



Testimony of Jerry Cantrell (4-07-10)

Governor's Privatization Task Force HOW TO REDUCE EDUCATION COSTS WITHOUT REDUCING QUALITY OR CLASSROOM EXPENDITURES

Chairman Zimmer and distinguished members of the Task Force

My name is Jerry Cantrell and I am President of the NJ Taxpayer's Association/Alliance, statewide grassroots organizations dedicated to reducing costs of all forms of government and achieving real and sustainable fiscal/tax reform in NJ. We also offer advice and ideas to cut costs while maintaining adequate service to citizens/taxpayers by becoming more efficient and effective and hopefully improving the quality of life for those affected.

Today, I would like to offer ideas on how to save money in education without affecting quality in the classroom. Indeed we firmly believe that New Jersey has a unique opportunity to reevaluate the existing schools infrastructure and affect a paradigm shift in how we perceive and deliver education to our statewide population of deserving students. *(Give them one more bite of the apple so to speak.)*

Attached to my testimony is a list with explanations of our ideas.

1. Consolidation of small districts; and the potential realignment of large districts.

Senator Sweeney and Assemblyman Moriarity proposed consolidation of Administrative functions/shared services in Gloucester County and Assemblyman Chivukula recently introduced A2622/A2623 to allow submission to voters in each county a binding referendum to establish a county school administrative school district to govern and operate all public schools in the county/Governance structure.

Estimated annual cost savings = huge, tens of millions

2. Implement uniform methods of cost/student (i.e., total budget ÷ total students)

This will allow for a sane comparison of expenditure as well as maintaining current government oversight versus privatization alternatives.

Estimated annual cost savings = N/A, but spending and abuses will be better controlled

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3. Centralized purchasing of all products and services used by all schools, (e.g., administration, transportation, cafeteria, nursing, janitorial/maintenance, accounting, legal, I.T.) on a regional or county level. Mandatory and documented public bidding required. (Example, computers, legal costs, etc.)

Estimated annual cost savings = huge (10-25% of ongoing purchases)

4. School choice options, initially, for urban districts so parents can direct their children to lower priced private and public alternatives, e.g., Senators Lesniak/Kean's Opportunity Scholarship Act (S-1782), charter schools, community provider pre-K services. (Competition)

Reduce school construction and maintenance costs resulting from reduction of overcrowding in urban public schools by implementing the school choice options.

Estimated annual cost savings = huge, hundreds of millions

5. Privatize school board and school budget elections to save costs and increase citizen interest in school issues and to increase voter turnout. Conduct them electronically (paper ballots for non-computer users via the absentee system.)

Estimated annual cost savings = \$7-10 million +

6. Implement parental school choice options for special needs students in all districts, as has been done successfully in Florida with their McKay Scholarships, to cite an example.

Estimated annual cost savings = \$75-90 million +

7. Implement statewide contracts for all employment levels, teachers, supervisor/principal, superintendents, transportation, custodial, foodservice, grounds, etc.

Estimated annual cost savings = \$6-10 million

8. Institute across the board compensation and tenure rules to reflect the realities of today's societal expectations, the global economy and the appropriateness of rewarding excellence; allowing for the adjustment of salary guidelines to attract hard to find disciplines (e.g., math and science) and hard to hire urban districts.

Estimated annual cost savings = N/A

9. Institute immediate global analysis of all pertinent state mandates to reflect current requirements, eliminate all that aren't germane and re-codify those that still are necessary along with the designation of appropriate sources of funding. (We could start with a pilot 'Mandates Council for School Districts', similar to the one for Municipals).

Under this proposal, mandates may, appropriately, vary by district. In the case where the state pays 75% of local education costs, it should have the right to enhance/increase mandates.

Estimated annual cost savings = \$30-100 million

10. Revise and introduce more benefit varieties to meet the individual employee needs. Increase the variety and employee contributions toward pension (e.g., from 5.5% to 7%), and healthcare, similar to private industry, and the federal government (i.e., 25% versus “free”).

Shift all new employees (and those not vested) to a defined benefit contribution/401b pension plan.

Estimated annual cost savings = huge, hundreds of millions

11. Privatize and regionalize public school transportation. Additional savings are realized by requiring a standardized school calendar for each region.

Estimated annual cost savings = \$250-750 million

12. Immediately open all contract negotiations to the public. The public is entitled to know what demands are made of our property taxes. As contracts expire, implement the state standard referenced prior, with allowances for local “issues” (those items that are germane only at the individual locations/districts). This will encourage more competition such as Virtual Online Instruction, Contract Teaching Services, under what we propose as a public/private partnership arrangement.

Estimated annual cost savings = N/A, but negotiations conducted in the light of day is superior

13. Eliminate all outside legal and accounting professional services contracts replacing them with the state standard/mandated contract and bid process. Outsource to private providers where appropriate and possible.

Estimated annual cost savings = \$12-25 million

14. Base State school aid to districts on average student attendance taken monthly, rather than once per school year, similar to charter schools. Require an independent entity to perform/manage/oversee the initial count with integral audits in the future to keep the districts honest. (Example)

Estimated annual cost savings = huge, but hard to even define

15. Review the entire pre-school program (particularly Abbott) and implement adjustments which provide higher levels of excellence and hopefully are much more cost efficient (i.e., private alternatives). In the process initiate appropriate funding (e.g. 50%) private provider’s new pre-school facilities, in Abbott Districts only, rather than 100% of public school’s new facilities. Payment/profits based on results.

Estimated annual cost savings = huge, tens of millions

16. Establish a free market oriented, out of the box, education system across the state that includes enhanced, modern, online curricula deliver coupled with Contract Teaching Services (CTS) under a public/private partnership; alongside traditional delivery systems/solutions.

a. Harvard University is currently offering on-line comprehensive k-12 curricula, and

- b. The CTS resources are envisioned as emanating from entrepreneurial startups of teachers and other educational professionals from the masses of RIF'd classroom professionals.

These same individuals provide a logical resource for backfilling retirees and others choosing to leave the daily classroom environments in the future as they have all the same credentials and experience.

Estimated annual cost savings = N/A, but imagine the possibilities...

ATTACHMENT: HOW TO REDUCE SCHOOL COSTS WITHOUT REDUCING EDUCATIONAL QUALITY NOTES AND REFERENCES (04-07-10)

The average cost of educating a public school student in New Jersey is the highest in the nation. Since from 60% to more than 85% (and growing) of local school budgets are salaries and benefits, any meaningful examination of school costs must include proposals for the containment of staff-related costs.

The following items are some of the most obvious areas that deserve further investigation as part of any comprehensive plan to gain control of New Jersey's education costs and local school property taxes.

PRIVATIZE SCHOOL BOARD ELECTIONS

At an estimated average of \$25,000/election times 600 districts, the impact is large, and that doesn't factor in the projected increase in voter participation of the electronic approach.

ESTABLISH UNIFORM, STATEWIDE, CONTRACTS FOR ALL EMPLOYEE CATEGORIES (i.e., teachers, administrators, superintendents, etc.)

CONSOLIDATE DISTRICTS/SHARED SERVICES

The inefficiencies of the current system, with 600+ districts and no guidelines for enrollment or grade plans should be reviewed. There are many reasons why districts may not want to consolidate and no district should be forced without voter approval. However, if real savings can be accomplished and a district refuses to consolidate, state aid could and should be affected. Not all large districts are well run or efficient. In many cases, sharing of all non-teaching services e.g., (transportation, administration, cafeteria, janitorial, nursing, purchasing of supplies, etc.) can be bid/privatized on a county wide basis without affecting schools where children are presently assigned.

1. County Superintendents are charged with this review responsibility and must report findings/recommendations by March with voting by districts in October 2010. Support from the NJ Business Community (e.g., NJBIA, CIANJ) to help jump-start a pilot shared service arrangements can help move this along faster. Suggestions for a few County Pilots similar to the proposals made by Senator Sweeney and Assemblyman Moriarity for Gloucester County should be started immediately. Recently, Assemblyman Chivukula recently introduced A2622/A2623 to allow submission to voters in each county a binding referendum to establish a county school administrative school district to govern and operate all public schools in the county/Governance structure.

REPLICATION OF PROGRAMS

Districts should be prohibited from offering courses or programs available at the county vocational schools. The county vo-tech schools offer a wide range of programs for students with varying abilities and interests. Local school districts often replicate their programs in an effort to keep students from transferring to the county vo-tech.

SPECIAL EDUCATION/BILINGUAL EDUCATION

Special education includes students with a wide range of learning disabilities from mild to severe. Since most learning disabled students are diagnosed before or immediately upon entering school, it is not unreasonable to expect that some students should be remediated and then de-classified as no longer needing services.

The special services commissions and the special services school districts in New Jersey provide programs for learning disabled students at tuition rates well below private schools. These programs should be expanded and districts should use them with parents' agreement.

Bilingual and ESL programs are designed to help students become proficient in English. Presumably, students would learn English and exit the program. Far too many students are becoming "lifers" in these programs. There should be a maximum number of years that a student can be in a bilingual or ESL program.

Special Education vouchers similar to the McKay Scholarships in Florida should be explored. Districts would grant vouchers to parents for the same amount it would spend for Special Education to use at any private facility. Parents have the option to spend more at their own expense. Florida has seen a dramatic reduction in litigation when parents have the choice and public schools are much more responsive to parents who can leave with the money to go elsewhere.

PHYS ED MANDATE

New Jersey has the most extensive physical education requirement of any state. It is obvious from recent studies that the requirement has had no positive impact on childhood obesity and other health and lifestyle issues. The requirement for 150 minutes weekly in elementary school and four years of P.E. in high school should be reduced or eliminated. At a minimum, any student that participates in school or club sports should be excluded from taking physical education in school. This will dramatically cut down on classes needed.

PROFESSIONAL SERVICES

There are currently no controls on contracts issued to attorneys, architects, construction managers, auditors, school doctors, financial advisors and other professionals who do business with local school districts. These services should be privatized and publicly bid on or, in the alternative; their hourly rates should be capped statewide.

TRANSPORTATION

The law requires that students, who live more than two miles from their elementary school, or more than 2.5 miles from their high school, be transported to school. Districts spend millions of dollars transporting students who live closer to school by declaring the route that would be walked to the school as "hazardous." There is no objective standard for "hazardous." The reality is that any group of parents who complains enough gets their children bussed. Regionalization/consolidation of transportation should be on a county basis for all school districts. Some very large school districts could be exempt initially while all other county districts are regionalized.

NON-TEACHING POSITIONS

Districts employ a wide range of non-teaching professionals. These job titles include: Superintendent, Assistant Superintendent, Business Administrator, Assistant Business Administrator, Principal and Vice Principal, Directors, Supervisors, Coordinators, Guidance Counselors, Elementary Guidance Counselors, Peer Assistance Counselors, Head Teachers, Helping Teachers, Peer Coaches, and others. There needs to be an assessment of what non-teaching positions are really necessary and how many based on district enrollment. In many cases, new empires have emerged because parents have been convinced by staff that these positions are necessary. Many of these positions are “union” positions, which means more union dues.

TERMS AND CONDITIONS OF EMPLOYMENT

Teachers and administrators in New Jersey’s public schools currently enjoy the most generous paid leaves in the nation. It is common for collective bargaining agreements to include the following paid leaves:

- Sick leave—anywhere from 10 to 15 days annually (or more). Up to 15 days may accumulate year to year.
- Personal Days—from 2 a year to no limit, the unused portion usually accumulates as sick days within the statutory limit of 15.
- Professional Days
- Illness in family days
- Marriage days
- Death in family days
- Death of a fellow teacher days
- Vacation days for 12 month employees.
- School Breaks—during periods when schools are closed for students, such as Christmas Break, Easter Break, Columbus Day, etc.; some districts close totally, which adds to the number of vacation days for 12 month employees. For example, a Superintendent or Principal might receive 20-25 vacation days annually. If the district shuts down for a week at Christmas and a week at Easter, he or she gets 10 more days. Secretaries very often benefit similarly.

The cost of substitutes and loss of instructional continuity in school districts is staggering. Legislation must be passed to limit the number of paid leave days for school employees.

Lump sum payments for unused sick and vacation time for Superintendents/Administrators have recently been limited by a new law. The same rules should be extended to all other school employees who are not covered.

TEACHER SALARIES

New Jersey has one of the highest average teacher salaries in the country. Teachers’ salaries are the largest single item in every school budget in the state. There are experienced teachers in the state making over \$100,000 without working beyond the typical workday of 6.5 hours or the typical work year of 183 days. Average increases in teacher salaries have exceeded the rate of inflation.

Teachers are paid based on salary guides negotiated between the local school board and the teachers union. Years of experience, degrees held, and credits beyond the highest degree are factors in

determining salary. When a district has a majority of its teaching staff at the top of the salary scale, teachers' salaries obviously become a larger percentage of the overall school budget, often forcing cuts in non-salary areas such as building maintenance or text books. When a district has experienced teachers, it also forces more of the negotiated salary increase to go to the top of the salary guide, causing salaries for less experienced staff to suffer. One option to this problem would be to cap teacher salaries statutorily by region of the state. When teachers hit the cap, they would receive some very minimal increase limited by the statute. This would help to constrain high salaries and force more money to the middle and bottom of the pay scale, which would help attract and retain capable staff.

Merit pay should be instituted for all excellent and outstanding teachers and higher starting salaries instituted in hard to find disciplines (e.g., math, science) or hard to hire (e.g., urban) classrooms. Correspondingly, salaries should be reduced for new teachers in curriculums where excess supply exists.

Teacher tenure rules should be overhauled to allow for the speedy removal of incompetent teachers, after a reasonable time for their effort to improve. This would complement the additional merit pay schedules. Lifetime tenure should be abolished and a re-application for tenure every 5 years should be instituted.

HEALTH BENEFITS

Health benefit premiums are annually the second largest single expenditure in every school budget. The vast majority of school districts obtain their health insurance through the State Health Benefits Plan (SHBP). Recently the NJEA has negotiated its own HBP to curb costs.

It should also be noted that school employees who retire with 25 years of service receive full benefits for themselves and their dependants.

The rules of the SHBP make it difficult, if not impossible, to negotiate cost containment measures such as incentives for decreasing coverage or contributions for dependant's coverage. The result of these restrictions in the SHBP has been that the vast majority of school employees in New Jersey receive free employee and dependent health care coverage. Less than one in five teachers shares in any of the cost of their healthcare. Their cost is continuing to escalate dramatically with no end in sight. Offering various plans such as HMOs, PPOs, and POSs, as well as raising deductibles and co-pays, has helped somewhat. All existing school employees should share in paying for at least 25% of their healthcare costs including dependents. New employees should pay 25% of their individual healthcare costs and 100% of their dependents' costs.

For new employees (and existing employees not vested): Retiree health benefits should be changed from free for teachers (and dependents) who reach 25 years service and 55 years of age to 50% of health benefits costs for retired teachers (only) who reach 30 years service and at least 60 years old.

PENSION COSTS

Pension costs (the employer's share) for teachers are not reflected in local school budgets. These costs are in the state budget and amount to hundreds of millions of dollars annually. It has been common for the state not to make these contributions, or to contribute less than the required amount.

Current and future pension costs can be contained in two ways: first, increase the employee contribution from the current 5.5% to perhaps 7% and increase the 25 year service with 55 year minimum to 30 years of service with 60 year age with no penalty in pension; change the pension to a defined contribution/401b plan for new and existing employees who are not yet vested.

Following are a number of other suggestions for reducing education costs without reducing education quality:

USE PRIVATE ALTERNATIVES WHERE SAVINGS CAN BE DOCUMENTED

1. Give students the option of attending lower cost private or public schools, or, ultimately virtual/on-line schools.
2. Introduce a public/private partnership system whereby teachers and other education professionals are free to create Contract Teaching Services as an alternative to the current government run monopoly.
3. Reduce administrative, consultant, and litigation costs in Special Education by offering scholarships to qualified public or private schools.
4. Examine private alternatives to:
 - Transportation
 - Site and building maintenance
 - Food service operations
 - Nursing services
 - Human Resources
 - Information Technology
 - Payroll
 - Legal services
 - Accounting services
5. Require equitable funding for nonpublic preschool providers.

REDUCE SPENDING ON UNNECESSARY SCHOOL BUILDINGS, EQUIPMENT AND SYSTEMS

1. Reduce need for school building expansion by permitting students to attend underutilized private facilities.
2. Maximize use of all facilities 7 days a week, 365 days a year to reduce total new capacity need.
3. Require the NJ School Development Authority to reduce new school construction costs by standardizing school designs. Other states have 5 or 6 approved designs, which drives down architectural and management fees.
4. Strictly mandate and enforce competitive bidding.
5. Aggressively seek public/private partners to share costs and maximize utilization.
6. Eliminate/restrict project labor agreements, which increase construction costs by up to 20%.
 - a. Introduce free market solutions under competitive competition process
 - i. Urge and reinforce all new Pre-K must be contracted with existing private Community Providers that will supply the infrastructure rather than build unneeded new schools.

REDUCE ADMINISTRATIVE COSTS WHICH ARE NOT ESSENTIAL TO ENHANCE EDUCATIONAL OUTCOMES

1. Require that no less than 80% of districts' school budget be used for direct instruction.
2. Retain the recently enacted budget caps, reduce number of exemptions.
3. Centralize the purchasing of products and services, to achieve economies of scale.
 - a. Take advantage of Federal Contracting system as appropriate (it's available at the state/local levels)
4. Conduct zero-based analysis of all state mandates and eliminate those which can no longer be justified.
5. Require competitive bidding on **all** professional service contracts.
6. Expand audits of local district spending practices, contracting relationships, competitive bidding and accounting processes and procedures.
7. Penalize, with the goal of eliminating, use-it-or lose-it mentality in spending decisions.
8. Enact tort reform to control school district liability and reduce liability insurance costs.
9. Eliminate the bounty system in Special Education funding, which encourages over identification of students.
10. Reform state audit of local districts. At present, local district residents do not have readily accessible comparative information. Money reached districts, schools and individual classrooms through complex formulas that are difficult to understand and usually incomplete.