assortment of base salary add-ons, including cash stipends, bonuses and redemption of unused leave.

Further, an examination of data on income tax forms raises questions as to whether the full range of perks and payments received by administrators beyond base salaries are properly reported for federal and state tax purposes.

These abuses, the report concludes, are rooted in “a system that seems designed to pit school districts against each other in a ‘sky’s the limit’ contest to recruit and retain top administrators. All too often, the result is an unseemly spectacle reminiscent of sports teams and their competition for free-agent athletes – with the cost underwritten by taxpayers.”

The Commission referred its findings to the Office of the Attorney General of New Jersey, the N.J. Departments of the Treasury and Education, the N.J. Division of Taxation and the U.S. Internal Revenue Service.

Given the systemic scope of the issues examined in this inquiry, the Commission recommended a broad range of legislative and regulatory remedies, including:

- Legislation requiring greater transparency and more effective regular public disclosure by local boards of education with regard to the scope and cost of employee compensation.
- Establishment of benefit limits, including a blanket prohibition against the annual cashing-in of unused accumulated leave.
- Stronger enforcement of rules and regulations to prevent the inflation of public pensions through improper means. Also, legislation giving the N.J. Division of Pensions and Benefits the means to expand oversight of the public pension system.
- Enhanced training for members of local boards of education.
- Require the State Department of Education (DOE) to devise and maintain uniform standards governing the types of compensation and benefit provisions considered for inclusion in school district administrator contracts, and require districts to submit proposed contracts for review by the DOE prior to execution.
- Legislation to limit the duration of automatic contract renewals for school district administrators.

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The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of reports are available at the Commission's offices or via its Web site at www.state.nj.us/sci.