

BOARD OF EDUCATION
The School District of South Orange and Maplewood
525 Academy Street, Maplewood, NJ 07040

December 14, 2012

TO: Members, Board of Education
Members, Board of School Estimate
Brian Osborne, Superintendent

FROM: Cheryl Schneider, Business Administrator
Pat Barker, Director of Special Services
Lydia Furnari, Assistant Superintendent, Curriculum & Instruction
Paul Roth, Chief Information Officer

SUBJECT: 2013-14 SCHOOL BUDGET DEVELOPMENT – ANALYSIS

The development of the 2013-14 school budget is again focused on allocating resources to student achievement to the extent possible consistent with the district goals first adopted by the Board of Education on September 15, 2008 and updated and readopted on October 15, 2012. Specifically, Board Goal Four: Resource Management (Objective A) calls for the development of:

“A transparent, efficient budget that aligns with and supports the attainment of district goals and that reins in spending on budget categories that are rising at a faster rate than the cost of living.”

The district’s General Fund (operating) budget is funded primarily from two sources: local taxes (94%), state and federal aid (5%). Appropriated surplus and miscellaneous revenue make up about 1% of total revenue. Trenton has not yet provided any guidelines for budget development.

Given the expectation that the amount of resources available will be limited, and recognizing that the local taxpayers are financially stressed, the budget development process includes an analysis of the major categories of expenditures to determine if the resources are effectively and efficiently allocated and to identify trends in the rate of growth of expenditures. The goal is to identify opportunities that may result in the ability to redirect resources to new initiatives intended to impact student achievement. These ongoing analyses will be once again taken into consideration throughout the budget development process.

In addition, specific topic areas were identified by the Finance Committee, with input from Administration, to review when developing the 2013-14 school district budget. The topic areas include the following:

1. ***Health Care*** –*Look at health care contributions with five year projections. The new health reform requires us to find an average that we can use for budgeting purposes.*

2. ***District Management Council (DMC) proposals*** - Report on the progress being made by DMC and the 2013-2014 budget implications.
3. ***Montrose School*** – Program development implications on operating budget.
4. ***MMS Addition*** – Staffing implications for new classrooms and enrollment.
5. ***Technology/PARC assessments***- The strategic technology plan will be completed in December to inform budget development. The state is moving toward PARC assessments that will be administered online for 2014-2015. What are the budget implications needed to meet this requirement?

HEALTH CARE

The cost of providing health benefits for district employees is a major expenditure that runs over \$10 million annually. It is a key cost driver for the district's budget. Health care insurance coverage is provided for all full-time district employees and their families. Employees choose from a variety of health care plans offered through the New Jersey State Employee Health Benefit Plan. The cost of coverage ranges from \$725 per month for a single employee in NJ Direct 15 to \$2,064 monthly for a family in Aetna Freedom 10. (Note, that lower cost, higher deductible plans were added this year with a low cost of \$630.51 per month for a single employee in NJ Direct HD1500 but no SOMSD employees opted for any plan below Direct 15.) In the past the School District bore the entire cost of coverage and the majority, more than 86%, of district employees chose more expensive plans, mainly Direct 10.

In 2010, Chapter 10, P.L. 2010 was passed, requiring that all state employees, including employees of local school districts, contribute 1.5% of their salaries to the cost of health benefits. This 1.5 % totals over \$800,000 annually. Subsequently, the Board of Education negotiated with SOMEA, and effective January 1, 2012, according to the employment contract with SOMEA members, the Board will pay 100% of the premium for NJ Direct 15 of the School Employees Health Benefits Plan with employees paying any incremental expense if they opted to buy a more expensive plan offered within the SEHBP. During the open enrollment process for the January 1, 2012 implementation, 301 employees opted to change their coverage to NJ Direct 15 rather than paying the additional premium. This change in the collective bargaining agreement resulted in an approximate \$500,000 savings to the 2011-2012 budget.

The district has participated in the NJSEHBP for many years. Twice the district withdrew from the state plan with expectations of significant cost savings. On both occasions, it was determined that the initial savings were offset by steep increases in subsequent years and it was more advantageous to re-enroll in the state plan. In 2006, as NJSEHBP premiums were escalating at double-digit figures, the potential for cost savings from a private provider was again explored. At that time, an analysis of the district's experience determined that the district's cost would be more than the current premium and savings could not be achieved. Since 2010 we have again been seeing double-digit increases, with estimates in the 20+% range. Rates are good for 12 months which encompass the first 6 months of the next year's school budget. Estimates for next year are again in the 18-25% range (although only half of this increase will be seen during the 2013-14 school year).

Expenditures for health benefits fluctuate depending upon the number of enrolled employees and the plans selected, as well as the premium rates. The following is historical costs for benefits for the past eight years:

School Year	Cost of Benefits (includes district cost plus approx. employee contributions)	Percent increase over previous year
2004-05 (actual)	\$7,827,743	+8%
2005-06 (actual)	\$8,259,053	+6%
2006-07 (actual)	\$8,732,947	+6%
2007-08 (actual)	\$8,649,206	-1%
2008-09 (actual)	\$8,299,572	-2%
2009-10 (actual)	\$9,353,289	+12.7%
2010-11 (approx.)*	\$10,460,404	+11.8%
2011-12 (approx)*	\$11,377,972	+8.8%
2012-13 (anticipated)	\$12,629,549	+10%

* note these costs approximate the costs paid by the district plus the employee contributions. The costs would have been higher in 2011-12 and subsequent years had approximately 300 staff members not switched to Direct 15.

One of the cost savings measures introduced in 2009 was the ability to offer employees an opt-out plan. Employees have the opportunity to receive a cash incentive of \$3,300 to waive their medical benefits. The cash incentive is available to any employee covered under other (i.e., spouse's or partner's) health insurance. The only exception is if the alternate insurance is also provided by the NJSEHBP and in that case the coverage must be waived but no cash incentive is provided. Employees who elect to waive their coverage have the option to re-enroll during open enrollment or at any time a life status change occurs. We currently have 67 staff members who have waived their benefits, 37 of which received a cash incentive. The average annual premium cost for an employee on Direct 15 is \$16,455. The total premium reduction for employees receiving a cash incentive is therefore about \$608,835, for a net savings of \$486,735.

The district is currently conducting a review of the SEHBP to compare the cost effectiveness and viability of the program versus other options that would require withdrawing from the SEHBP. There are a number of advantages of participation in the SEHBP including:

- Participation in a claim pool of over 100,000 participants significantly diminishes the district's individual exposure to adverse claims.
- The SEHBP is competitive in the public market, currently servicing 60% of the New Jersey school districts.
- A wide selection of medical plans is available to meet each employee's individual needs.
- The SEHBP collects monthly premiums from COBRA beneficiaries for the district.

- Under Chapter 78, employees only contribute towards the cost of Medical/Rx not dental insurance.

The primary disadvantages of participation in the SEHBP:

- Premiums have increased 71% over the past 4 years.
- The plan is currently underfunded by approximately \$200 million. AON, the State's actuary, recommended an increase in January 2013 of 23% - the Commission approved 14.5%. This suggests the need for high increases in future years.
- There are 16 plan options available, however the premium differential between the most costly and least expensive is minimal. This means that once employees reach year 4 of the Chapter 78 contribution scale there will be no real option for an employee to choose a plan that will significantly reduce their payroll deduction.

The manner in which the NJSEBHP allows participating districts to structure offerings is restricted by the following:

- At least 4 options must be offered. Offering all 16 plans is not required. The employer can select which plans to include, or negotiate through collective bargaining.
- If a contribution arrangement other than the new Chapter 78 scale is implemented, it must first be approved by the Department of Education with proof that the aggregate savings to the district is equal to or greater than the Chapter 78 rules.
- Tenured and non-tenured employees must be treated in the same manner. However employees in different bargaining units can be treated differently.
- In addition to the Chapter 78 contribution requirement the district can require the employee to pay the full cost to "buy Up" to a more expensive plan.

In order to explore alternatives to the State Employee Health Benefits Plan, we acquired an analysis of the district's claim experience for the past three years from the Division of Pensions and Benefits. Unfortunately, the results of the analysis indicated that the district continues to incur a relatively high claim loss ratio and therefore it may be difficult to find viable alternatives. However, our benefits advisors are in the process of soliciting alternate quotes.

The challenge in determining an appropriate amount to budget for health benefits is that the SEHBP rates are only known for half of the school year since they are determined annually. The extreme changes from year to year in the past make it difficult to anticipate future increases. With the recent enactment of Health reform Chapter 78, P.L. 2011, the SEHBP was required to offer additional plan options. With the additions and accompanying premium changes, it is even more difficult to anticipate the impact on future budgets. Along with the requirement to offer additional plans, Chapter 78 also provided for new employee contributions to be phased in over a four year period, beginning at the expiration of any existing contract. Both the SOMEA and ASCA contracts will expire on June 30, 2013 and therefore the contributions imposed by Chapter 78 begin on July 1, 2013. Under the provisions of Chapter 78, the contribution is

determined as a specified percentage of the health benefits/prescription drug premiums for a salary range, but not less than 1.5% of salary. The contributions are based on salary range and type of coverage (single, family, member/spouse, or member/child) and increase annually through year 4. After year 4, the full contribution percentage is considered part of the base contract. These contribution percentages range from a low of 1.13% of premium for single coverage in year 1 for someone earning less than \$20,000, to a high of 35% of premium for single coverage in year 4 for someone earning \$95,000 or more. (35% is the top percentage for family coverage and a salary of \$110,000 and over, and for staff plus spouse/partner or child and earning \$100,000 or more).

It is difficult to ascertain the specific impact of the contributions when both future salaries and future health insurance premiums are unknown. There will not be a significant change in contributions in 2013-2014 as about 60% of the employees will continue to pay 1.5% of their salary in contributions and the other 40% will be paying just a slightly higher amount by paying the first year contribution percentage of health premiums. By 2014-2015 over 90% of the employees will be paying a percentage of premiums and by 2015-2016 all employees will be paying a percentage of premiums rather than 1.5% of salary.

One other factor that must be taken into consideration is budgeting health benefits for the 2013-14 school year is the impact of the Federal healthcare reform. As of January 1, 2014, employers will be required to offer health insurance to all employees working an average over 30 hours per week. This applies to all persons earning a salary from the school district including long term subs, aides, paraprofessionals and daily substitutes. An analysis of the impact on the district budget still needs to be completed. The introduction of this regulation may impact costs associated with contracted services as well.

DISTRICT MANAGEMENT COUNCIL

The District Management Council (DMC) was engaged to address four projects aimed at improving student outcomes and reducing the student achievement gap. The four projects being addressed by DMC are:

Project 1: Implement the core reading program and refine intervention programs

Project 2: Refine the current model for supporting students with disabilities included in general education.

Project 3: Special education financial management system

Project 4: Provide project management for the creation of a special needs school on district-owned property.

The agreement with DMC spans a three year period. DMC is currently gathering data, interviewing staff, and surveying stakeholders in order to develop their proposals and recommendations. Implementation and development of programs is anticipated for the 2014-15 school year and therefore cost savings are not expected to be realized during the next school year. We will continue to work with DMC during the 2013-2014 budget development process.

Should potential savings be identified during the budget development timeframe, they will be taken into consideration in the 2013-2014 budget.

The District Management Council will be presenting a status update at the December 17, 2012 Board of Education meeting. The following is a summary of that presentation:

Project 1: Implement the core reading program and refine intervention programs.

The School District of South Orange & Maplewood is partnering with DMC to help ensure that the district's elementary school core reading program is implemented across the district consistently. The district has already taken significant steps to develop and implement a strong core curriculum. However, not all schools have yet fully and faithfully implemented the district's literacy program. A central focus of DMC's work is to ensure consistent implementation of the core reading program across all elementary school buildings.

Currently, approximately 650 elementary students in the district are struggling in reading. Among students with disabilities, fewer than half score proficient on the NJASK, and this proportion declines in upper grades. To help support struggling readers and improve student outcomes, DMC will work with the district to implement additional instructional time for struggling readers – with or without an IEP – with content expert teachers.

DMC's work with the district includes five objectives:

1. Track consistency of implementation of the core reading program.
2. Establish a project management structure within the district to develop and facilitate implementation of accountability tools and systems to track consistency of core reading program.
3. Convene professional learning cohorts of reading teachers and classroom teachers to share best practices and refine the plan as needed.
4. Refine the use of data.
5. Expand intervention.

Project summary to date

The project plan includes the following objectives. DMC has made much progress on the majority of the defined objectives and will continue to do so in the next few months.

Objective 1: Track consistency of implementation of the core reading program.

In order for the current core reading curriculum to have the maximum benefit, all students must have access to its rigorous content and thoughtfully laid-out plan. To achieve this objective, DMC has interviewed all elementary school principals to assess how core reading instruction works in their respective schools. Through these conversations, DMC has drafted a report outlining the key elements of the core reading program that are currently in place across the district and areas of opportunity for improving the program's implementation.

Objective 2: Establish a project management structure within the district to develop and facilitate implementation of accountability tools and systems to track consistency of core reading program.

The School District of South Orange & Maplewood has convened a reading committee composed of elementary school principals and reading teachers to help create accountability tools and systems to monitor the implementation of the core reading program. As of December 17, the reading committee will have met twice. During these meetings, the committee will identify potential obstacles that schools may face in implementing the core reading program and will begin brainstorming methods for overcoming potential barriers. Moving forward, the committee will help drive work to overcome these possible obstacles.

Objective 3: Convene professional learning cohorts of reading teachers and classroom teachers to share best practices and refine the plan as needed.

In addition to supporting fidelity with the district's core reading program, the reading committee described above will also share best practices around reading with district staff. The committee may also help modify the district's current reading plan as required.

Objective 4: Refine the use of data.

In order to enhance teaching practices, reading specialists and teachers should use data to target areas of student need and identify effective teaching strategies. DMC will help create and implement systems to streamline and strengthen the use of common reading formative assessments to enhance teaching practices. Key activities include:

- Determine strengths and areas of friction with the current system of common formative assessments. Recommendations to simultaneously strengthen and simplify the use of common formative assessments will be provided.
- Help develop a reporting system that can compare data across students, classrooms, and buildings using existing district software and tools.
- Conduct trainings with district-level and school-level administrators on collecting and using data from common formative assessments.
- Help create a schedule for data review sessions with teachers to drive improvements.

Objective 5: Expand intervention.

To sustain and build upon learning in the core curriculum, DMC will help review current remediation and intervention efforts. This work will also help the district prioritize best practices, such as extra time on task with skilled teachers. Additional time will seamlessly connect with core instruction and provide students the opportunity to develop, practice, and reinforce critical reading skills.

The new remediation and intervention reading program would provide struggling students – with and without an IEP – with at least 30 minutes or more of daily supplemental instruction from a teacher trained in reading instruction at the elementary level. This time would be additional to their core instruction.

At the secondary level, students who are not at grade level would likely receive even more time on task. DMC will review schools' current scheduling practices to help integrate extra time into the school schedule seamlessly. Key activities include:

- Create clear methods to identify students to target for additional reading instruction.
- Review current reading intervention efforts and compare to proven best practices.

- Develop a three-year phased implementation and staffing plan to provide extra time for struggling students from teachers skilled in the content area. Any plan proposed will be cost neutral.
- Assist in developing schedules incorporating small group instruction.

Project 2: Refine the current model for supporting students with disabilities included in general education

The School District of South Orange & Maplewood is committed to include students with disabilities in a general education setting. DMC will help further support the district’s best practice-based approach to supporting students (with or without IEPs) in an inclusion setting.

DMC has three objectives for this work stream:

1. Develop an integrated, consistent approach to supporting students with disabilities in an inclusion setting based on best practice research.
2. Develop an action plan to formalize the agreed-upon approach for supporting students in inclusion in every building.
3. Allocate resources more effectively to align with the developed plan.

To help create a consistent and effective approach to supporting students in an inclusion setting based on best practices, DMC will:

- Facilitate planning sessions to outline areas of strength and improvement in current strategies.
- Collect detailed data of present efforts, school by school, including student outcomes, staffing, and pedagogical approaches.
- Help create a strategic action plan formalizing the district’s new approach to supporting students in inclusion settings.
- Conduct school-by-school analysis of staffing and program implications of formalized approach.

Project summary to date

The project plan includes three objectives. The School District of South Orange & Maplewood and DMC have made progress on the data collection, and will continue to work with the district to achieve the other objectives.

Objective 1: Develop an integrated, consistent approach to supporting students with disabilities in an inclusion setting based on best practice research.

DMC has interviewed all principals and has gathered data around the current inclusion efforts in their schools. The district has formed a committee composed of stakeholders from various departments in the district that will help review DMC’s findings around how current practices align with best practices on raising achievement of students with disabilities. This inclusion committee will create a plan to build a program based fully on proven, research-based best practices. As of December 17, this committee will have met twice. In these meetings, the

committee reviewed current inclusion practices and discussed the program's strengths and opportunities for improvement.

A central part of this discussion involves gaining agreement from both general education and special education practitioners around the definition of success for students with disabilities. DMC will engage with the inclusion committee to articulate a clear new vision of support for students with mild to moderate disabilities and students who struggle without disabilities.

***Objective 2:** Develop an action plan to formalize the agreed-upon approach for supporting students in inclusion in every building.*

Successfully implementing a new model for supporting students in inclusion will require a detailed, thoughtful plan that brings together many stakeholders. This will be based on a clearly articulated theory of what supports students need to succeed.

To create a successful system, the program must adapt to the district's individual culture. As a result, DMC will draft a plan to support students in the inclusion setting that is collaboratively developed, prioritized, and actionable. Key activities include:

- Facilitate multiple sessions to develop a multi-phase action plan to implement a consistent approach to supporting students in an inclusion setting.
- Assist with scheduling and staffing implications at each building for implementation plan.
- Develop a monitoring plan to assess effectiveness of new approach at key milestones.
- Support implementation at the school level.

***Objective 3:** Allocate resources more effectively to align with the developed plan.*

Management of resources and funds may need to realign to the service delivery models in use; shifts to a new service delivery model may impact staffing, scheduling, and other areas of district operators. Based on the inclusion committee's proposed plan, DMC will assist the district in allocating resources to support the district's approach to inclusion. Key activities include:

- Understand current budgeting and management processes that support struggling students in the district across pupil services, the business office and human resources.
- Create staffing plans consistent with the new model of support.

Project 3: Special education financial management system

The School District of South Orange & Maplewood is working with DMC to develop a special education financial management system. This system is called dmPlanning and will help the district achieve two goals:

1. Create a strategic budgeting process for special education.
2. Develop a shared understanding of roles, responsibilities and decision-making with respect to special education and struggling students.

Most general education positions already have such guidelines, such as desired class size at the elementary level or expected teaching loads at the secondary level. These guidelines create a

straightforward budgeting process and makes assigning staff to buildings transparent. Oftentimes, building a special education budget can feel less exacting than other portions of the budget, but it needn't be. By matching student needs as defined in IEPs with reasonable workload expectations for staff, the district can use a more thoughtful budgeting process.

The project plan includes five objectives:

1. Determine what data is required to thoughtfully and proactively build and manage special education budgets.
2. Create a system to easily, accurately, and quickly collect and analyze the information required to thoughtfully budget, manage, and forecast special education spending.
3. Help develop staffing and workload criteria (aligned with the district vision of service delivery) for special education staff.
4. Develop an integrated system linking special education, business office, and human resources.
5. Implement a web-based technology tool to help develop staffing guidelines, building allocation rules, and ease ongoing data collection, forecasting, and budgeting.

The special education financial management system will bring greater clarity to budgeting and allow for thoughtful resource allocation decisions. Key deliverables for this project include:

- Identifying data and other information required to thoughtfully budget and manage special education.
- Creating a system to easily and timely collect the required information.
- Providing technology tools to analyze the required data such that decision making is more data driven, child centered, and transparent.
- Helping the district develop and document district-wide vision for special education criteria for staffing and workload based on the district's service delivery model.
- Developing special education financial reports and forecasting tools.

Project summary to date

The School District of South Orange & Maplewood and DMC have taken significant steps to achieve three of the five objectives thus far, and will continue to do so over the coming months.

***Objective 1:** Determine what data is required to thoughtfully and proactively build and manage special education budgets.*

DMC has engaged in conversations with the Special Education Director and Business Administrator to discuss the data required for planning, budgeting, and allocating staff. Through these conversations, DMC has started to review existing budget and planning documents, which will help inform decisions about what information is required to build thoughtful plans and budgets. Discussions have also begun to determine what data may be required for planning and budgeting transportation, special education tuition, and other non-staff expenses.

***Objective 2:** Create a system to easily, accurately, and quickly collect and analyze the information required to thoughtfully budget, manage, and forecast special education spending.*

Based on these discussions, DMC has collected and reviewed existing budget and planning documents. DMC has facilitated conversations regarding the data required for planning, budgeting and allocating staff. Through discussions with central office staff members, DMC has started to determine who and when data will be collected, and will continue to engage in discussions with staff members. Collecting this data is the first step in creating a system for budgeting, managing, and forecasting special education spending.

***Objective 3:** Help develop staffing and workload criteria (aligned with the district vision of service delivery) for special education staff.*

DMC has worked with district leadership to establish the roles of staff who will participate in a time allocation study this month. Focus groups with special education staff were held the week of November 26th. The focus groups helped the district and DMC learn more about the day-to-day responsibilities of staff and gain a full understanding of current roles, responsibilities, and time commitments. During the week of December 10th, staff participated in a survey using an online tool, dmPlanning, and filled out an online form to enter their typical weekly schedule, with technical support from the DMC team. The information for this survey was collected in early December. DMC will analyze the resulting data along with the insights gained during staff focus groups, and will share the data with the district, allowing district leadership to better understand how staff spend their time across the district and within specific buildings. The information will also empower district leaders with the information they need to make informed staffing allocation decisions.

***Objective 4:** Develop an integrated system linking special education, business office, and human resources and **Objective 5:** Implement a web-based technology tool to help develop staffing guidelines, building allocation rules, and to ease ongoing data collection, forecasting, and budgeting.*

Based on the information collected from focus groups and the online survey, DMC will work with district leaders to begin executing on the final two objectives in the project plan. This data collection and analysis will help the district and DMC develop a system for creating well-aligned budgets across offices and departments, and to implement the dmPlanning technology tool to better manage and forecast special education budgets. Work on these steps will continue over the next two years, as DMC helps the district develop the technology tool and provide implementation support as the tool is rolled out.

Project 4: Provide project management for the creation of a special needs school on district-owned property.

The School District of South Orange & Maplewood is committed to meeting the needs of as many students as possible within the district. To that end, DMC will help manage the district's efforts to expand program offerings. DMC will help the district leadership manage the program creation process, including:

- Identifying which student needs can best be met through new programming.
- Providing guidance in program development
- Providing guidance on space requirements
- Managing implementation for September 2013 opening.

DMC is currently reviewing a number of alternatives proposed by the district to build new programming in partnership with other proven partners.

MONTROSE SCHOOL

The Montrose School building has undergone extensive repairs to the building envelope as part of the District's capital projects plan. All of the windows have been replaced as well as all of the corroded steel lintels over many of the windows. The front masonry roof parapet has been replaced and sealed for protection against the elements and further deterioration. The top six feet of the chimney was reconstructed to its original masonry design. All of these improvements have rendered the exterior of the building sound and secure for many decades to come. Additional new interior elements and Architectural finishes, such as painting, corridor ceiling tiles and door hardware were also upgraded. No work has been done to the Second (top) Floor interior and therefore the entire second floor remains unusable and in total need of upgrade and restoration. Substantial work is required to bring the entire building up to code.

A code compliant building will afford the school district options for the eventual use of the building as a viable addition to the district's future educational curriculum and programs, a specialized educational building, a leasable piece of property, or a marketable real estate property for sale. Montrose School could be sold or rented, thus bringing additional revenue to the district. Sale of the Montrose building is a one-time savings in a depressed market, at a time when the district is facing increasing enrollments and space constraints. The elementary schools are currently at capacity and the secondary schools are expected to need additional classroom space to meet future enrollments. Rental of the building will require a significant capital outlay to bring the entire building up to code. What has become evident is with growing enrollments and educational initiatives, that the Montrose School site can be put to good use. The district has bonded to complete the necessary work to bring the whole building up to code. The planned renovation includes a new roof, updates to existing bathrooms, updates to existing classrooms including complete renovation to the second floor, the installation of an elevator and other ADA accessibility accommodations. The plan utilizes the configuration of the classrooms as they currently exist. As a result of this upgrade there will be 10-11 classrooms available. The construction plans have been through state approvals and bid specifications have been prepared for advertising. It is advised that the bid process be held until final determination is made for use of the building.

The Board approved a Guiding Change Document regarding the repurposing of Montrose School on October 15, 2012. The document directed that the Montrose School is to be repurposed to house a special education program that will help the District achieve the goals of promoting the intellectual development of students while slowing the rate of increase in operating expenditures. The rationale behind this directive included:

- To 'stem the flow' of out-of-district placements to better serve our students in-district and slow the rate of increase in out-of-district tuition costs

- To explore the possibility of a special education program that would become a revenue source based on receiving tuition based out-of-districts students

The Board of Education has directed that no fewer than 2 options for programs to be provided at Montrose school shall be presented and that at least one of the options should not create additional operating expenses associated with the programs itself. Administration is currently exploring multiple options for the Montrose School. The impact on future budgets will be identified as the options are further developed. The following proposals are some of the options currently under consideration:

Option 1: Special Education Program

One proposal being explored for Montrose School is district special education program. Such a program could be administrated for the district by a third party, or the third party could “own” the program and rent the Montrose space for their program offering. One such program currently being explored is a behavioral program. This could be a K-12 program which would help with younger students who have emotional/behavioral issues.

Proposal 1 could be a revenue source as income would be generated from other districts who would send their students to our program. Rough estimates for the proposal is for approximately 30 students at a profit of about \$10,000 per student after staffing and administrative expenses. Additional overhead expenses, such as building maintenance and energy expenses, will reduce this potential \$300,000 revenue slightly. In addition to the potential revenue from out of district students, it would be expected that we would also save costs on students at the elementary level who might otherwise go out of district due to behavioral disabilities. For reference, in an effort to “stem the flow” of out of district placements, an in-district program managed by Effective School Solutions, which is a wrap-around therapeutic in-district program at the middle and high schools for psychiatric, emotional and behavioral students, was implemented this year. It has worked well to date and we have not had any students sent out in those categories from the secondary schools this year.

In order for a special education program to be fully developed, staffed and solicit enrollments, it is unlikely that such a program would be ready to be fully operational in September 2013. Opening of a special education program at Montrose would be expected to be in September of 2014. It is anticipated that the potential impact on the 2013-2014 budget would include purchases of furniture, equipment and classroom supplies in addition to a half year salary for a project manager or program director and professional development for staff in preparation for the program. Estimated costs for these items would be approximately \$190,000.

Option 2: Early Childhood Learning Center

A second proposal being considered is to house an early childhood learning center for preschool at Montrose School. The childhood learning center would house all district preschool special education programs and would expand our integrated classes so that most preschool programs would be integrated. This proposal would add a Developmental Individual Difference – Relationship Based model of service delivery (DIR/Floortime) in an integrated classroom setting

to meet the alternative needs of preschoolers with developmental delays and communication disorders in addition to our highly structured ABA classes. This proposal would free some classroom space in Jefferson where the current preschool programs are located. We would also look to develop a close association with one of the local Universities to support ongoing staff development as well as provide an avenue for training new professionals to the field of early childhood education.

Our preschool disabled and preschool autistic programs have grown over the past year, increasing to 4 classes which serve the preschool disabled population. Two of those classes also serve general education preschool students. This population continues to grow and, with the currently high elementary enrollments, we are running out of space to house these programs. Occasionally we have to send preschool students to an out of district placement due to space constraints. We know that students who are sent out of district at an early age are more likely to remain out of district. These numbers are increasing and have the potential to be a key cost driver for special education.

Proposal 2 could be a revenue source based on tuition charged to general education parents to attend the program. We have this model currently in place in our integrated preschool which would be expanded. Enrollment estimates and tuition revenue are being researched but revenues may be as high as \$400,000 including tuition and potential grant proceeds associated with preschool programming. Ongoing costs for such a program would include additional staffing including an administrator, additional teachers and additional paraprofessionals estimated to be approximately \$370,000 annually. In addition to the potential revenue from general education preschool students, it would be expected that we would also save costs on students at the preschool level who might otherwise go out of district due to in-district space limitations. An additional benefit of this program is that by moving the pre-school programs to Montrose School, three classrooms become available for alternate populations at Jefferson School.

Again, for this early learning childhood center program to be fully developed, staffed and solicit enrollments, it is anticipated that the opening of the program would be in September 2014. It is anticipated that the potential impact on the 2013-2014 budget would include purchases of furniture, equipment, outdoor playground equipment and fencing and classroom supplies in addition to a half year salary for a project manager or program director and professional development for staff in preparation for the program. Estimated costs for these items would be approximately \$240,000.

Option 3: Sale of Asset

A third option is consideration of selling the asset. Research is being done to develop a realistic expectation of a sale price. As indicated above, the sale of the Montrose building would result in a one-time revenue-boost in a depressed market, at a time when the district is facing increasing enrollments and space constraints. The elementary schools are currently at capacity and the secondary schools are expected to need additional classroom space to meet future enrollments. It is therefore anticipated that the potential uses of the Montrose facility will outweigh the sale of the building when the long-term considerations are taken into account.

Option 4: Multiple Programs

A fourth option is a hybrid proposal where two different types of programs would run at the Montrose location. This option is being considered as some of the other options being explored may not require the full facility for operation. Therefore a proposal is being developed that may allow for two of the programs to run simultaneously, reducing the administrative and overhead costs to each of the singular programs. For example, a program can be developed for preschool disabled on one floor while another floor could house multiple Kindergarten programs (Kindergarten inclusion, K-2 autistic program, 2-3 general education Kindergarten classes). This proposal considers current elementary enrollment space constraints by moving the preschool and Kindergarten programs currently housed in other buildings. An additional administrator would be need to be budgeted, hopefully offset by additional general education preschool revenue. If an early childhood university affiliation could be developed for this program, this would be a potential incentive for parents of general education students to opt for placement at the Montrose program. Overall this proposal is anticipated to be budget neutral while freeing up 3 preschool rooms at Jefferson School and a total of 3 additional Kindergarten rooms in elementary buildings throughout the district. Additional expenditures for new classroom furniture and supplies may be necessary for the 2013-14 budget in preparation for opening additional classrooms in 2014-15.

District administration is working with the District Management Council as well as speaking with potential program providers to further develop these potential options. Additional options are also still under consideration. As options are finalized, extensive budgets will be developed for presentation to the Board.

MAPLEWOOD MIDDLE SCHOOL ADDITION

The increasing enrollment at the elementary schools over the past few years has resulted in projections of increasing enrollments at the middle schools of over 100 students by 2013-14. Construction of a 7 classroom addition to Maplewood Middle School is scheduled to begin in the next month with a planned opening for September 2013. Enrollment projections will be available from a professional demographer in the next few weeks. If projections mirror past estimates, then not all 7 classrooms will be needed for the 2013-2014 school year, but the additional space will create swing space to allow for other rooms to be renovated for future use. Based on previous estimates, we are anticipating that two additional sections need to be added to accommodate the increasing middle school enrollment. However, due to scheduling needs, it may necessitate four additional fte's rather than two. The number will be determined after analysis of the updated enrollment projections. Based on these projections, it may also be necessary to consider re-districting some middle school attendance zones from South Orange Middle School to Maplewood Middle School. This rezoning will be necessary at some point over the next few years to accommodate the continuing increase in middle school enrollments. The updated enrollments should also help define future staffing needs. Previous enrollment projections suggested 2 FTE's for 2013-14, 4 FTE's for 2014-2015, 6 FTE's for 2015-16, and 7 FTE's for 2017-18. Also to be noted with regards to FTE's is that an additional 2 World

Language Teachers is required for provision of the 6th grade World Language program at the middle school level for 2013-2014 school year. Therefore we are anticipating approximately \$500,000 being added to the budget for additional FTE's at the middle school level. This number may increase if additional teachers are needed for specials as a result of the scheduling of additional students.

In addition to additional staffing needs, a number of items will be required to furnish the new classrooms at Maplewood Middle School. Associated items to be budgeted in 2013-2014 include:

Student lockers (150 units)	\$25,000
Technology (detailed in technology analysis)	\$67,000
Student lab tables (7 classrooms)	\$45,000
Student chairs (7 classrooms)	\$12,000
Classroom supplies and equipment (7 classrooms)	\$52,500
TOTAL furniture, equipment, supplies	\$201,500

Other anticipated incremental costs associated with the Maplewood Middle School addition include operational costs such as energy usage and custodial costs. These incremental costs will be included in the energy and custodial services budget estimates for the 2013-2014 budget development.

TECHNOLOGY/PARC ASSESSMENTS

Introduction

Information Technology (IT) has quickly become the foundation for the curriculum and an integral part of the daily operations for the entire school district. The faculty, students and support staff rely heavily on the computing infrastructure. IT has offered the faculty and the students' access to information and the ability to gather and share data that enhances their learning capabilities. Technology is also essential to the management of the school district. E-mail, Web access, word processing, spreadsheets, data mining, radio communications, telephone communications, progress reports, report cards, emergency notification, state reporting, tracking work orders, budgeting, attendance, scheduling, electronic text books, etc. have all become as critical and important to the district's operations as paper and pencils.

The Technology Department finds itself in a unique position. It is one of the few areas that greatly affects administrative and support functions as well as teaching and learning. Technology is also rapidly changing. Hardware systems continue to double in capacity or performance every 18 months, software systems are constantly upgraded, and state and local reporting requirements continue to increase. This creates an environment where equipment and software quickly become outdated, requiring frequent upgrades and replacement. Much of the equipment is shared and subject to many more hours of operation, increasing chance of failure and increasing maintenance costs. IT staff not only supports hardware systems and software but now is

responsible for data collection, data integrity, training, and providing clerical and administrative support.

Current State of Technology

Currently, The South Orange Maplewood School district provides technology instruction in grades kindergarten through grade eight in combination with library skills. Students in grades nine through twelve can elect to take technology courses (i.e. graphic arts, TV production, photography, journalism, CAD, etc.).

Each elementary school is equipped with a computer lab (15 computers), a 24 station laptop cart, library computers (7 computers), a computer in every classroom, administrative computing and other peripherals as required. The middle schools contain two computer labs, three 25 station laptop carts, a fully automated library, a computer in every classroom, administrative computing and delivers a technology student program. The high school contains a computer lab for each discipline (math, language arts, social studies, science, and world languages), two business labs, a CAD lab, a graphic arts lab, a photography lab, a library lab, a TV studio, two TV editing labs, a fully automated library, a writing lab, a computer in every classroom, and administrative computing. This equipment is used to teach the core technology curriculum, provide library services, and support teaching and learning in all other content areas.

Currently the technology department provides support for the student information system (PowerSchool), library information system (Destiny), special services system (EasyIEP), personnel system (Systems 3000), finance system (Systems 3000), transportation system (Versa-Trans), emergency notification system (School Messenger), district website (Schoolwires), e-mail (Exchange), file storage, and a point of sales system for the food service program (V-BOSS) as well as other department- and curriculum-specific systems. Additionally, the department maintains sound field systems in many classrooms, a file server farm, local area networks (13 total – 1 in each building), a wide area network, internet connectivity, internet filtering, telephone system, radio communication, video surveillance, and card access system.

Finally since IT, Assessment, Reporting, and Data Processing have merged into one department, technology functions include but are not limited to: Operation of the parent and teacher grade book portal, ASSA reporting, progress reports and report cards K-12, New Jersey School Report card, Electronic Violence and Vandalism Reporting, Civil Rights Report, ELL state report, college transcripts, grade changes, student attendance, scheduling, student transfers, 504 reporting, monthly superintendent report, state assessment testing and reporting, satisfaction surveys, recording and broadcasting of meetings, audio visual setups across the district, maintenance of stage lighting and sound equipment, support of DRA assessments, and general support of all connectivity issues for cell phones, PDA's, IPADS, and other devices.

To summarize, the district is supporting a large scale network and technology services for students, teachers, administrators, and support staff, as well as parents and the general

community. All business and curricular areas use technology as part of the daily routine to provide services.

Staffing Requirements

Over the years the department was slowly downsized, eliminating a total of 7 positions. During this time the district's reliance on technology has grown. The current staffing positions and responsibilities are outlined below.

Communications and Hardware Support

The current positions to handle communications and hardware support are as follows:

- Telephone Systems - 1 twelve month position
- Network Administrator – 1 twelve month position
- Technician – 1 twelve month position
- Helpdesk – 1 twelve month position
- Contract services - Stage Lighting, Sound, Radio Systems, Card Access Systems, Surveillance Systems, Classroom Multi-media Systems, Audio Visual, Public Address (PA) Systems, and Network Cabling.

Data Processing

The current positions to handle data processing requirements are as follows:

- Columbia High School – 2 twelve month positions
- Middle Schools – 1 ten month position
- Elementary Schools – No Staff

Software Support / State Reporting / Monitoring Reports

The current positions to handle software support, state reporting and monitoring reports is as follows:

- Three twelve month positions

During the last few years the state increased the amount of reporting schools are required to do. The maintenance of the NJSMART database has grown to require full time support. The demands for electronic reporting will continue to increase.

Technology Budget

The estimated 2013-2014 technology budgetary needs are as follows:

Network Services	324,600
Software	241,800
Maintenance Contracts and Parts	300,000
Telecommunications Contracts and contract services	765,000
Consumables	200,000
Technology Equipment	700,000
K-12 Performance Management System	200,000
Total Technology Request	2,731,400

Network Services

The Network Services budget provides all schools with internet access and a wide area network to connect all facilities (13 buildings) to provide access to central application services.

Software

The software budget provides support for the student information system (PowerSchool), library information system (Destiny), special services system (EasyIEP), personnel system (Systems 3000), finance system (Systems 3000), transportation system (Versa-Tran), emergency notification system (School Messenger), website (Schoolwires), e-mail (Exchange), point of sales system (BOSS), internet filtering, office applications, antivirus/spyware, Citrix software, and several target student applications.

Maintenance Contracts and Parts

The budget covers the cost of routine maintenance, and hardware maintenance contracts of critical systems. The school district has over 5,000 pieces of equipment ranging from desktop computers, laptop computers, televisions, cameras, thin clients, servers, and communication equipment. This equipment is shared by 7,000 students and faculty and under continuous use. The district spends approximately \$40 per item per year on repairs. Please note this number changes year to year depending on the age of equipment and the percent of equipment under warranty.

Telecommunication Contracts and Services (Labor)

The communications contract budget provides all schools with telephone service and contract services to handle computer, printer, radio, intercom, card access, surveillance, fax machine, and telephone handset repairs.

Consumables

The supply budget provides toner, ink, overhead bulbs, LCD bulbs, stage bulbs, filters, batteries, optical disks, etc. to operate existing equipment.

Technology Equipment

Beginning June of 2012, the Technology Committee has been developing the next three year technology recommendations to define what technology should be purchased and how it will be used to support instruction, assessment, and communication. The technology plan is due June 2013 after the adoption of next year's budget. While the work on the technology plan continues, the budget request includes hardware requests based upon the work completed to date. Currently the technology committee recommended holding off additional purchases of smart boards but continuing the installation of LCD projectors and sound systems. This recommendation is reflected in the budget request. The total technology equipment request is \$700,000. Each component is detailed below.

Technology Equipment		
Item	Quantity	Estimated Cost
Purchase Laptops for 124 of the remaining 372 Teachers without a district laptop.	124 laptops	124,000
Install multi-media equipment in 86 of the remaining 258 classrooms across the district.	86 projectors and sound systems including labor and brackets.	206,000
Purchase computer and networking equipment for the new MMS addition.	7 access points, 7 computers, 7 projectors, 7 sound systems, network wiring, network closet, fiber cable, network switch gear, and installation.	67,000
Purchase 286 computers for upcoming PARCC assessments	286 computers	143,000
Purchase chrome books, android tablets, I-Pads, and Surface tablets to pilot one to one computing.	104 tablets and 4 carts	60,000
Wi-Fi Upgrades.	Update monitoring software and add additional access points to increase bandwidth in instructional areas across the district.	100,000
Total Technology Equipment		700,000

Maplewood Middle School Addition

The technology budget includes a request for \$67,000 to purchase and install network switches, ports, wireless access, and computer equipment. The following details the requirements:

- \$17,000 – Purchase and installation of category 6 cabling and network closet cabinetry.
- \$14,000 – Purchase and install wireless access points. This includes cabling and wireless management software.
- \$9,700 – Purchase and install network electronics
- \$7,000 – computers and software
- \$19,300 – Purchase and install LCD projectors and sound systems (No smart boards)

PARCC

May of 2011, the state announced plans to transition to online student assessment systems to support the PARCC (Partnership of Assessment for Readiness of College and Career) initiative. Current plans include assessing students four times per year to de-emphasize the impact of one test score per year and provide assessment data to teachers and schools to target interventions to students more readily during the course of the year.

Spring of 2013 (Originally 12/14/2014 but the date was extended due to hurricane Sandy), schools are required to submit an inventory of computer equipment and internet bandwidth. The state is planning to use this data to help determine the minimum hardware requirements and various systems that will be supported. To date, information regarding the length of the exams, the length of the testing window, supported systems, and hardware recommendations have not been released. For these reasons it is very difficult to forecast future budget expenditures required to meet PARCC requirements.

The technology budget request includes a request in the amount of \$143,000 to purchase computers to support the PARCC initiative. The equipment will not be purchased until the state releases the information noted above. Furthermore, we anticipate the 2014-2015 technology budget request to include additional funding to complete aligning our inventory to support PARCC requirements.

One to One Student Computing

The current recommendation of the Technology Committee is to explore the impact of providing each student a computer. There are many different devices that initially appear to support the desired functionality; however, it is critical to test these devices in the environment to determine exactly how they impact instruction, assessment, and communication. The equipment needed to pilot these devices is included in the proposed technology equipment request in the amount of \$60,000.

Teacher Laptops

Currently there are 372 teachers in the district without an assigned laptop. There is a \$124,000 request to purchase laptops and software for 124 of the 372 teachers next year. An additional request will be made in the following 2 years to fully equip all teachers with district laptops and software.

Multi-Media Equipment

Many of our classrooms are fully equipped with sound systems and LCD projectors. 258 classrooms still need to be equipped. The technology budget includes a request for \$206,000 to purchase and install 86 LCD projectors and sound systems. The price includes equipment, wiring, mounting brackets and labor. This request aligns with the technology committee recommendations.

Wi-Fi Upgrades

Over the last few years there has been a major shift to move towards mobile computing. Every school has been equipped with mobile laptop carts, teachers use mobile devices (I-PODs, I-PADs, etc.) to access internet resources and to record student assessment information (i.e. DRA for k-2). As the number of mobile devices increase, the need to provide additional Wi-Fi coverage increases. The technology equipment request includes \$100,000 to increase the district's Wi-Fi system to support the growing number of mobile devices.

K-12 Performance Management System

Currently the district uses Excel, PowerSchool, Access, and Oracle to capture and analyze student performance data. The growing need to capture additional performance data, measure the effectiveness of programs, measure student achievement, and meet the growing demand of mandatory state reporting requires a robust K-12 Performance Management solution. A robust performance management solution will enable all teachers, departments, schools, and district personnel to view, analyze, and share information across multiple data sources for a true district-wide view of student, classroom, school, program, and district performance to improve decision making. Note these systems are expensive to purchase and maintain; however, the data requirements have grown to such an extent that such a system is required to continue to meet current and future demands.

Various systems (Pearson Inform, DecisionEd, etc.) are currently under review. The software features, services, and pricing vary greatly. While a final selection has not been made, the technology budget includes a \$200,000 request to purchase the software and services required. This estimate will be refined during the budgeting process.

In addition to the technology budget itself, the IT department also oversees the budgets for data processing and for assessment and reporting.

Data Processing Budget

The Data Processing Department supports all schools K-12. The department is primarily responsible for printing and mailing report cards, progress reports, college transcripts and student schedules. Additionally, the department processes all grade change requests, handle student attendance for activities and field trips, and aid the guidance department in the scheduling process. The estimated budget needs for 2013-14 for data processing is \$69,720.

Assessment and Reporting

The department of Assessment is responsible for the administration of the NJASK and HSPA state assessments, assess incoming students, submit state reports, create monitoring reports for the Board of Education, and produce the annual State of the District report. The estimated budget needs for 2013-14 for assessment and reporting is \$48,250.