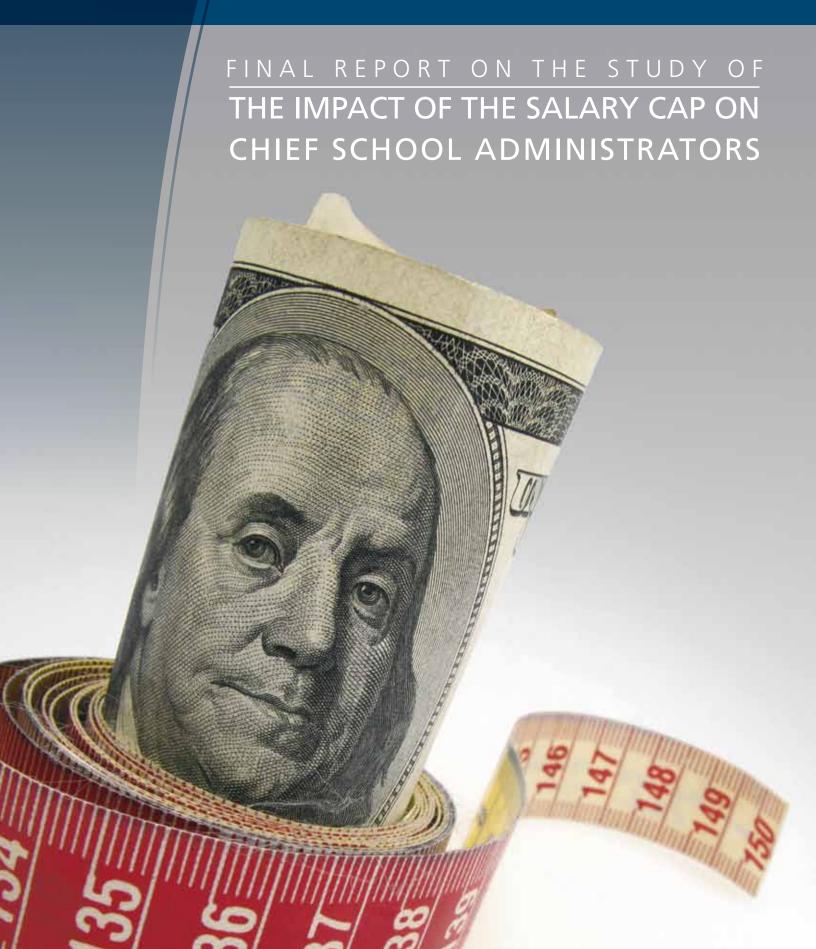


New Jersey School Boards Association



FINAL REPORT ON THE STUDY OF

THE IMPACT OF THE SALARY CAP ON CHIEF SCHOOL ADMINSTRATORS

BY

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General Counsel

Prepared for the Semiannual Delegate Assembly May 17, 2014

CHARGE OF THE MAY 18, 2013 DELEGATE ASSEMBLY

At the May 2013 Delegate Assembly the Ridgewood Board of Education (Bergen County) proposed new policy language for adoption by the Delegates and inclusion in the NJSBA's Manual of Positions and Policies on Education. The resolution requested that the NJSBA adopt a policy stating its belief that each local Board of Education shall have the right to establish compensation for its Chief School Administrator (CSA) with the flexibility to adjust the CSA's compensation commensurate with his or her experience knowing the current employment market conditions and other factors that may influence the ability to recruit, hire, and retain a competent and highly qualified CSA. The proposed belief statement provided that local boards must determine the Chief School Administrators' compensation, knowledgeable of the budget revenues and expenses and the need to operate their school districts efficiently and effectively.

Ridgewood's resolution also urged the NJSBA, in support of the proposed policy, to conduct a study to evaluate the impact of caps on Chief School Administrators' salaries on the recruitment, hiring and retention of CSAs. The NJSBA would inform its membership of the results of the study, and recommend appropriate action in response to the findings of the study, such as a waiver for districts who may need relief.

After debate, the Delegates adopted the following resolution:

The NJSBA believes that hiring the chief school administrator is one of the most critical board responsibilities and that the authority to select the most appropriate and suitable candidate should continue to rest with the local board of education.

In support of this belief, NJSBA staff will conduct a study to evaluate the impact of caps on chief school administrators' salaries on the recruitment, hiring, and retention in this position, and report back to the November 2013 Delegate Assembly with any recommendations for policy revisions, if necessary, and appropriate action.

BACKGROUND

The relatively new cap on superintendent salaries presented the Ridgewood Board of Education with a serious dilemma that appears to be the impetus for their resolution. The contract for the superintendent of the Ridgewood school district was set to expire in the summer of 2013. The annual salary for the superintendent is significantly higher than the maximum salary authorized under state regulations for a school district of Ridgewood's size. In order to renew the contract, which the board publicly expressed its desire to do, the superintendent would need to take a pay cut of approximately 30 percent. The board was highly concerned that it may not be able to renew the contract for its current superintendent due to the limitations imposed by the new salary cap. Ridgewood believed that the superintendent is critical to the effective implementation of board goals and policies, and that the ability to recruit and retain competent leadership is dependent on whether it can provide fair and competitive compensation to its superintendent. For that reason, the Ridgewood Board of Education requested a change in NJSBA policy that more clearly defines its position on compensation for chief school administrators while urging the NJSBA to study and evaluate the impact of the superintendent salary caps on its membership.

(Note: The Ridgewood Board renewed the superintendent's contract in compliance with the cap.)

In July 2010, Governor Chris Christie unveiled a proposal to limit and reform school administrators' salaries. A press release issued by the Governor's office indicated that this proposal was part of the Administration's efforts "to ensure the maximum amount of education funding stays in the classroom." The Governor initially proposed a graduated superintendent salary schedule dependent on school district size. In November 2010, the Commissioner of Education proposed regulations to effectuate the Governor's proposal.

The proposed regulations provided, in pertinent part:

"No contract for a superintendent...shall include an annual salary in excess of the maximum salary amount plus, if applicable, additional district salary increment(s) and/ or a high school salary increment...."

N.J.A.C.6A:23A-3.1

The proposed regulations included a definition of "maximum salary amount" that provided a salary schedule based on the total number of students in the district or districts overseen by a particular superintendent. The proposal also authorized the Commissioner of Education, on a case-by-case basis and upon application by a board of education, to approve a waiver of the maximum salary amount for larger (i.e., 10,000 or more enrolled students) districts. Superintendents would also be eligible to receive an additional \$10,000 for each additional district they supervise. Those superintendents overseeing districts that include a high school could receive an additional \$2,500 per year.

The regulations also allow for merit bonuses for superintendents who meet up to three quantitative merit goals (an additional 3.33% of salary for each goal achieved) and two qualitative goals (2.5% each). The goals are determined in the CSA's contract and bonuses must be approved by the Executive County Superintendent.

After four public hearings, the Commissioner adopted the proposed regulations. On February 7, 2011, the proposed superintendent salary caps went into effect. *N.J.A.C* 6A:23A-1.2 Pursuant to the new regulations, the maximum allowable salaries for superintendents (not including the high school and additional district salary increments) are as follows:

Student Enrollment District(s)	Maximum of Salary				
0 – 250	\$125,000				
251 – 750	\$135,000				
751 – 1,500	\$145,000				
1,501 – 3,000	\$155,000				
3,001 – 6,500	\$165,000				
6,501 – 10,000	\$175,cover000				

The superintendent salary cap regulations have been challenged by individual school districts as well as the New Jersey Association of School Administrators. To date, the courts have rejected these challenges and upheld the authority of the Commissioner to establish the caps. The superintendent salary cap regulations are due to sunset on November 25, 2016.

NJSBA staff has collected data regarding turnover of the CSA in local school districts for many years. Subsequent to the action and direction of the delegates taken at the May 18, 2013 Delegate Assembly, staff began a thorough review of the data and reported out the findings at the November 17, 2013 Delegate Assembly.

Through direct contact with the former chief school administrators, the executive county superintendents and review of news releases, news articles and NJSBA staff documents, a composite by county was created tracking movement and the reason why. "Movement" was defined as the departure of a superintendent from a district for any reason. There remained an identified gap in data of individual districts for a variety of reasons: the chief administrator having left the state without providing contact information; districts that did not believe they could provide personnel information to NJSBA; and executive county superintendents who could not provide the information requested.

Data was reported for the three academic years preceding the effective date of the salary cap and the 2010-2011 academic year, when the cap became effective, and the 2011-2012 and 2012-2013 academic years.

Below, please find data reported by academic year and then by county at the November 16, 2013 Delegate Assembly.

Aggregate yearly movement Statewide of Chief School Administrator:

2007-2008:	125
2008-2009:	172
2009-2010:	159
2010-2011:	142 *
2011-2012:	140
2012-2013:	118

*The cap was enacted in February 2011.

A chart of the aggregate yearly movement of the chief school administrators is attached as **EXHIBIT I** on page 5.

In February 2014, NJSBA worked closely with two interns to contact every school district and ascertain the impact of the CSA cap on movement in the district, since its effective date through February 2014. Every district was sent a survey and then contacted by phone, and email as follow up. A synopsis of the results follows:

- 403 districts (71.8%) responded out of 561 contacted.
- 219 districts (54.3% of the responding districts) experienced a change in superintendents since the cap came into effect February 2011. In fact, the responding districts experienced 295 total changes of superintendents since January 2011 as a result of multiple changes in the position.
- 97 districts (44.3% of districts experiencing superintendent turnover or 24% of the responding districts) cited the CSA salary cap regulations as the reason for the superintendent leaving the district.
- 193 superintendent who left the districts either retired or resigned. Of those, 64 (33.2%) sought employment elsewhere).
- 136 superintendents retired from their positions. Of those, 8 (or 5.8%) sought employment out of state.
- At least 18 (13.2%) out of the 136 retired superintendents sought employment as interim superintendents in New Jersey.
- 64 (29.2%) of the 219 districts experiencing superintendent turnover employed interims after their superintendent left.
- 19 (9.1%) of the 219 districts experiencing superintendent turnover since February 2011 have yet to hire a permanent superintendent. Of the 89 districts that have hired a permanent replacement, 56 did not have prior experience as a superintendent (62.9%).

Counties demonstrating significant impact include:

Bergen – of the 54 districts that participated in the survey, 54.5% saw their superintendent leave because of the salary cap;

Camden – of the 25 districts that participated in this survey, 64.3% saw their superintendent leave because of the salary cap Somerset – of the 16 districts that participated in this survey, 63.6% saw their superintendent leave because of the salary cap;

Union & Warren – of 17 Union and 11 Warren districts that participated in this survey, respectively, 60% of districts in each county saw their superintendent leave because of the salary cap;

Mercer – of the 5 districts that participated in this survey, 100% saw their superintendent leave because of the salary cap.

RELEVANT NJSBA POLICY

The NJSBA has no policy that explicitly opposes a limitation on the salaries of chief school administrators. However, several policies support the concept of local control in determining appropriate compensation levels and a board's responsibility over district expenditures. In addition to those policies cited below, File Code 4135 illustrates the NJSBA's overall approach to labor relations and supports the Association's opposition to any initiatives that would reduce local control of the negotiations process.

File Code 2000

Responsibilities of the Board of Education

A. The NJSBA believes that two of the most significant responsibilities of the board of education are the hiring of a chief school administrator and annually reviewing the performance of the chief school administrator in implementing the district's educational goals, vision and direction.

Retention and Support of the Chief School Administrator

- **A.** The NJSBA believes that the terms and conditions of employment of the chief school administrator should be established by contract, and should provide for the following:
 - 3. Annual evaluation of the performance of the chief school administrator and agreement between the parties of the annual compensation paid to the chief school administrator, including salary and benefits. The annual compensation shall be established by the progress made toward the achievement of the stated goals and objectives of the school district and any additional criteria agreed to by the parties. [Authority: DA 11/03-ER (A), DA 5/01-SR, DA 5/06-SR, DA 5/11-SR]

File Code 3100

Protection of Local Control

The NJSBA believes that local boards of education have the primary responsibility over the receipt of revenues and expenses and will oppose any directives that would compromise that authority and responsibility. [Authority: DA 6/79-8, DA 6/93-SR, DA 11/01-SR, DA 11/06-SR, DA 11/11-SR]

File Code 1430

State Role in Education

A. The NJSBA believes the authority for management of public schools should rest with local boards of education and State authority over school districts should not exceed the scope necessary to fulfill the constitutional mandate for a thorough and efficient system of free public education. [Authority: DA 10/78-CR Graduation Requirements, DA 6/80-A, DA 6/93-SR, DA 6/95-SR]

DISCUSSION

The NJSBA believes in, and actively advocates for, local control and management over school district operations and finances. Consistent with its existing policy, the NJSBA has and continues to oppose the imposition of a hard cap on the salaries of chief school administrators. During the public comment period on the proposed regulations that eventually established the cap, the NJSBA publicly expressed its concerns, which are highlighted below.

Specific salary caps tied to district enrollment are overly rigid and do not take into account certain variables, such as consolidation of additional administrative responsibilities in the position of the superintendent. In many relatively small school districts, the chief school administrator also serves as a principal. In other districts, the superintendent assumes responsibilities that eliminate the need for an additional administrative position, resulting in cost savings to the district.

The NJSBA also believes that existing provisions in State law and the Administrative Code, such as the 2-percent property tax levy cap, the statutory limitation on administrative spending increases and new Accountability Regulations, render a superintendent salary cap unnecessary. The 2-percent levy cap makes it financially imprudent for a local school board to provide an overly generous compensation package to its superintendent. In light of limited State aid and reductions in local school district budget surpluses, the levy cap poses a significant spending constraint. In addition to the property tax levy cap, a 2004 law imposed a hard restriction – a 2.5 percent

maximum – on year-to-year increases in a school district's administrative expenditures, which include superintendent salaries. Consequently, a school board that opts for high superintendent salaries would therefore need to compromise or make difficult decisions on other education priorities. Should such decisions be deemed inappropriate or ineffective, the members of the board will be held accountable by the taxpayers and voters.

Under the School District Accountability Act and subsequent regulations issued by the state Department of Education in 2008, the Executive County Superintendents (ECS) are required to approve all new contracts for central office administrators. This review process is far-reaching and brings into clear focus the power exercised by the State, through the office of the ECS, over local school district administrator contracts. ECS approval is granted only upon the compliance with State-developed criteria that are designed to limit generous compensation packages, including benefits and cost-of-living increases. ECS review of employment contracts provides a necessary and practical control against exorbitant salaries, while maintaining an appropriate level of local discretion and authority.

The NJSBA believes that reasonable constraints in controlling the growth of spending by local school districts may be necessary. However, the limits on superintendent salaries adopted by the State place New Jersey school districts at a distinct disadvantage when hiring chief school administrators. When the proposed salary caps were originally introduced in 2010, the NJSBA stressed the fact that the role of the board of education is not to advocate for administrators' salaries, but to ensure quality school leadership. For a number of school districts, the existing constraints on superintendent salaries stand in the way of fulfilling that responsibility.

Contrary to the beliefs of some, administrative spending in New Jersey has not been a problem. Even before the 2004 enactment that limited administrative expenditures, the percentage of education spending that went toward administration had been on a steady decline. According to a June 2013 report by the U.S. Department of Education's National Center for Education Statistics, New Jersey ranks 46th in the nation in public school administrative spending. The data show that New Jersey public school districts devote 9 percent of their operating budgets to central office and school building administration, compared to a nationwide average of 10.7 percent. At the same time, the state's spending on instruction and student support services (72.9 percent of total expenditures) is greater than the national average.

The NJSBA believes that the property tax levy cap,

AGGREGATE YEARLY MOVEMENT OF THE CSA BY COUNTY										
County	Number of Districts	School Year								
		2007-8	2008-9	2009-10	2010-11	Cap only	2011-12	Cap only	2012-13	Cap only
ATLANTIC	22	4	8	7	8	-	4	-	4	-
BERGEN	74	12	33	33	26	6	19	2	19	1
BURLINGTON	39	10	10	10	9	-	13	-	5	-
CAMDEN	36	5	5	11	9	1	12	1	8	2
CAPE MAY	14	2	-	2	2	-	2	-	1	-
CUMBERLAND	14	1	1	6	7	-	2	-	4	-
ESSEX	22	4	8	8	6	2	4	1	9	1
GLOUCESTER	27	6	11	11	7	-	9	-	6	-
HUDSON	12	-	2	4	3	-	3	-	-	-
HUNTERDON	28	11	10	8	6	2	7	1	9	-
MERCER	9	-	3	2	4	-	2	-	1	1
MIDDLESEX	23	7	4	3	4	4	4	2	4	4
MONMOUTH	51	16	11	8	11	3	19	1	9	-
MORRIS	39	14	19	12	6	2	10	1	3	2
OCEAN	27	5	10	8	6	-	5	-	4	-
PASSAIC	19	3	6	3	8	-	4	-	5	1
SALEM	13	7	6	2	2	-	3	-	5	1
SOMERSET	17	4	2	5	7	2	4	1	5	5
SUSSEX	24	6	10	7	4	-	3	1	7	-
UNION	21	4	6	6	3	1	3	-	4	3
WARREN	22	4	7	3	4	-	8	-	6	-
Totals	554	125	172	159	142	23	140	11	118	21

statutory restrictions on administrative expenditures, existing regulations adopted pursuant to the School District Accountability Act and ECS review of employment contracts provide sufficient controls on salaries for chief school administrators. Therefore, the regulatory salary caps are unnecessary. (See **Attachment A**, NJSBA testimony dated November 18, 2010, and **Attachment B**, letter to acting commissioner of education, Rochelle Hendricks.)

CONCLUSION

Superintendent turnover rates have fluctuated since the superintendent salary cap went into effect: approximately 38.4% (219) of the state's 570 operating school districts have experienced turnover; over the same period, there were 295 instances of turnover, with several districts having two or more new or interim superintendents during the three-year period. Overall, in 97 school districts, superintendents left because of the cap. Of the 89 districts that hired a permanent replacement, 56 were new

superintendents, never having held the position before.

While not the only reason, the capon CSA salaries is a significant factor in superintendent turnover in New Jersey. As the 2015-2016 school year draws near and five-year contracts in place in February 2011 come up for renewal, we are likely to see more dramatic movement. The inability to offer a new superintendent a salary commensurate with the predecessor, and in some cases lower than other administrative staff, has created instability. A position as an interim superintendent, who may collect his/her pension together with the salary paid by the district, is much more enticing to the pool of experienced superintendents.

The New Jersey Legislature and Executive must carefully review the efficacy of this policy in reducing school expenditures while assuring a quality education and student achievement. The policy will require a political remedy to address its consequences.

^{**} This Report could not have been prepared without the invaluable assistance and dedication of Warren J. Jagger and Danny DaSilva. Warren and Danny tirelessly contacted all 584 school districts to complete this report; and crunched the numbers to ascertain the data referenced herein

Warren is a senior attending The College of New Jersey, Ewing Township, N.J. Warren will graduate this spring with a B.A. in Applied Mathematics. Danny recently completed a Graduate Degree in Education from Rider

Danny recently completed a Graduate Degree in Education from Rider University, Lawrence Township, N.J., where he also received a B.A. in History.

TESTIMONY

Superintendent/Administrator Salary Caps Amendments to *N.J.A.C.* 6A:23A-1.2 and 3.1

November 18, 2010 Kean University Union, New Jersey

Good evening. I am Barbara Horl of the New Jersey School Boards Association's Governmental Relations Department. NJSBA is a non-partisan federation of the state's local boards of education.

Our organization believes there is no more critical decision a school board can make than the selection of a superintendent, the chief administrative officer of the community's public schools. NJSBA has long supported the concept of merit-based compensation tied to the achievement of education goals. We have urged local school boards to incorporate the concept into employment contracts with chief school administrators. In addition, we believe that incentives for small school districts to share administrative services voluntarily will enable more school districts to consider this cost-saving option.

However, specific salary caps, tied to district enrollment, are overly rigid and do not take into account variables, such as consolidation of additional administrative responsibilities in the position of the superintendent. In approximately 70 percent of small elementary school districts, the chief school administrator also serves as principal. In numerous other districts, the superintendent assumes additional administrative responsibilities, thereby eliminating the need for an additional position.

Significantly, recent additions to state law and administrative code, such as the 2-percent property tax levy cap and the Accountability Regulations, render the proposed salary caps unnecessary.

Practically speaking, the implementation of the 2-percent local property tax levy cap will make it financially imprudent for a local school board to provide an overly generous compensation package to its superintendent. And, in conjunction with anticipated flat revenue from the state and the recent reduction of excess surplus in local district budgets, it creates a significant spending constraint. Under

these circumstances, a school board that opts for high superintendent salaries would have to make hard decisions about its educational program priorities. Its members would have to account to their taxpayers and voters for their decision.

Under the School District Accountability Act and the subsequent regulations issued by the Department of Education in 2008, the Executive County Superintendents (ECS) are required to approve all new contracts for central office administrators. This review process is far-reaching and brings into clear focus the power exercised by the state, through the office of the ECS, over local school district administrator contacts. ECS approval is granted only upon compliance with state-developed criteria that are designed to limit generous compensation packages, including benefits and cost-of-living increases. In fact Governor Christie recently cited the authority of the office when he instructed the executive county superintendents not to approve any superintendent contract extensions that exceed the salary caps and which would begin before the Feb. 7 effective date of the proposed regulations.

Let me be clear. NJSBA shares the goal of controlling the growth of all school district salaries and including some reasonable constraints. However, the limits proposed by the state might put some New Jersey school districts, particularly those in areas with a high cost of living and which border other states, at a distinct disadvantage when hiring superintendents and other administrators. When the proposed salary caps were originally introduced last summer, NJSBA stressed the fact that the role of the board of education is not to advocate for administrators' salaries, but to ensure quality school leadership.

For a number of school districts, the proposed regulations, as now written, stand in the way of fulfilling that responsibility.

Clearly, administrative spending in New Jersey has not been a problem. The latest report from the U.S. Department of Education places New Jersey's overall spending on central office and school building level administration below that of 42 other states. Compiled by the department's National Center for Education Statistics, the data show that New Jersey public school districts devote 9.5 percent of their operating budgets to central office and school building administration, compared to a nationwide average of 10.8 percent. At the same time, the state's spending on instruction and student support services (71.9 percent of total expenditures) is higher than the national average.

We should make every effort to direct as much of our limited resources as possible to the classroom. However, the proposed salary caps are not an effective way to do this.

On a positive note is the fact that part of the intent of the regulations is to encourage shared administrative services among smaller districts. It is worth further study to determine if the \$10,000 stipend for service to an additional district would effectively encourage such sharing. If not,

the proposed regulations should be amended to ensure that the stipend serves as an incentive. Voluntary sharing of administrative services can significantly reduce a district's administrative costs.

In addition, we support the proposed regulations introduction of performance-based bonuses, a noteworthy concept that ties salary increases to specific performance measures, including student achievement. NJSBA believes that a renewed focus on performance and measureable improvement in student achievement should be benchmarks for contracts and collective bargaining agreements throughout the public education sector.

In summary, the New Jersey School Boards Association believes that the newly enacted property tax levy cap law and existing regulations issued pursuant to the School District Accountability Act and other statute provide sufficient controls on salaries for chief school administrators. Hence, the proposed salary caps are unnecessary. At the same time, we recommend a thoughtful study of ways to develop performance measures that would become part of the employment agreements with the administrators.



New Jersey School Boards Association

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December 27, 2010

Ms. Rochelle Hendricks Acting Commissioner New Jersey State Department of Education 100 River View Plaza, P.O. Box 500 Trenton, NJ 08625

RE: Proposed Amendments to N.J.A.C. 6A:23A-1.2 and 3.1,

establishing a schedule of maximum salaries for district superintendents

Dear Commissioner Hendricks:

In the interest of administrative cost efficiency in local school districts, the New Jersey School Boards Association is recommending changes to the Department of Education's proposed code amendments at N.J.A.C. 6A:23A-1.2 and 3.1, which would establish a schedule of maximum salaries for school district superintendents based on enrollment.

On November 18, 2010, NJSBA testified on the proposal and indicated that, although we support aspects that address shared superintendents and performance-based bonuses, the salary caps are unnecessary in light of the new 2 percent tax levy cap and the Executive County Superintendents' authority in reviewing administrator contracts.

The Governor and the Department of Education, however, have made clear their intention to implement the salary cap regulations on February 7, 2011. Therefore, we find it critical that you consider two changes to the proposed code amendments. These changes would advance the state's intention to promote administrative cost efficiency, while averting the unintended consequences of discouraging school boards from (a) consolidating other administrative functions into the superintendent's position and (b) sharing chief school administrators.

Additional Administrative Functions

In an estimated 30 percent of New Jersey school districts, the superintendent also performs the role of school building principal, special education coordinator, curriculum coordinator and/or other administrator. An informal survey of our members indicate that over half of the school districts engaging in this practice experience savings ranging from \$75,000 to \$150,000 a year, primarily by eliminating the need to employ additional staff to carry out the functions. The current proposed code does not address situations in which the superintendent fulfills dual or multiple administrative responsibilities. NJSBA is concerned that the absence of such a provision will discourage the practice and, in the end, require school districts to hire additional administrative staff.

NJSBA, therefore, recommends inserting a definition of an "Additional Administrative Responsibility Increment" into N.J.A.C. 6A:23A-1.2 and referencing the concept in N.J.A.C. 6A:23A3.1(e)2, line 6.

Such an increment would be awarded when a superintendent assumes clearly defined duties, such as principal, and thereby eliminates the need for employment of an additional staff member. The amount of the increment should be based in part on the potential cost savings to the school district created by such an arrangement.

Shared Superintendents

A 2007 Rutgers-Newark study (www.njsba.org/sharedservices), commissioned by the New Jersey School Boards Association, identified significant cost savings achieved through shared services among school districts and municipalities. A largely untapped area involves the concept of shared superintendents, which provides an option for groups of two or more school districts to control administrative costs.

The proposed regulations recognize the value of this concept by basing maximum salary on the total enrollment of all districts served by a shared superintendent and allowing a \$10,000 increment for each additional district involved in the arrangement. However, considering the added responsibility of working with more than one board of education and instructional staff, we believe that a \$10,000 stipend will not encourage administrators to pursue employment as shared superintendents, nor districts to consider the option. The \$10,000 stipend also does not recognize the full extent of the cost savings made possible through these arrangements. At the outset, a shared superintendent for two districts would save taxpayers \$125,000 in salary under the proposed caps. To encourage the sharing of superintendents, we urge you to adjust the proposed per-district stipend in a way that would give local school boards additional leeway in negotiating these cost-saving arrangements.

Thank you for considering our proposals. Please contact NJSBA Director of Governmental Relations Michael Vrancik at (609) 278-5239 if you need further information.

Sincerely,

Marie S. Bilik

Executive Director

enc.



New Jersey School Boards Association

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