

Shared Services in School Districts

Policies, Practices and Recommendations



New Jersey School Boards
Association

RUTGERS
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Institute on Education Law and Policy
Rutgers, The State University of New Jersey
<http://ielp.rutgers.edu>

September 2007

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While issues affecting New Jersey's urban students and educators are the Institute's primary focus, those issues are addressed in the context of the state's wide diversity and with an eye toward their ramifications for the nation as a whole.

This study has been funded by the New Jersey School Boards Association.

The New Jersey School Boards Association, a federation of district boards of education, advocates the interests of school districts, trains local school board members, and provides resources for the advancement of public education.



SHARED SERVICES IN SCHOOL DISTRICTS: POLICIES, PRACTICES AND RECOMMENDATIONS

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Introduction

Joint purchasing and shared services are not new ideas in New Jersey's public school community. They are not uncommon practices in New Jersey schools and school district administrative offices. District administrators have long collaborated with one another, and with their municipal counterparts, formally and informally, to obtain and provide goods and services in furtherance of their mission to operate schools that are not only "thorough" but "efficient."

That is not to say, however, that schools and school administrators might not collaborate even more, and increase their levels of efficiency, by increasing the degree to which they engage in shared services and joint purchasing arrangements. Many school administrators are aware of the untapped potential savings available through collaboration and sharing, and some are finding new creative ways to save.

Recognizing this old story with new potential, the New Jersey School Boards Association engaged the Rutgers-Newark Institute on Education Law and Policy to conduct a study of shared services in New Jersey school districts. The Association asked the Institute to study the extent to which school districts are engaged in shared-services arrangements, focusing on four New Jersey counties – Bergen, Burlington, Essex and Somerset – and to identify any impediments and disincentives to such arrangements. It also asked the Institute to compile a catalogue of shared services "best practices": successful, innovative collaborations that may serve as a model or springboard for others. This report is the result of the Institute's study, with recommendations.

The Institute's project team for this study has included its executive director, Brenda C. Liss, Esq.; its associate director, Alan Sadovnik, Professor of Urban Education, Sociology and Public Administration; Teresa L. Moore, Esq., consultant to the Institute, and Kathe Callahan, Assistant Professor of Public Administration. It also has included law students Ava Majlesi and Eric Wagman; Atta Ceesay, candidate for Ph.D. in public administration; Elizabeth Morrison and Tara Beth Davidson, candidates for Ph.D. in urban systems/education policy; and undergraduate intern Daniel O'Keefe. The Institute's program coordinator, Mia Kissil, coordinated survey data collection and managed production of the report. The Institute wishes

to acknowledge the assistance of NJSBA staff in its legal and field services departments, and the input and assistance received from numerous school district administrators and officials of various agencies providing and coordinating shared services throughout New Jersey. While this report has been prepared with funding from NJSBA and with the input and assistance mentioned here, all analysis, findings and recommendations are those of the Institute on Education Law and Policy. The Institute takes sole responsibility for the report's contents.

Our Definition of “Shared Services”

Since the goal is to document the extent to which school districts are engaged in any kind of collaborative arrangement, we have defined “shared services” broadly. Our definition includes any collaborative arrangement between two or more boards of education, or between a board of education and one or more other public or private entity, to obtain or provide goods or services. It includes arrangements in which the goods or services are obtained or provided by one party – such as a board of education – for itself and others, such as paper purchased by one board (or its administration) for its own schools and those in other districts. It includes arrangements where boards of education partner with local governing bodies to provide coordinated services, such as recreation. It also includes arrangements in which a stand-alone entity provides the goods or services, such as special education services provided by an educational services commission or insurance coverage provided by or through a joint insurance fund.

This broad definition is consistent with the provision of Title 18A of the New Jersey Statutes authorizing such arrangements. N.J.S.A. 18A:18A-11 states:

The boards of education of two or more districts may provide jointly by agreement for the provision and performance of goods and services for their respective districts, or one or more boards of education may provide for such provision of or performance of goods or services by joint agreement with the governing body of any municipality or county.

It is also consistent with the definition in the recently enacted Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63. Section 3 of that act, N.J.S.A. 40A:65-3, defines “shared service” as:

any service provided on a regional, joint, interlocal, shared, or similar basis between local units, the provisions of which are memorialized by agreement between the participating local units.

(That provision, however, goes on to exclude services or activities regulated by “some other law, rule or regulation,” which seems to encompass, and therefore exclude, all activities of boards of education authorized under Title 18A, as discussed below.)

Our definition is also consistent with that of the state Department of Education, which appears at N.J.A.C. 6A:23-1.2, in the administrative code chapter on school business services:

"Shared service" means any educational or administrative service required to be performed by a district board of education in which the school district, with board approval, is able and willing to share in the costs and benefits of that service with another district board of education, municipality, or other governmental unit, as authorized by the Interlocal Services Act at N.J.S.A. 40:8A-1 et seq. and in compliance with existing school finance laws at N.J.S.A. 18A, but does not include sending/receiving relationships.

To the extent that the code provision refers only to services *required* to be performed by school districts, rather than those they may, in their discretion, perform without being required to do so, our definition is broader, as it certainly includes discretionary as well as required services.

Also, to the extent that the statutory and regulatory provisions authorize only those arrangements authorized by formal agreement, our definition is broader, as our definition includes both formal and informal arrangements, *i.e.*, those that are governed by formal agreements, authorized by resolution of the board of education, and those that are not. This is consistent with the definition used by the New Jersey School Boards Association's Ad Hoc Committee on Shared Services. That definition, in the committee's 1995 report, was "any voluntary formal or informal agreement between two or more entities that enhances educational opportunities for students and/or demonstrates cost effectiveness and accountability."

Our definition is not so broad that it includes services provided by, or obtained from, a private entity without some element of collaboration. It does not include, for instance, outsourcing or subcontracting to a private vendor, as a definition broad enough to include such arrangements would be broad enough to include all public school contracting. It does include outsourcing or subcontracting to other public entities, such as special education services provided by educational services commissions, but not outsourcing that amounts to nothing more than a vendor-buyer relationship.

Consistent with the Department's definition, our definition does not include sending-receiving relationships. Nor does it include any arrangement in which districts share students but not staff, such as interdistrict public school choice and programs offered by county vocational districts. In some ways, such "shared-student" arrangements are the purest form of "shared services," the most productive and efficient form of collaboration between school districts.

While these arrangements might have been included in our definition in order to address the full scope of school district collaboration, they also involve issues beyond the scope of this report – complex legal and policy issues relating to school choice – and therefore they are excluded from our definition.

We do include, however, some arrangements in which districts share both students and staff. These include distance-learning arrangements and other collaborative educational programs that have become possible through modern computer technology. Like sending-receiving and school choice programs, these arrangements also involve complex legal and policy issues. We touch upon those issues in this report and include New Jersey’s first virtual school program in the *Catalogue of Best Practices*, but a full discussion of such programs would be beyond the scope of this report.

Finally, we specifically distinguish shared services and collaboration among school districts from consolidation, regionalization and other forms of joining or combination of district governance structure. Like sending-receiving, interdistrict choice and virtual schooling, consolidation and regionalization raise complex issues that warrant serious consideration, but they are beyond the scope of this report.

Recommendations

The primary recommendation to result from this study is that shared-services and other collaborative arrangements should be encouraged, and efforts should be made to eliminate any impediments and disincentives to sharing, whether real or perceived. Strong state-level leadership on the issue of shared services in school districts would further the objective of encouraging sharing and collaboration. Such leadership could take several forms:

- A strong statement by the Departments of Education and Community Affairs, acknowledging the many specific provisions authorizing sharing and collaboration among boards of education and articulating one clear, comprehensive state policy;
- Clarification by the Department of Community Affairs, the Department of Education, or both, that board of education activity is included within the scope of the Uniform Act and school districts are eligible for state aid under the SHARE program; and
- Proactive support and assistance for districts’ shared-services efforts by county superintendents (or executive county superintendents), including more comprehensive data collection regarding existing arrangements and brokering of additional arrangements.

In addition, as discussed in detail later in the report, several forms of legislative or regulatory action should be given serious consideration:

- Clarifying and simplifying the procedure to be followed for sharing school business administrators
- Eliminating the provision that shared school business administrators are not eligible for tenure
- Clarifying, or providing, that jointure commissions shall remain under the oversight of the State Board and Department of Education, and continue to be governed by existing provisions of Title 6A of the administrative code
- Eliminating the requirement for terminal leave payment of all employees of school districts that enter into shared-services arrangements with joint meetings or local units that are civil service employers, or at least providing that the requirement applies only to employees terminate as a direct result of such arrangements
- Requiring, rather than permitting, boards of education to include the costs and savings incurred as a result of shared-services arrangements in their budget proposals, and requiring executive county superintendents to take such costs and expenses into account when reviewing all budgets
- Eliminating the requirement for Commissioner's approval for the provision of joint "facilities, transportation and examinations" for pupils with disabilities
- Clarifying that a certified teaching staff member is not needed to supervision students participating in distance learning programs
- Clarifying that for purposes of the requirement to educate students with disabilities in the least restrictive environment, all public school placements and those offered by educational services commissions and jointure commissions should be equally acceptable.

Overview of Shared Services in New Jersey School Districts

For at least 50 years, New Jersey public officials have encouraged local government entities to collaborate with one another in service delivery. Typically, this has been part of an overall effort to reduce the costs of government. To that end, governors and the legislature have formed commissions, task forces and other bodies to study ways to govern more efficiently. As shown in Table 1, there have been at least six of those entities, from the County and Municipal Government Study Commission (“Musto Commission”) created in 1966 to the Local Unit Alignment, Reorganization and Consolidation Commission created in 2007.

Table 1
*New Jersey Commissions, Task Forces and Councils
on Local Government Efficiency*

1966	County and Municipal Government Study Commission (“Musto Commission”) established by Governor Richard Hughes
1991	Governor’s Task Force on Local Partnerships established by Governor James Florio
1992	State Agency Coordinating Council on Local Partnerships established by Governor James Florio
1997	Property Tax Commission established by Governor Christine Todd Whitman
2006	Government Efficiency and Reform (GEAR) Commission established by Governor Jon Corzine
2007	Local Unit Alignment, Reorganization and Consolidation Commission established by the Legislature

These commissions, task forces and councils, and various state agencies, have issued many studies and reports on local government efficiency. No less than 14 such government reports have been issued since the report of the Musto Commission in September 1970, as shown in Table 2. (For a full list of government and non-governmental reports and other resources on shared services, see the Annotated Bibliography at Appendix A.) These reports typically have recommended two types of efficiency measures: those that would reduce the number of local government units, such as through consolidation and regionalization, and those that would foster collaboration and partnerships between local government units even if the number of

Table 2

*State Government Reports
on Efficiency, Consolidation and Shared Services*

- 1970** New Jersey County and Municipal Government Study Commission, *Joint Services: A Local Response to Area-Wide Problems*
- 1971** New Jersey County and Municipal Government Study Commission, *Consolidation: Prospects and Problems*
- 1982** Educational Improvement Research Center-South, New Jersey State League of Municipalities and the New Jersey School Boards Association, *The Art of the Possible: School Board/Municipal Cooperation*
- 1990** New Jersey Assembly Republican Task Force on Sharing County and Municipal Services, *Sharing Services: A New Approach to Regionalization*
- 1991** New Jersey Governor's Task Force on Local Partnerships, *The Challenge of Local Partnerships*
- 1994** New Jersey Department of Community Affairs, Division of Local Government Services, *Interlocal Services: Working Together—Municipal School Board Cooperation: An Overlooked Opportunity*
- 1994** New Jersey Department of Community Affairs, Division of Local Government Services, *Interlocal Services: Working Together, County-Municipal Cooperation*
- 1995** New Jersey Department of Education, Commissioner's Consolidation of Services Task Force, *Consolidation of Services, School District Survey*
- 1995** New Jersey Regionalization Consortium and Commission on Business Efficiency in the Public Schools, *Finding Opportunities for Improvement: Ideas on Regionalization and Shared Services*
- 1998** New Jersey Regionalization Advisory Panel, *Final Report*
- 1998** New Jersey Assembly Task Force on School District Regionalization, *Findings and Recommendations*
- 2002** New Jersey Department of Education, *County and Regional Office Study of Shared Services*
- 2005** New Jersey Office of Legislative Services, *Background Report: Regional School Districts: Apportionment of Costs in the Constituent Municipalities*
- 2006** Special Session Joint Legislative Committee on Government Consolidation and Shared Services, *Final Report*

units were not reduced, such as shared-services initiatives. Many of the recommendations in these reports have been translated into legislation.

Legislation

New Jersey law has long authorized and encouraged state and local government entities to share services. As early as 1950 the legislature encouraged collaboration among school districts with a provision authorizing county audiovisual aids centers. Provisions authorizing jointure commissions, educational services commissions and county special services school districts followed, in 1962, 1968 and 1971, respectively. In 1973, the Legislature adopted the Interlocal Services Act (P.L. 1973, c. 208, N.J.S.A. 40:8A-1 *et seq.*), stating its intent “to facilitate and promote interlocal and regional service agreements” (N.J.S.A. 40:8A-10). That measure authorized “local units” – school districts as well as municipalities, counties, local authorities, regional authorities, and other districts – to contract with other local units for the joint provision of services that each of them was authorized to provide separately. (In 2007 the Interlocal Services Act was repealed and replaced with provisions of the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, N.J.S.A. 40A:65-1 *et seq.*, but its substantive provisions remain essentially unchanged, except that the new statute excludes agreements “that are otherwise regulated by statute, rule or regulation,” (N.J.S.A. 40A:65-4), which could be read to exclude all agreements involving school districts. For further discussion of this issue, see Ambiguities, Disincentives and Other Impediments to Shared Services in School Districts, below.)

Statutory authority for joint purchasing is also well established. Since 1971, the Local Public Contracts Law has authorized “contracting units” (which do not include school districts) to engage in joint purchasing, N.J.S.A. 40A:11-10, and to purchase goods and services under the terms of “state contracts,” *i.e.*, contracts for the same goods or services obtained for state agencies by the state Department of the Treasury, N.J.S.A. 40A:11-12. In fact, statutory authority for school districts as well as municipalities and counties to purchase under “state contract” has existed since 1969 (P.L. 1969, c. 104, N.J.S.A. 52:25-16.1). Since 1977, the Public School Contracts Law has authorized joint purchasing between two or more school districts and between school districts and the governing bodies of municipalities and counties (N.J.S.A. 18A:18A-11).

Since 1983, boards of education have been authorized to form and become members of “school board insurance groups,” N.J.S.A. 18A:18B-2. Through membership in such a group, a board of

Table 3
*Shared Services in New Jersey School Districts –
 Legislative Action and Executive Orders*

- 1950** Pub..L. 1950, c. 228 adopted, authorizing establishment of county audiovisual aids centers
- 1952** Consolidated Municipal Services Act, N.J.S.A. 40:48B-1 *et seq.*, adopted
- 1962** P. L. 1962, c. 212 adopted, authorizing joint appointment of school business administrators
- P. L. 1962, c. 232 adopted, authorizing establishment of jointure commissions
- 1968** P. L. 1968, c. 243 adopted, authorizing establishment of educational services commissions
- 1971** P. L. 1971, c. 271 adopted, authorizing establishment of county special services districts
- 1973** Interlocal Services Act, Pub. L. 1973, c. 208, N.J.S.A. 40:8A-1 *et seq.*, adopted
- 1983** P. L. 1983, c. 108 adopted, authorizing self-insurance and joint self-insurance
- 1988** Executive Order No. 88 (1988) issued by Governor Whitman, directing various measures to promote shared services by municipalities and school districts
- 1991** Executive Order No. 43 (1991) issued by Governor Florio, establishing the Governor's Task Force on Local Partnerships
- 1992** Executive Order No. 63 (1992) issued by Governor Florio, establishing the State Agency Coordinating Council on Local Partnerships;
- N.J.S.A. 40A:10-52 adopted, authorizing joint insurance
- 1996** N.J.S.A. 18A:17-24.1 adopted, authorizing shared superintendents and school business administrators
- 1999** P. L. 1999, c. 60 (N.J.S.A. 40:8B-14 *et seq.*), adopted, authorizing REDI program
 P. L. 1999, c. 61 (NJSA 54:4-8.76 *et seq.*), authorizing REAP program, adopted
- 2006** Executive Order No. 9 (2006) issued by Governor Corzine, establishing the New Jersey Commission on Government Efficiency and Reform
- 2007** Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, §§ 1-3, adopted
- Executive County Superintendent Act, P.L. 2007, c. 63, §§ 42-57, adopted.
- P. L. 2007, c. 54, adopted, establishing the Local Unit Alignment, Reorganization and Consolidation Commission
- P.L. 2007, c. 18 (N.J.S.A. 18A:16-13.1) adopted, authorizing joint health and life insurance with municipalities

education may participate in a joint self-insurance fund or funds, risk management programs or related services, and establish insurance coverage for risks listed in the statute. And since 1992, boards of education and municipalities have been authorized to purchase certain types of insurance jointly, although until 2007 the relevant statutory provision, N.J.S.A. 40A:10-52, explicitly prohibited boards of education to join with other local units to provide “contributory or non-contributory group health insurance or group term life insurance.” The statute was amended in 2007, and a provision added to Title 18 (N.J.S.A. 18A:16-13.1) to allow boards of education and municipalities to purchase health and life insurance jointly (P.L. 2007, c. 18).

Since 1996, boards of education have been authorized to share their superintendents and school business administrators with other boards and to “subcontract” the services of their school business administrators to other school districts (P. L. 1996, c. 111, N.J.S.A. 18A:17-24.1 *et seq.*). (However, the measure authorizing these shared positions also provided that shared school business administrators would not receive tenure, and this provision (N.J.S.A. 18A:17-24.5) remains in effect.)

For the text of provisions cited here, see Appendix B, Selected Legal Authorities Governing Shared Services in New Jersey School Districts.

State Aid

State aid to school districts for their shared-services efforts has been statutorily authorized since adoption of the Comprehensive Educational Improvement Finance Act (“CEIFA”) in 1996, which included a provision for a “Consolidation of Services Grant Program.” The goal of that program, according to CEIFA, was to “utilize the county special services school districts to promote shared services and regionalization of such services as transportation, child study teams, related and other specialized services, programs of professional development, legal and arbitration services, technology, and purchasing.” The program has not amounted to much, however: consolidation of services aid was provided in 1997-98 and 1998-99, but no funds have been appropriated for the program since then.

Two aid programs administered by the Division of Local Government Services in the Department of Community Affairs (“DCA”) have been somewhat more generous. Since 1999, the Division has administered the Sharing Available Resources Efficiently (“SHARE”) Program,

formerly known as the Regional Efficiency Development Incentive (“REDI”) Program, and the Regional Efficiency Aid Program (“REAP”).

SHARE is a grant and loan program for local government units “to assist them in making decisions concerning the most efficient ways to regionalize or share various services and to provide funding for one-time costs required by such agreements, in order to accelerate such agreements to the benefit of local property taxpayers.” School districts are not eligible, but municipalities may receive this aid for projects in which one party to the arrangement is a school district. The legislature authorized \$10 million per year for the program when it was established, and while appropriations have never reached that level, \$4.2 million has been appropriated for the program each year since 2005. Actual expenditures have been only half that amount each year, according to the Office of Legislative Services.

REAP is not a grant or loan program; instead, it involves direct tax relief, in the form of property tax credits, to taxpayers in “local units and school districts” that have made efforts toward shared services, regionalization or consolidation. REAP tax credits averaging \$18 million per year were awarded in 2000 and 2001, and approximately \$10 million in 2002. The legislature froze appropriations for the program at the 2002 level in each year thereafter through 2007, and limited the credits to taxpayers in 14 municipalities. The 2008 appropriation is \$8 million, to be split among the same 14 municipalities that have received the credits for the last five years.

Collaboration and Sharing in School Districts

Whether spurred by Trenton initiatives or by local pressure to cut costs, public school officials have found many ways to collaborate in administration and educational programming, and have expressed interest in finding ever more extensive ways to share. At various points, the New Jersey Department of Education has collected information about district collaboration, specifically shared services. In 1995 the Commissioner’s Consolidation of Services Task Force published the results of a survey that focused on the extent to which school districts were receiving services provided by other districts or other entities, services they were providing for others, and services they would be willing to provide to others or obtain through a “consolidation arrangement” if one were available. It found that the most common areas of existing shared services were transportation and purchasing of supplies. It also found “great demand for future consolidation in the area of transportation” and “significant interest in future efforts to consolidate services in the area of technology.”

The Department again collected data on shared services in school districts in the early 2000s, as part of its then-new effort to provide support to districts through its regional field offices. In an article published in *New Jersey Municipalities* in May 2005, former Commissioner of Education William L. Librera referred to that data, noted that “[m]any districts have been involved in shared services arrangements, whether formal or informal, for years,” and provided a long list of services commonly provided through a collaborative arrangement. He also observed, “Our experience in shared services over so many years has taught us some things. Most are obvious. First, options are preferable to mandates, and districts need to have as many options available as will permit them to operate efficiently. Second, bigger is not always better.

*From “School Districts and Shared Services:
Reducing Costs and Improving Quality”
by former Commissioner of Education
William L. Librera*

Many districts have been involved in shared services arrangements, whether formal or informal, for years.... Examples of local initiatives in shared services and shared purchasing between municipalities and school districts include:

- Purchase, storage and dispensing of gas, diesel fuel, and rock salt
- Road, parking lot, sidewalk repair
- Office repair/construction and purchasing of office furnishings
- Use and maintenance of athletic fields and lawn maintenance
- Electrical, plumbing, custodial and computer technician services
- Safe Town/Safe Schools and DARE programs
- Vehicles and vehicle maintenance
- Website design and maintenance
- Transportation
- Shared administrative office space
- Snow removal
- Energy conservation
- Cable and telephone service
- Long range facility planning
- Recycling old computers, monitors and batteries
- Recreational programs
- Before and after school programs

These arrangements are in addition to those utilized among school districts such as sharing staff, shared after school programs, shared food services, shared co-curricular and sports programs, shared human resources services, shared curriculum coordination, shared technology, shared special education services, shared transportation, etc.

There are some very small districts that are extremely economically efficient. Those districts take advantage of shared service and similar opportunities to the extent possible. Third, cooperation, communication and flexibility are key components.”

From time to time county superintendents of schools (the state Department of Education’s representatives in each county) also have collected and updated information concerning school districts’ shared-services arrangements. County superintendents in eight counties (and the educational services commission in another, and the county business partnership in another) have conducted surveys to document the extent to which their districts are engaged in shared-services arrangements. The results of these surveys, which show extensive collaboration, are shown in Appendix C. The Monmouth County Superintendent publishes the data for that county on its website (<http://co.monmouth.nj.us/superintendent/>), which itself is an example of shared services, as the site is maintained by the County of Monmouth as part of the county’s website.

The New Jersey School Boards Association has facilitated districts’ collaborative efforts in various ways over the years. It has adopted policies and position statements promoting collaboration and shared services, and pursued those positions in its work in the state capital. As early as 1981, NJSBA surveyed its membership and compiled a guide to voluntary cooperative activities among New Jersey school districts. In 1982 it collaborated with the Educational Improvement Center-South and the New Jersey State League of Municipalities to publish *The Art of the Possible: School Board/Municipal Government Cooperation*. In 1995 its Ad Hoc Committee on Shared Services issued a report surveying existing shared-services arrangements and describing models in other states for possible consideration in New Jersey. The committee’s report also listed “factors which shape interest in sharing educational services,” first among which was “rising costs and overall increase in school-purpose tax levies,” as well as “factors which get in the way of sharing,” first among which was “concerns about potential conflict of interest.” Many of those factors, both positive and negative, remain relevant today.

While there is no definitive count of all the shared-services arrangements in which New Jersey school districts are currently engaged, they certainly number in the hundreds, if not thousands. The Joint Legislative Committee on Government Consolidation and Shared Services said in its final report in December 2006, “New Jersey local governments engage in

*From FINAL REPORT, NJSBA AD HOC COMMITTEE
ON SHARED SERVICES, November 1995*

Factors Which Shape Interest in Sharing Educational Services

- Rising costs and overall increase in school-purpose tax levies
- Changes in state and federal aid (static or declining revenues)
- Required services for students with special needs (these are higher cost services that place greater demand on available resources)
- Mandated programs and services, and the cost of complying with unfunded regulations
- Non-instructional operating costs (these costs include insurance, maintenance, snow and refuse removal, related support activities, and general administrative costs)
- A desire to raise the quality of existing services, as well as to add technology programs
- Growing enrollments and space needs
- The need to keep budgets within caps

Factors Which Get in the Way of Sharing

- Concerns about potential conflict of interest, especially on the part of municipalities which must decide on budget cuts in the event of a failed school budget vote
- The perception that sharing will result in loss of control or identity
- Fiscal inhibitors which include: joint ventures which could result in higher costs; disparities in salary scales; and concerns about logistics and administrative oversight
- School and municipal budgets and calendars which are prepared and implemented at different times, making collaboration difficult
- Insurance and medical coverage for employees which are negotiated in different arenas and at different times
- Determining who is responsible when a problem arises between the provider and the user
- The need to compromise in details, i.e., weight and brightness of paper
- Satisfaction with the status quo, i.e., "we have always done it that way"

a wide variety of shared services arrangements, some of which have been extremely effective....”

Numerous regional and state-wide entities have been formed to facilitate sharing and collaboration among school districts. These include:

- *Alliance for Competitive Energy Services (“ACES”)*, an electric and natural gas aggregation program run by the New Jersey School Boards Association, the New Jersey Association of School Business Officials and the New Jersey Association of School Administrators *Alliance for Competitive Telecommunications (“ACT”)*, a cooperative purchaser of long-distance telephone service, administered by the New Jersey Association of Business Officials
- *School Alliance Insurance Fund*, a joint insurance fund offering general liability, property, workers compensation, student accident and other coverages to 165 member school districts; and other joint insurance funds, including the *New Jersey School Boards Association Insurance Group*, *Bergen County Workers Compensation Pool* and *Burlington County Joint Insurance Fund*
- *Educational Data Services*, an organization that serves as the administrative agent for 214 districts engaged in cooperative purchasing of school supplies
- *Sussex County Regional Cooperative*, administered by the Hopatcong Board of Education, which provides pupil transportation services for more than 60 school districts. (For more information on this organization, see the shared services success story on page 20).

County and regional sharing arrangements are provided by educational services commissions, which exist in ten counties; county special services school districts, which exist in eight counties; and jointure commissions, which exist in three counties, as shown below. These entities provide services in the areas of special education and related services, including special education classes, child study team, guidance, and transition services; speech, physical and occupational therapy; and transportation services. Some provide more extensive services, such as enrichment and summer school programs offered by the Middlesex County Educational Services Commission, education technology support services offered by the Hunterdon County Educational Services Commission, on-line courses offered by the Monmouth-Ocean County Educational Services Commission’s Virtual School, and the assistive technology lending library of the South Bergen Jointure Commission. Another county-wide entity is the Burlington County Educational Media and Technology Center, formerly known as the county audiovisual aid center, which offers media and professional development services. At the regional level, the Educational Improvement Resource Center-South, located in Gloucester County, offers services

*County Special
Services School
Districts*

Atlantic
Bergen
Burlington
Cape May
Gloucester
Mercer
Salem
Warren

*Educational
Services
Commissions*

Camden
Essex Regional
Hunterdon
Middlesex Regional
Monmouth-Ocean
Morris
Passaic
Somerset
Sussex
Union

*Jointure
Commissions*

South Bergen
Bayshore
Morris-Union

ranging from administrative support to special education programs to professional development.

At the local level, districts engage in a wide variety of shared-services arrangements with their municipal counterparts. They commonly share facilities with local government entities, such as athletic fields, recreational facilities and administrative office space; many share maintenance services, such as snow plowing, lawn maintenance, sidewalk and parking lot repair and maintenance, and vehicle maintenance; some also share maintenance staff; and some share services such as cable television, computer networking and telecommunications. Districts also engage in a wide variety of arrangements with other individual districts, such as special education programs, pupil transportation, food services, and financial services. For instance, more than 40 districts have joined together to form the Bergen County Banking Consortium, led by the Emerson school district; 45 Monmouth County districts reportedly share payroll and financial services; specialized programs serving students with disabilities from multiple districts, particularly programs for autistic students, are becoming increasingly common. Quite a few boards share their school business administrators or other administrative staff; for instance, one business administrator serves 14 small South Jersey districts. More than a dozen districts share superintendents. Case studies of three noteworthy shared-services arrangements appear on the pages that follow. For the most comprehensive list available of New Jersey school districts' shared-services arrangements, see Appendix C.

Shared Services Success Story: Sterling Regional High School District

The Sterling Regional High School District in Camden County has found many ways to save, for itself and its neighbors, through shared services:

- *Technology* -- The South Jersey Technology Partnership is an informal arrangement formed in 2005, an outgrowth of Sterling Regional High School's technology center. Staffed by approximately 12 full-time and 14 part-time district employees, the Partnership provides a variety of computer technology services to 60 to 70 smaller districts and charter schools, seven municipalities, a housing authority and several nonprofit organizations (it is actively seeking additional clients). For instance, Battleship New Jersey is a client: the Partnership hosts its website, installed a wireless network, rebuilt its computer services and monitors those services.

The Partnership charges 20 to 50 percent less than the market rate for labor and 20 to 60 percent less than the market rate for materials. All of its costs are paid from program fees rather than district funds. The partnership's administrator, Joseph Giambri, estimates that it has saved its clients approximately \$800,000 on billings totaling \$6 million in the short time since its inception. The district is using program fees to underwrite the costs of a new expanded technology center.

- *Custodial and Maintenance Services* -- The district provides a variety of auxiliary custodial and maintenance services for other entities on an as-needed basis. For instance, if a district needs an electrician and Sterling has one available, the district will provide those services for a fee. It has an ongoing relationship to provide electrical and HVAC services for Salem County Vocational School; it has provided electricians for the Somerdale, Magnolia Borough, and Laurel Spring districts; and it has provided roofing services for North Plainfield in Union County.
- *Business Services* -- Sterling also has partnered with the Hi-Nella Board of Education, a non-operating district, to provide business services, resulting in substantial savings and improved services for Hi-Nella. Previously, Hi-Nella rented space for \$500 per month and its part-time business staff was available only for limited hours each week. Now, a Sterling assistant business administrator acts as a part-time business administrator for Hi-Nella, including attending all board meetings. Hi-Nella pays the business administrator's salary and Sterling Regional pays the benefit costs. Hi-Nella pays no rent, and the Sterling Regional business office staff is available five days a week.
- *Gas Purchasing* -- Sterling shares natural gas purchasing with the Stratford Board of Education.
- *Motor Vehicle Fuel Purchasing* -- It coordinates joint purchasing of motor vehicle fuel with the Somerdale and Stratford police departments.
- *Substance Abuse Coordinator* -- Sterling's substance abuse coordinator provides services to five elementary districts.
- *Athletic Facilities* -- Middle school students from other districts use Sterling's athletic facilities for certain programs.
- *Child study team* -- The district shares child study team services with other districts.

Shared Services Success Story: Sussex County Regional Cooperative

For 12 years the Sussex County Regional Cooperative has provided transportation services for students who attend school outside their home districts. Established by 14 Sussex County districts at a time when the county educational services commission was having difficulty providing coordinated transportation for students with disabilities, the cooperative now serves over 70 districts in Sussex, Morris, Essex, Hunterdon and Warren counties, and provides transportation for not only students with disabilities but those attending vocational schools, nonpublic schools and other programs. Its billings have increased from \$300,000-\$400,000 in its first year of operation to \$15 million in 2007.

Member boards decrease their transportation costs by at least 50 percent by sharing cooperative routes with other districts. They pay the actual cost of transportation plus a 4% administrative fee, which covers the costs of office staff, supplies, insurance and legal fees. The cooperative has its own board of directors, and employs three office staff members, five drivers and a mechanic. It leases eight handicapped-accessible vans.

The Cooperative strives to minimize the length of the routes so that children spend as little time on buses as possible. It has received the highest transportation efficiency rating of all transportation providers – including local districts -- in New Jersey.

In addition to the transportation itself, the Cooperative holds regional meetings twice a year for its members. State Department of Education representatives speak on emerging issues, and meetings address topics such as contracting, student safety, bus inspections, and CPR training.

Although the cooperative is designed to be self-sufficient and nonprofit, for the last two years it has generated a profit, which it is considering using to purchase a 24-passenger bus that could be reconfigured to accommodate up to seven wheelchairs.

Boards that wish to use a route provided by the cooperative must adopt a resolution to participate in the cooperative's joint transportation agreement. The resolution serves as an agreement between the board and the cooperative for the provision and coordination of transportation. A copy of the required resolution is available on the cooperative's website, www.sussexcoop.org.

The Cooperative's Superintendent, Dr. Wayne L. Threlkeld, maintains that the cooperative's success is attributable to a "concerted effort" by everyone involved. "There is no magic to it," he says.

Shared Services Success Story: Bergen County School District Banking Consortium

In summer 2006, 23 loosely affiliated Bergen County boards of education issued a joint request for proposals for commercial banking services. They sent the RFP to every bank doing business in the area and everyone doing business with banks. Five banks submitted bids, and a committee of school business administrators reviewed the proposals, evaluated them based on a rubric emphasizing financial benefit and customer service, and decided unanimously to award the contract to Commerce Bank.

This was good news for Commerce, and even better news for the member districts. Overnight, they went from being small fry to big investors. Among other things, the interest rate on their deposits increased substantially. By one estimate, the increase has resulted in combined additional revenues of about \$100 million in one year for the 23 districts.

By summer 2007, the Bergen County School District Banking Consortium – New Jersey’s only government banking consortium – included 41 member districts, and it had formalized its organizational structure. Its executive director, Dr. Philip Nisonoff (who also serves as the Emerson school district’s assistant superintendent/school business administrator and was the consortium’s driving force) was projecting a significant further increase in membership in coming months. Other types of entities, municipalities and public colleges, also have requested information, looking to the consortium as a model for their own joint banking activity.

The consortium is not a pooled investment. District funds are not commingled. Each member board of education adopts a resolution authorizing its membership in the consortium and establishment of the several required school district accounts with Commerce Bank, and each board maintains its own separate accounts and banking agreements. Any New Jersey board of education may join, though an application process is required. There are no membership fees. Each member may withdraw at any time, with no liability or penalty imposed by the consortium.

The consortium’s goals, and the benefits to its members, are two-fold: maximizing interest earnings and increasing districts’ business office efficiency. The negotiated interest rate on all accounts is based on the collective balances of all the member districts, even though the accounts are maintained separately, thus achieving the first goal. And because the rate is consistently high, business administrators need not spend time monitoring rates and transferring funds among accounts in order to achieve the highest available rate, thus achieving the second goal. Efficiency also results from the improved customer service that comes with being a large investor. Even for districts with no local Commerce Bank branch, banking has been made easy: the consortium’s RFP required the bank to agree to provide courier services every two days to any member district where there was no branch within three miles.

Increased revenue and improved service – all as a result of a local effort spawned by one district official who saw the enormous potential benefit of collaborative activity – that’s a shared-services success story.

***Survey of Shared Services in School Districts
in
Bergen, Burlington, Essex and Somerset Counties***

Having provided the overview of shared services in New Jersey school districts, in this section we look more closely at shared services, joint purchasing and other collaborative arrangements in school districts in four New Jersey counties: Bergen, Burlington, Essex and Somerset.

These counties were chosen for their diversity, in relation to each other and among the districts in each county. They differ geographically, north-to-south and urban-suburban-rural; and they differ in size, both in area and in the number of districts within their borders. Bergen has the largest number of districts, with 77; Somerset has the fewest, with 20; Burlington has 42 and Essex 22. In each of the four counties the districts cover a range of socioeconomic levels, as shown in the table below, although Essex has a significantly higher percentage of districts at the lowest level (district factor group (“DFG”) A) than the other three; and within the counties, Bergen, Essex and Somerset all have significantly higher percentages of districts at the second-to-highest socioeconomic level, DFG I.

Basic information about every district in each of the four counties was obtained from data published by the New Jersey Department of Education (<http://www.state.nj.us/education/data/>). Additional descriptive information, as well as

Table 4

*Bergen, Burlington, Essex and Somerset County Districts
District Factor Group (DFG) Designations*

	<u>A</u>	<u>B</u>	<u>CD</u>	<u>DE</u>	<u>FG</u>	<u>GH</u>	<u>I</u>	<u>J</u>
Bergen (73 districts*)	1/1%**	5/7%	7/10%	8/11%	9/12%	11/15%	25/34%	7/10%
Burlington (40 districts)	1/3%	6/15%	5/13%	9/23%	8/20%	6/15%	5/13%	0/0%
Essex (21 districts)	4/19%	0/0%	1/5%	1/5%	1/5%	2/10%	9/43%	3/14%
Somerset (17 districts)	0/0%	2/12%	1/6%	1/6%	1/6%	2/12%	8/47%	2/12%

* District totals do not include vocational school districts, special services school districts or non-operating school districts, which do not have DFG designations.

** Amounts shown are number and percent. Percents may not add due to rounding.

information relating to shared-services arrangements, was collected with a survey sent to each district and interviews of administrators in selected districts. The survey instrument (a copy of which appears in Appendix D) was designed to collect the following data:

- Descriptive data about each district: enrollment, operating budget, facilities, current and anticipated capital projects
- Public support of school district budget: approved or rejected in each of the past three years
- Written policies and procedures relating to shared services
- Shared service agreements: nature of services or goods involved, parties to each arrangement, terms of each arrangement
- Estimated cost savings
- Reasons for entering into each arrangement
- Benefits and costs associated with shared-services arrangement
- Whether each arrangement will be renewed or continued beyond expiration
- Shared-services arrangements considered but rejected

In February 2007, the survey was sent by email to the school business administrator in each of the 161 school districts in the four counties, with a cover message describing the research and requesting a response. Copies also were sent by email to district superintendents. This resulted in six completed survey responses. Approximately two weeks later, reminders were sent by email to business administrators who had not responded. This resulted in another 13 completed survey responses, for a total of 19. In early March, the survey was sent by first class mail with a cover letter to school business administrators in the remaining 142 districts. This resulted in 26 additional completed responses, bringing the total to 45. In late April, follow-up calls were made to districts that still had not responded. With some districts, surveys were completed by telephone. Other districts returned completed responses by mail or fax in response to these calls. Calls were completed, and all completed responses received, by early June.

In total, 66 of the 161 school districts responded to the survey, a 41% response rate. The response rate, by county, is as follows:

- Bergen 30 of 77 districts 39%
- Burlington 21 of 42 districts 50%
- Essex 7 of 22 districts 32%
- Somerset 8 of 20 districts 40%

Table 5

Shared Services Survey Respondents

<u>Enrollment Size</u>		<u>Grade Configuration</u>		<u>District Factor Group</u>	
Non-operating	2	Non-operating	2	A	1
1 – 500	8	K-5 / K-6 / K-8	30	B	5
501 – 1000	16	6-12 / 7-12 / 9-12	7	CD	7
1001 – 2000	13	K-12	<u>27</u>	DE	9
2001 – 3000	12	TOTAL	66	FG	9
3001 – 5000	10			GH	9
5001 or more	<u>5</u>			I	19
TOTAL	66			J	3
				No Designation	<u>4</u>
				TOTAL	66

The survey respondents cover a wide range in enrollment size, grade configuration and socioeconomic level (district factor group). The range for each of these variables is shown in Table 5. As shown, two of the responding districts are non-operating districts. Those districts submitted no data or information. The analysis that follows does not include those two districts.

Profiles of all survey respondents other than the non-operating districts, with shared-services information culled from their responses, appear in Appendix E.

Five follow-up interviews with district administrators were conducted in April and May 2007. These interviews were designed to develop a better understanding of why certain districts had entered into shared-service agreements or had not done so; what, if anything, prevented them from doing so; and costs and benefits associated with shared-services arrangements. An interview guide was developed to collect the following information:

- What shared-services, joint purchasing or other collaborative arrangements are currently in effect
- What arrangements have been considered but rejected, and why
- How savings are calculated and documented, if at all
- What costs are involved in initiating and implementing collaborative arrangements

These interviews were conducted by two researchers (a Rutgers professor of public administration and an attorney with experience representing boards of education). Three were

conducted in person and two by telephone. The in-person interviews were conducted by the two researchers together, and the telephone interview by one researcher alone. Each of the interviews lasted approximately 90 minutes.

Interviews of county superintendents in Bergen, Burlington and Somerset (as well as Cape May and Monmouth) counties also were conducted between March and May 2007, to obtain general information about collaborative activities and specific examples of successful collaborative efforts. These interviews were conducted by one researcher alone or in teams of two consisting of a professor of public administration and an attorney.

Approximately 30 additional interviews of district administrators in school districts, service providers and other local government bodies were conducted between April and July 2007. These interviews were designed to obtain additional information about specific shared-services and other collaborative arrangements in the four counties as well as in other areas of the state and other states. Some of these interviews were conducted in person, again by a two-person team; most were conducted individually by phone, by a faculty member, attorney or graduate student.

Operating Budgets

Sixty-one districts responded to a survey question regarding district budgets, and reported that their annual operating budgets range from \$4 million to \$100 million. In 38 of the 61 districts (62%) budgets were approved in all three years from 2004 to 2006, while in 23 districts (38%) budgets were denied in at least one of the three years. In two districts (3%) budgets were rejected in all three years. As a whole, the districts reported a downward trend for budget approval over the three-year period:

- 51 out of 61 district budgets (84%) were approved in 2004
- 49 out of 61 district budgets (77%) were approved in 2005
- 39 out of 61 district budgets (61%) were approved in 2006

The downward trend in budget approvals was clear among respondent districts in Bergen County, but less clear or nonexistent in the other three counties. The trend was fairly clear among districts in all district factor groups and districts of all grade configurations. It was less clear across districts of varying enrollment sizes. Budget approval data disaggregated by county, district factor group, district grade configuration and enrollment size is shown in Appendix F.

Board of Education Policies

Twenty of 54 districts (37%) responding to a question regarding board policies on shared services reported that they have written policies or procedures requiring or encouraging shared services, joint purchasing or other measures to promote efficiency through collaboration with other boards, other public entities or private entities. Those policies and procedures typically refer to joint or cooperative purchasing. They include provisions such as the following, from one board's policy entitled "Purchasing Procedures":

The board of education encourages the administration to seek advantages in savings through joint agreements for the purchase of work, materials or supplies with the governing body(ies) or by other cooperative pricing arrangements. The administration shall also evaluate any savings which may result from the purchase of any materials, supplies or equipment under contracts entered into by the state treasury department, division of purchase and property.

They also include the following similar provision, from another board's policy entitled "Cooperative Purchasing":

The Board of Education recognizes that centralized, cooperative purchasing tends to maximize the value received for each dollar spent. The administration is encouraged to seek savings that may accrue to this district by means of joint agreements for the purchase of goods or services with the governing body or bodies of other contracting units within this county or adjoining counties or by means of contracts entered into by the New Jersey State Treasury Department, Division of Purchase and Property.

The Business Administrator is hereby authorized to negotiate such joint purchase agreements for goods and services which the Board may determine to be required and which the Board may otherwise lawfully purchase for itself with such approved contracting units as may be appropriate in accordance with state law, the policies of this Board, and the dictates of sound purchasing procedures.

The policies provided by survey respondents are as noteworthy for what they do *not* say as for as what they do say. For example:

- None of the policies refers to "shared services."
- None of the policies explicitly authorizes or encourages district administration to *offer*, rather than *obtain*, services in collaboration with other boards or other entities.
- None of the policies explicitly authorizes or encourages collaboration in the provision of educational programs.

The absence of such provisions, coupled with the fact that more than half of the respondent districts reported that they have no written policies on shared services or other collaboration, could indicate that boards are not devoting attention to the topic, and that they should be encouraged to do so in order to spur administration to greater collaborative efforts. It also could

indicate that collaborative efforts are occurring in school districts without the need for explicit board policy. Both may be true. Stronger board policy statements in favor of sharing and collaboration might encourage more collaborative activity, but survey responses show that collaborative efforts in many areas, including educational programs, are taking place, either because of perceived district “culture” in favor of such efforts or through administrators’ own initiative. As one survey respondent stated, “There [are] no formal policies, but the Board insists on looking for opportunities to share services with the municipality, other districts and the county. It is part of the culture here.”

Shared Services Arrangements

Types of Goods and Services. Survey respondents provided data regarding the types of goods and services involved in their shared-services arrangements, the other entities with which they are sharing or collaborating, whether the arrangements are set forth in formal agreements, and the anticipated and perceived benefits of shared-services arrangements.

Table 6	
<i>Shared Services Arrangements – Respondent School Districts</i>	
Transportation	56 districts / 88%
Insurance	49 districts / 77%
Supplies	38 districts / 59%
Special Education Classes	36 districts / 56%
PT, OT, Speech Therapy	34 districts / 53%
Professional Development	31 districts / 48%
Other	25 districts / 39%
Child Study Team Services	20 districts / 31%
Food Services	17 districts / 27%
Facility Maintenance	16 districts / 25%
Custodial Services	9 districts / 14%
School Business Services	8 districts / 13%
Other Administration	7 districts / 11%
Other Instruction	5 districts / 8%
Textbooks	4 districts / 6%
Health Services	3 districts / 5%
Security	3 districts / 5%

Sixty-two of the 64 respondent districts (97%) reported that they engage in some type of shared-services arrangement. As shown in Table 6, the shared service most frequently reported is pupil transportation (56 districts, 88%), followed by insurance coverage (49 districts, 77%), supplies (38 districts, 59%), special education classes (36 districts, 56%) and the special education related services of physical therapy (“PT”), occupational therapy (“OT”) and speech therapy (34 districts, 53%). The least frequently reported arrangements are security and health services (3 districts, 5%, each), followed by textbooks (4 districts, 6%) and “other instruction” (5 districts, 8%).

Analyzed by county, district factor group, district grade configuration, and district enrollment size, the most frequently reported shared-services arrangements mirror those reported by respondent districts as a whole: transportation, insurance coverage, supplies and special education classes; and the least frequently reported types of arrangements are also generally similar: security, health services and textbooks. There is variation among the categories, however. Highlights include:

By county:

- The percentage of Somerset County districts reporting shared-services arrangements is lower than the other three for insurance coverage and supplies, but higher for facilities maintenance and security.
- The percentage of Essex County districts reporting shared-services arrangements is substantially lower than the other three for special education classes, and also somewhat lower for transportation.
- The percentage of districts reporting shared-services arrangements for physical therapy, occupational therapy and speech therapy is higher in Burlington and lower in Somerset than the other counties; and the same is true as to shared-services arrangements for food services.
- The percentage of districts reporting shared-services arrangements for supplies varies considerably among the counties, but is quite similar for professional development.

By district factor group:

- The percentage of districts reporting shared-services arrangements for special education classes and professional development is lower in DFG A or B than in other groups
- The percentage of districts reporting shared-services arrangements for supplies is lower in DFG A, B and CD than in other groups

- The percentage of districts reporting shared-services arrangements for textbooks is higher in DFG FG than in other groups
- The percentage of districts reporting shared-services arrangements varies considerably among the district factor groups as to special education classes, food services and professional development.

By grade configuration:

- The percentage of K-12 districts reporting shared-services arrangements for child study team services, special education classes, other administration, custodial services; PT, OT and speech therapy; and professional development is substantially lower than that of districts with other grade configurations.
- A relatively high percentage of districts with grades 6-12/7-12/9-12 report shared-services arrangements in security.
- A relatively high percentage of districts with grades K-5/K-6/K-8 report shared-services in textbooks.
- The percentage of districts reporting shared-services arrangements in professional development and PT, OT and speech therapy varies considerably among the different grade configurations.

By enrollment size:

- For almost every type of shared-services arrangement (all but custodial services, facilities maintenance, health services and security), the percentage of districts in the two smallest enrollment categories reporting such arrangements is larger than the percentage of districts in the two largest categories.
- No districts in the three largest enrollment categories reported shared-services arrangements for “other administration,” while 29% of the districts in the smallest enrollment category (and 25% of the districts in the second-smallest and 8% of the districts in the third-smallest category) reported such arrangements.
- Similarly, no districts in the four largest enrollment categories reported shared-services arrangements for “other instruction,” while 29% of the districts in the smallest enrollment category (and 13% of the districts in the second-smallest category) reported such arrangements.
- None of the districts in the largest enrollment category reported shared-services arrangements for transportation, textbooks, child study team services, other administration, other instruction, school business services, health services or security; but the percentage of districts reporting shared-services arrangements for custodial services is higher in this enrollment category than any other.
- The percentage of districts reporting shared-services arrangements for supplies ranges from 30% for districts with enrollments in the 3001-5000 range to 69% for districts in the 1001-2000 range.

- The percentage of districts reporting shared-services arrangements for insurance coverage ranges from 60% for districts with enrollments of 3001-5000 and 5001 or more to 100% for districts in the 1001-2000 range.
- The percentage of districts reporting shared-services arrangements for transportation ranges from 75% for districts with enrollments in the 2001-3000 range to 100% for districts with enrollments in the 1-500 range.

Detailed survey response data, disaggregated by each of the four variables discussed here, appears in Appendix F. We caution, however, against drawing conclusions from the disaggregated data. While the survey response rates among districts in all four counties would be considered quite good by most social scientists, the numbers of respondent districts in Essex and Somerset counties are quite small (seven in Essex, eight in Somerset), so that there is not sufficient data to support any conclusion as to the extent of shared services in these counties as a whole. The numbers of respondent districts in DFGs A and B (which have been combined into one group for purposes of this analysis) and in DFG CD are quite small (six in DFGs A and B, seven in DFG CD), so that there is not sufficient data to support any conclusion as to the extent of shared services overall in these district factor groups. Similarly, the number of respondent districts in the largest enrollment category, districts with 5001 or more students, is quite small (five), so that there is not sufficient data to support any conclusion as to the extent of shared services in districts overall in this category.

Other Parties to Shared-Services Arrangements. Fifty-four of the 64 respondent districts answered the survey question asking to identify the other entity or entities with which they were participating in sharing or collaborative arrangements. The most commonly reported type of arrangement is with consortia of boards of education or other entities, followed by arrangements with other individual boards of education, municipalities, counties and other entities. Since many districts reported that they participate in more than one arrangement, many responded to this question by identifying more than one type of entity. The responses were as follows:

- 40 of the 54 districts (74%) reported a shared-services arrangement with a consortium of boards of education or other public entities
- 35 of the 54 districts (65%) reported a shared-services arrangement with another board of education
- 22 of the 54 districts (41%) reported a shared-services arrangement with a municipality

- 4 of the 54 districts (7%) reported a shared-services arrangement with a county government
- 1 of the 54 districts (2%) reported a shared-services arrangement with some other type of entity
- 35 of the 54 districts (65%) reported shared-services arrangements with more than one type of entity.

The mix of types of entities with which boards of education participate in shared-services arrangements is generally the same across all four counties as well as across district factor groups, grade configurations and enrollment sizes, as shown in detail in Appendix F.

<u>Number of Districts</u>	54
Consortia of Boards and/or Other Entities	40 / 74%
Other Boards of Education	35 / 65%
Municipalities	22 / 41%
Counties	4 / 7%
Other Entities	1 / 2%
More than One Type of Entity	35 / 65%

Interlocal Services Agreements. Forty-five districts responded to a question asking whether their shared-services arrangements are set forth in interlocal services agreements. Of the 45, 28 (64%) answered yes and 16 (36%) answered no. The percentages are consistent across the four counties, with minor variation, as shown in Table 8. Thus, it appears that a sizeable minority of responding districts that engage in some form of shared-services effort do so without formal board action authorizing the arrangement.

Reasons for Sharing Services. Fifty-eight of the 64 districts provided their reasons for entering into shared-services arrangements. By far, the reason cited most often was anticipated cost savings, cited by 48 of the 58 districts (83%), as shown in Table 9. In contrast, encouragement by the county superintendent or county business administrator was cited by only eight respondent districts (14%), second only to marketing by the vendor as the reason cited least frequently. As shown in tables in Appendix F, the percentage citing encouragement

by the county superintendent or county business administrator was somewhat higher in Somerset than the other three counties (two districts, 25%), though we again caution against drawing any conclusions from the available data, given the small sample sizes. The results are similar when responses are analyzed by district factor group, grade configuration and enrollment size.

Table 8
*Shared-Services Arrangements
Set Forth in Interlocal Services Agreements*

	<u>Number of Districts</u>	<u>Yes</u>	<u>No</u>
Bergen	20	12 / 60%	8 / 40%
Burlington	18	12 / 67%	6 / 33%
Essex	3	2 / 67%	1 / 33%
Somerset	4	3 / 75%	1 / 25%
TOTAL	45	29 / 64%	16 / 36%

Table 9
*Reasons for Entering Into
Shared-Services Arrangements*

<u>Number of Districts</u>	58
Anticipated Cost Savings	48 / 83%
Board Initiative	16 / 28%
Encouragement by County Superintendent or BA	8 / 14%
Encouragement by Other Board/ Other Entity	10 / 17%
Product or Service Otherwise Unavailable	9 / 16%
Marketing by Vendor	4 / 7%
Other	11 / 19%

Benefits of Shared Services. Forty-two districts responded to a survey question pertaining to the perceived benefits of shared-services arrangements. Among those districts, cost savings was by far the most commonly cited benefit, identified by 33 districts (79%). Other identified benefits included service improvement (15 districts, 36%), reduction in workload or elimination

of redundancy (five districts, 12%), availability of an otherwise unavailable service or product (four districts, 10%), convenience (four districts, 10%), and compliance with legal requirements (one district, 2%), as shown in Table 10.

Table 10
Benefits of Shared Services

Number of Districts	42
Cost Savings	33 / 79%
Service Improvement	15 / 36%
Reduction in Workload/ Elimination of Redundancy	5 / 12%
Service Availability	4 / 10%
Convenience	4 / 10%
Compliance with Legal Requirements	1 / 2%

Cost Savings. A relatively small number of survey respondents, 34 of 64, responded to a survey question pertaining to the cost savings realized from shared-services arrangements. As shown in Table 11, eight of the 34 (24%) said the savings were unknown, undeterminable or difficult to calculate. Seven of the 34 (21%) said the savings vary from year to year or item to item and did not provide an estimate. Nineteen of the 34 (56%) provided an estimate or description of their savings.

Table 11
*Cost Savings
Resulting from Shared-Services Arrangements*

Number of Districts	34
Some Estimate or Calculation Provided	19 / 56%
Amount Varies / No Estimate Provided	7 / 21%
Unknown / Undeterminable / Difficult to Calculate	8 / 24%

Of the 19 districts responding to this question, 13 provided some explanation of the basis for their estimate or their method of calculating savings. Both the estimates and the explanations vary widely in their degree of specificity:

- Tens to hundreds of thousands – Estimated
- Minimal [No explanation.]
- \$583,752 – Annual route cost / total # of students X # of district students transported
- \$2,000,000 – Calculated based on a 40% savings realized the first year of pooling [workers’] compensation
- \$300,000 – Actual cost of transportation
- \$150,000 [No explanation.]
- \$445,000 – Actual and estimate
- 200,000 [No explanation.]
- Tens of thousands – Savings over years
- 5% -- Comparative rates
- \$40,000 [No explanation.]
- \$72,000 – Comparing invoices
- 200,000 per year on telecommunications [No explanation.]
- 10,000 – Guestimate
- 15-20% on natural gas purchase [No explanation.]
- \$84,329 [No explanation.]
- 100,000 [No explanation.]
- \$150,000 – Estimated
- \$320,000 – Instructional and support salaries

Thus, while some of the districts provided no solid basis for their estimate of the savings realized from their shared-services arrangements, some provided a very specific basis such as the comparison of rates or invoices or budgeted versus actual expenditures, and even some that provided no specific explanation provided a very specific dollar amount of savings. Further, while several districts responded that their savings from shared services are relatively small, ten of the 19 – a majority of those providing an estimate in response to this question – estimated savings in excess of one hundred thousand dollars per year, and some considerably higher.

Costs of Shared Services. Forty-two districts responded to a survey question pertaining to the costs of shared-services arrangements. As shown in Table 12, eight of the 42 (19%) said they did not know, the costs had not been calculated or were difficult to compute. One respondent stated, “We do not break down costs, as these tasks are part of regular staff duties,” and another,

“It becomes just part of the expected day’s work.” Fourteen of the 42 (33%) responded that there were no costs associated with shared services, while 16 (38%) identified some cost. Of that 16, six said the cost was “minimal,” “minor” or “marginal.” Ten identified the cost, such as “administrative time and cost” or “legal services to review the contract,” or made a comment such as “some staff time is required.” One district responded, “Cost of legal review of all agreements, annual fee associated with the joint purchasing agreement, staff cost related to processing and negotiating agreements.” Only two districts offered specific dollar amounts, and those appear to be estimates:

- “Several sessions spent negotiating contracts – probably cost in labor – \$2000”
- “Negotiation \$500, legal \$1000, coordination \$500”

<u>Number of Districts</u>	42
No Cost	14 / 33%
Minimal / Minor / Marginal Cost	6 / 14%
Some Cost	10 / 24%
Don't Know / Costs not Calculated / Difficult to Compute	8 / 19%
Nonresponsive Answer	4 / 10%

Plans to Renew. Forty-nine districts responded to a survey question asking whether they plan to renew each of their shared-services arrangements upon their expiration. Their response was unanimously positive: all 49 responded that the arrangements would be renewed. One respondent expressed interest in increasing the district’s collaborative efforts, stating, “Yes, we plan to continue all services as well as seek out new ones that will be beneficial.” Another focused on maximizing savings, stating: “Yes, unless better deals occur.” None expressed any reservation about sharing or collaboration.

In response to a question asking whether the district had ever given serious consideration (“more than a fleeting thought”) to a shared-services, joint purchasing or other collaborative arrangement but decided against it, 15 of the 64 districts (23%) stated that they had. The types of arrangements reported by those districts to have been considered but rejected run the gamut, as shown in Table 13. As shown in Table 14, the districts responding yes to this question are

located in all four counties, though they include a lower percentage of Burlington County districts (two of 21 districts, 10%) than the other three. We caution against drawing any conclusions from the available data, however, given the small sample size.

Only two of the 15 districts said the reason for deciding against the arrangement was financial (*i.e.*, that the arrangement would provide no cost savings). Most identified some other reason, such as “the administration would be difficult to please both bodies,” “the other district backed out,” and “differences in software.” Two mentioned legal or regulatory obstacles precluding the arrangement. Four said the arrangement was still under consideration.

Table 13
*Shared-Services Arrangements
Considered but Rejected*

Transportation	4	School Business Services	2
Child Study Team Services	4	Health Services	2
Textbooks	3	Supplies	2
Special Education Classes	3	Other Administration	1
PT/OT/Speech Therapy	3	Other Instruction	1
Custodial Services	3	Food Services	1
Facility Maintenance	3	Professional Development	1
Other	5		

Table 14
*Shared-Services Arrangements
Considered but Rejected
(by County)*

	<u>Bergen</u>	<u>Burlington</u>	<u>Essex</u>	<u>Somerset</u>
<u>Number of Districts</u>	28	20	7	8
<u>At Least One Arrangement Rejected</u>	7 / 25%	2 / 10 %	4 / 57%	4 / 50%

Finally, survey respondents were given an opportunity to provide other comments regarding shared services, joint purchasing or collaboration. Representative comments include:

- The district seeks to provide the best education at the lowest possible cost and will explore cost savings initiatives including shared services when they can contribute to attaining that goal.

- We make every attempt to share services, do joint purchasing or collaboration with other boards of education or public entities whenever possible (several similar).
- “Political comments” – If what’s in newspapers is true, as a BA and person who cares about fiscal integrity, it’s insulting to say that school districts aren’t sharing services – they have been for many years.
- Shared services is not a new idea to the [name of district] Board of Education. The data provided above illustrates that fact.
- We have always been open to shared services. In many cases, implementation is not always practical, but we [are] always investigating opportunities.
- Shared services is not a new concept.... Most school officials have been doing this for years.
- The process of engaging in shared services, joint purchasing arrangements and collaborating with other boards of education can be successful, if the interest of all parties involved are adequately served.
- There are obstacles – political.

State Law
Governing Shared Services in School Districts

As mentioned above, at least on its surface, New Jersey law has long encouraged state and local government entities and other public agencies to share services. Numerous provisions of Title 18A of the New Jersey statutes, which govern public education, authorize collaboration, joint activity and sharing. Amendments and several new provisions added to Title 18A and Title 40A in 2007 were intended to improve efficiency and facilitate sharing.

Education Provisions

In addition to the provisions mentioned above authorizing school districts to share superintendents and business administrators (N.J.S.A. 18A:14.1 and 18A:24.1) and to participate in joint insurance funds (N.J.S.A. 18A:18B-3), Title 18A includes provisions authorizing boards to provide jointly for pupil transportation (N.J.S.A. 18A:39-11), child study team services and facilities and services for students with disabilities (N.J.S.A. 18A:46-5.1, 18A:46-24), and nursing services to nonpublic schools (N.J.S.A. 18A:40-28). It also includes provisions authorizing the establishment of various statewide, regional, county or multi-district entities

18A:6-51 et seq.	Educational Services Commissions
18A:6-95.1	Educational Improvement Resource Center
18A:7F-22	Distance Learning Networks
18A:7F-30	Consolidation of Services Grant Program
18A:17-14.1	Appointment of School Business Administrator
18A:17-24.1 et seq.	Shared Superintendent and Business Administrator
18A:18A-11	Joint Purchasing
18A:18B-3	School Board Insurance Group
18A:34-3	Statewide Textbook Bank
18A:39-11	Joint Transportation
18A:40-28	Nursing Services (to nonpublic schools)
18A:46-5.1	Child Study Team Services
18A:46-24	Joint Facilities, Examinations, Transportation (of students with disabilities)
18A:46-29	County Special Services School Districts
18A:51-1	County Audiovisual Aids Centers

offering shared or joint services, including educational service commissions (N.J.S.A. 18A:6-51 *et seq.*), county special services school districts (N.J.S.A. 18A:46-29), statewide distance learning networks (N.J.S.A. 18A:7F-22), educational improvement resource centers (N.J.S.A. 18A:95.1), and a statewide used textbook bank (N.J.S.A. 18A:34-3).

Additionally, several provisions of Title 6A of the New Jersey Administrative Code, the regulatory provisions governing public education, permit or encourage collaboration and shared services. N.J.A.C. 6:23-7.5 authorizes boards of education to establish joint purchasing systems. N.J.A.C. 6:23-2.16 acknowledges shared services by permitting any board that provides services to another district to account for those services in an “internal service fund.” And N.J.A.C. 6A:23-8.2(d) permits districts to submit shared services agreements or other documentation of the cost of providing administrative services to other government bodies to the county superintendent with their requests for budget approval, and permits (but does not require) the county superintendent to take such agreements and costs into consideration in determining whether a district is in compliance with administrative cost limits. (For further discussion of this provision, see *Ambiguities, Disincentives and Other Impediments to Shared Services in School Districts*, below.)

In the chapter pertaining to Abbott districts, N.J.A.C. 6A:10A-7.1 requires those districts to “examine all available group options for every insurance policy held by the school district, including any self-insurance plan administered by the New Jersey School Boards Association Insurance Group,” and to “participate in the most cost effective plans.” N.J.A.C. 6A:10A-2.2 requires Abbott districts to contract with child care center providers or local Head Start programs to implement their preschool programs. In accordance with the New Jersey Supreme Court’s preschool mandate in *Abbott v. Burke* that amounts to an endorsement of shared services, the rule specifies that those districts “shall not duplicate programs or services otherwise available in the community.”

In the chapter on charter schools, N.J.A.C. 6A:11-5.1 requires the board of trustees of each school to “employ or contract with” a person certified as a school administrator, supervisor or principal to direct the instructional program, and with a person certified as a school business administrator to oversee fiscal operations. While this does not explicitly authorize the employment of shared administrators, it has been interpreted to allow charter schools to share

Table 16

*New Jersey Administrative Code, Title 6A
Education Provisions
Authorizing Collaboration and Shared Services*

6A:10A-2.2	Abbott School Districts, Preschool Programs
6A:10A-7.1	Abbott School Districts, Cost efficiency
6A:11-5.1	Charter Schools, Certification
6A:14-3.1	Special Education, General Requirements
6A:14-4.2	Placement in the Least Restrictive Environment
6A:14-5.1	Special Education Programs, General Requirements
6A:23-1.2	Finance and Business Services, Definitions
6A:23-2.16	Internal Service Funds
6A: 23-7.5	Joint Purchasing Systems
6A:23-8.2	Administrative Cost Limits
6A:23-8.5	Additional Spending Proposals
6A:23-8.9	Unused Spending Authority (Banked Cap)

business administrators or obtain by contract the services of a business administrator employed by another school.

Similarly, in the chapter on special education, N.J.A.C. 6A:14-3.1 provides that “all child study team members shall be employees of a district board of education.” This does not explicitly authorize joint employment of child study team members by more than one district, but must be interpreted to do so in accordance with the statutory provision, N.J.S.A. 18A:46-5.1, authorizing joint employment of child study team members.

Finally, in the chapter on evaluation of the performance of school districts (Title 6A, Chapter 30, adopted as “special new rules” effective February 2007 for a 12-month period to implement the Quality Single Accountability Continuum, N.J.S.A. 18A:7A-3 *et seq.*), the “district performance review” (“DPR”) requires an assessment of every district’s shared-service practices. Specifically, section E of the fiscal management DPR requires an assessment of whether “the district participates in programs and implements operating measures to promote the efficient

expenditure of funds.” In order to attain “points” on indicator E1 of this section, a district must participate in a minimum of four out of eight specified types of shared-services arrangements:

- a) Federal E-rate program
- b) Alliance for Competitive Energy Services (ACES), or documented rate better than ACES
- c) Alliance for Competitive Telecommunications (ACT), or documented rate better than ACT
- d) Transportation jointure
- e) Shared service arrangements with other districts or municipalities for items such as snow removal, ground maintenance, administrative positions, etc.
- f) Cooperative/joint purchasing arrangements with other districts or municipalities for goods and services other than those listed above
- g) Sending/receiving relationships with neighboring districts to provide educational programs to individual students with special needs
- h) Other

In order to attain “points” on indicator E2 of the same section, a district’s operations must include a minimum of four out of eight specified efficiency measures. Those measures refer mostly to general cost-efficiency, such as “every general (K-12) instruction class has 15 or more students” and “the district receives alternative quotes prior to any annual award of a contract for professional services,” but they also include “the district offers distance learning, virtual classrooms, and/or allows students to share educational services with other educational entities where more efficient.”

Uniform Shared Services and Consolidation Act

As mentioned above, the legislature encouraged collaboration in local government as early as 1973 with the adoption of the Interlocal Services Act. After 34 years, in 2007, it repealed many of the act’s provisions, along with other provisions pertaining to consolidation of public entities, and incorporated much of the repealed language into a new statute, the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, §§ 1 to 35.

The “Uniform Act” permits any “local unit” to enter into an agreement with another local unit or units “to provide or receive any service that each local unit participating in the agreement is empowered to provide or receive within its own jurisdiction, including services incidental to the primary purposes of any of the participating local units” (N.J.S.A. 40A:65-4). It also

reauthorizes the formation of “joint meetings” for the joint provision of public services or operation of public improvements, works, facilities or undertakings which the local units are empowered to operate (N.J.S.A. 40A: 65-14); reauthorizes the SHARE grant program (N.J.S.A. 40A: 65-30); and encourages election of citizens’ commissions to identify potential shared services and other cost savings (N.J.S.A. 40A: 65-32).

In a provision specifically pertaining to public schools, the Uniform Act repeals the provisions of Title 18A authorizing jointure commissions (P.L. 2007, c. 63, § 35, N.J.S.A. 40A:65-35, repealing N.J.S.A. 18A:46-25 to -28). It states, however, that any “public school jointure formed under a previous law” may continue and will be governed by the Uniform Act (P.L. 2007, c. 63, § 24; N.J.S.A. 40A: 65-24). Thus, existing jointure commissions may continue, and apparently will be governed by the provisions of the Uniform Act to the extent that those provisions differ from other applicable provisions of Title 18A. (For further discussion of the continued authorization and oversight of jointure commissions, see *Ambiguities, Disincentives and Other Impediments to Shared Services in School Districts*, below.)

Other Laws

Even aside from adoption of the Uniform Act, 2007 has been a banner year for legislative support for shared services. Efforts to promote efficiency in school districts and other government bodies have resulted in a package of enactments including, in addition to the Uniform Act, the Executive County Superintendent Act; the Local Unit Alignment, Reorganization and Consolidation Act; the School District Accountability Act; and the Property Tax Rebate Act. These bills grew out of an initiative by Governor Corzine and the legislature to implement property tax reform and the work of four joint legislative committees created in 2006 to study various aspects of tax reform. One of those committees was the Joint Legislative Committee on Government Consolidation and Shared Services. In its December 2006 report, the committee made 18 recommendations, including several pertaining to school districts. Many of the recommendations were incorporated into the several bills adopted in 2007.

The Executive County Superintendent Act (P.L. 2007, c. 63, §§ 42 to 57) creates the position of executive county superintendent of schools in each county, amending N.J.S.A. 18A:7-1 to -15 and N.J.S.A. 18A:13-52. Executive county superintendents are gubernatorial appointments whose duties include several intended to reduce district spending and several pertaining explicitly to collaboration and shared services. The enumerated shared-services duties include:

- “promote administrative and operational efficiencies and cost savings within the school districts in the county while ensuring that the districts provide a thorough and efficient system of education ” (N.J.S.A. 18A:7-8(d))
- recommend, based on “standards” to be adopted by the Commissioner of Education, “that certain school districts be required to enter arrangements with one or more other school districts or educational services commissions for the consolidation of the districts’ administrative services” (N.J.S.A. 18A:7-8(e))
- “promote coordination and regionalization of pupil transportation services through means such as reviewing bus routes and schedules of school districts and nonpublic schools within the county” (N.J.S.A. 18A:7-8(i))
- “promote cooperative purchasing of textbooks and other instructional materials,” (N.J.S.A. 18A:7-8(n))
- “coordinate with the Department of Education to maintain a real time Statewide and district-wide database that tracks the types and capacity of special education programs being implemented by each district and the number of students enrolled in each program to identify program availability and needs” (N.J.S.A. 18A:7-8(o))
- “coordinate with the Department of Education to maintain a Statewide and district-wide list of all special education students served in out-of-district programs and a list of all public and private entities approved to receive special education students that includes pertinent information such as audit results and tuition charges” (N.J.S.A. 18A:7-8(p))
- “serve as a referral source for districts that do not have appropriate in-district programs for special education students and provide those districts with information on placement options in other school districts” (N.J.S.A. 18A:7-8(q))
- conduct regional planning and identification of program needs for the development of in-district special education programs” (N.J.S.A. 18A:7-8(r))
- “serve as a liaison to facilitate shared special education services within the county including, but not limited to direct services, personnel development, and technical assistance” (N.J.S.A. 18A:7-8(s))
- “work with districts to develop in-district special education programs and services including providing training in inclusive education, positive behavior supports, transition to adult life, and parent-professional collaboration (N.J.S.A. 18A:7-8(t))

In addition, in perhaps the most significant shared-services provision in the year’s enactments, the act requires the executive county superintendent to review each district’s proposed annual budget to ensure that all possible efficiencies, including shared-services arrangements, are in effect, and it permits the executive county superintendent to “disapprove a portion of a school district’s proposed budget” if he or she determines that any district “has not implemented all

potential efficiencies in the administrative operations” or that its budget includes “excessive non-instructional expenses” (N.J.S.A. 18A:7-8l). Title 18A has contained a similar provision (N.J.S.A. 18A:7F-5d(9)) since 2004 for districts that wish to submit a request to the voters to exceed the statutory spending cap, but the new provision requires this review, and potential disapproval for insufficient effort to share services, for all districts.

For districts seeking to exceed the spending cap, the new law includes more extensive, or at least more specific, requirements: the executive county superintendent may permit a district’s request to submit the question to the voters only if the district provides documentation of one of the following (N.J.S.A. 18A:7-8(m)):

- “the district has made efforts to enter into shared arrangements with other districts, municipalities, counties and other units of local government for the provision of administrative, business, purchasing, public and nonpublic transportation, and other required school district services”;
- “the district participates in on-going shared arrangements”; or
- “entering such shared arrangements would not result in cost savings or would result in additional expenses for the district.”

Finally, the act includes a new provision permitting districts to apply to have the executive county superintendent “assume” certain services, “including, but not limited to, transportation, personnel, purchasing, payroll and accounting.” If the executive county superintendent “determines to assume a service” – the standards by which such a determination is to be made are not specified – the act states that he or she may do so by utilizing county special services school districts, jointure commissions, and educational service commissions (N.J.S.A. 18A:7-12).

The School District Accountability Act (P.L. 2007, c. 53, N.J.S.A. 18A:55-3) is a collection of measures to improve district efficiency and financial accountability. It requires districts, as a condition of receipt of state aid, to take certain steps to reduce their costs. Those steps include, among other things:

- examining all available group options for every available insurance policy held by the district, including any self-insurance plan administered by the NJSBA Insurance Group, and participating in the most cost-effective plans
- maximizing the district’s participation in the federal Universal Service Program (e-rate) and the Alliance for Competitive Telecommunications (“ACT”) program offered through the Association of School Business Officials

- participating in the Alliance for Competitive Energy Services (“ACES”) program offered through NJSBA, unless the district demonstrates that it receives goods or services for less than the cost of participating in the program
- maximizing the district’s participation in the Special Education Medicaid Initiative (“SEMI”) program.

The School Budget Cap Act (P.L. 2007, c. 62, §§ 1-8) sets limits on local tax levies, as well as homestead rebates and credits, to distribute “local property tax relief.” The property tax levy cap for school districts is four percent, with some exceptions, for the 2007-08 school year. Districts may request voter approval to exceed the cap, and beginning in 2008-09 they will be permitted to request waivers from the cap for certain categories of spending. While this statute does not explicitly refer to collaboration or shared services, the cap will likely provide an incentive for such efforts.

The Local Unit Alignment, Reorganization and Consolidation Act (P.L. 2007, c. 54, N.J.S.A. 52:27D-502 to -505) establishes a bipartisan commission “in but not of the Department of Community Affairs” to study and report on county and municipal government and the “appropriate allocation of service delivery responsibilities from the standpoint of efficiency.” School districts are not “local units” under this act, but they could be affected by the commission’s recommendations, as the shared services to be studied made include those pertaining to “sharing of services between municipalities or between municipalities and other public entities.”

Ambiguities, Disincentives and Other Impediments to Shared Services in School Districts

While boards of education have been authorized and encouraged to share services for a long time, certain impediments to collaboration and sharing – based in the law, in the practical reality of operating school districts, and in perceptions of that reality – may prevent or discourage boards and district administrators from implementing shared-services arrangements.

Ambiguities and Disincentives in the Law

Scope of the Uniform Shared Services and Consolidation Act. One ambiguity with possible policy implications is that the Uniform Act includes school districts within the scope of its applicability, but could be read to exclude from its scope most, if not all, shared-services agreements in which school districts may participate. It includes school districts in its definition of “local units” (N.J.S.A. 40A:65-3); and it states that local units may make agreements with other local units “to provide or receive any service that each local unit participating in the agreement is empowered to provide or receive within its own jurisdiction” (N.J.S.A. 40A:65-4(a)(1)). However, the Act requires any shared-services agreement to comply with its various provisions, *except for* “agreements regarding shared services that are otherwise regulated by statute, rule or regulation” (N.J.S.A. 40A:65-4(a)(2)); and the definition of shared service excludes “any specific service or activity regulated by some other law, rule or regulation” (N.J.S.A. 40A:65-3). While they don’t explicitly so provide, the latter two provisions could be read to exclude all school district activity.

What does the phrase “otherwise regulated by” mean? One interpretation is that it means the Uniform Act does not apply to shared-services agreements or cooperative purchasing arrangements created under statutes other than the Uniform Act – such as Title 18A’s joint purchasing provisions – but that it does govern arrangements initiated and implemented in accordance with the Uniform Act. This interpretation would put the onus on district officials in each case to determine which statute applies.

Another interpretation is that the Uniform Act does not govern any school district activity, as all actions of a board of education are “otherwise regulated” by the provisions of Title 18A. This

view would seem belied by the Uniform Act's definition of "local unit," which explicitly includes school districts, as mentioned above.

Yet a third interpretation is that the Uniform Act does not govern any shared-services arrangement that is "regulated by" a *specific* "law, rule or regulation" outside the Uniform Act. For instance, N.J.S.A. 18A:17-24.1 permits school districts to share business administrators and superintendents, and succeeding provisions of Title 18A set forth a procedure to be followed when boards wish to initiate such an arrangement. Under this view, shared-superintendent and shared-business administrator arrangements are "otherwise regulated" and therefore outside the scope of the Uniform Act.

A similar analysis would apply for any joint purchasing or collaborative arrangement involving a school district. Does the "otherwise regulated" provision of the Uniform Act exclude all such arrangements from the scope of its applicability, on the view that all activity by boards of education are "regulated" by Title 18A; does it exclude all arrangements specifically authorized by a specific provision of Title 18A; or does it include all school district activity, since districts are included in its definition of "local unit"?

In any event, what difference does it make whether a particular arrangement is governed by the Uniform Act or "some other law, rule or regulation," such as Title 18A? It may make little difference. The procedural requirements under the two statutory schemes differ, however. Confusion as to the procedure to be followed to initiate an agreement, and as to the state agency with authority to oversee it, may be enough of a disincentive to prevent some arrangements from coming into fruition.

More broadly, such uncertainty as to the procedure to be followed to establish a shared-services arrangement, and even as to which state agency has oversight authority over such arrangements, is an indication of the policy vacuum that exists with respect to shared services in school districts. The fact that all activity by boards of education may have been excluded from the legislation that purportedly provides comprehensive authorization for shared services – but even that is not clear – is another. Although many individual provisions authorize collaboration, they don't add up to a comprehensive policy other than that districts should operate efficiently. Without strong support or encouragement from Trenton, New Jersey school districts are sharing services, to the extent that they are, largely on their own initiative. A clear

statement of state policy in support of collaboration among boards of education probably would, in fact, result in greater collaboration and increased efficiency. Guidance from the Department of Community Affairs, or the Department of Education, or both, to clarify that the Uniform Act does apply to activity by boards of education would be a start.

State Aid. The strongest incentives for any activity, of course, are financial incentives, and the largest program of state financial assistance for shared services is the SHARE program administered by DCA. As discussed above, SHARE provides grants and loans “to study the feasibility of a shared service agreement,” among other things. SHARE funds may be used for expenses of feasibility studies, consultant fees, and one-time start-up costs for shared-services agreements. Whether those funds will be made available to school districts is, at best, unclear.

Prior to 2007, SHARE funds were available to county and local government entities but not to school districts. With program amendments adopted as part of the Uniform Act, it appears that school districts are eligible to receive grants and loans under the program, as the Uniform Act refers to “local units,” which include school districts, as mentioned above. The provision authorizing the SHARE program (N.J.S.A. 40A:65-30(a)) states: “A local unit that plans to study the feasibility of a shared service arrangement, joint meeting contract, or municipal consolidation may apply to the director for grants or loans to fund the study, including consultant costs, and to fund one-time start-up costs of a shared services agreement or joint meeting or municipal consolidation.” Nothing in this provision excludes school districts, but DCA appears to have taken the position that SHARE funds are available to school districts only if they partner with eligible local government entities. (DCA’s *SHARE Program Highlights for 2007*, available on its website, says the program is available to local governments and nonprofit organizations.) While partnering with local government may enable school districts to implement certain shared initiatives, districts that partner with other districts to share services seem to have been deemed ineligible for this source of state aid. Since the legislature explicitly included school districts in its definition of “local unit,” it does not seem to have intended to distinguish them from other governmental entities or to exclude them from eligibility for SHARE grants or loans. This would seem to be an area ripe for administrative change.

Shared School Business Administrators. Central office administration may be one of the areas of collaboration among school districts with the greatest potential for increasing efficiency. At least, district administrative costs are frequently the target of those who claim there is lots of

room for cost-cutting to reduce education spending. Aside from the ambiguity discussed above regarding whether the Uniform Act applies to boards of education, the provisions of Title 18A authorizing shared business administrators are unclear. That alone, as well as the procedural requirements included in Title 18A, may impede such sharing. Additionally, the education provisions include one clear provision relating to business administrators' tenure rights that seems to create a clear disincentive to sharing.

Since 1962, Title 18A has permitted two or more boards of education to jointly appoint a school business administrator (N.J.S.A. 18A:17-14.1). In 1996, additional provisions were adopted authorizing boards to share school business administrators and superintendents with the approval of the Commissioner of Education (P.L. 1996, c. 111, N.J.S.A. 18A:17-24.1 *et seq.*), causing some duplication but also adding procedural requirements. The 1996 provisions, which remain in effect, require boards proposing to share a superintendent or business administrator to submit a report to the county superintendent detailing the feasibility of the proposed arrangement and to obtain the Commissioner's approval for the shared position. Upon approval, they are required to enter into a written contract specifying the responsibilities of each board, including the apportionment of costs. When the contract expires, the boards are required to submit a report to the county superintendent, in which they "evaluat[e] the sharing arrangement and the feasibility of voluntarily forming a regional district" (N.J.S.A. 18A:17-24.2(d)). The 1996 enactment also amended N.J.S.A. 18A:17-14.1 to authorize boards to "subcontract" their school business administrators to other districts pursuant to the 1973 Interlocal Services Act. Such subcontracting arrangements apparently do not require the report to the county superintendent or the Commissioner's approval.

Section 36 of the Uniform Act amended N.J.S.A. 18A:17-14.1 to eliminate its reference to the procedural requirements for shared-school business administrator arrangements, though it left those procedural requirements unchanged in N.J.S.A. 18A:17-24.1 *et seq.* Thus, any arrangement to share a business administrator or a superintendent apparently will continue to require a report to the county superintendent (now executive county superintendent) and approval by the Commissioner.

Those fairly cumbersome procedural requirements may act as a disincentive to sharing. Some districts have been avoiding those requirements (based on information obtained in research for this report) by entering into agreements under the Interlocal Services Act and submitting those

agreements to DCA's Division of Local Government Services rather than the Commissioner of Education, without any need for a report to the county superintendent. Whether they will continue to be able to do so in light of the Uniform Act's provision excluding activities regulated by "any other law, rule or regulation," as discussed above, remains to be seen. That provision may require all shared-business administrator arrangements to be "regulated" by the Department of Education rather than DCA.

Another provision added by the 1996 amendments and left unchanged by the Uniform Act is one that deprives shared business administrators of the benefits of tenure. Although a business administrator employed in only one district is eligible for tenure, N.J.S.A. 18A:17-24.5 provides that tenure does not accrue when the position is shared (unless two or more districts agree to share a business administrator who already has tenure in one of the districts, in which case the individual "shall retain all tenure rights accrued in the positions in which he previously served in the district"). Consistent with this provision, N.J.S.A. 18A:28-5, which lists the positions in which public school employees may accrue tenure, contains only two exceptions: employees who "are not the holders of proper certificates in full force and effect" and shared school business administrators. Subcontracted business administrators – *i.e.*, those whose services are subcontracted by one board to one or more others – may accrue tenure in their "primary district of employment" (N.J.S.A. 18A:17-14.1; 40A:65-6(a)), but those who are shared – *i.e.*, employed jointly by two or more boards – are ineligible for such protection.

The result of this distinction between shared and subcontracted business administrators may be that subcontracted business administrators will be more common than those that are shared. There would seem to be little incentive for a qualified school business administrator to accept a shared position unless he already had tenure in one of the sharing districts, since he would be forgoing the benefits of tenure available elsewhere.

What difference does this make? If subcontracted business administrators can serve all the same functions, just as efficiently, as those that are shared – and we have seen nothing to suggest they can't – then it may make little or no difference. But the legislature apparently intended to authorize both shared and subcontracted business administrators, as separate tools available to boards of education, to meet varying needs under various local circumstances. The unavailability of tenure for shared business administrators would seem to effectively eliminate, or at least discourage, one of those tools.

Jointure Commissions. Apparently in an effort to standardize all forms of joint enterprise among “local units,” including boards of education, Section 35 of the Uniform Act repeals the statutory authority for jointure commissions in Title 18A (former N.J.S.A. 18A:46-25 to -28). Section 24 of the Uniform Act provides that any existing “public school jointure” may continue, but now will be governed by the provisions of the Uniform Act rather than the education provisions. The use of the different term “public school jointure” rather than “jointure commission” in section 24 causes some ambiguity, especially since another provision of the Uniform Act, section 54 (N.J.S.A. 18A:7-12), uses the term “jointure commissions” in its list of entities that may be used by the executive county superintendent to provide services to school districts. Assuming the legislature intended to refer to the same entities in each of these provisions, clarification of the terms would be helpful.

More importantly, while the repeal of the previous authorizing provisions and the new provision for governance under the Uniform Act may simplify the procedure for forming new jointure commissions – just as initiating a shared-business administrator arrangement is simpler under the Uniform Act than under Title 18A – it is not likely to lead to a wave of newly established jointure commissions. Nor is it likely to lead to greater efficiency or better educational programs and services. In fact, if removing jointure commissions from the jurisdiction of the State Board of Education means they are no longer governed by the substantive administrative code provisions governing the programs they operate, the effect of the repeal may be a serious lack of oversight and support.

Jointure commissions have been authorized since 1962 to “carry out jointly” the “duties imposed upon” boards of education “in regard to the education and training of disabled pupils.” Since 2001 they have been authorized to provide services to non-disabled pupils as well. Until the repeal in 2007, the authorizing provision (N.J.S.A. 18A:46-25), provided that jointure commissions were to be created by agreement of two or more boards of education with the approval of the Commissioner, composed of representatives of the respective boards of education, and governed by rules and regulations of the State Board of Education. There are three jointure commissions in the state: South Bergen, Morris-Union, and Bayshore. Each provides a good model of shared-services activity, offering special education programs and related services, including transportation, to students from large numbers of districts in their respective geographic area. At least until the recent amendments, their special education programs were governed by N.J.A.C. 6:14-17.1 *et seq.*, and their transportation services by

N.J.A.C. 6:27-10.1 *et seq.* As a result of the amendments, jointure commissions will now fall under the oversight of DCA.

DCA is not equipped to regulate special education programs and pupil transportation, and transferring these functions to DCA would seem to make little sense. Standardizing all forms of joint enterprise may have some value, but the desire to do so would seem to be outweighed, in the case of jointure commissions, by the regulatory vacuum that seems to have been created. Further, removing jointure commissions from the jurisdiction of the Department of Education would seem counter to the new provision giving executive county superintendents the duty to promote shared services. In keeping with that provision, executive county superintendents should be increasing, rather than decreasing, their support for and oversight of jointure commissions, and promoting the creation of new jointure commissions. If the provision that jointure commissions will be governed “by the provisions of the Uniform Act” means they will be under DCA’s jurisdiction, there may be one less tool available for the promotion of shared services in school districts.

Termination of Employees. With two new provisions, the Uniform Act creates a financial obligation for school districts (and other local units) that had not existed previously, and that could provide a strong disincentive to shared services. Section 11(a) of the Uniform Act (N.J.S.A. 40A:65-11(a)) provides that when a local unit agrees to share services with another and one of them is governed by the civil service laws, the agreement shall contain an “employment reconciliation plan.” Section 19(a) (N.J.S.A. 40A:65-19(a)) contains a similar provision for local units who agree to participate in a “joint meeting” for the provision of shared services. The reconciliation plan is intended to eliminate the uncertainty regarding the rights of affected employees which reportedly has caused some reluctance to enter into shared-services arrangements.

Section 11(a)(2) provides, however, that the reconciliation plan shall include a provision for “terminal leave payment” for any employees terminated “for reasons of economy or efficiency” by the local unit providing the service – even if that unit is not governed by the civil service laws, and, if the provision is read literally, even if the duties of the terminated employees are unrelated to the shared service. Section 19(a)(2) has a similarly broad provision for employees of the joint meeting or of the local unit providing the service, regardless of whether the unit is governed by civil service. (Curiously, neither provision requires terminal leave payment for

employees of a local unit that agrees to have services provided for it by another or by a joint meeting, rather than to provide the services for others, although units on the receiving end probably would be more likely to terminate employees whose duties are eliminated as a result of the arrangement).

Both provisions require the reconciliation plan to provide for terminal leave payment of “not less than a period of one month for each five-year period of past service as an employee with the local unit, or other enhanced benefits that may be provided or negotiated.” The benefits shall not include “payments such as longevity, sick leave or accrued vacation” unless negotiated or provided by the employer. Thus, the provisions retain some degree of managerial discretion (or at least negotiability) regarding the benefits to be provided with terminal leave, but the “terminal leave payment” is mandatory.

Except for these new provisions, employees of boards of education who are terminated for reasons of economy or efficiency have no statutory right to severance or “terminal leave payment.” With section 11(a), this right apparently will be a statutory entitlement for *all* employees of any board of education that enters into a shared-services agreement with a joint meeting or with an entity governed by the civil service laws, even if the board itself is not. If interpreted as broadly as its literal terms seem to require, this should make boards think twice about their shared-services partners and discourage collaborative arrangements with any joint meeting or with civil service entities, which include many municipalities. In other words, rather than encouraging collaboration, these provisions of the Uniform Act may amount to a strong disincentive to these types of shared-services arrangement.

Administrative Cost Limitation. The “cap” on school districts’ administrative costs imposed by the legislature in 2004 (known as “S 1701” after the measure’s legislative bill number) has provided an incentive for districts to share and collaborate in order to reduce their administrative spending. It also may be having the opposite effect in some districts, impeding rather than encouraging sharing, contrary to the legislative intent and notwithstanding an administrative code provision intended to allow an exception to the cap for shared administrative services.

Enforcement of the cap is by way of county superintendents’ review of districts’ annual budgets in accordance with N.J.A.C. 6A:23-8.2. Section d of that provision provides that boards of

education may submit with their proposed budgets “any shared services agreements and documented costs for the provision of administrative services to other school districts or governmental units,” and the county superintendent “may take into consideration” such agreements and costs in determining whether the budget adheres to the administrative cost limitation, thus acknowledging the desirability of such arrangements and reflecting the legislature’s intent to encourage efficiency measures.

Nevertheless, one district administrator, a shared superintendent, mentioned that the cap had made his sharing arrangement more difficult. Before the arrangement began, he had been employed by one of the two districts involved and the proposal was for that district to continue paying his full salary and subcontract his services to the other. A determination was made, however, that such an arrangement would result in administrative spending in excess of the cap and therefore would not be permissible. The boards decided instead to share the position, each paying a portion of the superintendent’s compensation.

It is not clear whether, in that case, a budget reflecting the subcontracting arrangement was proposed and rejected by the county superintendent, exercising the discretion to disregard the shared-services agreement provided by N.J.A.C. 6A:23-8.2(d) (“*may take into consideration*”), or the district chose not to propose the arrangement because of its understanding of the cap or lack of awareness of the exception to the cap permitted by that rule. In either event, guidance to districts and county superintendents by the Department of Education would be helpful. Amending the administrative code to require districts to take shared-services arrangements into account in preparing their budgets, and requiring – rather than permitting – county superintendents to take such arrangements into account in determining adherence with the cap would be even better.

This may be particularly important in light of one of the 2007 amendments to N.J.S.A. 18A:7-8, specifying the duties of the executive county superintendent. As mentioned above, new section 1 of that provision permits, but does not require, the executive county superintendent to disapprove a portion of a school district’s proposed budget “if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district or if he determines that the budget includes excessive non-instructional expenses.” In light of this discretionary authority, a provision requiring the executive county superintendent to consider shared-services arrangements in evaluating “potential efficiencies” would be useful.

Again, the specific form of a shared-services arrangement – whether an administrator is shared or subcontracted – may make little practical difference. But effectively eliminating one of the two choices because of an incorrect and overly restrictive interpretation of the administrative spending cap is contrary to legislative intent and may be enough to prevent boards from entering into a shared-administrator arrangement. This would be unfortunate. The administrative spending cap is supposed to promote efficiency, not to preclude one of the most effective tools for doing so.

Commissioner of Education Approval. The requirement of approval by the Commissioner of Education applies to one other form of shared-services arrangement, the provision of joint “facilities, transportation and examinations” for pupils with disabilities. The statutory provision authorizing such “facilities, transportation and examinations” (N.J.S.A. 18A:46-24) provides that “no such agreement shall be effective until approved by the Commissioner.” As there is no similar requirement for other joint activities or collaborative arrangements, such as joint purchasing agreements (N.J.S.A. 18A:18A-11) joint insurance funds (N.J.S.A. 18A:18B-3), joint transportation for non-disabled pupils (N.J.S.A. 18A:39-11), or even the related activity, joint employment of child study team members (N.J.S.A. 18A:46-25), the purpose to be served by the required Commissioner’s approval for collaboration in providing facilities, transportation and examination of pupils with disabilities is not clear. Moreover, obtaining the Commissioner’s approval requires some effort and may cause some delay in implementation of collaborative arrangements. Thus, the requirement may serve as an impediment for school districts to share these services.

Especially in light of the increased role of the executive county superintendent as a result of recent legislation, transferring the Commissioner’s role in this area to the executive county superintendent probably would be sensible, since he or she presumably would be able to review proposed arrangements expeditiously. County superintendent approval is required, for instance, for joint transportation agreements pursuant to the administrative code, N.J.A.C. 6A:27-9.16. Even better, in order to promote rather than discourage joint “facilities, transportation and examinations” as well as other collaboration, perhaps the time has come to reassess the rationale for requiring approval for any such arrangement. The same is true as to the shared-school business administrator arrangement, as discussed above. Eliminating these requirements would require amendments to N.J.S.A. 18A:46-24 and N.J.S.A. 18A:17-24.

Supervision of Distance Learning Programs. Districts are increasingly responding to developments in technology by investigating and engaging in shared-services arrangements involving distance learning or “virtual classrooms.” However, some administrators interviewed for this report identified an impediment to their participation in such programs, a requirement for certified teaching staff members to supervise every class, even if a certified teacher is teaching the class from another location.

Our research has disclosed no such statutory or regulatory requirement for a certified teaching staff member in every classroom. Proper supervision is needed, of course, but supervision does not require certification. A qualified teacher is needed to teach the course, but if a teacher is provided at the other end of a video hookup or computer connection, that should be sufficient. Indeed, offering high-quality programs otherwise unavailable in a student’s own school is the purpose of distance learning.

To the extent that this perceived requirement is discouraging districts from creating distance learning programs, it is discouraging a valuable educational tool and an effective form of shared-services. Guidance from the Department of Education, clarifying that students receiving instruction through distance learning need not be supervised by a certified teaching staff member at the receiving end, would be helpful.

Least Restrictive Environment. One administrator expressed the concern that the requirement to educate students with disabilities in the “least restrictive environment” may serve as an impediment to shared services. While this requirement is a basic tenet of special education and should be strictly enforced in accordance with state and federal law, the concept of least restrictive environment need not preclude shared services or joint provision of special education programs.

The administrative code (N.J.A.C. 6A:14-4.3) provides that boards of education must offer special education programs to disabled students in a “full continuum of alternative placements,” ranging from resource programs to special education classes in the local district or other districts, in a county special services district, educational services commission or jointure commission, or in a private school, to numerous other possible placements. The code also states that “special classes, separate schooling or other removal of a student with a disability from the

student's general education class” shall occur only when necessary in light of the nature or severity of a child’s disability” (N.J.A.C. 6A:4.2(a)(2)).

While the latter provision neither explicitly permits nor prohibits joint programs or shared services, and special education classes offered in one district for students from another is a common form of school district collaboration, this provision – and, in general, the requirement to place students in least restrictive environment – could be interpreted (and apparently has been interpreted by some) to allow placement in a program in a neighboring school district, jointure commission or educational services commission only when a suitable program could not be provided in the student’s home district. This interpretation reflects the view that joint programs are more “restrictive” than separately provided programs.

Just as joint programs and services for non-disabled students should be encouraged in an effort to promote efficiency, joint special education programs also should be encouraged. Placement in appropriate programs offered in a neighboring district, or by a jointure commission or educational services commission, should be considered preferable to creating a new program so that a student can remain closer to home. All public school programs should be considered equally “restrictive,” in an effort to promote efficiency without excluding students with disabilities or diluting their programs. An amendment to the special education regulations to this effect might encourage greater collaboration.

County Educational Audiovisual Aid Centers. One anachronistic term in the statutes on shared services is worth noting. N.J.S.A. 18A:51-1 authorizes the establishment of “county educational audiovisual aid centers.” Our research identified no centers operating under that name, although it did identify Burlington County’s “Educational Media and Technology Center,” a good source of shared services in that county. Member districts rent educational videos, DVDs and other electronic materials from the “EMTC,” and the EMTC provides professional development to train staff on the use of the materials. In light of the commonplace use of computer technology, electronic forms of media communications and distance learning, the term “audiovisual aid” seems outdated. N.J.S.A. 18A:51-1 probably should be amended to replace “audiovisual aid centers” with a term such as “educational technology centers.”

Other Impediments

Home Rule. The most-often-cited barrier to developing interdistrict and interlocal shared-service arrangements is the fierce sense of home rule that prevails in some school districts and municipalities. Home rule is understood to be the right to govern one's own district or municipality without interference by, or cooperation with, any other entity. The shared-services literature frequently observes that this understanding is held up in many quarters of the state as a sacrosanct tenet of school district and municipal administration that would be threatened by sharing services. Often, the literature relies for this view on New Jersey's so-called "Home Rule Act" (P. L. 1917, c. 152, N.J.S.A. 40A:42-1 *et seq.*). That act provides that municipalities – but not school districts – shall have the "fullest and most complete powers possible over the[ir] internal affairs . . . for local self-government." (N.J.S.A. 40A:42-4.) It does not, however, preclude municipalities – or school districts – from sharing or collaborating in the provision of services that they would otherwise provide by themselves. Reliance on the Home Rule Act as an excuse for failing to share or collaborate thus seems misplaced.

A strong sense of home rule can thwart openness to shared services in school districts. Whether or not district administrators interviewed for this report agreed that home rule should trump interdistrict activities, many of them observed that the precept is alive and well on some boards of education and in some administrative offices.

Local Politics. Another barrier to districts sharing services is the influence of local politics. Boards of education may be unwilling to contract for services with entities outside of their districts out of a concern that such arrangements may lead to money flowing out of the community rather than remaining within local borders to benefit local businesses and taxpayers. Thus, some boards may continue to purchase supplies from the local hardware store and paper supplier as a matter of political sensitivity.

Local politics also may get in the way when a board of education and municipal governing body have a less than amicable working relationship. When such conditions exist, the lack of cooperation between the governing body and the school board may lead to similarly poor relations between their administrators, and to missed opportunities for cost savings that might be obtained through collaboration.

The Department of Education. An overlooked or underutilized resource for encouraging shared services in some counties has been the office of the county superintendent of schools. Administrators from several districts reported that their county offices are not seen as resource-gatherers or suppliers of shared-service information, and several stated that their county offices are not proactive in encouraging collaboration. To the extent that this perception reflects reality, reality may change as executive county superintendents take on the many enumerated duties of their new positions that involve proactive encouragement of shared services, as discussed above.

The executive county superintendents' offices would be strengthened even more if the Department of Education were to exert leadership by emphasizing the importance of shared services. Previous commissioners have provided such leadership to some extent, emphasizing the importance of sharing services to reduce costs, most recently in Commissioner Librera's 2005 article in *New Jersey Municipalities* trumpeting the many shared services initiatives in New Jersey school districts. Yet when we contacted the Department in an effort to obtain current information about shared services in school districts, staff in several Department offices could not identify any Trenton-based Department personnel knowledgeable about the issue. Department of Education staff referred us to DCA, which regulates interlocal services agreements, and to county superintendents, some of whom have gathered information about shared services in their counties. Those county superintendents and county business administrators who had gathered the information – ostensibly “for Trenton” – could not identify anyone in Trenton, other than at DCA, who was overseeing shared services initiatives. Such lack of leadership itself would seem to be a disincentive to interdistrict collaboration.

Inexperience. As one seasoned school business administrator who has spearheaded many collaborative arrangements observed, lack of professional experience may be a stumbling block to sharing services. He noted that sharing services requires individual administrators to take some initiative, and potential arrangements may be overlooked, or may not be pursued, when there is high turnover in administrative personnel or lack of experience in the business office. When, in addition, the county superintendent's office does not serve as a knowledgeable resource or proactively encourage district collaboration, the combination of lack of experience at the local and county levels (not to mention the state level) can leave districts with a limited vision for creative ways to reduce costs through cooperative ventures.

Some of the impediments discussed here are real, *i.e.*, they involve ambiguities or disincentives in the law that can be rectified only by amending relevant statutory or regulatory provisions. Others may exist only in the perception of local officials. Overcoming all the impediments discussed here thus may require a combination of legal and cultural change.

Summary and Recommendations

Joint purchasing and shared services are not new ideas in New Jersey's public school community. District administrators have long collaborated with one another, and with their municipal counterparts, formally and informally, to obtain and provide goods and services in furtherance of their mission to operate schools that are not only "thorough" but "efficient." That is not to say, however, that schools and school administrators might not collaborate even more by increasing the degree to which they engage in shared services and joint purchasing arrangements. Many school administrators are aware of the untapped potential savings available through collaboration and sharing, and some are finding new creative ways to save. This report is the result of a study of the extent to which school districts are engaged in shared-services arrangements, focusing on four New Jersey counties – Bergen, Burlington, Essex and Somerset – and of any impediments or disincentives to such arrangements.

Overview of Shared Services in New Jersey School Districts

Whether spurred by Trenton initiatives or by local pressure to cut costs, public school officials have found many ways to collaborate in administration and educational programming. There is no definitive count of all the shared-services arrangements in which New Jersey school districts are currently engaged, but they certainly number in the hundreds, if not thousands.

Numerous regional and state-wide entities have been formed to facilitate sharing and collaboration among school districts. County and regional sharing arrangements are provided by educational services commissions, county special services school districts, and jointure commissions. At the local level, districts engage in a wide variety of shared-services arrangements with their municipal counterparts. They commonly share facilities with local government entities, such as athletic fields, recreational facilities and administrative office space; many share maintenance services, such as snow plowing, lawn maintenance, sidewalk and parking lot repair and maintenance, and vehicle maintenance; some also share maintenance staff; and some share services such as cable television, computer networking and telecommunications. Districts also engage in a wide variety of arrangements with other individual districts, such as special education programs, pupil transportation, food services, and financial services. Quite a few boards share their school business administrators or other administrative staff. More than a dozen share superintendents.

Survey of Shared Services in School Districts in Bergen, Burlington, Essex and Somerset Counties

The Institute on Education Law and Policy conducted a survey of shared-services policies and practices in school districts in Bergen, Burlington, Essex and Somerset counties. School business administrators in 66 of the 161 districts in these counties responded to the survey, a 41% response rate. Survey responses and findings include the following:

- In 38 of 61 districts (62%) responding to a survey question regarding budget approval, budgets were approved in all three years from 2004 to 2006, while in 23 districts (38%) budgets were denied in at least one of the three years. Districts reported a downward trend for budget approval over the three-year period:
 - 51 out of 61 district budgets (84%) were approved in 2004
 - 49 out of 61 district budgets (77%) were approved in 2005
 - 39 out of 61 district budgets (61%) were approved in 2006
- Twenty of 54 districts (37%) responding to a question regarding board policies reported that they have written policies or procedures requiring or encouraging shared services, joint purchasing or other measures to promote efficiency through collaboration.
- Policies provided by survey respondents are as noteworthy for what they do *not* say as for as what they do say. For example:
 - None of the policies refers to “shared services.”
 - None of the policies explicitly authorizes or encourages district administration to *offer*, rather than *obtain*, services in collaboration with other boards or other entities.
 - None of the policies explicitly authorizes or encourages collaboration in the provision of educational programs.
- Despite the absence of explicit policies in favor of shared services in many districts, survey responses show that collaborative efforts in many areas are taking place, either because of perceived district “culture” in favor of such efforts or through administrators’ own initiative.
- Almost all respondent districts – 62 of 64 (97%) – reported that they engage in some type of shared-services arrangement.
- The shared service most frequently reported is pupil transportation, followed by insurance coverage, supplies, special education classes and the special education related services of physical therapy, occupational therapy and speech therapy. The least frequently reported arrangements are security and health services, followed by textbooks and “other instruction.”

- Analyzing responses by county, district factor group, grade configuration and enrollment size, the same four types of shared-services arrangement – transportation, insurance coverage, special education classes and supplies are the most frequently reported, and the same four – security, health services, transportation, and “other instruction” – are the least frequently reported, but there is variation among categories in each analysis.
- The most commonly reported type of shared-services arrangement is with consortia of boards of education or other entities, followed by arrangements with other individual boards of education, municipalities, counties and other entities. 65% of the districts responding to the relevant survey question reported that they are engaged in shared-services arrangements with more than one type of entity.
- 36% of the districts responding to a question asking whether their shared-services arrangements are set forth in interlocal services agreements answered that they are not. It appears that a sizeable minority of responding districts that engage in some form of shared-services effort do so without formal board action authorizing the arrangement.
- By far, the reason for sharing services cited most often was anticipated cost savings, cited by 83% of responding districts. In contrast, encouragement by the county superintendent or county business administrator was cited by only 14% of responding districts, second only to marketing by the vendor as the reason cited least frequently.
- Among districts responding to a question regarding benefits of shared services, cost savings was by far the most commonly cited benefit, identified by 79% of districts. Other identified benefits included service improvement (36%), reduction in workload or elimination of redundancy (12%), availability of an otherwise unavailable service or product (10%), convenience (10%), and compliance with legal requirements (2%).
- A relatively small number of respondents answered a question pertaining to the cost savings realized from shared services. 24% of those districts said the savings were unknown or undeterminable; 21% said savings vary from year to year or item to item; 56% provided an estimate or description of their savings.
- Both the savings estimates and explanations of the bases for those estimates vary widely in their degree of specificity. While some districts provided no solid basis for their savings estimate, some provided a very specific basis such as the comparison of rates or invoices or budgeted versus actual expenditures. Even some that provided no specific explanation provided a specific dollar amount of savings.
- While several districts responded that their savings from shared services are relatively small, a majority of those providing a savings estimate estimated savings in excess of one hundred thousand dollars per year.

State Law Governing Shared Services in School Districts

Numerous provisions of Title 18A of the New Jersey statutes, which govern public education, authorize collaboration, joint activity and sharing. Additionally, several provisions of Title 6A of

the New Jersey Administrative Code, the regulatory provisions governing public education, permit or encourage collaboration and shared services.

Efforts to promote efficiency in school districts and other government bodies in 2007 resulted in a package of enactments including the Uniform Shared Services and Consolidation Act (which repealed many sections of the previous Interlocal Services Act, readopted and consolidated many provisions of that act and others into one comprehensive statute); the Executive County Superintendent Act; the Local Unit Alignment, Reorganization and Consolidation Act; the School District Accountability Act; and the Property Tax Rebate Act.

Under the Executive County Superintendent Act, the duties of newly appointed executive county superintendents will include several intended to reduce district spending and several pertaining explicitly to collaboration and shared services. In perhaps the most significant shared-services provision in the year's enactments, the Act requires the executive county superintendent to review each district's proposed annual budget to ensure that all possible efficiencies, including shared-services arrangements, are in effect, and it permits the executive county superintendent to "disapprove a portion of a school district's proposed budget" if he or she determines that any district "has not implemented all potential efficiencies in the administrative operations" or that the budget includes "excessive non-instructional expenses." Title 18A has contained a similar provision since 2004 for districts that wish to submit a request to the voters to exceed the statutory spending cap, but the new provision requires this review, and potential disapproval for insufficient effort to share services, for all districts.

Ambiguities, Disincentives and Other Impediments to Shared Services in School Districts

While boards of education have been authorized and encouraged to share services for a long time, certain impediments to collaboration and sharing – based in the law, in the practical reality of operating school districts, and in perceptions of that reality – may prevent or discourage boards and district administrators from implementing shared-services arrangements.

Scope of the Uniform Shared Services and Consolidation Act. One ambiguity with possible policy implications is that the Uniform Act includes school districts within the scope of its applicability, but could be read to exclude from its scope most, if not all, shared-services

agreements in which school districts may participate. This may lead to uncertainty as to the procedural requirements for school districts' shared-services arrangements.

The uncertainty as to procedure, and even as to which state agency has oversight authority, is an indication of the policy vacuum that exists with respect to shared services in school districts. The fact that all activity by boards of education seems to have been excluded from the legislation that purportedly provides comprehensive authorization for shared services is another. Without strong support or encouragement from Trenton, New Jersey school districts are sharing services, to the extent that they are, largely on their own initiative. A clear statement of state policy in support of collaboration among boards of education might result in greater collaboration and increased efficiency.

State Aid. Another ambiguity pertains to school districts' eligibility for funds under the SHARE program administered by the Department of Community Affairs. While nothing in the statutory provision authorizing the program excludes school districts from eligibility, DCA appears to have taken the position that SHARE funds are available to school districts only if they partner with eligible local government entities. Thus, districts that partner with other districts to share services seem to have been deemed ineligible for this source of state aid. Since the legislature does not seem to have intended to distinguish them from other governmental entities or to exclude them from eligibility for SHARE grants or loans, this would seem to be an area ripe for administrative change.

School Business Administrators. Under a provision adopted in 1996, boards of education have been authorized to share school business administrators either through a procedure requiring a report to the county superintendent and approval by the Commissioner or to subcontract school business services with an interlocal services agreement submitted to the Department of Community Affairs. The fairly cumbersome procedural requirements of county superintendent review and Commissioner's approval may act as a disincentive to sharing. Some districts have been avoiding those requirements by entering into interlocal services agreements and submitting them to DCA rather than the Commissioner of Education. Whether they will continue to be able to do so in light of the Uniform Act's provision excluding activities regulated by "any other law, rule or regulation," as discussed above, remains to be seen.

Another provision deprives shared business administrators of the benefits of tenure. Although a business administrator employed in only one district is eligible for tenure, tenure does not accrue when the position is shared (unless two or more districts agree to share a business administrator who already has tenure in one of the districts). Subcontracted business administrators – *i.e.*, those whose services are subcontracted by one board to one or more others – may accrue tenure in their “primary district of employment,” but those who are shared – *i.e.*, employed jointly by two or more boards – are ineligible for such protection.

The result of this distinction between shared and subcontracted business administrators may be that subcontracted business administrators will be more common than those that are shared. This may make little or no difference, but the legislature apparently intended to authorize both shared and subcontracted business administrators, as separate tools available to boards of education, to meet varying needs under various local circumstances. The unavailability of tenure for shared business administrators would seem to effectively eliminate, or at least discourage, one of those tools.

Jointure Commissions. Apparently in an effort to standardize all forms of joint enterprise among “local units,” the Uniform Act repeals the statutory authority for jointure commissions in Title 18A and provides that any existing “public school jointure” may continue, but now will be governed by the provisions of the Uniform Act rather than the education provisions. If this is interpreted to mean jointure commissions are no longer governed by the substantive administrative code provisions governing the programs they operate, the effect of the repeal may be a serious lack of oversight and support. DCA is not equipped to regulate special education programs and pupil transportation, and transferring these functions to DCA would seem to make little sense. Further, removing jointure commissions from the jurisdiction of the Department of Education would seem counter to the new provision giving executive county superintendents the duty to promote shared services. In keeping with that provision, executive county superintendents should be increasing, rather than decreasing, their support for and oversight of jointure commissions, and promoting the creation of new jointure commissions.

Termination of Employees. With two new provisions, the Uniform Act creates a financial obligation for school districts (and other local units) that had not existed previously, and that could provide a strong disincentive to shared services. It requires “terminal leave payment” for employees terminated “for reasons of economy or efficiency” by any local unit that agrees to

share services with another if one of the units is governed by the civil service laws, and by any local unit that agrees to participate in a “joint meeting” for the provision of shared services. Except for these new provisions, employees of boards of education who are terminated for reasons of economy or efficiency have no statutory right to severance or “terminal leave payment.” Now, this right apparently will be a statutory entitlement for *all* employees of any board that enters into a shared-services agreement with an entity governed by the civil service laws, even if the board itself is not, or with a joint meeting. If interpreted as broadly as its literal terms seem to require, this should make boards think twice about their shared-services partners and discourage collaborative arrangements with civil service entities, which include many municipalities, or with any joint meeting.

Other Possible Disincentives in the Law. Other possible statutory and regulatory disincentives to sharing and collaboration include the cap on administrative spending, the requirement of Commissioner’s approval for some forms of collaboration, uncertainty regarding supervision of distance learning programs and regarding the requirement to education students with disabilities in the least restrictive environment.

Other Impediments. Other impediments include the fierce sense of home rule in some school districts and municipalities, the influence of local politics, the lack of professional experience on the part of some district officials, the perception that county superintendents are not proactive in encouraging collaboration and the lack of leadership exerted by the Department of Education on the issue of shared-services.

Recommendations

It is clear that most New Jersey school districts are engaging in some form of shared-service or collaborative arrangement with at least one other school district or other public entity. Although many have not calculated the savings from those arrangements or say the savings are difficult to calculate, it is clear that some districts are realizing significant savings or receiving substantial additional revenue as a result of these arrangements. The primary recommendation to result from this study, therefore, must be that shared-services and other collaborative arrangements should be encouraged, and efforts should be made to eliminate any impediments and disincentives to sharing, whether real or perceived.

Strong state-level leadership on the issue of shared services in school districts would further the objective of encouraging sharing and collaboration. Such leadership could take several forms:

- A strong statement by the Departments of Education and Community Affairs, acknowledging the many specific provisions authorizing sharing and collaboration among boards of education and articulating one clear, comprehensive state policy;
- Clarification by the Department of Community Affairs, the Department of Education, or both, that board of education activity is included within the scope of the Uniform Act and school districts are eligible for state aid under the SHARE program; and
- Proactive support and assistance from county superintendents (or executive county superintendents) for districts' shared-services efforts, including more comprehensive data collection regarding existing arrangements and brokering of additional arrangements.

In addition, several forms of legislative or regulatory action should be given serious consideration:

- Clarifying and simplifying the procedure to be followed for sharing school business administrators
- Eliminating the provision that shared school business administrators are not eligible for tenure
- Clarifying, or providing, that jointure commissions shall remain under the oversight of the State Board and Department of Education and continue to be governed by existing provisions of Title 6A of the administrative code
- Eliminating the requirement for terminal leave payment of all employees terminated for reasons of economy or efficiency in school districts that enter into shared-services arrangements with joint meetings or civil service employers, or at least providing that the requirement applies only to employees terminated as a direct result of such arrangements
- Requiring, rather than permitting, boards of education to include the costs and savings incurred as a result of shared-services arrangements in their budget proposals, and requiring executive county superintendents to take such costs and savings into account when reviewing all budgets
- Eliminating the requirement for Commissioner's approval for the provision of joint "facilities, transportation and examinations" for pupils with disabilities
- Clarifying that a certified teaching staff member is not needed to supervise students participating in distance learning programs
- Clarifying that for purposes of the requirement to educate students with disabilities in the least restrictive environment, all public school placements and those offered by educational services commissions and jointure commissions are equally acceptable.

With these relatively minor changes in the law and the exertion of strong state-level leadership, collaboration among New Jersey school districts could become more than just an old story. It could become a whole new way of doing business in some school districts, and standard operating procedure in every district. And shared services could become the new watch-word for improving school district efficiency.

