

RECOMMENDATIONS
FOR
REDUCING LOCAL PROPERTY TAXES,
INCREASING LOCAL GOVERNMENT EFFICIENCY,
AND
FINDING NEW SOURCES OF LOCAL REVENUE

CHERRY HILL REFORM COMMITTEE

March 10, 2010

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Contents

Contents.....	2
Preface... about us.....	3
Report participants.....	5
The Problem that Trenton alone cannot solve.....	6
Equitable State Aid for Cherry Hill Schools.....	9
“Salary sunshine online” budget information.....	12
Inform the public about compensation.....	12
Cost-cutting and efficiency “suggestion box” incentives	14
Citizen Service Efficiency Advisory Committees	14
Ensure transparency and accountability	15
Managing Local Government Employee Benefits.....	16
Wellness program initiative.....	26
“Across the board” budget discipline.....	28
.....	30
Control public employee compensation growth.....	30
Temporary salary freeze for all public employees.....	32
Limit public pensions to one job per person.....	34
Require fact-finders and arbitrators to make cost-of-living the most important factor in consideration of binding arbitration cases.....	34
Uniform "use-it-or-lose it" rules: sick, vacation, and compensatory time.....	36
Establish best practice and efficiency benchmarks for public services and provide incentives for regionalization of and shared services	41
Efficiency goals for organized labor.....	45
Shared Computer Administration (network administrator).....	45
Energy Audits of local government buildings	46
Out-source vehicle maintenance.....	47
Shared Services	47
Controlling Overtime.....	48
Recreation Programming and Fees.....	50
Increased share of fines from law enforcement.....	52
Address unfunded federal and state mandates.....	53
Local sales tax on clothing	57
Additional Recommendations For The Cherry Hill School District.....	58
Class size	59
Improve teacher efficiency by improved time management and use of integrated information technology.....	65
Physical education waiver.....	65
College level courses	65
Expand the “Hub” bus transportation system.....	65
Review and revise boundaries to reduce bus costs	66
Shared bus services	66
Lower transportation costs by through “Aid in Lieu”	66

[Building climate control67](#)
[SACC rates and cost recovery.....68](#)
[Non-hazardous courtesy busing fees68](#)
[Extra-curricular activity fees69](#)
[Transfer unused capital project funds70](#)
[Appendix71](#)
[Works on Class Size and Student Achievement Accessed by Cherry Hill School District Administrators and presented to the Board of Education.....71](#)
[Critiques Of Class Size Reduction Policy72](#)

Preface... about us

CHERRY HILL REFORM GROUP FINDS SUCCESS

“They are Democrats, Republicans, Independents and Greens. They are old, young and middle-aged. They are from the township’s east side and west side.

And they are of one mind-set.

The surest path to good government is increased civic participation.

They call themselves the Cherry Hill Reform Committee and to date the group has proposed five different ordinances to township council, one of which was unanimously adopted this summer after a successful petition drive that netted more than 3,600 signatures of registered voters.

"We're trying to make democracy work again," said township resident Bob Shinn, the group's founder and one of its leaders.

The group is meant to give people a voice at the local level where they're most likely to affect change, Shinn said.”

Courier- Post Article, Monday, Nov 26, 2007
 By Lisa Gryzboski

We are a non-partisan volunteer group dedicated to improving democracy and civic engagement. This year we are also dedicated to finding constructive ways to cut the cost of local government and address, at the local level, one of the state’s most intractable problems: the highest property taxes in the nation.

Starting in January 2007 as the Cherry Hill Pay-to-Play Reform Committee, our first goal was passage of a local law that would ban the practice of “pay-to-play,” the exchange of no-bid municipal contracts for campaign donations from professional service contractors. We were successful in getting the Town Council to pass this law after gathering enough signatures to put our proposal on the ballot. Following the adoption of the ordinance, we re-organized to form the Cherry Hill Reform Committee.

In October 2007 we introduced three more reform ordinances to ensure that Cherry Hill's government is more transparent and open to civic involvement. One provides procedures for citizens to learn about and apply for appointed positions that are available and the qualifications and experience that the Township is seeking for such positions. The second ensures that zoning variances are decided through a fair and impartial process by requiring full disclosure of political contributions by developers and professionals with an interest in the zoning outcome. The third ensures the township is getting the most qualified professional contractors through a transparent process at the best possible price. It provides qualification-based, competitive negotiation procedures to ensure "fair and open" competition through published rules and decision-making criteria.

When the Town Council initially deferred action on these ordinances for further study, we led a drive to gather thousands of signatures on petitions to put the measures on the ballot. The Council then passed all three ordinances.

We are transforming Cherry Hill politics by limiting the influence of special interests and making Cherry Hill government open and transparent. We are making participatory democracy a reality in Cherry Hill.

Now we need your help to make Cherry Hill not only a better place to live, but also more affordable. Cherry Hill taxpayers pay a higher average property tax than all but three other municipalities in Camden County.

We are recommending the local government cost cutting proposals, new sources of local revenue, and suggestions for increased efficiency in this report as our constructive effort to stop and slow down the run-away property tax train and at the same time preserve essential local government services. The State of New Jersey is on a path to dramatically reduce state aid to local governments. If we are unable to win adoption of the ideas and measures described in this report, the inevitable result will be not only more and significant local property tax increases, but also significant cuts on local government employment. The choice is clear.

Contact us to get involved. You can you make a difference and help make Cherry Hill a better, more affordable, place to live: Join the Cherry Hill Reform Committee. Bring a friend to our meetings. Attend town council meetings. Help enact one of more of the cost cutting proposals contained in this report. Contact us: CHReform@gmail.com 856-428-8672.

Report participants

All of the recommendations contained in this report were approved by at least a majority vote of the Reform Committee members who attended the review meetings.¹ The Reform Committee thanks and appreciates the contributions of the following members for helping to assemble, review, or support this report's recommendations:

Ramin Abbaszaddah
Fred Astmann
Doug Breskin
Gregory A. Bruno
Doris Carey
Barbara Davis
John Davis
Bob Esposito
Phil Guerrieri
George Hickman
Eric Kipness
Ken Lehr
Theresa Mohrfeld
Bob Moran
Jim Morris
Nick Naum
Nancy O'Dowd
Angela Pizzo
Norman Pratt
Brian Quigley
Robert Shinn
Roxane Shinn
John Tremble
Susan Wolf

¹ Not all members of the Cherry Hill Reform Committee participated in the preparation, review and approval of the recommendations contained in this report and some requested that their names not be listed. Not all participating members fully agree with all of the recommendations of this report and some advocated measures that are not included.

The Problem that Trenton alone cannot solve...

New Jersey residents pay the highest property taxes in the nation.² Camden County residents pay a greater percent of their median home value in property taxes than all the other counties in the nation except nine.³ In 2008 Cherry Hill Township had the fourth highest average residential total property tax (\$7,280) amount Camden County's 35 municipalities, exceeded only by Haddonfield and Haddon Heights Boroughs and Voorhees Township.⁴

Cherry Hill reported "total expenditures and tax requirements" for FY 2009⁵ of \$285.45 million broken down as shown in the table below. The Cherry Hill Board of Education passed a FY 2009 budget of \$178.8 million supported by a local property tax levy of \$146.8 million. Camden County received \$58.9 million of its FY 2009 County Tax of \$242.2 million from Cherry Hill property tax payers. The Cherry Hill Township municipal appropriations of \$59.2 million for FY 2009 were supported by a municipal property tax levy of \$37.8 million.⁶

Cherry Hill Township Expenditures and Taxes Requirements ⁷					
Entity	(\$ THOUSANDS 000'S)				
	<u>% total</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>Change</u>	<u>% Change</u>
School Taxes	51.43%	146,803	142,523	4,280	3.00%
County Taxes	20.63%	58,890	59,473	-583	-0.98%
Municipal Appropriations⁸	20.75%	59,218	56,587	2,631	4.65%
Fire District Taxes*	7.20%	20,539	19,374	1,165	6.01%
Sum of 4 jurisdictions	100.00%	285,450	277,957	7,493	2.70%
SFY 2010 Municipal Data Sheet State Fiscal Year					

² <http://www.taxfoundation.org/research/topic/44.html>

³ <http://www.taxfoundation.org/press/show/23654.html>. The County ranks as the 10th highest county in the United States in median real estate taxes as a percentage of median home value

⁴ The list excludes the "golf course" municipalities of Pine Hill and Tavistock. The average total property taxes also exclude the taxes Cherry Hill residents pay for professional fire services. Most other Camden County municipalities have volunteer or mixed professional and volunteer fire companies.

⁵ July 1, 2009 – June 30, 2010.

⁶ SFY 2010 Municipal Data Sheet State Fiscal Year, Sheet 3, Certified 9/14/2009.

⁷ Sheet 39, Appendix to Budget Statement, Current Fund Balance Sheet for SFY 2009,

⁸ Total general appropriations for Cherry Hill Township in FY 2009 were \$63.3 million, which included \$3.36 million for library maintenance and \$1.63 million in library lease payments. .

Cherry Hill Fire District ⁹		20,533	20,544	-11	-0.06%	
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⁹ Note: The Fire District reports taxes raised amounts slightly differently from the Cherry Hill Municipal Data Sheet.

New Jersey faces an immediate budget crisis at all levels of government and a long-term fiscal problem that can no longer be solved by budget gimmicks.

On February 11, 2010, Governor Christie invoked emergency powers to balance the current state budget and cut a \$2 billion projected deficit for the balance of the fiscal year. The Governor cut 375 line items in all and struck a broad range of areas,¹⁰ including a \$475 million reduction in state aid to education.¹¹ The governor said his decision to cut state aid to over 500 school districts should not lead to property tax hikes or hinder the education of children this fiscal year.

Governor Christie projects an \$11 billion deficit in the approximately \$28 billion state budget for FY 2010-2011. He said the state pension system "cannot continue to sustain" its levels of support but ruled out shrinking the pensions of current retirees. He said his budget for the next fiscal year will "be a vehicle for real property tax reform" that attacks costs at the county, municipal and school board levels along with the state. He said he intends to give tools to the municipalities and the school boards so they can control costs as well so "then, as we tighten our belts at the state level, they just don't expand at the municipal level."¹²

All New Jersey local governments will face enormous fiscal and budget challenges over the next few years. Responsible local government cost-cutting is the next big challenge. More than 6 out of every 10 tax dollars are spent at the local level. This is a problem that cannot be solved by Trenton alone.

Enacting significant cost-saving measures at the local level and building a new culture of savings provides a constructive alternative to higher property taxes and shrinking of essential services that will otherwise be the certain outcome of dramatic and continuing declines in state aid to municipalities and school districts.¹³

That is why the Cherry Hill Reform Committee decided to research local government cost-cutting, increased efficiency proposals, and new sources of local revenue that its members could present and advocate to the local governments supported by Cherry Hill

¹⁰ College funding was reduced \$62 million. Hospitals will absorb a \$25 million aid reduction, half from the state and half from federal matching funds. Subsidies for NJ Transit were cut by \$32.7 million, with budget documents indicating that a fare increase was likely. On health care, 11,700 legal immigrants who are not yet citizens will be taken off the state's FamilyCare health care program, saving \$2.5 million per month. A \$58 million jobs creation program, which gave tax credits for new hires, was scrapped and labeled as ineffective. The Governor said he would defer \$100 million of pension payments, increasing the long-term deficit in the state's retirement funds. Several hundred million dollars of savings, including \$300 million of school aid cuts, came from proposals first raised by Gov. Jon S. Corzine in an attempt to leave with a balanced spending plan, though some had not been enacted. Governor Christie also relied on some added federal aid and \$175 million of increased revenues. An additional \$450 million was made up by taking back money from state programs with excess funds.

¹¹ Tamari, Jonathan, "Christie balances budget with cuts," The Philadelphia Inquirer, Feb. 12, 2009, http://www.philly.com/inquirer/business/20100212_Christie_balances_budget_with_cuts.html

¹² http://www.nj.com/news/index.ssf/2010/02/gov_chris_christie_defends_inv.html

¹³ www.jointhecampaign.com

property taxes. The proposals contained in this report offer the potential for major savings.

The Reform Committee's goal is not only to win adoption of these cost-saving measures, but to build a culture of savings where citizens and elected officials focus on constructive ways to address the property tax crisis and put frugality front and center.

Few of these proposals are new. Most have been advocated by other bi-partisan panels of the New Jersey legislature.

The Reform Committee reviewed and discussed a variety of sources for suggestions for cutting the cost of local government and reducing property taxes. These include the proposals that were contained in or came from: (1) the New Jersey 2006 Joint State Legislative Committee, (2) the Gannet Newspaper "Tax Crush" series of articles and editorials that ran in the Courier Post and Asbury Park Press in October 2009, (3) the State Commission on Investigations Report published in December 2009, (4) the Citizens' Campaign January 2010 cost savings proposals, and (5) a variety of other sources including the members of the Reform Committee's Subcommittee on Taxes and Government Efficiency.

Equitable State Aid for Cherry Hill Schools

The current state budget crisis is likely to result in a reduction of state aid to local school districts this year and next.

The first proposed cut occurred on February 11, 2010. Governor Chris Christie signed Executive Order 14 ordering that state school aid for the balance of the fiscal year be cut by the amount of any school district's current excess surplus and capital reserve.¹⁴

As a result the Cherry Hill School District will lose about \$3.9 million in state aid payments this fiscal year—about 25% of the \$16 million in state aid was scheduled to receive under the current state aid formula and law.

Cherry Hill School officials said that requiring school districts to use excess surplus and capital reserve in lieu of this year's state aid payments won't cause layoffs or tax increases this year, but will have a significant adverse impact on Cherry Hill in the FY 2010-2011 as it will force the District to replace it with money reserved for local taxpayers in the 2010-2011 budget.¹⁵

State aid is awarded to municipalities based on a new school funding formula approved by the NJ Legislature and the State Supreme Court.¹⁶ Cherry Hill was entitled to receive

¹⁴ "Excess surplus" refers to unspent and uncommitted revenues above 2% of a district's operating costs. Under the law, excess surplus must be appropriated for tax relief in the year following that in which the audited excess surplus is reported.

¹⁵ "State to Withhold \$3.9 million in aid to Cherry Hill," 2/12/2010, District News, Cherry Hill Public Schools website: <http://www.cherryhill.k12.nj.us/news/news/detail.cfm?itemid=3403>

¹⁶ <http://www.state.nj.us/education/sff/>

\$27.97M in aid for the FY2009/2010 school year according to the formula. However, due to the application of aid “caps” (limits on annual increases) specified in the new law, Cherry Hill’s aid was “capped” or limited to only \$16.52 million -- about 41% or \$11.45 million less than the amount it should receive of “uncapped” state aid.¹⁷ \$16.52 million is slightly less than 10% of the Cherry Hill School District’s total projected spending for FY 2009.¹⁸

This reduction in aid is a direct result of inequities and inconsistencies inherent in the new law and the way it has been implemented.

NJ DOE introduced the revised funding formula for the FY 2009 school year. State aid had been frozen at the 2001-02 levels for many districts, including Cherry Hill, despite growing enrollments and the growth of “at risk” (e.g., lower income, limited English proficiency and special education) student populations. One in every four new Cherry Hill School District students is either classified as a Special Ed student or has an Individual Education Plan (IEP) when entering the District. Under the previous methodology, it was generally accepted that there were in fact, two funding methodologies: one for the “Abbott” districts and one for all other districts. NJ DOE’s goal for the new funding method was to create a unified, fair, equitable, and predictable funding formula based on students’ characteristics and needs, regardless of their home district or ZIP code.

The building blocks of the new formula include the development of an “Adequacy Budget” for each district which is intended to provide sufficient resources to meet NJ’s educational standards, given the characteristics and needs of each district’s student population. The Adequacy Budget is to be supported by both the state and local communities. A “Local Fair Share” represents what a community will be required to contribute in local property taxes based on the equalized property values and personal income of the community.

For the three year period after the new formula went into effect, no community was to receive less than 102% of the aid it received in FY 2008 under the old formula. As such, if the state aid under the new formula (as determined by the Adequacy Budget and Local Fair Share) was less than what a district received in FY2008, the district will receive what amounted to “hold harmless” or “Adjustment Aid” to bring them up to the 102% level. In addition, districts receiving Adjustment aid were not subject to any caps. After the three year period, adjustment aid to districts will be reduced only if their respective enrollment declines by more than 5%.

Districts entitled to an increase in aid as compared to the aid received under the old formula are subject to caps (limits) on the amount of the increase which would be funded. Districts whose spending was below their respective Adequacy budgets were subject to a 20% / 5% caps on growth in aid and districts spending above Adequacy levels were

¹⁷ Cherry Hill anticipated receiving \$5.8 million in categorical special education aid, \$7.7 million in equalization aid, and \$2 million in categorical transportation aid.

¹⁸ <http://www.cherryhill.k12.nj.us/departments/publicinfo/files/User%20Friendly%20budget.htm>

subject to 10% / 0% caps on growth in aid for FY 2009 and FY 2010, respectively. The NJ DOE justified the caps by citing that local districts needed a transition to ensure that any increases in aid would be spent effectively.

The imposition of caps perpetuates the status quo as districts which have historically been under funded with regard to state aid due to rising enrollments and at risk student populations, will continue to receive less than their fair share of state aid. Reasons for this include:

- Despite the reasons cited for adopting a new funding formula (e.g., elimination of the “dual funding systems”, treating students’ needs the same regardless of their ZIP code, etc.), students in districts which receive Adjustment Aid fare better than students in districts in which an increase in aid is required. As such, the law places a higher priority on maintaining aid to districts which would have received less aid under the new formula than on providing much needed aid to districts which have been historically underfunded.
- Only districts requiring an increase in aid as measured by the new formula are subject to caps on their aid growth. Districts which spend above Adequacy levels are subject to the most restrictive caps. Districts receiving Adjustment aid are not subject to any caps even though 222 of the 253 districts receiving Adjustment aid spend above Adequacy levels.
- Aid per student for districts receiving Adjustment aid will always be greater than that received by all other districts as for all practical purposes the Adjustment aid increment never goes away.
- In its latest review of the new funding law In “Abbott XX,” the court’s finding that the new law was constitutional was conditioned at least in part on the expectation that the State will continue to provide aid to districts at levels required by the law through FY 2011.

These inequities and inconsistencies have a dramatic and adverse effect on Cherry Hill’s Special Ed. students. Under the new funding formula, two-thirds of the Special Ed. costs eligible for aid are subject to income equalization and the aid caps. The remaining one-third is provided as Categorical Aid and is not subject to income equalization or caps.

As a result of income equalization and caps on aid, of the total of \$17.4M of Special Ed. costs the formula deems eligible for state aid, Special Ed. students in Cherry Hill receive only \$6.5M.

It is clear that the DOE and Legislature’s promise that aid will follow the neediest students, regardless of ZIP Code, was not kept.

We strongly recommend that the District and Cherry Hill’s elected officials mount a public relations campaign to demonstrate to the Governor and the State Legislature that Cherry Hill has been and will continue to be “short-changed” by approximately

\$12 million in state aid per year if the State continues to allocate school aid as it has in the recent past.

We recommend that Cherry Hill elected representatives fight for Cherry Hill's legal and fair share of state school aid resist any and all efforts to reduce it or reclaim unused funds or surpluses which can and must be used for property tax relief in Cherry Hill.

We recommend that the District and all Cherry Hill elected officials communicate the historic and continuing inequities of the way the current funding formula is capped and manipulated to deprive Cherry Hill taxpayers of their fair share of state aid and make recommendations to the Governor or a more equitable methodology.

We recommend that the District enlist the support of local state legislators in this effort, including Senators Beach and Sweeney and Assemblypersons Greenwald and Lampitt.

“Salary sunshine online” budget information

There are very few places where citizens can go to review local budgets. Municipal budgets in particular are rendered on complicated, arcane forms prescribed by the Department of Community Affairs and are not easy to track from year to year or to compare with other towns.

We recommend that the State put all top municipal and local government salaries online in a form where citizens can compare across towns of similar size and scope.

We agree with the Citizens' Campaign and recommend that each unit of local government that receives property tax revenue from Cherry Hill (the County, the Township, the School District, and the Fire District) institute a program called “Sunshine On-Line.” This would include putting on the agencies website the following information: easy to follow budget summaries and staffing levels by major budget category, lists of the top 10% of salaries or the top 5 salaries for each department, whichever is greater, and budgeted and actual overtime dollars used per each department, and all labor contracts.

Inform the public about compensation

We believe voters are entitled to know the principal elements of any proposed budget, especially budgets they vote on every year. In 2006 a Joint NJ Legislative Committee recommended requiring every collective bargaining agreement to contain a detailed appendix concerning the value of salary and benefits packages to “ensure that those who

negotiate these agreements are sensitive to the greater public disclosure requirements during the negotiation process.”¹⁹

We recommend that the Board of Education direct the Superintendent to include a summary table which shows the range of salaries and proposed changes from the previous year by major employee category (e.g., teachers, principals, maintenance workers, etc.) in any proposed budget as well as all other major proposed changes in payroll related budget assumptions as part of public information budget package mailed to all taxpayers.

We recommend that the Board of Fire Commissioners direct the Fire Chief to include a summary table which shows the range of salaries and proposed changes from the previous year by major employee category (e.g., firefighter, fire prevention specialist, public education officer, emergency management technician, chief, deputy chief, workers, etc.) in any proposed budget as well as all other major proposed changes in payroll related budget assumptions as part of public information budget package mailed to all taxpayers.

Public disclosure of summary health benefits

In 2006 a Joint NJ Legislative Committee recommended requiring every collective bargaining agreement to contain a detailed appendix concerning the value of salary and benefits packages to “ensure that those who negotiate these agreements are sensitive to the greater public disclosure requirements during the negotiation process.”²⁰

We recommend that Camden County and all Cherry Hill local governments disclose and include the major elements of their current and proposed health benefits budgets on their websites and in the proposed budget package mailed to all taxpayer.

We recommend that this take the form of a simple matrix which identifies each health care plan and carrier, the type of coverage (e.g., Single, family, single plus one), the approximate number of employees proposed to be covered by each plan, the primary levels of coverage, the amounts of major deductibles and/or co-pays required, and the amounts, if any, that employees are proposed to contribute towards their health insurance premium cost.

¹⁹ Joint Legislative Committee, Government Consolidation and Shared Services, Final Report, December 1, 2006, p.63

²⁰ Joint Legislative Committee Report, pages 62-63.

Cost-cutting and efficiency “suggestion box” incentives

In 1892 NCR became the first US company to implement a company-wide suggestion program. The concept was the 'hundred-headed brain', developed by John Patterson, their infamous CEO. He realized early in his business career that employees had valuable ideas but that management structures tended to prevent these ideas from spreading through the company.

Suggestion boxes became popular in the manufacturing sector in WWII and the post-war years. They became part of the total quality movement and an integral part of cost, safety and quality improvement initiatives over the following fifty years. They are still the mainstay of corporate suggestion programs, be they physical boxes or virtual boxes on company intranet web sites.

Idea management is the process of collecting focused business ideas, developing the ideas into implementable concepts, evaluating and selecting the top concepts, and measuring performance.²¹

The majority of suggestion box systems reward employees based on a percentage of cost savings or net benefit.²²

We recommend that the Camden County Freeholders, the Cherry Hill Mayor, Council, Board of Education, Library Board, and Fire Commissioners implement modern employee “suggestion box” and idea management systems and provide financial incentives to reward workers based on suggestions that increase productivity, efficiency, and reduce the cost to provide public services.

Citizen Service Efficiency Advisory Committees

We recommend that the Camden County Freeholders and the Cherry Hill Mayor, Board of Education, and Fire District appoint committees of citizen volunteers to identify additional local government service efficiencies and how citizen volunteers can augment and provide certain functions in place of municipal employees.

We recommend that these committees be invited to provide year round advisory and efficiency progress monitoring services for the appointing government agencies rather than limiting their comments only to annual periods of budget review.

²¹ <http://www.imaginatik.com/site/pdfs/WP-0802-1%20Idea%20Management%20and%20the%20Suggestion%20Box.pdf>

²² For information on an example program see <http://hiring.inc.com/columns/taugustine/20060404.html>

Ensure transparency and accountability

One of the most troubling findings of 2009 State Commission on Investigation Report was the difficulty that awaits average citizens who may be interested in finding out more about how their tax dollars are spent. Numerous employment contracts, compensation arrangements and other benefit-related records examined by Commission staff contained “thickets of convoluted technical provisions and arcane language not readily understood by the untrained observer.” (54) The challenge of obtaining and deciphering this material frequently is compounded by the presence of multiple bargaining-unit contracts, each of which may contain different iterations of the same general benefit principle. Some employees, for example, may be subject to a strict monetary cap on leave redemption at retirement, while others in the same community effectively are allowed to exceed that cap by cashing in a maximum number of accumulated sick days at a certain percentage of their final salary. Still others may be prohibited from exchanging sick leave for cash when they retire but authorized to cash it in while actively employed.

We agree with the State Commission that “those responsible for negotiating and administering public-employee compensation and benefits should never commit themselves to the disbursement of substantial sums of taxpayer money without, at a minimum, taking steps to ensure that the terms and implications of such disbursements are clearly and accurately spelled out and made readily available for public review.”

We agree with the State Commission recommendation that, in the interests of fostering greater transparency, oversight and accountability, local and county government maintain easily accessible (including on the Internet) and readily understandable summary sheets delineating all benefits provided to every individual in their employ.

We recommend that local government authorities fully disclose the terms and conditions of all special compensation and benefit arrangements negotiated with and awarded to select individuals upon resignation, retirement and/or termination.

Managing Local Government Employee Benefits

The Cherry Hill School District projects it will spend \$30.58 million providing medical, prescription, and dental health insurance and other benefits for its employees in calendar year 2010. The School provided the following breakdown of its calendar year 2010 health insurance program plans and cost:

Insurer	Plan	Total Spend \$	Percent spent medical insurance spend
Horizon	BLUE PPO	12,381,012	55.3%
AETNA	HMO	6,462,168	28.9%
AMERIH		1,915,851	8.6%
Horizon	HMO	834,994	3.7%
Horizon	PPO	356,679	1.6%
Horizon	TRAD	426,436	1.9%
	SCRIP T	5,640,834	
	DENTAL	1,492,701	
	OPT OUT	1,050,279	
	VISION	4,762	
	LIFE IN	11,766	
Total Medical			22,377,140
All benefits total		30,577,482	

The Horizon Blue PPO plan accounts for about 55% of total medical insurance plan costs (\$12.38 of \$22.38 million), followed by the AETNA HMA which accounts for about 29% (\$6.46 of \$22.38 million). The District projects that it will spend over \$5.6 million on drugs (prescriptions) and \$1.5 million for dental care in calendar year 2010.

The School District offers its employees a variety of health care plans with a wide variation of cost to the district. The District's annual costs for the plans in FY 2010 range from \$5,891 for single employee coverage (AmeriHealth) to a high of \$9,317 (Horizon Blue PPO) – a spread of \$3,426 per year.

The spread in the District's costs for providing health insurance to a single employee and his or her family ranges is even wider (\$5,152), and runs from \$17,378 (AmeriHealth) to \$22,530 (Horizon PPO) per year. The costs of the most popular health care plans chosen by District employee's increased 10% between calendar years 2009 and 2010.

Cherry Hill Township municipal government does not offer the Horizon health plans. It offers AETNA health insurance to its police and other employees. The Township's costs for the AETNA's plans are comparable to the School District's AETNA's plans: \$6,381 per year for single employee, \$14,204 per year for married couple, and \$16,534 for employee plus family).

The Cherry Hill Fire District 13 joined the Southern New Jersey Regional Employee Benefits Fund (SNJREBF) on February 1, 2009. The **SNJREBF** is a Health Insurance Fund (HIF) which "provides participating public entities²³ with a cost-effective way to provide insurance for their employees while containing costs, while allowing employees to enjoy thorough and reliable health insurance coverage for themselves and their families."²⁴ HIF participation permits members to retain dollars they would otherwise pay an insurance company for routine benefits and eliminates the profit margin, overhead expenses, and applicable taxes that group insurance premiums include. These savings become available to members defray the expenses for routine claims and to pay the administrative costs of their programs. Participating employers in HIFs

- Contain health benefits cost
- Save money by reducing the expenses included in the premiums that would otherwise go to an insurance company
- Improve cash flows through paying only fixed plan expenses and only those claims that actually occur
- Earn interest on funds until utilized
- Save additional money when claims are lower than projected in a given plan year
- Cap their overall risk exposure at a manageable level
- Provide long-term stability to their health benefits program costs
- Obtain support in bargaining unit contract negotiations

²³ Participating Municipalities/ School Boards in the SNJREBF include: Alloway Twp Bd of Ed, Barrington Borough, Bellmawr Borough, Bordentown Twp, Brooklawn Borough, Cherry Hill Fire District, Chesilhurst Borough, Clearview Regional School District, Collingswood Bd Of Ed, Delsea Regional Bd Of Ed, Gateway Regional Bd Of Ed, Gibbsboro Borough, Gloucester City, Gloucester County Institute of Technology, Gloucester County Special Service School District, Harrison Bd Of Ed, Haddonfield Borough, Lawnside Borough, Lindenwold Borough, Magnolia Borough, Mansfield Twp, Maple Shade Twp, Medford Lakes Board of Education, Medford Lakes Borough, Merchantville Boro, Monroe Twp, Mt Ephraim Boro, Mount Holly Bd Of Ed, Paulsboro Bd Of Ed, Paulsboro Borough, Pine Hill Borough, Pitman Borough, Riverside Twp, Riverside Twp Bd Of Ed, Runnemede Borough, Shamong Twp Bd of Ed, South Harrison Bd Of Ed, Willingboro Twp, Wenonah Borough, Woodstown-Piles Grove Bd of Ed

²⁴ <http://www.snjrebf.com/>

- Receive employee education assistance.

The switch in health insurance providers and adjustments in co-payments and other features enabled the Fire District to limit the growth of its employees' benefits and health insurance budget to less than 1% for 2010.

Towards the end of 2008 the Fire District's health insurance provider, Horizon, had advised the District that its health insurance premiums were going to increase about 25%. The District budgeted an additional \$1.855 million for 2009 to cover the projected 25% increase. After joining the HIF the Fire Department's actual costs for health insurance only increased 5.12% rather than the 25% with comparable coverage as before. Thus about 80% of the \$1.855 million was available to cover benefits in the 2010 budget this year.

Joining the HIF also helped the District control health insurance costs by making some changes to the coverage plan, including providing that each firefighter declares a family or personal physician in the AETNA network for PPO rates and added co-pays of \$15. The firefighters union agreed to increase the co-pay to \$15. The Fire District also saved by encouraging employees to use mail order prescriptions for maintenance drugs and provides incentives for using generic brands.

As demonstrated by the Cherry Hill Fire District's switch to a larger, regional pool of employer based health insurance providers, there are potentially dramatic opportunities for cost savings in the design and selection of public employee health care plans and incentives. For example, if every school district employee were to receive the same type of health coverage covered currently offered to the Cherry Hill police (and also currently selected voluntarily by a significant number of School District employees), the cost per plan per employee could have been reduced by approximately \$2,881/year for each single employee and \$3, 514/year for each employee with family coverage. The range of savings could have been between 20 and 25%, of the most expensive plans now chosen or between \$2.5 and \$3 million per year depending on the ultimate distribution of employees per plan and by type of coverage.

Health insurance savings can be further achieved by joining larger groups and either instituting or participating in larger groups that regularly hold an open competition to secure the most cost-effective plans that still maintain quality.

Perhaps the most dramatic and immediate savings any Cherry Hill taxing authority could achieve in the near future would be for the Cherry Hill School District to join the New Jersey School Employees' Health Benefits Plan (SEHBP) as soon as possible. To estimate how much could be saved for comparable plans, we compared the School District's medical and prescription costs across all plans for four basic employee types for fiscal year 2010 with the current comparable SEHBP plan costs for calendar year

2010. To adjust SEHBP costs to make them comparable, we assumed they would increase between 10 and 20% next year and applied that range of increases to project the plan's cost for the first six months of 2011.

As noted above, the Cherry Hill School District currently obtains Medical insurance coverage from several carriers including Horizon Blue Cross, Aetna and AmeriHealth. Current plan types include both PPO and HMO plans. The NJ SEHBP obtains Medical coverage from Horizon Blue Cross, Aetna and CIGNA. Plan types include both PPO and HMO. The SEHBP also offers a combined Medical/RX plan option.

The figures displayed below for the Cherry Hill district are the estimated average premium the district budgeted across all carriers for fiscal year 2010-2011. The figures for the SEHBP represent the highest cost calendar year 2010 plan increased by 10% for the first six months of 2011. These averages are based on current costs provided by the School District.

Comparison of FY 2010-2011 Annual Medical Insurance Premiums

Cherry Hill School District VS. NJ School Employees Health Benefits Plan (SEHBP)

	Self	Self + Childr en	Self + Spous e	Self + Family
<u>Medical Only:</u>				
Avg. Cherry Hill Rate	\$7,908	\$13,356	\$15,576	\$20,664
SEHBP	\$5,808	\$8,127	\$13,054	\$14,515
Difference	\$2,099	\$5,229	\$2,522	\$6,149
% to CH	26.5%	39.2%	16.2%	29.8%
# Employees enrolled	475	93	373	571

The table above shows that the highest priced 2010 SEHBP plan costs less than the *average* cost of Cherry Hill's current (FY 2010-2011) projected health insurance plans across all employee type plans for medical insurance.. The SEHBP plan cost is 16.2% less than the average Cherry Hill plan costs for employees with spouse and 39.2% less than the cost of the average plan for an employee with children.

The actual fiscal year budget savings that could be realized in FY 2010-2011 by switching all employees to the SEHBP would depend on the speed such a transfer could be effected, the percent increase in SEHBP premiums for the first six months of 2011, any costs associated with switching out of contract window or normal selection season, and any added costs agreed to by the school district to adjust for differences in benefits.

The following table shows how much The Cherry Hill School District could save if it switched both medical and prescription insurance plans to the SEHBP at two assumed escalation rates for the first six months of 2011: 10% and 20%. At a 10% increase SEHPB premium costs would be \$20.19 million; at 20% they would be \$21.16 million.

Assuming no change in other School District benefit costs (dental, vision, opt out costs, etc.), the total employee health related benefits costs switching to SEHBP would range between \$22.74 million (at a 10% escalation in the first half of 2011) and \$23.7 million if rates increase 20% in the same period.

Estimated School District Savings by Switching to SEHPB

Medical & Prescription Combined:	(\$1,000s)	
Increase 1/1/11 through 6/30/11	10% Esc.	20% Esc.
Med. / Prescr. premiums	\$20,194	\$21,156
Dental premiums (no change)	\$1,493	\$1,493
Vision premiums (no change)	\$5	\$5
Opt Outs (no Change)	\$1,050	\$1,050
Estimated SEHPB Costs 2010/11	\$22,742	\$23,704
District Estimate FY 2010/11	\$30,995	\$30,995
Savings Assuming 7/1/10 start	\$8,253	\$7,291
% saved	26.6%	23.5%
Monthly savings	\$688	\$608

The table above shows that that the District could save over \$8.2 million at the 10% escalation rate and \$7.3 million even if the SEHPB rate increased 20% next year. The amount that could be saved in the FY 2011 budget year diminishes by 1/12th or about \$688,000/month for every month the switch is delayed.

We are unaware of any other potential costs savings and cost cutting options available to the School District of this magnitude that don't involve major cuts in staff or services.

We recommend that the Cherry Hill School District join the New Jersey State School Employees Health Benefits Plan (SEHBP) by July 1, 2010 or as soon as possible thereafter to provide comparable health insurance benefits to its employees and significant annual cost savings of \$7 - 8 million or more against the cost of purchasing health insurance from its current providers.

We recommend that Cherry Hill Township seek to lower its health insurance plan costs by joining with and participating in larger groups that regularly hold open

competition to secure the most cost-effective health plans that provide comparable service.

We recommend that Camden County and all Cherry Hill local governments, including the Board of Education, establish a total health care benefit allowance for each employee group that encourages employees to select the best value plan that minimizes costs to the local government unit.

We recommend that local government employees be permitted to select higher cost health insurance plans provided the employee bears the higher cost above the allowance.

We recommend that each local government unit consider establishing different dollar levels of allowance for different employee salary ranges with higher paid employees expected to contribute more towards their benefits.

Maximize competition among health insurance providers

We recommend that all Cherry Hill local taxing governments ensure that all health benefit plans are competitively bid and that specifications for plans are drawn up to maximize a competitive response.

We recommend that all insurance brokers be paid based on the value of the savings and packages they negotiate rather than just a straight commission percentage of the cost of the insurance.

We recommend that all local governments self insure for its pharmaceutical benefit plans and competitively select one or more pharmaceutical service managers who can guarantee the greatest discounts, or, if eligible, join the State Health Benefit Plan for pharmaceutical benefits. They should also consider catastrophic claim insurance to cover any extraordinary risk identified by their health insurance plan consultant.

Public employee contributions to health insurance premiums²⁵

In 2006 the New Jersey Joint Legislative Committee on Public Employee Benefits Reform recommended that all public employees pay some portion of health insurance premiums. The NJ Legislature considered requiring this by law but deferred to former

²⁵ The Reform Committee recommends 10 of 20 measures that were explained in the Gannet Newspaper "Tax Crush" series and advocated in Courier Post editorials on October 5 and 6 in 2009. Health insurance premium sharing is the first of the ten we recommend. The reasons for the recommendation set forth in this section and other include significant sections of those editorials largely as they appeared. They also include supporting rational and supporting information from other sources. The Committee added Cherry Hill specific information and updated the editorial language where appropriate.

Governor Jon Corzine who took the position that such a policy should be established through collective bargaining rather than through legislation.

The Courier editorial reported that “most police employees contribute nothing toward their health insurance premiums” and “most municipal and county employees contribute nothing or very little.”

Cherry Hill Township police employees currently do not contribute towards their health insurance. All other Township employees currently pay 2.5% of their health insurance premiums. Cherry Hill Mayor Platt wants police union members to share in the cost of health care premiums. He said, “They have to understand that we can’t go to the taxpayer and ask them for more money while they see the benefits the unions are getting.”²⁶ The lead negotiator for the Cherry Hill Superior Officers Association responded that “We know it’s a trend and it’s happening everywhere else. We know it’s coming sooner or later.”

Township health insurance premiums costs between \$6,400 and \$19,200 per year. At 2.5% of premium cost, Township employees who contribute to their plan premiums pay between \$160 per year for the lowest cost plan to \$480 per year for the most expensive plan.

The Courier reported that statewide “Teachers in only 14 percent of the state's school districts make any contribution toward their health insurance premiums.”

No Cherry Hill Board of Education employee covered by the Cherry Hill Education Association labor agreement pays any contribution towards single employee health insurance. The Board shares the cost of family and spousal health insurance for starting teachers during their first three years of employment.

Cherry Hill firemen pay no share of their health insurance premium.

Camden County and an employees union, Council 10 Supervisors Union, reached an agreement in January 2010 under which the supervisors will begin contributing to their health insurance premiums for the first time at rates significantly smaller than the private sector employees: 7% for HMO, 9% for PPO and 8% for prescriptions.²⁷

The 2007 contract settlement with New Jersey state unions required workers to contribute 1.5 percent of *their salary* toward health insurance under the State Health Benefits Program (SHBP).²⁸ These contributions amounted to approximately \$56.2 million in FY-2009.

The Courier editorial reported that this was “a giveback so modest that the state's largest employee union trumpeted it as a major victory.” Then Governor Jon Corzine later

²⁶ Rosen, Jeremy and Jim Walsh, “Contract battles heat up in S.J.,” Courier Post, 2/28/10, p. 6A.

²⁷ The U.S. Bureau of Labor Statistics estimates that American workers divert on average 27 percent of their paycheck toward health care. Roh, Jane, “Union, Camco settle on pact,” Courier Post, 1/16/10, p. A1.

²⁸ State Commission on Investigations Report, p. 2, foot note 1.

reversed an original stipulation in the contract that would have required retired state employees to contribute 1.5 percent of their pension toward their health insurance. The Courier reported that “today, (retired) state workers contribute nothing, putting them on an equal footing with retired teachers and school administrators, and most police and municipal workers.”

Government-funded costs for covering the health insurance of state workers in the 2009 fiscal year were projected at \$1.78 billion -- \$1.37 billion for active workers and \$410 million for retirees. The cost for school employees enrolled in the state plan was projected at \$1.84 billion -- \$1.1 billion for current employees and \$740 million for retirees. The State Health Benefits Commission in July 2009 approved health care premium increases of 11 percent for state workers and 23 percent for school employees.

Private employers’ health insurance costs rise 4.4% in 2009, after increasing 3.5% the year before. The 2009 increase was the second lowest rate of increase in more than a decade. The Labor Department noted that this reflects, in part, employers’ reducing their contributions to employees’ health insurance or switching to lower cost health plans.²⁹

Private sector employees in New Jersey who obtain health insurance through their employers pay between 22% and 29% of the premium cost.³⁰

On February 09, 2010, NJ Senate President Stephen M. Sweeney and Senate Republican Leader Thomas Kean announced bipartisan legislation to complete the unfinished business of reforming the state’s public employee pension and benefits system first begun nearly four years ago. One of the bills they announced, (S-3), would require all employees – including current state, school district, and local employees – to pay at least at least 1.5 percent of their salary towards their health benefits after the expiration of their current contract and would require all newly-hired employees to pay at least 1.5% of their base pension toward health benefits upon retirement. The bill would require state employees to work at least 35 hours per week to qualify for health benefits, with local and school employees having to meet a minimum 25-hour-per-week standard. The bill is sponsored by Senators Michael Doherty and Jim Whelan.

“Taxpayers want resources directed to job creation and economic growth. These bills are designed to provide workers with secure retirements without taking more money from small business owners and entrepreneurs we need to create jobs and prosperity,” said Doherty (R-Warren/Hunterdon). “Taxpayers simply can’t afford to pay ever-increasing public employee insurance costs when many of them don’t have health coverage or even a job. It’s just not fair that government workers, especially well-compensated employees,

²⁹ Wessel, David, “Growth of Wages, Benefits Hits Low,” WSJ, 1/30/10, p. A6

³⁰ According to a 2008 Kaiser survey the average amounts paid for employer based health premiums in New Jersey were:

- \$4,798 for a single person premium per enrolled employee with the employee contributing 22% of the cost, or \$1,033;
- \$8,700 for employee plus one premium, with the employee contributing 29% or \$2,561; and
- \$12,800 for a family premium with the employee contributing 26% or \$3,286.

don't pay part of health premiums when private sector workers of all earnings levels must do so."

We support the direction of S-3 although we recommend that the amounts contributed to health insurance premiums be higher and gradually brought more closely aligned with the contributions paid by the average New Jersey tax payer.

We agree with Senators Michael Doherty's statement that

"Taxpayers simply can't afford to pay ever-increasing public employee insurance costs when many of them don't have health coverage or even a job. It's just not fair that government workers, especially well-compensated employees, don't pay part of health premiums when private sector workers of all earnings levels must do so."

We recommend that the Camden County Freeholders and Cherry Hill Mayor and Council, Board of Education, and Board of Fire Commissioners adopt health insurance benefit plans and negotiate labor agreements in which all employees pay for a portion of the premium cost of their health insurance at least equal to 4.5% of their salary or 22% of their health insurance premium cost, whichever is less, whether or not S-3 passes, and that the amounts paid by employees be increased over time to be comparable to the percentages of costs paid by the average taxpayer who receive employer supplied health care in New Jersey.

If the total annual costs of providing health insurance to Township, Fire District and School Board employees next year is \$40 million, each 1% contribution by employees would save Cherry Hill property tax payers approximately \$400,000 per year. A 22% contribution, which is at the low end of the range contributed by private company employees who obtain health benefits from their employer in New Jersey, would save Cherry Hill property tax payers \$8.8 million per year (exclusive of any savings from Camden County taxes).

The total annual salaries paid by the Cherry Hill Board of Education, Township of Cherry Hill, and Cherry Hill Fire District are approximately \$140 million. If all local public employees in Cherry Hill were under the same obligation as state workers to contribute 1.5% of their total annual salaries for health insurance, the estimated local taxpayer savings from such contributions would be about \$2.1 million per year. If all employees in these three taxing authorities contributed 4.5% of their salaries toward health insurance premiums, Cherry Hill taxpayers would save \$6.3 million per year.

Paying out of pocket gives employees an incentive to pay attention to the cost of their health care and frequently to play a greater role in deciding coverage. We note that a significant number of managers and employees of these three entities earn base salaries in excess of \$80,000 per year and pay no share of the rising health insurance benefit premium costs.

We recommend that our elected officials consider setting the health insurance premium cost share at different levels based on pay with the amount paid towards health care increasing as percentage of the premium cost as an employee's pay level increases. The percentage contribution should be adjusted over time to reflect comparable total salary/benefit compensation with the private sector for comparable levels of education and work.

Incentives for selecting lower cost/ no cost health insurance plans

The Cherry Hill School District and other local governments currently have a voluntary waiver incentive plan for medical insurances for certain employees in which “an incentive payment will be made to the employee in the amount of 30% of the relevant premium the Board would have been required to pay” and that “the payment will be made upon the close of the insurance year.” (Agreement, Art. 20, G., p 58) The School District reports that it spent a little over \$1 million in payments to 172 employees (with the average opt out payment of \$6,104) this year in “opt out” incentive payments to employees.

We recommend that the Cherry Hill Board of Education study how this waiver incentive plan is operating to determine whether it should be modified or adapted to maximize School District cost savings.

We note that State law reportedly allows school districts to pay as much as 50% of their avoided cost from such waivers. We note that the School District’s medical benefit appears to be very attractive to employees and that it is unlikely that a District’s employee’s husband or wife will have a better plan. Current policy may also discourage waivers by not paying the incentive until the close of the insurance year even when the employee will probably incur costs (such as additional costs of premiums for participating in a spouse’s health care plan and other out of pocket costs, such as extra taxes) or waive before receiving the incentive.

We recommend that the Board of Education and all other Cherry Hill and Camden County elected officials ask their health insurance advisors to report on the benefits and costs of “Opt Out” waiver processes and make appropriate recommendations for revision that are likely to reduce local government health care costs.

We recommend that the goal be to ensure that employees are provided an adequate incentive to obtain benefits from the plan that costs the least to the employer

Wellness program initiative

For the [estimated 57 percent](#) of large employers who have employee wellness programs, the direct benefits to employers have come in many forms. The [Washington Post reports](#) that 80 percent of those who have provided wellness programs believe they have seen improved health for their employees, and 68 percent reported reduced costs.³¹ Companies

³¹ For more information see:

[Workplace Wellness Programs a Great Investment: The Economic and Health Benefits of an Employee Wellness Program,](http://healthcare-research.suite101.com/article.cfm/workplace_wellness_programs_a_great_investment#ixzz0eueJ7E11) http://healthcare-research.suite101.com/article.cfm/workplace_wellness_programs_a_great_investment#ixzz0eueJ7E11

with wellness programs have seen reduced medical claims because they have given their employees the tools to improve their own health behaviors.

According to a New Jersey State employee benefits consultant, “research has demonstrated that typically two thirds of a health plan’s costs are produced by one third of the population who have either lifestyle risks (e.g. smoking, obesity, and lack of exercise) or chronic health conditions (e.g. diabetes, heart disease, and back pain). These same chronic conditions are among the top ten conditions driving costs related to absenteeism and disability.”³² Absenteeism and disability are key drivers in overtime expenses and loss of productivity.

A long term strategy that addresses the underlying causes of the cost of health care is critical to the successful long term management of any public employee health benefits. An effective wellness/health management program can:

- Reduce hospitalizations related to chronic illness by 10%;
- Reduce emergency room visits related to chronic illness by 15%;
- Reduce days of absence by 10%, and
- Reduce annual health care trend increases by 3% or more.³³

Employees and their families are benefiting directly from the wellness programs, because even though they have had to pay higher insurance premiums, the incentives for participation in wellness programs has all but made up the difference. Filling out health questionnaires, quitting smoking, losing weight, and managing stress are rewarded with monetary bonuses, gift cards, and most importantly—better quality of life. Some employers have even gone so far as to offer onsite gyms, wellness classes, and urgent care centers, which makes accessing the programs easier and more accessible for employees and families.

Several large employers keep employees motivated to maintain wellness by offering short term bonuses, including gift cards, cash, and vacations. Long-term “bonuses” included on-site gyms, urgent care centers, and, of course, healthier lifestyles. Saving \$3.00 on average for every dollar invested resulted in higher productivity, less sick days taken, increased employee loyalty, and an overall boost in morale. Most employees are very happy with the results, and sometimes the programs raise awareness of severe chronic diseases that have lurked undetected prior to the program’s commencement. In short, these programs have saved lives.

We recommend that the Mayor and Council, School and Library Boards, Fire District Commissioners and Camden County Board of Freeholders find and implement the

³² AON Employee Benefits Consulting, p. 6

³³ Same source. Aon reports that it has worked with another large Northeastern State Health Benefits Program to develop a wellness/ health-management program that has resulted in annual medical cost increases that are averaging at least 4% less than the national average.

“best practice” wellness programs that have proven to reduce health care costs and health insurance premiums in the public sector.

“Across the board” budget discipline

During last year’s election New Jersey voters consistently chose property taxes as the state’s most pressing issue.³⁴ “New Jersey public opinion can best be summed up as wanting reform, not relief,” remarked Patrick Murray, director of the Monmouth University Poll Institute.³⁵ One Monmouth University poll asked residents how willing they were to accept a mix of 11 potential mechanisms for lowering property taxes, including hikes in other taxes, service cuts, and structural changes in government. Of these, very large majorities said they would be at least somewhat willing to share municipal services with a neighboring town, ranging from public works and maintenance departments (79%) to more sensitive emergency services such as fire and police (70%). Majorities say they would also accept merging their school district with a neighboring one (58%) and changing the system of collecting property taxes to have a statewide authority collect the tax and then redistribute the funds to local districts (55%).

State aid to local governments is likely to be reduced. The economic recession and decline in real estate values have led to reductions in Cherry Hill’s tax base (total assessed property value) and in local revenue from building permit applications and inspection fees.

This leaves local elected officials with three choices: increase property taxes, find other sources of revenue, or reduce spending by improving efficiency and cutting the cost of and in some cases the delivery of services.

Last year the Camden County Freeholders, Cherry Hill School Board, and Cherry Hill Fire District all submitted budgets that required little or no increase in the local property tax levy. This year Cherry Hill Township and the Cherry Hill Fire District have also submitted budgets that require little or no increase in the property tax levy.

When the Camden County freeholders announced the creation of their “Transformation Initiative” they said “it is an initiative of potentially seismic proportions designed not only to aid the taxpayer’s burden, but also spur long-term institutional change, and dramatically transform the way we operate Camden County government”³⁶ They said the “initiative has two goals: one, to further reduce the cost of government, and two, to

³⁴ http://www.nj.com/politics/index.ssf/2009/09/trail_mix_property_tax_poll_du.html

³⁵ http://www.monmouth.edu/polling/admin/polls/MUP05_3.pdf

³⁶ To see Camden County’s 3rd Quarter Report on its Transformation Initiative see <http://www.camdencounty.com/3q.pdf>. Three examples of initiatives include:

- A cost allocation model was developed to produce unit costs for building maintenance, janitorial, grounds keeping and fleet management functions. Preliminary data required for the unit cost analysis was collected and provided to the cost accountant.

significantly improve the efficiency and effectiveness of service delivery by consolidating or restructuring services.”

Freeholder Director Cappelli, Jr. said:

“There should be no mistake: county government acting alone cannot control the overwhelming and growing financial burden on our taxpayers. Municipal governments, school boards, fire districts, and all taxing authorities must also take bold action in support of our taxpayers. We know that 2009 salary freezes, dramatic operational reforms, and significant reductions in spending are all required of every government entity. We urge all government entities to do what we are doing for Camden County. The current economic circumstances require this and our taxpayers deserve no less.”³⁷

On February 18, the Superintendent of the Cherry Hill School District proposed total reductions of \$12 million, including a reduction of 174 “full time equivalent” (FTE) positions from his first draft budget for FY 10/11. This would represent a 10% reduction in District employees.

We recommend that the Camden County Freeholders convert Freeholder Cappelli’s call into hard policy and that all other Cherry Hill Township elected officials (Mayor, Town Council, Board of Education, and the District 13 Fire Commissioners) heed Freeholder Capelli’s call. They can do this by adopting the recommendations contained in this report and by directing their administrators to prepare their next budgets with a goal of anticipating a ten percent reduction in revenue and achieving a ten percent reduction in spending “across the board” compared to their current operating budgets. We believe this type of budget discipline is necessary and achievable if our recommendations are followed and if administrators are encouraged and rewarded for cutting waste and inefficiency and reducing low value public services.

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- The property and casualty insurance study was completed with a recommendation to form a County self-insurance pool. The pool is modeled on the highly successful municipal “Joint Insurance Fund” or “JIF” approach that has been employed in New Jersey for many years. Further, the study recommends Camden County’s participation in an inter-county pool for excess coverage. The excess pool is modeled after an equally successful municipal model known as the Municipal Excess Liability Fund or “MEL.” Over time, this approach has reduced insurance costs for municipalities in the range of 30%. In Camden County similar savings would generate well in excess of \$1 million annually.
 - Research on health insurance coverage for the College, Technical School and Social Services Board resulted in a recommendation not to consolidate these organizations into the County plan.

³⁷ <http://www.camdencounty.com/transformation.html>

Control public employee compensation growth.

Public employee salaries account for about 60 percent of government expenditures in New Jersey. The cost of health and pension benefits for the state's 470,000 public employees accounts for about 10 percent of total government expenditures statewide

Employee benefits and salaries make up the majority of Cherry Hill local government entity budgets. In FY 09/10 the Cherry Hill Board of Education budgeted \$96 million for total salaries and \$32.6 million for total employee benefits, including \$27.9 million for health insurance and health related benefits. Cherry Hill School District benefits and salaries for FY 09/10 together totaled \$128.7 million or about 75% of the District's total \$171.8 million FY 09/10 budget. Health benefits accounted for almost 29 % of total employee compensation.

The Cherry Hill Board of Fire Commissioners budget proposed for FY 2010 includes \$13 million in salaries and wages and \$5.86 million in "fringe benefits" (most of which is health care insurance cost). Together salaries and fringe benefits account for about 76% of the Cherry Hill Fire District's total proposed 2010 budget.

The Cherry Hill Township municipal government budgeted \$21.28 million for municipal salaries and wages and \$5.68 million for group health insurance in FY 2010

Cherry Hill local government labor contracts have historically provided annual pay, step, and, in some cases, "longevity pay" adjustments that have escalated public employee labor costs faster than inflation, sometimes by a factor of two or more times even as private wages have stagnated or declined or jobs have been lost. For example, the School District's employment agreement with the Cherry Hill Education Association (CHEA)³⁸ provided 17 automatic annual step increases in salary for each year of employment with salaries varying in each step according to a teacher's level of education.³⁹ The size of the automatic annual increases is "back loaded," that is, the "steps" in the later or back end of the years of service are much larger each year for the last 5 steps than for the first 11. For example, a teacher with a BA and 11 years of experience would receive a 9.12% annual increase in salary going from step 11 to step 12, an 11.38% annual increase the next year going from step 12 to 13, an 11.7% annual increase going from step 14 to 15, an 11.55% increase going from step 15 to 16, and an 11.08% increase going from step 16 to 17. Step increases for less experienced teachers with the same academic credentials result in

³⁸) This agreement expired on July 1, 2009. The teachers and the board of education representatives are currently negotiating a new contract.

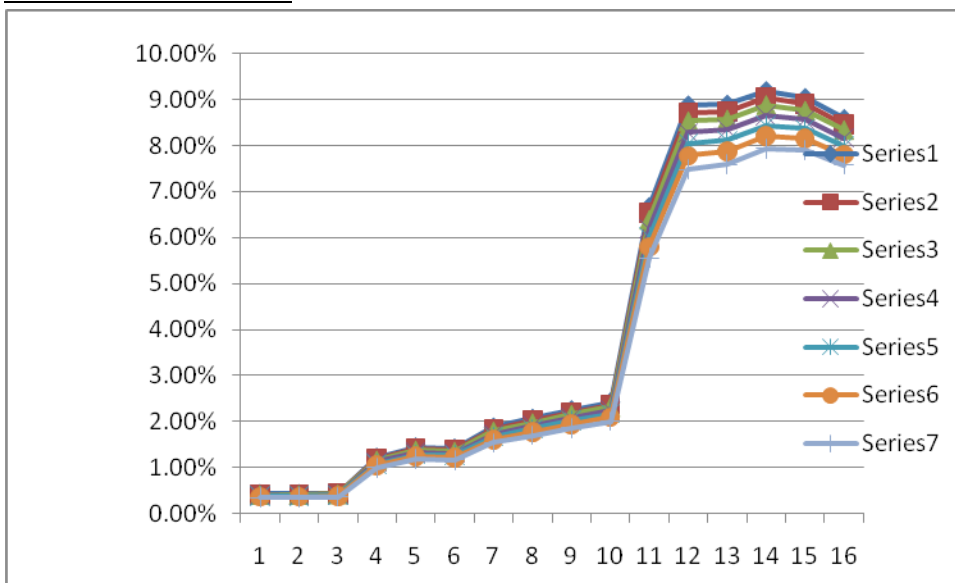
³⁹ [Http://Www.Cheanj.Org/](http://www.cheanj.org/), Agreement Between The Cherry Hill Township Board Of Education And The Cherry Hill Education Association 2007-2009, June 10, 2008, Schedule A-2 TEACHERS' SALARY GUIDE 2008-2009. The graph below was derived from Schedule A-2 and depicts the annual percentage increase of each step for 7 levels of academic achievement:

much lower annual salary increases. The annual step increase and table change going from steps 1 to 5 produced annual increases of about 2.77%.⁴⁰

The Courier editorial noted that local government payroll costs have continued to climb at a time when incomes of all workers are declining and the Consumer Price Index has been in negative territory. It noted further that “in the midst of the worst economic downturn since the Great Depression and a deflationary environment, teachers, police and many other public employees continue to exact generous raises.” The newspaper reported that “the average salary increase for teachers in 2009 was 4.31 percent and that police typically received 4 percent increases in their salary guide, plus step increases that often resulted in total wage hikes of 10 percent or more a year for officers who were not yet at the top of their step guide.

We recommend that the School Board negotiate a new employment contract with the teachers to reduce and ultimately eliminate this distortion by moderating the percentage increase of each step and increasing the number of steps from the current max of 17 to 20 or more.

We recommend that the Township and Fire District also negotiate the step increases of the Township’s police and fire employment agreements to increase the number of steps and limit the annual increases permitted on these schedules to more reasonable, single digit percentage increases that reflect the competitive market for their services.



	07/08	08/09	%chg.
step 11 to 12	\$51986	\$56729	9.12
step 12 to 13	\$55454	\$61765	11.38
step 14 to 15	\$65746	\$73438	11.70
step 15 to 16	\$71787	\$80076	11.55
step 16 to 17	\$78276	\$86948	11.08
step 1 to 2	\$45223	\$46477	2.77
step 2 to 3	\$45423	\$46677	2.76
step 3 to 4	\$45628	\$46887	2.76

We recommend that the Legislature and our local government units should require a two-tier salary system for local government employees -- one for current employees and another for new hires that establishes lower starting salaries and expands the number of steps required reaching the top of the guide.

We recommend increasing the number of steps to insure that total compensation does not exceed comparable annual salary increases in the local market and result in excessive annual compensation.

We recommend that Camden County and the Cherry Hill Mayor and Town Council, Board of Education and Fire Commissioners establish an annual cap on the percentage amount they will allow total employee compensation to grow each year and be passed on to taxpayers.

Capping or otherwise limiting the District's share of the annual premium takes some guesswork out of the school budgets and helps limit exposure to increasing insurance costs.

We recommend that these elected officials adopt a management policy that if growth in total compensation for specific categories of employees threatens to exceed the annual cap, they will authorize reductions in the size of the related category of staff to remain under the allowed cap. We believe this approach is consistent with collective bargaining and would provide an incentive for employee groups to negotiate improved efficiencies and reduced costs.

Temporary salary freeze for all public employees.

Public employees have continued to see strong wage growth ahead of the private sector during the current recession. Public-employee compensation has risen 50 percent faster than private-employee compensation. From the first quarter of 2007 through the last quarter of 2009 the average value of hourly compensation (wages plus benefits) rose by 9.8 percent for employees of Federal, state and local governments, compared to 6.9 percent in the private sector.⁴¹ After adjusting for inflation, public employees have seen a rise in real hourly income over this period, while private employees have not.

Wages and benefits costs, both before and after adjusting for inflation, grew more slowly in 2009 than in any year since the US government began tracking data in 1982, as double digit unemployment weakened workers' ability to command higher pay. The costs of wages and benefits received by workers other than those employed by the federal government rose 1.5% in the last 12 months according to the Labor Department's

⁴¹ Federal civilian employees, about 10 percent of the public sector workforce, are excluded from these data, but they saw wage increases averaging 9.9 percent over the same period. (Source: Office of Personnel Management) http://www.manhattan-institute.org/html/ib_01.htm

employment cost index. Adjusted for inflation, wages and benefits fell 1.3% after rising 2.8% in 2008, the first year of the recession.⁴²

State and local government workers' compensation in 2009 grew 2.4%, twice the pace of the 1.2% increase in the private sector had has outpaced private sector increases in the past few years.⁴³

New Jersey is facing a \$1 billion budget gap through the end of this fiscal year and an \$8 billion to \$11 billion budget gap next year if state programs and aid are fully funded. Governor Christie and the leaders of the New Jersey Legislature have said that drastic measures and significant cuts in state spending and aid to local government are likely to be required to bring the budget into balance. A statewide wage freeze could save more than \$750 million in payroll costs next year.

Because more and more Camden County residents are feeling the financial strain of this worldwide financial crisis, the Camden County Freeholders announced that their 2009 budget would not raise the amount of money they collect from county taxpayers. They said they took this position "because we strongly believe that for government to ask more from taxpayers without first looking at what additional steps can be taken to further curtail costs and maintain services is unconscionable" and because the current recession means that "Camden County government and our employee partners have to do even more to reduce the cost of government."⁴⁴ As a result, the Freeholders called for a 2009 wage freeze for all Camden County government employees and all employees of our various agencies.

We recommend that Governor Christie and all Cherry Hill local government elected officials establish a wage freeze for public-sector employees at all levels of local government.

Eliminate health and pension benefits for all non-school part-time public employees⁴⁵

In 2008, the state law was changed to limit eligibility for benefits to part-time employees who made \$7,500 a year or more, up from \$1,500. But it only pertained to new hires.

The state commission studying property tax reforms in 2006 had recommended eliminating benefits for all part timers, but former Governor Corzine did not act on the recommendation. The savings here, not only in reduced health benefits, but for pensions would be enormous over time.

⁴² Wessel, David, "Growth of Wages, Benefits Hits Low," Wall Street Journal, 1/30/10, p. A6

⁴³ Same source.

⁴⁴ <http://www.camdencounty.com/transformation.html>

⁴⁵ This recommendation appeared in the Courier editorials, the State Commission on Investigations Report, and on the Citizens' Campaigns Law and Policy Task Force list (www.jointhecampaign.com)

It also would help weed out those thousands of elected and appointed officials who enter public life primarily to secure health insurance coverage.

Eliminating health insurance benefits for part-time elected officials and professionals could save between \$12,000 and \$20,000 per person depending mainly on whether the benefits were individual or family.

Bill S-2, sponsored by Senators Nicholas P. Scutari and Kevin O'Toole – would limit enrollment in the defined-benefit pension system to full-time employees who work at least 35 hours per week at the state level or 32 hours in local government and public schools. All other new employees earning at least \$5,000 annually could enroll in a 401(k)-style defined contribution plan. Current employees with fewer than 10 years of service would be allowed to switch from the defined-benefit plan to the defined-contribution plan, or withdraw from the system altogether.

We support S-2 and recommend that our local elected officials eliminate health and pension benefits for all non-school district part-time public employees, elected officials and professionals who contract with government.

Limit public pensions to one job per person

The Courier reported that so-called "double-dippers," i.e. politicians who hold two or more public positions and draw on more than one pension program, "pull down an estimated \$200 million in salaries" while "others accumulate large pension benefits by having two or more part-time positions." Multiple job holding can lead to conflicts of interest and allows irresponsible public officials to get paid for giving short-shrift to each of their jobs, some of which may involve little or no work. Double-dipping also perpetuates the belief that many public officials are in government for the wrong reason.

Senate Bill S-2 will also would designate a "one job-one pension" rule for multiple job holders, with only the highest-salaried position counting towards a pension.

We support S-2 and recommend that our elected public officials limit public pensions to one job per person to discourage multiple job holding and pension padding.

Require fact-finders and arbitrators to make cost-of-living the most important factor in consideration of binding arbitration cases

The cost of living is one of several factors arbitrators are asked to take into account in settling contract disputes between management and police and fire unions. But it is clear from the pattern of judgments that one factor takes precedence -- whether they are in line with settlements in neighboring towns. That makes it virtually impossible to reduce the salary increase rates quickly enough to reflect changing economic conditions.

Arbitrators also should be required to consider the total cost of the compensation package -- salary guide plus step increases -- in measuring it against the cost of living.

We recommend that Governor Christie and our state and local elected public officials advocate a change in state law that will require fact-finders and arbitrators to make cost-of-living the most important factor in consideration of binding arbitration cases, and to ensure that there exists sufficient oversight authority to hold arbitrators accountable for abiding by it.

Uniform "use-it-or-lose it" rules: sick, vacation, and compensatory time

The 2006 New Jersey Joint Legislative Committee recommended that sick leave pay payable upon retirement be limited to \$15,000 for all local government and school board employees. It also recommended limiting the carry-over of accumulated vacation time to one year for all local government and school board employees. Neither of the recommendations was approved by the Legislature.

Rules on how many of those days can be accumulated and cashed in typically are left to towns, school boards and other governmental entities. Some towns establish caps on payouts for unused sick and vacation days, but most do not. Caps that do exist rarely are less than \$10,000.

Legislation that would have capped payouts for unused sick and vacation time of school administrators at \$15,000 remains bogged down in the Legislature. The bill was spurred by a \$740,000 severance package awarded Keansburg schools Superintendent which included \$184,586 for 235 unused sick days and 20 vacation days.

Cherry Hill's former Chief Building Inspector, who pled guilty to bribery, retired at the end of 2008 with a severance package worth approximately \$250,000 for unused vacation and sick pay shortly before his indictment.

Cherry Hill Township reported that it carries \$940,508 of unpaid "Compensated Absence Liability" on its books in its FY 2010 "introduced budget" (Sheet 3c), including: \$237,166 in compensated absences for "other employees," \$88,444.50 for the Police Benevolent Association Union, and \$614,898.38 for the Police Superior Officers Association Union.

Camden County carries over 418,000 hours of accumulated absence time on its books worth about \$15.2 million. This includes 135,102 hours of "comp time" worth \$4.4 million; 102,089 hours of unused vacation time worth \$4.4 million, and 181,522 hours of unused sick time payable.⁴⁶

In 2007 legislation was enacted to bring certain public school administrators under the same restriction on cashing-in unused sick leave as applies to the State level – a maximum of \$15,000 upon retirement.⁴⁷

In December 2009 the New Jersey State Commission on Investigation submitted its final report of findings and recommendations stemming from an investigation of waste and

⁴⁶ "Analysis of Compensated Absence Liability," Sheet 3c, 2009 County Date Sheet, Certified 4/7/2009 as part of the 2009 County Budget of the County of Camden for the Fiscal Year 2009.

⁴⁷ N.J.S.A. 11A:6-19

abuse in local government employee compensation and benefits.⁴⁸ The Commission examined a statewide cross-section of local government employment policies, contracts and agreements involving a comprehensive mix of police, fire and civilian personnel and, in addition to extraordinary specialty perks, found “a lucrative array of questionable benefit practices that collectively cost New Jersey taxpayers millions of dollars every year, including:

- Inconsistent, non-existent and/or inadequate restrictions or caps on the accrual and cashing-in of unused accumulated sick, vacation and other leave at retirement, a phenomenon that enables select government employees to collect, in addition to generous pensions, lump sum payouts sometimes ranging well into six figures and in amounts larger than the equivalent of a full year’s salary.
- Provisions that enable local public employees to collect cash for unused leave annually while employed, thus effectively circumventing any caps that may exist locally on the redemption of accrued leave at retirement.
- Costly allocation of various forms of so-called “terminal leave,” including arrangements that allow local public employees to stay on the public payroll, using up accrued sick time and other leave at full salary and benefits, occupying a position without showing up for work – in some cases for up to a year – prior to retirement.
- Inordinate amounts of vacation, compensatory time and/or personal days off at full pay.”⁴⁹

As a consequence, the State Commission on Investigations concluded that “startling amounts of taxpayer-funded” benefits continue to be dispensed across New Jersey “with little regard for the common good. By way of example, the Commission reported that 20 Camden City municipal employees between 2004 and 2008 received cash benefit payouts of more than \$2.3 million, an average of \$115,000 apiece, when they left their jobs, and in Atlantic City, during the same five year period, 160 police officers and firefighters were paid more than \$13.7 million for accrued unused sick leave, in addition to their pensions, at retirement.

When an employee retires from the Cherry Hill School District after ten (10) years of continuous service such employees is paid at the then current rate for each day of accumulated unused sick leave days that have been accumulated as a result of employment in the Cherry Hill School District.⁵⁰

Employees retiring from the Cherry Hill Fire District 13 after 20 years of service or having reached the age of 65 were paid for all accumulated holidays, vacation and other compensatory time at the rate of pay at the time of retirement.⁵¹

⁴⁸ The Commission’s authority to conduct such an investigation is set forth in N.J.S.A. 52:9M.

⁴⁹ State Commission on Investigations Report, p. 2

⁵⁰ CHEA – CHSB Agreement, p 20-22.

⁵¹ Agreement between Board of Fire Commissioners, Fire District Number 13 and Cherry Hill Professional Firefighters Association I.A.F.F. Local No. 2663, For the period January 1, 2005 through December 31, 2008, revised Dec 11, 2006, Article XVI, pp 43-48

Senator O'Toole and Majority Leader Buono are sponsoring a measure (S-4) to limit sick leave payouts for all new local and school employees to \$15,000 – the standard currently in law for state employees. The bill also would allow new local government and school employees to carry over only one year's worth of vacation year-to-year and would eliminate the current sick leave injury program.

We support the direction of S-4 and recommend that our elected municipal, school board, and fire district elected officials adopt the recommendations of the 2009 State Commission on Investigations Report, including establishing uniform "use-it-or-lose it" rules for unused sick and vacation time whether or not it passes. Public employees should be limited to no more than 15 paid sick days per year and, at retirement, payment for unused sick leave should, at the very least, be limited to no more than 50 percent of an employee's unused sick leave, calculated at current salary, up to a maximum of \$15,000.⁵²

We recommend that, as with State employees, no local public employee should be permitted to cash in accumulated unused sick leave at any time prior to retirement, including in the event of termination or resignation, and that a maximum of 15 paid vacation days per year after 20 years of service, the State limit, apply to local public employees.

We agree with the State Commission that terminal leave should be eliminated as it enables public employees to remain on the public payroll at full salary and benefits without showing up for work in the weeks and months preceding retirement. This prevents local governments from hiring permanent replacements since the positions in question are still technically occupied.

We recommend the Commission's proposal that the Legislature should narrow the circumstances under which bonuses, stipends, separation payouts and other forms of special compensation can be awarded and that the terms of such compensation be subject to full public disclosure. Local officials who are fired from their jobs for cause should be denied severance pay. Under existing law, terminated local officials are guaranteed severance pay worth up to three months' salary unless they are convicted of a crime.⁵³

We recommend that compensatory time be allocated strictly based upon hours actually worked beyond the normally scheduled hours of employment as confirmed by daily attendance records, that public employees should be required to use such time within one year of its allocation, and that it should never be exchanged for cash payment. The State Commission found instances where compensatory leave was awarded in advance of actually having been earned and in some cases was exchanged for cash on a yearly basis or allowed to accumulate for cash redemption at retirement.⁵⁴

⁵² State Commission on Investigation report, p. 49-50

⁵³ Report, p. 52

⁵⁴ P. 52.

We recommend that any claims for past service, whether in the form of unused sick leave, vacation time, or compensatory time, be refused unless included in a written contract approved by a majority of the responsible elected officials on Town Council, the School Board, or Fire Commission.

Establish ceiling of 10 paid holidays for all public employees

Until last year, state workers were entitled to 14 paid holidays, including Black Friday, the day after Thanksgiving, which was routinely granted at the discretion of the governor. Most local and county governments followed the state's lead. Governor Corzine last year said state employees could have Black Friday off if they traded it in either for Lincoln's Birthday or President's Day. Now they get 13 holidays, which is three more days than federal employees get and at least two more than government employees in other states get. According to the Courier, that is "nearly double what the average private-sector worker receives."

Secretaries covered by the CHEA Agreement receive 15 paid holidays.⁵⁵ All 12 month employees of the Cherry Hill School District covered by the CHEA agreement receive 12 paid holidays.

Under the Fire District 13's Agreement with all "53 hour" per week employees received 240 undesignated holiday hours per year and all "40 hour" per week employees received 128 hours each year for undesignated holiday hours, both grants to be used at the employee's discretion.⁵⁶

Cherry Hill policemen receive 14 paid holidays per year.⁵⁷

The U.S. Office of Personnel Management (OPM) establishes the following 10 legal paid holidays for Federal government employees each calendar year, as designated in Title 5 of the United States Code (USC) (Federal laws):

1. New Year's Day
2. Martin Luther King's Birthday
3. Washington's Birthday (Presidents' Day)
4. Memorial Day
5. Independence Day ("Fourth of July")
6. Labor Day
7. Columbus Day
8. Veterans Day
9. Thanksgiving Day

⁵⁵ CHEA Agreement, p. 22

⁵⁶ Agreement between Board of Fire Commissioners, Fire District Number 13 and Cherry Hill Professional Firefighters Association I.A.F.F. Local No. 2663, For the period January 1, 2005 through December 31, 2008, revised Dec 11, 2006, Article XIV, A. and B., p. 41

⁵⁷ <http://www.cherryhillpolice.com/pdfs/06packag.pdf>

10. Christmas Day

We recommend that our local elected officials negotiate employment contracts that provide a maximum 10 paid holidays for all public employees.

Reform public employee pensions

The Joint Legislative Committee on Public Employee Benefits Reforms made 21 recommendations on pension reforms alone in December 2006. At the time, the state's unfunded pension liability was \$18 billion. By October 2009 it was \$23 billion and only a handful of the Joint Legislative Committee's recommendations were adopted in full.

Senate Bill (S-2) would limit enrollment in the defined-benefit pension system to full-time employees who work at least 32 hours in local government and public schools. All other new employees earning at least \$5,000 annually could enroll in a 401(k)-style defined contribution plan. Current employees with fewer than 10 years of service would be allowed to switch from the defined-benefit plan to the defined-contribution plan, or withdraw from the system altogether.

The bill also would reconfigure the equation used to calculate pension benefits for future employees by dividing the number of years worked by 60, rather than the current 55. Also, the number of "high salary" years used for calculating benefits for workers in the public employee and teacher pension systems would be raised to five years from the current three; enrollees in the police, fire and State Police systems would have their pensions based on their highest three years – up from the current one-year standard.

We support the direction of S-2 and public employee pension reform. .

The state has started enrolling new hires in what it calls a pension contribution plan, similar to a 401(k). Our local elected officials should consider this as well for all new hires. But it will be a long while before the full financial impact of it is felt.

In the meantime, we recommend that our local elected officials increase employee contributions to the traditional pension plans, increase the age at which employees are entitled to full pension benefits, and temporarily halt the cost of living increases in the pension plans.

Establish best practice and efficiency benchmarks for public services and provide incentives for regionalization of and shared services

New Jersey has 566 municipalities, about one third of which have fewer than 2,000 residents. Despite a 1978 law designed to facilitate municipal mergers, there has been only one in the past 50 years. In 2006, a special State Joint Legislative Committee on Government Consolidation and Shared Services was convened that produced 18 major recommendations.⁵⁸ As of October 2009 11 of the 18 recommendations have been enacted, including various aid incentives and the establishment of a new state-level group to study and promote local government consolidation and service sharing.⁵⁹

The NJ Legislature created the “Local Unit Alignment Reorganization and Consolidation Commission” (LUARC) in March 2007 on the recommendation of the Joint Legislative Committee. LUARC was originally conceived as a group similar to the federal Base Realignment and Closure Commission (i.e., it would present a statewide plan for specific local government consolidations to the legislature which could be either accepted or rejected in total). However, the enabling legislation ultimately enacted resulted in a group with a much broader mission, with a modified role in recommending local consolidations.

LUARC was charged with studying and reporting on the structure and functions of county and municipal government and recommending legislative changes to promote more efficient government. It was charged to study cost structures, optimal service levels and best practices, and in consideration of these factors, to recommend specific

⁵⁸ http://www.njleg.state.nj.us/PropertyTaxSession/OPI/jcgo_final_report.pdf

⁵⁹ **The Joint Committee recommendation included the following:**

1. A Permanent Local Unit Reorganization and Consolidation Commission
2. Streamlined Process for Sharing Services and Municipal Consolidation
3. County-Based System of Property Tax Assessment
4. State Aid Tied to Efficient Local Government Operation
5. November Fire District Elections
6. Coordination Of Capital Purchasing by Municipalities
7. Executive County Superintendents
8. November School Board Elections
9. User-Friendly County, Municipal, and School District Budgets
10. Expanded Options For Local Units to Jointly Insure And Self-Insure
11. Shared Municipal Courts
12. Consolidated Public Safety Answering Points
13. County Assumption of State Road Maintenance
14. Centralized State Risk Management
15. Reorganized Office Of Information Technology
16. Eliminate Defunct State Boards And Commissions
17. Pilot Program for the County Administration of School Districts
18. Abolish Commerce, Economic Growth and Tourism Commission

consolidations and shared services for specific municipalities, which would then go to local voters.

In addition to the recommendations to form LUARC and make targeted cuts in aid to smaller municipalities, the other major recommendations of the Joint Legislative Committee on Government Consolidation and Shared Services that have been realized were:

- “Streamline consolidation and shared services process.” This law would establish a process for sharing employees and addresses questions on state regulations. It would also allow for the creation of a citizen’s commission to identify and implement shared services and consolidations.
- “Tie state aid to local government efficiency.” This law would require performance measures for efficient government. Local officials would be trained on how to measure performance, and the state will issue a report card on each municipality. Additional aid will be given to reward municipalities that meet state-established performance measures.

The Joint Committee reported that current State aid programs do not take into account the level of service being provided by municipal governments or the extent to which those governments operate efficiently. It stated that “subsidizing inefficiency has to stop.”⁶⁰

The Joint Committee also recognized the need to define parameters to guide municipalities in order to ensure an orderly transition to performance-based aid. It noted that there was, increasing national attention is being focused on developing efficiency benchmarks to serve as a standard measure by which to assess performance and enable some objective judgments to be made about what constitutes efficient resource allocation.

Marc Holzer, Dean and Board of Governors Professor of Public Affairs and Administration, Rutgers University, advised the Joint Committee that the National Center for Public Productivity at Rutgers Newark was developing service delivery benchmarks, sponsored in part by the Department of Community Affairs (DCA). In addition, Reagan Burkholder, a consultant and former municipal administrator, testified before the committee about his efforts working with nine municipalities (which include pairs of municipalities with comparable geographic and demographic characteristics) to develop consistent benchmarks in order to allow for a comparison of the resources needed to achieve certain service delivery outcomes. This work has enabled a comparison of the resources needed to perform analogous services and has served as a useful tool for administrators in those municipalities.

In a report dated May 6, 2009 entitled “Literature Review and Analysis Related to Measurement of Local Government Efficiency” Dr. Holzer and a research team reported to the LUARCC that “although centralized performance measurement systems have been

⁶⁰ Joint Legislative Committee, Government Consolidation and Shared Services, Final Report, December 1, 2006, p. 47-50.

in place and continue to evolve and improve in other countries, they are absent at a state level in the United States”.

Professor Holzer’s report provides an overview of performance measurement systems in the United States and throughout the world. Based on the components found in the systems the literature describes, his report recommended a performance measurement system should include the following:

- A system of benchmarking among the local governments in the state in order to facilitate improvement and best practices.
- A system of different types of performance measures including workload, input, output, and outcome indicators.
- A system of management review that encourages management action and monitors its effectiveness.
- Reporting to the state of performance measures and management initiatives resulting from the analysis and review of the performance measures.

According to the Public Performance Measurement and Reporting Network (2009), performance measurement and reporting serves three purposes:

- Informs government policy and management practices and should lead to performance improvement and policy development that result in better practice and alignment of governmental services to community needs.
- Provides data that enables accountability and transparency.
- Enables informed communication between citizens, government, and not-for profit organizations to foster trust.

The Rutgers group review of the published research suggested that the following five principles should guide the development of a local government performance measurement system:

1. Measurement should occur at each stage of the service delivery process.
2. Measurement should start with simple, basic forms of data analysis, eventually progressing to the powerful tool of Data Envelopment Analysis (DEA).
3. The system should reflect “best practice” models for performance reviews and improvements, such as CitiStat or CompStat.
4. Municipalities should benchmark their performance against comparable cities and towns, and should collect standardized data to do so.
5. Performance data should be available to the public.⁶¹

⁶¹ Holzer, Marc, “Literature Review and Analysis Related to Measurement of Local Government Efficiency, a Report to the Local Unit Alignment, Reorganization, and Consolidation Commission, May 6, 2009, p. 2

We recommend that the Governor Christie propose legislation to establish and measure efficiency benchmarks for public services and concentrate on encouraging the delivery of regional services where it makes sense. If necessary, we recommend that he establish efficiency benchmarks and measure performance of local government services through executive order.

We recommend that Governor Christie direct the Department of Community Affairs to collect public service delivery information and establish best practice performance measures as a condition of receiving state municipal aid. If necessary he should seek legislative authority to implement such a program and point out that it was already recommended by the 2006 NJ Joint Legislative Committee on Government Consolidation and Shared Services.

We recommend that the DCA publish a local government report card similar to the school building and district report cards published by the State Department of Education.⁶²

We recommend that the State consider establishing measures of efficiency for local units of government by expanding the parameters of the Public Archives and Records Infrastructure Support (PARIS) grants to measure the services that counties and local governments provide. PARIS grants fund strategic advancements to build and improve the infrastructure of public records administration for county and municipal government and archives and records programs Statewide.⁶³

We recommend that Camden County and the Cherry Hill Township, Fire District, School District, and Library identify, measure, and cost the public services they deliver and development benchmarks for measuring their performance against nationally recognized or locally comparable “best practices” to insure that they are delivering the appropriate quality and quantity of such services needed at the lowest possible cost.

We recommend that the Legislature create a commission to study the potential operating and capital cost savings from regionalization of police, public works and other services and to provide significant incentives (including reductions of state aid) if communities where savings would be realized by regionalizing services failed to act within a reasonable period of time.

⁶² <http://education.state.nj.us/rc/>

⁶³ See comments of Jonathan Stomberger and David Crossed from Smart Business Advisory and Consulting, LLC, who testified at a Joint Committee Hearing on “Privatization and Other Methods for Reducing the Size of State Government” on October 25, 2005, Joint Report, p. 29.

Incentive pay for Administrators.

We recommend that Camden County, the Cherry Hill Board of Education, and all other Cherry Hill local governments provide that all their administrators have performance /merit pay goal criteria that are heavily weighted towards reducing costs and improving efficiency in their sphere of responsibility.

Efficiency goals for organized labor

We recommend that Camden County, the Cherry Hill Board of Education, and all other Cherry Hill local governments negotiate provisions in their labor agreements that tie a portion of year to year salary adjustments to the achievement of agreed upon reduced costs and efficiency goals. For teachers we recommend that the Board of Education negotiate a labor agreement in which a portion of overall salary adjustments for the entire bargaining unit will be tied to the achievement of agreed upon reduced costs and efficiency goals.⁶⁴

Shared Computer Administration (network administrator)

The Citizen’s Campaign Task Force recommends sharing computer administration (network administrator) between the municipality and the school board, i.e. share the cost of the contract and estimates savings ranging between \$60,000 and \$70,000 depending on the size of the municipality. It also recommends formation of an on-going committee to explore potential cost-savings by implementing other shared service arrangements between the municipality and the school board.

We recommend that this approach be studied and implemented if cost effective.

Open source software evaluation criteria

1. The City of San Francisco has adopted a “Software Evaluation Policy” that requires all city departments to consider open source alternatives, when available, on an equal basis to commercial software, as these may reduce cost and speed the time needed to bring software applications to production.⁶⁵ (Open source software means that the underlying source code is not copyrighted and therefore available free of charge to read, modify, and build upon.)

⁶⁴ This is not a recommendation for teacher “merit pay” in which individual salaries are tied to the academic performance of students assigned to specific teachers. This is a recommendation to give teacher and other school district bargaining units an incentive to help identify and share in savings realized as a result of achieving efficiency improvements that save money.

⁶⁵http://www.sfgov.org/site/coit_page.asp?id=115978

This policy is part of the City's "Open SF" project which is intended to engage our constituents in developing creative solutions to shared challenges. The purpose of the policy is to ensure that all departments thoroughly and fairly evaluate software alternatives, including open source, prior to acquiring new software. New software means an additional software system or a complete replacement of an existing system, rather than an upgrade or modification to an existing system. San Francisco City Committee on Information Technology believes that a rigorous evaluation process will help departments make software choices that meet operational requirements, reduce costs, and possibly speed the time to bring software applications into production. The intent is that this process occur concurrent with existing procurement process and not add additional time to the procurement process.

We recommend that Camden County and all Cherry Hill local governments consider adopting an open source software evaluation policy similar to the one currently used by the City and County of San Francisco to reduce costs and improve efficiency.

Energy Audits of local government buildings

The federal and state governments are providing significant dollars to undertake building energy audits and grants for making capital and operational improvements recommended by such audits.

Launched in October of 2008, the Local Government Energy Audit Program of the is the first step in identifying cost-justified energy efficiency measures for buildings owned by local governments, NJ Colleges and Universities, and 501 (c) (3) non-profit agencies. These facilities could include offices, courtrooms, town halls, police and fire stations, municipal wastewater, schools, community centers and more. The Program requires that participating local government agencies pass a resolution enabling submittal of the program application. The Division of Local Government Services (DLGS) within the Department of Community Affairs (DCA) has issued a Local Finance Notice to allow participants in the LGEA Program to pass a resolution later in the process, when the participant is selecting an auditing firm.

Participants will select from a list of pre-qualified auditing firms who will follow the strict parameters of New Jersey's Clean Energy Program and deliver an investment grade audit. The Program will subsidize 100% of the cost of the audit.

When the audit is complete the local entity receives a list of recommended, cost-effective energy efficiency measures and facility upgrades that will reduce operating expenses and, in many cases, improve the health and productivity of the buildings' occupants. Those measures are eligible for additional incentives available through the NJ SmartStart Buildings Program.

Applicants must commit to implement measures recommended by the audit. In each building that is audited, applicants must submit paperwork within one year of approval of the Audit Report to show that they have spent, net of other NJCEP incentives, at least

25% of the cost of the audit. Applicants not honoring this commitment will be required to pay back to the program an amount equal to 25% of the cost of the audit.

To ensure the opportunity for participation by many local governments throughout the state, this program is subject to an annual incentive cap for each participant based on square footage of facilities involved in the audit.

Montclair saved \$100,000 per year after implementing its energy audit recommendations. An energy audit of Cherry Hill Township's municipal building identified annual energy savings potential of about \$90,000 per year. The town of New Brunswick formed a joint agreement with its school board and parking authority to do one consolidated energy audit by a private company.

The Cherry Hill School district has 19 schools (including an 1 Early Childhood Center, 12 Elementary Schools, 3 Middle Schools, 2 High Schools, and 1 Alternative High School Program. It employees 1,705 people and maintains 1.7 million square feet of building space. The buildings are between 39 and 54 years old.

The Cherry Hill School District sought and obtained a \$100,000 grant from the NJ Board of Public Utilities to audit a number of the District's buildings. The Cherry Hill Fire District recently reported that it had contracted to do energy audits of some if its buildings.

We recommend that the Camden County Freeholders and elected Cherry Hill Mayor, Council, Board of Education, Library Board, and Fire Commissioners insure that every public building under their control received an energy audit by the end of 2010 and that they authorize all energy saving measures and investments that will save more than the annual cost of implementing (including labor, capital, and interest).

Out-source vehicle maintenance

Montgomery Township estimates they are saving about \$200,000 annually by contracting out to First Vehicle Maintenance --- a company that specializes in servicing government fleets as opposed to having an arrangement with a local garage or doing it in-house.

We recommend that each Cherry Hill local government unit study the benefits and cost of out-sourcing vehicle maintenance.

Shared Services

We recommend that the NJ DOE and County Superintendent require all Camden County districts to evaluate and pursue all viable shared service opportunities and that they create a Task Force if necessary to coordinate and insure that best practices are followed.

Outsource services

We recommend that the Cherry Hill School District study the current compensation and benefits it pays to all non-instructional employees and compare them with rates currently charged by outsource staffing services.

We recommend that the Cherry Hill School District and all other local governments consider outsourcing all non-critical administrative, clerical, and secretarial positions where cost advantage exists.

Controlling Overtime

The Cherry Hill police and fire departments budget and pay hundreds of thousands of dollars of overtime each year and sometime exceed their overtime budgets. In FY 2008-09 the Cherry Hill Police Department exceeded its overtime budget by over \$200,000. Overtime practices represent substantial possibilities for cost savings.

In 2009 the Cherry Hill Fire Department budgeted \$850,000 in overtime expenses. In 2010, it budgeted a total of \$660,000, including \$400,000 for firefighters and \$260,000 for emergency medical technicians (EMTs). The Fire Department's ability to reduce overtime for 2010 was due in part to adding 6 new employees.

Looking to slash payroll costs in a disastrous budget year, Los Angeles Mayor Antonio Villaraigosa and the City Council announced on October 30, 2009 that they had thrown their support behind a new union contract designed to cut police overtime costs by 83%. The city's elected officials reported that they hoped the two-year contract with the Los Angeles Police Protective League will reduce overtime costs by \$72 million in the next fiscal year.⁶⁶

Though overtime can never be eliminated, it can be more successfully controlled. Reliance on overtime in American policing may have harmful consequences that are not sufficiently considered by police managers, such as exhaustion on the part of officers, unwillingness to provide any service without a tangible reward, increased antagonism between supervisors and line officers, and the undermining of professionalism.

Interviews with police officers nationwide yielded several suggestions for policies to control overtime more tightly.⁶⁷ Agreements between police and court personnel could improve overtime usage. For example, policies could call for court appearances to coincide with usual working hours, rather than with time off. While officers are waiting to appear, they can be given indoor work, such as staffing property rooms, interviewing complainants, preparing shift rosters, or answering questions on the telephone. In addition, district attorneys can be asked to subpoena only those officers listed on arrest reports whose testimony might be important. There is no reason for supervisory

⁶⁶ <http://articles.latimes.com/2009/oct/30/local/me-lapd-overtime30>

⁶⁷ <http://www.ncjrs.gov/pdffiles/167572.pdf>

personnel to appear in courts, since their testimony would be hearsay. Police can be asked not to list supervisory personnel on incident reports and arrest warrants.

Responsibility for approving shift extensions rests often rests with immediate supervisors. Managers can assist immediate supervisors by providing them with updated and revised guidelines for approving shift extensions, as well as by reviewing their performances periodically.

By carefully studying all unplanned emergency mobilizations, departments can determine how best to use existing capacity and thereby minimize callbacks or extensions. Emergencies require overtime, but they do not justify unlimited overtime. To some degree, overtime can be minimized in emergency situations by fine-tuning responses and making them more efficient, as well as by building the capacity to handle contingencies.

With inadequate recordkeeping and analysis, supervisors cannot control overtime, they can only audit it. The control of overtime looks to be decentralized, but in reality it is not; it is structured by policies set at more senior levels or from outside the police force altogether.

Overtime can also be supervised by the officers themselves through peer pressure if amounts of overtime worked by individual officers are posted publicly at regular intervals. Knowing that overtime will be scrutinized by their peers, officers will be careful that extra hours claimed are justifiable in operational terms.

Some cities now regularly report all forms of overtime to city councils and even encourage the media to publish their departmental pattern analyses. Analytic reports of overtime could provide police managers with information to explain to others the limits on their ability to control overtime and to construct a fact based division of responsibilities between themselves and city councils. Police managers have more to gain from making overtime information available and visible than from keeping it hidden.

Accurate measurement, recording, and classifying the reasons for police and fire overtime are the most important processes for controlling it. The Cherry Hill Policy Department recently acquired computer software that will now allow it to track and monitor why and when overtime is used and to classify it by function performed and cause.

Perhaps the most important tool for controlling overtime are more flexible labor agreements. A more general solution is to change the maximum hours of work per week as the basis for overtime, aggregating instead to an hours maximum by months or years. This would allow departments to require longer hours of work for short periods without incurring overtime costs, compensating officers by less work during slack periods.

One national survey found a large percentage of police departments reported that overtime was governed by collective bargaining agreements. These can and should be made more flexible. For example, instead of a contract stipulations could provide that a

court appearance by an officer reflect the actual time spent, not some fixed minimum amount of overtime. Officers called back to work would be paid for the time of the call back, not some guaranteed a minimum number of hours. Supervisors who were on standby in the event of an emergency should not earned a minimum of hours overtime and an officer waiting at home to be called to court should not be allowed to earn a fixed amount of overtime on the premise that the officer was forfeiting an opportunity to work at another job.

Minimizing sick time and medical leave is also an important method of reducing overtime. Medical leave became such a problem in New York last year that on December 1, 2009 the New York Fire Department announced that it was moving to reduce staffing at 29 engine companies in the five boroughs as a result of a provision in the city's labor contract that allows the city to reduce staffing when the average number of firefighters on medical leave citywide reaches a certain percentage over a 12-month period.⁶⁸ The 49 engine companies affected have five firefighters per shift and will lose one.

Cherry Hill Fire Chief Giorgio reports that the Fire District sends a representative to knock on the door of each fireman who calls in sick to make sure they are sick and are at home. He says this policy has had a significant effect in reducing sick time. The Fire District carefully monitors all overtime and reports it on a bi-weekly report for each of the District's work groups. All overtime use must be approved by the Chief and all requests must be accompanied with the reasons why it is required

The Fire District has a sick leave incentive program that rewards employees each year who do not use all of the sick leave they are entitled to.

We recommend that the Cherry Hill Police Department and Cherry Hill Fire District consider and continue to implement every available tool to significantly reduce overtime and to conduct rigorous analyses monthly of their use of overtime and post the results and any corrective action planned on the Internet.

Recreation Programming and Fees

A growing number of school districts and community recreation programs charge families fees to cover part of the cost of clubs, activities, and sports. 15 New Jersey public high schools require students or their parents to pay a fee to play sports or participate in other extracurricular activities, according to data collected by the New Jersey School Boards Association.

Cherry Hill Township's art program reportedly is entirely self-funded.

School districts in other states have cut deeply into high school sports to save money. But public schools in New Jersey continue to add to the more than \$200 million per year spent on high school athletics, making the state No. 1 nationally in the number of

⁶⁸ <http://www.nytimes.com/2009/12/02/nyregion/02fire.html>

championship-level sports.⁶⁹ The annual athletic budgets do not include stadiums or other facilities, which are funded as capital projects. New Jersey schools also budgeted more than \$82 million this year for other extracurricular activities.

The pressure to expand sports while tightening budgets has led to a policy tug-of-war between those who believe sports play a vital role in education and should be publicly funded through taxes and those who believe parents should pick up at least some of the cost.

The number of New Jersey public and private high school students participating in sports jumped almost 25 percent in the past five years, from 209,452 in 2002-03 to 257,798 in 2008-09, according to the National Federation of State High School Associations. That only includes sports affiliated with the NJSIAA, which currently does not include crew or cheerleading, and students who play more than one sport are counted twice.

Some of the enrollment increase reflects student population growth, but other factors include increased participation in youth sports, especially among girls, and student interest in college scholarships and a well-rounded college application. Districts must also consider Title IX equity issues in their ratio of boys to girls' teams.

Salaries are the biggest annual budget item. Coaches get stipends of several thousand dollars. Some schools have full-time athletic trainers as well as athletic directors. Beyond that, a district may have to rent time at a pool or ice hockey rink, then bus students to and from the site as well as to games. Equipment and uniform purchases are staggered to stabilize the budget.

Football remains the most expensive sport. Crew and ice hockey are expensive, but more likely to be subsidized by outside funds.

There is no state aid for sports in New Jersey, so districts must either get creative in their budgeting or tap local taxpayers.

Costs are generally increasing and some school districts have voted to preserve extracurricular activities in part through fees rather than put the entire burden of maintaining them on property taxpayers. In New Jersey, many districts, including Haddonfield, charge up to \$100 for extra-curricular activities.⁷⁰ Haddonfield's \$100 activity fee has been around at least seven years and generates about \$60,000 a year. West Deptford requires students to pay that much just to be in the band.

Based on a \$100 per-student cost, a fee could raise \$25 million per year statewide just from sports.

⁶⁹ D'Amico, Diane, "High school sports spending grows as budgets get tighter in New Jersey," *The Press of Atlantic City*, October 26, 2009, http://www.pressofatlanticcity.com/news/press/new_jersey/article_91e4be4c-c182-11de-b076-001cc4c03286.html

⁷⁰ Boccella, Kathy, "Pay to play fees gaining at schools," *Inquirer*, Feb. 13, 2010, p. 1

Some schools charge \$500 for sports and even more for bus transportation. Locally, experts say fees will climb as schools grapple with state legislation that caps property tax increases

Camden County and the Cherry Hill Township municipal government, School Board and Library should insure that there is a direct relationship between the costs of any recreation programs they offer (extracurricular in the case of the School Board) and the fees charged as well as clear rationale of the need and demand for the selection of programs being offered.

We recommend that governing bodies all adopt a formal policy outlining the extent to which all direct and indirect costs generated by their recreation program are to be covered by fees and other non-tax revenues and establish a specific target date for the goal to be met. Adoption of such a policy should result in a detailed review of the costs of each program, the number of registrations that occur per class, event or season as appropriate and the revenues that are derived.

We recommend that the Cherry Hill School District charge fees that are not 100% of the cost and that should be capped initially at between \$20 to \$50, depending on the relative cost of each program, then increased over time if the cost of providing the extracurricular activity increases. We recommend that students who qualify for the no cost/reduced cost lunch program should be exempt from the fees. We note that the majority of clubs and sport teams currently have boosters that already aid in funding.

Increased share of fines from law enforcement

Cherry Hill Township currently receives only one third of the payments made for traffic violation fines from tickets issued by Cherry Hill Police Officers. Camden County receives one third of the revenue from the fines of tickets written by Cherry Hill Police Officers. The State of New Jersey receives the rest.

We recommend that Cherry Hill's elected state officials amend this law to give municipal governments two thirds all revenue received from traffic violation fines and penalties assessed from tickets and arrested generated by municipal police officers.

Address unfunded federal and state mandates

Legislation and regulations by Federal and state agencies often compel or prohibit certain activities by county and local governments who usually incur expenditures and sometimes suffer revenue losses to comply. The US Congress and the New Jersey State Legislature have each separately recognized this problem but have passed many mandates on to local government without the funding needed to carry them out.

Unfunded mandates undermine political accountability. By separating regulations from funding source, unfunded mandates confuse citizens about which level of government is responsible. Advocates for limiting such mandates contend that they distort policy making because legislators who lack information do not consider the cost of a regulation to other levels of government, resulting in laws that may not be cost beneficial in the aggregate.

It is difficult to estimate the number and cost of unfunded mandates on Cherry Hill property tax payer or what could be done about them. The National Conference of State Legislatures identified \$29 billion in federal cost shifting to state and local governments in 2005.⁷¹ A Congressional Budget Office report identified some requirements considered burdensome by state and local governments (such as No Child Left Behind Act, changes to Medicaid, and a major election reform law).⁷²

Unfunded mandates are generally prohibited by the New Jersey State Constitution and statute.⁷³ According to New Jersey State law,

“any regulation originally adopted after July 1, 1996 pursuant to a law regardless of when that law was enacted, which is determined in accordance with the provisions of this act to be an unfunded mandate upon boards of education, counties, or municipalities because it does not authorize resources to offset the additional direct expenditures required for the implementation of the law or the rule or regulation, shall cease to be mandatory in its effect and shall expire.”
L.1996,c.24,s.2.

There are many exceptions to this general prohibition including where a regulation is necessary in order to comply with federal statutes or grant programs. The power to decide whether a regulation is a prohibited unfunded mandate under the New Jersey Constitution is assigned first to the New Jersey State Council on Local Mandates⁷⁴ then

⁷¹ See Broder, David, Those Unfunded Mandates, Washington Post, March 17, 2005, p. A25

⁷² Holtz-Eakin, Douglas, A Review of CBO's Activities under the Unfunded Mandates Reform Act. Testimony before the Committee on Government Reform, March 8, 2005, p. 8.

⁷³ (N.J. Const. Art. VIII, Sec 11, Para 5 and N.J. Stat. 52:13H-1 et seq.)

⁷⁴ The Council, which began operations in 1996, is a bipartisan body that is independent of the Executive, Legislative and Judicial branches of State government. Council members are directly appointed by the Governor, by the President of the Senate and the Senate Minority Leader, by the Speaker of the General Assembly and the Assembly Minority Leader, and by the Chief Justice of the New Jersey Supreme Court.

ultimately to the Courts. The Council lacks the legal authority to review and take action on regulations that have not yet taken effect.

Congress passed the Unfunded Mandates Reform Act of 1995 (“UMRA”) to “promote informed decision-making by focusing congressional and administrative deliberations on the costs incurred by intergovernmental agencies ... in order to comply with federal legislation and regulation.”⁷⁵ UMRA’s primary purpose was to “end the imposition, in the absence of full consideration by Congress, of Federal mandates on State and local governments without adequate Federal funding.”⁷⁶ UMRA requires the Congressional Budget Office to prepare mandate statements which identify and describe federal mandates included within proposed legislation and to quantify, when feasible, the estimated costs to be borne by intergovernmental entities in order to comply with such legislation.

According to the Congressional Budget Office (CBO), UMRA defines a mandate as any provision in legislation, statute, or regulation that would impose an enforceable duty on state, local, or tribal governments or the private sector, or that would reduce or eliminate the amount of funding authorized to cover the costs of existing mandates. Since 1995, CBO has identified eleven laws that contain intergovernmental mandates which exceed the UMRA threshold (\$50 million in 1996 dollars; adjusted annually for inflation, \$69 million in 2009).⁷⁷

Council deliberations begin with the filing of a complaint by a county, municipality, or school board, or by a county executive or mayor who has been directly elected by voters. To review the Council’s decisions and other information about local mandates see: <http://www.nj.gov/localmandates/decisions/>

⁷⁵ http://www.law.harvard.edu/faculty/hjackson/UnfundedMandates_7.pdf

⁷⁶ 2 U.S.C. section 1501(2).

⁷⁷ Intergovernmental Mandates under UMRA that Exceed the Threshold (listed by date of enactment) include: an increase in the minimum wage (P.L. 104-188, 1996); a reduction in the federal funding to administer the Food Stamps program (P.L. 105-185, 1998); a provision preempting state taxes on premiums for prescription drug coverage contained in the Medicare Prescription Drug and Modernization Act of 2003 (P.L. 108-173, 2003); a preemption of state authority to tax certain Internet services and transactions (P.L. 108-435, 2004); a requirement that state and local governments meet certain standards for issuing vital-statistic documents (P.L. 108-458, 2004). Driver’s license requirements were repealed and replaced with the REAL ID Act (P.L. 109-13), which under UMRA is not considered a mandate that exceeds the threshold; a provision that eliminates federal matching funds for administrative expenses funded by incentive payments to states as it relates to the child support enforcement program (P.L. 109-171, 2006); a requirement that all government entities, including state and local governments, withhold 3 percent on certain, non-essential government payments for property or services (P.L. 109-222, 2006); an increase in the minimum wage (P.L. 110-28, 2007); a preemption of state authority to tax certain Internet services and transactions (P.L. 110-108, 2007); a requirement that public transportation agencies and rail carriers implement various security measures and vulnerability assessments, and institute training programs and background checks for certain employees (P.L. 110-53, 2007); and requires commuter railroads to install train control technology (P.L. 110-432, 2008).

The Unfunded Mandates Reform Act (UMRA) is now in its second decade. Although fewer than a dozen mandates have been enacted that exceed the threshold established in UMRA, Congress has shifted at least \$131 billion in costs to states over the past five years, according to NCSL's Mandate Monitor. The Mandate Monitor uses a definition of "unfunded mandate" that is broader than the one included in UMRA, because state and local officials view unfunded mandates more expansively. They interpret almost any federal decision that requires them to spend state or local funds as a cost shift. This includes legislation that:

- Establishes a condition of grant in aid.
- Reduces current funds available (including a reduction in the federal match rate or a reduction in available administrative or programmatic funds) to state and local governments for existing programs without a similar reduction in requirements.
- Extends or expands existing or expiring mandates.
- Establishes durational goals to comply with federal statutes or regulations with the caveat that if a state fails to comply they face a loss of federal funds--a condition of grant aid.
- Creates a loss in state/local funds.
- Compels coverage of a certain population/age group/other factor under a current program without providing full or adequate funding for this coverage.
- Creates underfunded national expectations, i.e., homeland security.

There are many examples of unfunded mandates established by the federal and state governments for local government. Many are constitutional and thus not subject to challenge before the Council on Local Mandates once enacted.

The New Jersey League of Municipalities has identified certain affordable housing regulations, binding interest arbitration, and mandatory pension contributions as examples of unfunded mandates whose costs to local governments could be lessened if changed.⁷⁸ The State mandated process for settling collective bargaining disputes between a local government and a police or fire employees' union allows a union to bring in a third party arbitrator whenever economic issues, such as salary percentage increases, longevity pay, or shift and rank differentials, remain unresolved after at least three negotiation sessions, and gives the arbitrator the power to impose the terms of a new contract. However, the movement between the salary steps, which can cost as much as \$15,000 per officer, is not considered by interest arbitrators as a "cost to employers." As a result, a 4% increase to the salary guide can cost an employer upwards of 10% depending on the way the award is structured.⁷⁹

Many believe that the Federal and NJ State government have imposed considerable unfunded mandates on local government in New Jersey including:

⁷⁸ <http://www.newjerseynewsroom.com/commentary/relief-from-mandates-equals-new-jersey-property-tax-relief>

⁷⁹ William G. Dressel, Jr., "Relief from mandates equals New Jersey property tax relief," Commentary, new jersey newsroom.com

- Mandated school district membership in the NJ School Boards Association.
- Required one hundred hours of professional development for teachers.
- Giving teachers paid time off to attend the NJEA convention

One of the largest unfunded mandates cited by observers are requirements to raise local property taxes to support special education services, including out of district transportation and tuition to the qualified children of local residents. One estimate is that the Cherry Hill Board of Education was required by law to spend about one quarter of its budget (\$40 million out of a \$160 million) on special education for about 15% of its students, yet only received a total of \$7 million in state aid for special education.

On January 20, 2010, New Jersey Governor Chris Christie signed Executive Order No. 4 prohibiting any state agency from proposing regulations that contain an unfunded mandate unless it is specifically allowed, in writing, by the governor or the lieutenant governor. The order also requires that before drafting any regulation containing any mandate on local governments that the state agency shall prepare a detailed written report evaluating the fiscal impact, cost and estimated benefit of the regulation. The order also requires that the report identify sources of revenue to offset the cost of the regulation.

The preamble of the order states that “New Jersey State Government has for many years imposed an ever-increasing number of legal requirements on local governments, without regard to the costs such requirements impose on already-strained local budgets, and without providing additional funding to enable local governments to comply.” It also states that state government has imposed such mandates “in order to improperly transfer responsibility for providing certain services to local governments, in an effort to meet the State’s balanced budget requirements.”⁸⁰

We recommend that Camden County and Cherry Hill’s municipal government, school district, and fire district each identify any significant unfunded mandates required by the Federal and state governments and their estimated costs.

⁸⁰ <http://www.nj.gov/infobank/circular/eocc4.pdf>

Local sales tax on clothing

The New Jersey FY 2010 budget includes \$7.965 billion in sales tax revenue.⁸¹

The State of New Jersey's sales and use tax rate is seven percent (7%). However, there are exceptions to this statewide rate. In Urban Enterprise Zones, UEZ-impacted business districts, and in Salem County, sales tax may be charged at 3.5% (50% of the regular rate) on certain items. In addition, local sales taxes are imposed on sales of certain items sold in Atlantic City and Cape May County.

Cherry Hill Township has higher police, public safety, infrastructure, and fire protection costs than many other municipalities because of its high concentration of retail establishments, especially in the Cherry Hill Mall and the redeveloped Garden State Park, but it receives no direct share of the 7% sales tax. To help pay for these costs and to make up for the continuing shortfall in Cherry Hill's fair share of state aid to education,

We recommend that the State Legislature enact a law to which will allow local governments to levy a sales tax of 2 percent on clothing to be collected and distributed by the state to the local municipal government and local school district in proportion to their local property tax levy. The Legislature should require that these funds be used for tax relief by counting the tax as local funds within all local applicable annual caps on spending and tax levy changes.

⁸¹ <http://www.state.nj.us/treasury/omb/publications/10citizensguide/pdf/citguide.pdf>

Additional Recommendations For The Cherry Hill School District

On February 16, 2010 the Cherry Hill School Board meeting discussed the “Unprecedented Challenges” they will face completing their 2010-2011 Budget. Superintendent Campbell presented updated revenue projections and fund balances and showed that the Board faced a budget gap of \$21.4 million between projected revenues (\$161.9 million) and its “First Look” Budget (\$183.3 million). He presented budget scenarios at different levels of state aid cuts and different levels of tax levy.

To close the budget gap, he proposed a series of reductions from the “First Look” Budget, including:

\$2.4 million in cuts and a reduction of 25.5 FTEs in the Central Office;
\$4.0 million in Elementary reductions and a reduction of 70.6 FTEs
\$2.8 million reductions in the Middle Schools including a reduction of 40 FTEs
\$2.8 million reductions in the High Schools, including 37.6 FTEs

He also announced that the following items are being discussed as options but additional research is being done to confirm their cost savings and/or viability:

- Reduce teacher workdays to 185 - Furlough ALL
- District Staff for Two Days (Requires Agreement of Bargaining Units)
- Continue to Examine Administrative Costs
- Close Buildings on Fridays and Weekends in Summer
- Consider Alternative High School Relocation or
- Reduce Positions
- Close One Elementary School
- Cut Substitute Teacher Budget

Given the special budget challenges faced by the School District and unique opportunities, we have included the following recommendations for measures that are largely unique to the District and do not apply to other units of government.

Class size

Teachers are arguably the most important, and most costly, factor of production in education. The relationship between schooling inputs, such as teachers per student, and schooling outputs, such as student achievement is hard to measure. Educational output is most commonly measured by student performance on standardized tests. But such test scores are an incomplete measure for many reasons, not least because they are only weakly related to students' subsequent economic outcomes.⁸²

Over the past ten years the Cherry Hill School District has worked to reduce average class sizes at different elementary school grade levels. The Cherry Hill School Board approved these initiatives based on school administrators' assurances that academic research showed a positive relationship between academic achievement and lower class size.⁸³

Cherry Hill's current maximum size standard for an elementary class is 20 students for K-Third Grade and 24 students from Grades 4 through 5, with 15 maximum in Title 1 elementary schools. Some schools have class sizes significantly smaller than these levels.

Over the past several decades, researchers, politicians, and corporate leaders have focused reform efforts on the size of educational contexts and billions of public and private dollars have been invested to reduce the size and scope of both classrooms and schools.⁸⁴ Thirty-two states funded either voluntary or mandated class-size reduction programs, with California and Florida together investing almost \$20 billion to reduce class sizes.⁸⁵

Laws aimed at lowering class sizes in U.S. public schools are coming under fire as budget shortfalls are now leading many states to slash educational spending. This year four more states followed California's lead in recommending a relaxation or elimination of class size limits. Class size limits, which often target kindergarten through third grade,

⁸² See Krueger, Alan B., "Understanding the magnitude and effects of class size on student achievement, Chap 1, p. 7 in "The Class Size Debate, Mishel, Lawrence and Richard Rothstein, editors, The Economic Policy Institute , 2002

⁸³ For information on the effect of class size on achievement see the following US Department of Education references: http://www2.ed.gov/pubs/ReducingClass/Class_size.html;
http://www.eric.ed.gov/ERICWebPortal/custom/portlets/recordDetails/detailmini.jsp?_nfpb=true&_ERICExtSearch_SearchValue_0=ED461693&ERICExtSearch_SearchType_0=no&accno=ED461693;
<http://epa.sagepub.com/cgi/content/abstract/23/3/251>

⁸⁴ Unlike many education reforms, these downsizing plans have attracted support from virtually every quarter, and a united front of stakeholders has coalesced behind the notion that "smaller is better." Efforts to reduce elementary-school class sizes have garnered particularly strong popular and political support. Indeed, the American public feels that creating smaller class sizes is the most effective way to recruit and retain highly qualified teachers (Rose & Gallup, 2007).

⁸⁵ http://www.tc.columbia.edu/i/a/document/6863_Ready_Class_Size_Research_Review.pdf, p.6

requires districts to pay for more teachers and classroom space. State officials say erasing class size limits gives school districts more flexibility amid shrinking state aid budgets. One California district (Orange County’s Capistrano Unified School District) last June increased class size in first grade from 20 to 25 and in second and third grade from 20 to 31.5 students, saving \$8 million.⁸⁶

	Class Sizes (Maximum) Neighboring Communities						
DFG:	Districts	K	1	2	3	4	5
GH	Delaware Township	20					
FG	Haddon Township	22	25	25	25	28	28
J	Haddonfield	22	25	25	25	27	27
GH	Hillsdale	22	22	25	25	25	25
GH	Jefferson	20	22	22	22	25	25
I	Moorestown	22	25	25	25	25	25
I	Mount Laurel	23	23	23	23	23	28
GH	Shamong*	30	30	30	30	30	30
GH	Westampton	25	30	30	30	30	30
	Cherry Hill	20	20*	20	20	24	24
	* 15 for 4 Title I schools.						

On February 9, 2010, the Cherry Hill School Board received a report from the Superintendent and his staff on research that studied the impact of class size on academic achievement in elementary schools. The Superintendent’s staff provided a list of research studies (See Appendix A) from a literature search and referenced several studies that concluded that reduced class sizes alone do not result in greater academic achievement. The Superintendent and his staff referenced studies that pointed out the importance of other important factors, including especially teacher experience, teaching methods, optimism, and teaching environment. The staff also summarized three prominent initiatives and studies they said were often referenced in the literature with regard to reduced class size. From these studies, the staff said the Board could surmise that reduced class size might increase student achievement with other factors when

⁸⁶ Tuna, Carl, “Fiscal Woes Push Up Class Size,” Wall Street Journal, February 13-14, 2010, p. A3

reduced to between 18-20 students per class. They said that the studies showed that minority and “at risk” students realize the greatest benefit in academic achievement, but that this effect on achievement did not persist beyond one or two grade levels of advancement. The staff said that there appeared to be no change in academic achievement from increasing staff size from 25 to 28 or reducing size from 28 to 25 or from 26 to 23 or 23 to 26 and that class size, by itself, “is unlikely to have a beneficial impact on overall student achievement.”

While we have included in the Appendix a summary of the critiques of the class size reduction arguments, resolving the class size debate relative to other key factors that have been linked to improving academic achievement (longer school day, higher quality teachers, improved teaching methods, quality teaching environment, professional development, high expectations management, etc.) is beyond the scope of this report. ***What is important is that the Cherry Hill School District Superintendent and his staff have concluded:***

“Across the board policies of class size reduction are unlikely to have a beneficial impact on overall student achievement

and

Any large scale program to reduce class size will depend more importantly on the quality of teaching.”⁸⁷

The effect class sizes found in much of the research literature are greater for minority and disadvantaged students than for other students. Although the critical effect size differs across groups with different average earnings, economic considerations suggest that resources would be optimally allocated if they were targeted toward those who benefit the most from smaller classes.⁸⁸ Research reveals a complicated relationship between time and learning and suggests that improving the quality of instructional time is at least as important as increasing the quantity of time in school. It also suggests that the addition of high-quality teaching time is of particular benefit to certain groups of students, such as low-income students and others who have little opportunity for learning outside of school.⁸⁹

Karl Alexander’s “summer learning loss” research of students in the Baltimore public schools, referenced in Malcolm Gladwell’s book Outliers⁹⁰ showed that a longer school year may be more important than lower class size in improving the academic achievement of low-income students. Alexander found that low income students actually gained more academic achievement during school than their well-off peers, but “fell

⁸⁷ <http://www.cherryhill.k12.nj.us/departments/publicinfo/files/Class%20Size.pdf>

⁸⁸ <http://edpro.stanford.edu/hanushek/admin/pages/files/uploads/classizedebate.full%20volume.pdf>, p. 6

⁸⁹ http://www.educationsector.org/research/research_show.htm?doc_id=442238

⁹⁰ Gladwell, Malcom, Outliers: The Story of Success (Little, Brown and Company; 1 edition (November 18, 2008)

back” over the summer months while the rich kids moved ahead.⁹¹ Gladwell concluded in his book that although the conventional wisdom is that we must “improve” the inner-city schools, school itself is likely not the problem. Too little school is.

President Obama and Education Secretary Duncan now advocate spending much more time in school and much less on summer break. “Our children spend over a month less in school than children in South Korea—every year. That’s no way to prepare them for a 21st century economy,” Obama told the Hispanic Chamber of Commerce in a March speech. “I know longer school days and school years are not wildly popular ideas . . . but the challenges of a new century demand more time in the classroom. If they can do it in South Korea, we can do it right here in the United States of America.”⁹²

U.S. Education Secretary Arne Duncan later echoed the president’s sentiments, telling the Associated Press in September, “Young people in other countries are going to school 25, 30 percent longer than our students here. . . . I want to just level the playing field.”

Researchers have argued that because teacher quality matters more to student learning than class size, improving teacher quality is a more efficient route to school improvement and educational equity.⁹³ Some authors have suggested that funds dedicated to class-size reduction be allocated to teacher salary raises, thus increasing the size (and arguably the quality) of the teacher labor pool. Commentaries by public education officials and advocates have echoed these sentiments that teacher quality ought to be given priority over class-size reduction (see Cooperman, 2005; Rebell, 2007). The implications for educational equity are particularly important, as extant research suggests that disadvantaged students benefit more from high-quality teaching than more advantaged students (see Sanders & Rivers, 1996).

Establishing an appropriate class size is, at the very least, a balancing act between contemporary fiscal realities and children’s developmental needs, which vary considerably depending upon their life circumstances and social advantages or disadvantages.

Some school districts have found advantages to schools that contain students at one or two grade levels. An elementary school with just two or three grades can develop programs specific to the needs of that age group. Siphoning off students from several schools can relieve overcrowding at those schools and achieving optimum and equitable class size. Students may also be able to participate on an equal level in more activities

⁹¹ Alexander, Karl L., Doris R. Entwisle, and Linda Steffel Olson, “Summer learning and its implications: Insights from the Beginning School Study,” *New Directions for Youth Development*: 114 (2007): 11-32. Alexander, Karl L., Doris R. Entwisle, and Linda Steffel Olson, “Lasting Consequences of the Summer Learning Gap,” *American Sociological Review* 72.2 (2007): 167-180.

⁹² Burke, Lindsey, “Obama Administration Advocates Longer School year, School Reform News, December 2009, The Heartland Institute, http://www.heartland.org/publications/school%20reform/article/26217/Obama_Administration_Advocates_Longer_School_year.html

⁹³ http://www.tc.columbia.edu/i/a/document/6863_Ready_Class_Size_Research_Review.pdf (see Brewer et al., 1999; Clotfelter, Ladd, & Vigdor, 2007; Hanushek, Kain, & Rivkin, 1998; Harris & Plank, 2000; McCaffrey, Lockwood, Koretz, & Hamilton, 2003; Rivkin, Hanushek, & Kain, 2005).

and be less influenced by older students. While grade level groupings could increase bus transportation costs, the greater number of students in single-grade centers may enable the school to increase efficiency and course offerings. It could also possible reduce the number of classrooms and facilities needed.

On February 16, 2010 the Cherry Hill School District Superintendent presented a budget proposal to the Cherry Hill Board of Education in which proposed to increase average class size by 2 in each of the elementary schools (from 20 to 22 maximum in Grades 1 through 3 and from 24 to 26 in Grades 4 to 5).⁹⁴ He also proposed to increase class sizes in the high school.

The Superintendent estimates that increasing class size will save approximately \$3.16 million in the proposed 2011 fiscal year budget. This includes saving approximately \$1.5 million per year in salaries and benefits for 24 elementary school teachers; \$930,000 in 15 middle school teachers, and \$744,000 in 12 high school teachers.

We recommend that the District increase efficiency by increasing average class size as recommended by the Superintendent.

We recommend that in addition to accepting the Superintendent's budget recommendation to increase class size maxima, the Board of Education should also establish minimum class size to insure efficiency. For example, all fifth grades should have a minimum of 24 and a maximum of 26 students.

We recommend that the District use alternative strategies that are less costly and more effective than "class size reductions" to improving the academic achievement for "at risk" students. These include more professional development to foster more high quality teachers, increased instruction time, a longer school year, and expanded use of student teachers from local colleges as educational assistants.⁹⁵

We recommend that such after school initiatives be combined with the SACC program where feasible.

We recommend that the District conduct an accelerated study to determine if there are more efficient and less costly ways to organize and configure its 12 elementary schools We recommend that the District include in this study and consider re-organizing and structuring its elementary schools by grade level groupings (e.g. 6 schools with grades Kindergarten through Grade 2 and 6 schools with Grades 3 through 5) to take achieve optimum class sizes, take advantage of economies of scale, and provide broader access

⁹⁴ <http://www.cherryhill.k12.nj.us/departments/publicinfo/files/Budget%20Presentation.pdf> The proposal also would increase Grade 1 class size maximums for four Title 1 schools in Cherry Hill which currently are limited to 15 students per class.

⁹⁵ <http://www.policystudies.com/studies/youth/Promising%20Programs%20FINAL.pdf>;
<http://www.city-journal.org/2009/bc0313cs.html>; <http://www.csmonitor.com/USA/2009/1110/p23s01-usgn.html>;
http://www.americanprogress.org/issues/2009/11/elt_union_districts.html

and foster greater professional collaboration between the best teachers/ mentors at each grade level. Such a re-organization could eliminate class size disparities between schools and reduce the number of staff and perhaps the number of school buildings needed. .

Improve teacher efficiency by improved time management and use of integrated information technology

Cherry Hill teachers' representatives estimate that the average teacher spends 5 hours per day "in front of students" (teaching in the class room, working in labs, or providing one on one instruction) and 2.5 hours performing non-teaching administrative and reporting work, including reporting attendance, grades, lesson plans, ordering materials, etc. Teacher representatives report having to use 5 or 6 different computer software programs, few of which "talk to each other" or integrate reports. They believe that the use of best practice time management and computer software tools could substantially reduce the non-teaching time in half – a potential savings of 1.25 hours per day.

There are approximately 1000 teachers in the Cherry Hill school system who work about 180 days a year. If better time management and more efficient application of information technology could save just 1 hour a day from non-teaching activity and allow it to be re-allocated to teaching activity, the district would "save" or convert 180,000 teacher hours per year, the equivalent of 133 full time teachers working 7.5 hour days. Using the District's factor of \$62,000 per teacher, the value of such an efficiency improvement would be over \$8 million.

We recommend that the School District deploy state of the art and best practices time management and information technology to improve teacher efficiency, increase the number of teaching hours, and reduce teaching time on non-teaching administrative activities.

Physical education waiver

We recommend that the Board of Education waive the requirement that students participating in athletics take a physical education course at the same time.

College level courses

We recommend that the District partner with local colleges and replace comparable courses currently offered at the high schools with courses offered at the college level (both online and on campus).

Expand the "Hub" bus transportation system

Only select Cherry Hill middle school students currently walk to a central spot (e.g. a nearby elementary school) for school bus pick up/drop off. Some students are required to walk up to a mile to school, so it is only fair to those getting a bus to be asked to walk

up to the same distance or less to get a bus, especially if it enables the district to reduce costs.

We recommend that the hub concept be expanded to cover all middle and high school students and as many elementary students as practical to shorten the distance and time duration of bus routes and to increase the district's ability to tier routes and reduce bus transportation costs.

Review and revise boundaries to reduce bus costs

We recommend that the District re-examine school geographic districts to ensure that all school "sending" boundaries are drawn to optimize transportation efficiency and minimize costs. This is especially important as part of our recommendation to re-organize elementary schools by grade level groupings.

Shared bus services

We recommend that all area school districts consolidate and share transportation services and, where possible, include NJ Transit.

We recommend that area school districts cooperate in seeking the most efficient providers of bus services even if it is only for "economies of scale" bidding purposes.

We recommend that a Camden County task force be established to explore such possibilities to see if it would be possible to manage and negotiate more favorable transportation costs with higher numbers of students across a broader geographic area and gain negotiating power and economies of scale.

Lower transportation costs by through "Aid in Lieu"

The Cherry School District projects that it will spend \$9.8 million in FY 09/10 providing transportation services, including approximately \$4.4 million for bus service for regular students and \$5.2 million for special education students. The District is legally required to provide transportation service to students who live within the State's distance from school guidelines and chooses to provide transportation service to others either because the walk to school route is hazardous or for other reasons.

Some students have other options for traveling to school other than the school bus. It would be in the best interest of Cherry Hill taxpayers for the District to encourage these students to use their alternatives if the District could save money through an "aid in lieu" incentive payment. Under this system, the District would be better off by paying the families of students who agree to waive their right to bus service a portion of the savings that are generated from no longer having to provide the mandatory bus service. Such assistance would be a percentage of the average or actual cost per student riding a bus.

The savings could be considerable for those classified students who travel out of the district and for whom it is very costly to provide bus transportation service.

The District could also potentially reduce transportation costs by only granting parking permits to high school students who waive their right to bus transportation as a condition of receiving a parking lot permit. This waiver would allow the District to more efficiently plan bus routes and capacity.

We recommend that the District offer to provide expense reimbursement in lieu of transportation services the District is legally obligated to provide if the family of the eligible student is willing and able to provide such service on their own at lower cost and sign the appropriate waivers.

Building climate control

There is great variability between school districts and even within school systems because of building age, budget, and programs that make it hard to generalize the ideal operation of mechanical and heating equipment in a school. Nevertheless, ASHRAE has established a “recommended winter and summer design dry bulb temperature for various spaces common in schools and recommends no more than 75 degrees F for K-3 grades and 72 degrees for grades 4-12.”⁹⁶

G.T. Palmer and T.J. Diffield recommended that schools maintain room temperatures between 68 degrees and 70 degrees F with sufficient air movement to eliminate objectionable odors and to avoid excessive drafts.⁹⁷ In the area of temperature and humidification, King and Marans (1979) concluded that as temperature and humidity increased, achievement and task performance deteriorated, attention spans decreased, and students reported greater discomfort. Cooler classrooms created increased feelings of comfort, activity and productivity.⁹⁸ Students generally like the temperature slightly cooler (5 degrees to 10 degrees) than do teachers.⁹⁹

We recommend that the District reduce temperature in all buildings in cooler months and encourage students and staff to wear warmer winter clothing (sweaters, sweatshirts, and other permitted clothing).

⁹⁶ Recommended design temperature table, p. 130, Perkins, Bradford, “Building Type Basics for elementary and secondary schools,”

⁹⁷ <http://www.coe.uga.edu/sdpl/researchabstracts/thermal.html>

⁹⁸ Same source as above.

⁹⁹ http://www.newhorizons.org/strategies/learning_environments/lang.htm

SACC rates and cost recovery

The Cherry Hill Board of Education operates a tuition-supported before and after school program in the elementary schools for children from kindergarten to grade 5. It also provides Extended Day Child Care (EDCC) for kindergartners and, if enrollment allows, an after-school program (F.U.N.) for 6th and 7th graders. Current tuition rates for School Age Child Care or “SACC” range from \$52/ month for 2 days per week (from 7-8:45 am) to \$312/month for 5 days per week (from 7-8:45 am and 3:30-6 pm).¹⁰⁰

We recommend that the District charge SACC for the actual and full annual costs of the program, including floor space costs (heating, lighting, maintenance, etc.) and the District services it uses (e.g. payroll, purchasing, accounting, etc.).

Non-hazardous courtesy busing fees

The Cherry Hill School District (CHSD) projects that it will spend \$9.8 in FY 09/10 to provide transportation services to its students. CHSD currently provides bus services to some students who do not qualify for mandatory transportation service under state home to school distance guidelines.¹⁰¹

¹⁰⁰ Tuition Fees SCHOOL AGE CHILD CARE 2009-2010 Annual Tuition Fee Schedule for Elementary School SACC

AM and PM (7:00 - 8:45) & (3:30 - 6:00)		
Days per week	Yearly Fee	Due Monthly
5	\$ 3120	\$312
4	\$ 2790	\$279
3	\$ 2120	\$212
1 - 2	\$ 1450	\$145

AM ONLY (7:00 - 8:45)		
Days per week	Yearly Fee	Due Monthly
5	\$ 1190	\$119
4	\$ 1030	\$103
3	\$ 770	\$77
1 - 2	\$ 520	\$52

PM ONLY (3:30 - 6:00)		
Days per week	Yearly Fee	Due Monthly
5	\$ 2200	\$220
4	\$ 1760	\$176
3	\$ 1350	\$135
1 - 2	\$ 930	\$93

Annual tuition is divided into 10 equal monthly payments.

¹⁰¹ School districts in New Jersey are required to provide transportation to students who live beyond certain mileage guidelines as indicated below. The Cherry Hill Board of Education has established its own mileage guidelines which are less restrictive than the state’s guidelines:

Cherry Hill State
 K-5 1.0 miles 2.0 miles
 6-8 1.5 miles 2.0 miles
 9-12 2.0 miles 2.5 miles

We recommend that the District adopt state guideline for providing bus service and charge non-hazardous “courtesy busing fees” for trips that do not qualify for aid under state guidelines and that could be made to school along routes the District and Cherry Hill Township have determined are not hazardous.¹⁰²

To avoid imposing an inequitable hardship on low income families the District should exempt students who qualify under free or reduced lunch guidelines from “courtesy busing” fees on routes it continues to offer.

Extra-curricular activity fees

Through the fifth grade most Cherry Hill students who participate in extra-curricular activities, such as organized team sports, swimming, tennis, etc. pay fees for the services. Most Cherry Hill elementary schools offer no such extracurricular activities. Cherry Hill spends above the state average in extra-curricular cost per student, about \$310/ per pupil compared to the state average of \$258.¹⁰³

We recommend that the District charge extra-curricular activity fees of ranging from \$20 to \$50 per year, depending on the cost of providing the activity, to all participating students.

To avoid a hardship on low income families, we recommend that students who qualify for free or reduced price lunch programs be exempt from such fees.

Cap Enterprise funds surplus funds

Because the district is criss-crossed by numerous busy streets and highways, the Board of Education has also established “hazardous routes” criteria. The Board provides transportation services to students who, while not eligible under Cherry Hill’s mileage guidelines, would otherwise have to traverse hazardous roads to and from school. This is referred to as “courtesy busing” because the state does not recognize hazardous routes as a criterion for providing transportation and does not reimburse the district for the transportation of these students. The cost is borne by the local taxpayers. The district transports more than 80 percent of its students; more than 65 percent of transported students are courtesy riders under the hazardous route criteria.

¹⁰² State law requires a school district providing any courtesy busing to adopt a policy addressing the busing of students who walk along hazardous routes between their homes and schools. The policy must include a list of hazardous routes that require courtesy busing of students and the criteria used in designating the routes as hazardous. A school district must work in conjunction with municipal officials in identifying the criteria to designate a route as hazardous. Among the factors that may be considered are the volume of traffic, the speed of vehicles, the existence or absence of adequate sidewalks, roads with steep inclines or blind curves, and the crossing of busy roads, bridges, overpasses and train tracks.¹⁰

Another state law provides for a municipality to pay for safety busing instead of a school district. When a governing body of a municipality finds that for safety reasons it is desirable to provide busing, the governing body and the school district can enter into a contract whereby the school district would provide the safety busing but the municipality would pay for it. Under this type of arrangement, the municipality may defray the costs of busing by charging the parents of the students who are bused for safety reasons, except that parents of students qualifying for free or reduced price meals under the state school lunch program are not required to pay for busing.

¹⁰³ Campbell, Dr. David, “The 2008-2009 Year in Review,” Cherry Hill School District, p. 11 as taken from the NJ Department of Education, 2009 Comparative Spending Guide.

State law limits the amount of unrestricted budget surplus the district can maintain from year to year at two percent of the current year's operating budget. As of 6/30/09, SACC had a surplus of \$0.9M (40% of its operating Budget).

We recommend that the District apply a similar cap on surplus funds retained in the District's non-academic Enterprise funds (SACC & Food Service) and that it appropriate the difference.

Transfer unused capital project funds

We recommend that the District review all completed capital projects, identify all unexpended funds, and either appropriate or transfer unused funds to support ongoing or new capital projects.

Appendix

Works on Class Size and Student Achievement Accessed by Cherry Hill School District Administrators and presented to the Board of Education

1. Class Size and Student Achievement: Experimental Estimates of Who Benefits and Who Loses from Reductions” Queen’s University, Ontario Canada; September, 2005
2. “Class Size What the Research Says” FAPE (Free and Appropriate Public Education) website <http://www.fapeonline.org/class-size-what-the-research-says.htm>
3. “Class Size Counting Students Can Count” American Educational Research Association; Fall, 2003
4. “What We Have Learned About Class Size Reduction in California” CSR Research Consortium; September, 2002
5. “The Class Size Debate” Economic Policy Institute; 2002
6. “Class Size and Student Achievement” American Psychological Society; May, 2001
7. “Do Small Classes Influence Academic Achievement? What the National Assessment of
8. Educational Progress Shows” Kirk A. Johnson; June 2000
9. “Using What We Know A Review of the Research on Implementing Class-Size Reduction
10. Initiatives for State and Local Policymakers” North Central Regional Educational Laboratory; 2000
11. “The Class Size Reduction Program Boosting Student Achievement in Schools Across the Nation A First Year Report” U.S. Department of Education; September 2000
12. “The Evidence on Class Size” University of Rochester Institute of Political Economy; February, 1999
13. “Class Size Reductions: Lessons Learned from Experience” WestEd Policy Brief; August 1998

Critiques Of Class Size Reduction Policy

The Tennessee's Project STAR (Student/Teacher Achievement Ratio) was conducted between 1985 and 1989. Over 6,000 students were involved in the study in which children from 79 schools were randomly sent to large, medium and small classes. The study's conclusion was that smaller classes led to significant performance improvement, estimating that students who stayed in small classes for four full years - kindergarten through grade 3 - ended up 5.4 months ahead of their peers by the time all had entered grade 8. Moreover, benefits for minorities outpaced the positive effects for white students, producing nearly twice the gains. The STAR is now cited educators, academics and policy makers who advocate reduced class sizes.

Critics of the STAR project¹⁰⁴, including Harvard University's Caroline Hoxby, argue that the methodology of STAR was lacking. She said that its biggest flaw was that study participants knew they were being studied and hence tended to work to achieve outcomes desired by the researchers. Hoxby wrote: "the schools in a class size experiment may realize that if the experiment fails to show that the policy is effective, the policy will never be broadly enacted. In such cases the schools have incentives that the fully enacted policy would not give . . . the experiment alters the incentive conditions . . . In addition, some individuals temporarily increase their productivity when they are being evaluated."

Another critic, Eric Hanushek, formerly at the University of Rochester, also examined the study's methodology, pointed to different shortcomings:

- * Between 20 and 30 percent of students in STAR quit each year, leaving less than half of the original group by the study's end.
- * The students who quit were disproportionately low performers, providing a statistical boost to smaller classes.
- * No pretests were given to students at the beginning of the study, providing no baseline off of which to measure achievement gains.
- * While students for the program were chosen randomly, teachers and schools were not.

Inspired by STAR, the state of California forged a plan to implement a massive class-size-reduction effort. Starting in 1996 the State set in motion a program to lower average state K-3 class size from an average of 28 to 20 students. California previously had nearly the largest class sizes in the nation, so the reductions were substantial. But implementation of this policy illustrates the dangers of rushing to make policy changes based on limited research.

Because California increased its demand for elementary school teachers so suddenly, many teachers without training or credentials were hired. At the same time, many experienced teachers, working in lower-income and minority communities, transferred to districts with more affluent and easier-to-teach students, taking advantage of the vast numbers of sudden openings in suburban districts.

¹⁰⁴ http://www.edreform.com/Archive/?Sizing_Up_What_Matters_The_Importance_of_Small_Schools

Class size reduction therefore had the result in California of reducing the average experience (and, presumably quality) of K-3 teachers in the inner city. Nonetheless, since the implementation of the class size reduction policy, test scores in California schools, including schools that are heavily minority and low income, rose. But because California simultaneously implemented other policy changes (abolition of bilingual education, a stronger accountability system), it is uncertain to what extent class size reduction has been responsible for the test score gains.¹⁰⁵

There have been no significant achievement gains in California as a result of reducing class size. According to a series of reports by the state commissioned Class-Size-Reduction (CSR) Research Consortium, class-size-reduction has not achieved anything like even the gains reported in the Tennessee experiment. In its third and most recent report, the Consortium reported finding no evidence that class-size-reduction has produced improved scores. While the study team found that "achievement has been increasing during CSR's implementation," the researchers concluded that there "was no strong association between differences in exposure [to reduction efforts] and differences in achievement effects during this period." In other words, there was no correlation between how long students were in reduced-size classes and changes in their test scores.

¹⁰⁵ <http://edpro.stanford.edu/hanushek/admin/pages/files/uploads/classizedebate.full%20volume.pdf>, p.4