

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

December 15, 2014

TO: Members, Board of Education
Members, Board of School Estimate
James Memoli, Acting Superintendent

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

SUBJECT: 2015-16 SCHOOL BUDGET DEVELOPMENT – ANALYSIS

The development of the 2015-16 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 August 24, 2014. 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 (92%) and state and federal aid (6%). Appropriated surplus and miscellaneous revenue make up about 2% 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 and the full Board of Education, to review when developing the 2015-16 school district budget. The topic areas include the following:

1. ***Technology Investment*** –With expansion of technology for PARCC assessments and pilots of 1:1 computing, what are the 2015-16 budgetary implications?

2. ***Enrollment changes and Building Capacity*** – *With continuous increases in enrollment and as the higher enrollments move up through the system, what are the budget implications and will building capacities meet the enrollment needs?*
3. ***Montrose School*** – *Review guiding change process and program implementation implications on 2015-16 operating budget.*
4. ***Summer Programming***- *Consider the cost/benefit analysis of summer programming both academic programming as well as administrative programming (curriculum development, scheduling, etc.)*
5. ***Gifted and Talented Program*** – *What are the 2015-16 budget implications of the newly approved Gifted and Talented Program?*
6. ***Healthcare***
 - a. ***Review of alternative health insurance options***
 - b. ***Budgetary implications of statutory employee contributions and the impact of the Affordable Care Act***

TECHNOLOGY INVESTMENT

Introduction

During the last two years the main goal of the IT department was to increase internet bandwidth and increase the number of student computing devices to prepare for state mandated PARCC assessments. Additionally, security systems were expanded and connected with the district's telecommunications systems and data networks. Finally, the funding structure for e-rate is changing to support new federal education goals. The combination of increased infrastructure demands, increase of mobile devices (3,744 Chromebooks across the district in the past year alone), new national technology education goals, and the need to continually replace aging equipment requires continual infrastructure improvements and the need to increase technical support. The proposed technology budget is structured to support these needs while maintaining a 5 year replacement schedule of electronic equipment and ensuring technical support keeps pace with an increasing demand of technology services and equipment.

Network Services

Currently the district has 1,000mbps internet connection (Upgraded from a 100mbps connection during the summer of 2014), a 1,000mbps wide area network, 14 local area networks and 12 buildings with wireless access. All of these networks are connected together with networking switches, routers and a firewall that separates the district's networks from the internet. The firewall provides internet filtering, anti-virus, and anti-spam services. Each building contains a server that supports local printing services, network authentication, and DHCP services. The district's file server farm is located in Columbia High School and handles e-mail, video, database systems and file services. Backup servers are located in different locations in the district for disaster recovery. In addition, an emergency generator is currently being installed at Columbia High School to protect the servers and communication systems in case of a long term power outage.

Although the district just upgraded to 1,000mbps internet service, bandwidth demand continues to increase. Additionally, national educational goals recommend schools to obtain 1,000mbps internet access per 1,000 users by 2019. E-rate funding is changing in order to help schools reach these goals. During the next three years e-rate funding for telecommunication services will be eliminated and the funds will be redirected for the purchase of networking equipment. Currently we anticipate e-rate funding to become available to upgrade the district's core switches for the 2016-2017 school year. During the 2015-2016 school year, it is recommended to replace/upgrade intermediate switches in order to support new 5th generation wireless standards and then begin upgrading core switches and bandwidth as the new e-rate structure comes online.

The projected cost for internet and wide area network services is \$350,400.

Software

The district uses the following database systems to manage information and work flow in each business area. The systems budgeted through the IT department budget include:

- Student Information System - PowerSchool
- Special Services System - EasyIEP
- Library System - Destiny
- Food Service System – Horizon Boss
- Transportation System - VersaTrans
- Emergency Notification System – School Messenger
- HR / Finance System – Office3000
- Physical Education System – PE Manager
- Guidance System – Naviance
- Reading Program – Read180
- ESL – Sims
- Website – Schoolwires
- Video streaming and on demand – Leightronix
- Productivity – Microsoft Office
- E-mail – Exchange
- Device Anti-virus /Anti-Spam – Sophos
- File server virtualization – Citrix, Microsoft licensing

The projected cost of software maintenance, technical support, and licensing fees for these systems is \$193,272.

Maintenance contracts and parts

The school district has 480 faculty/staff computers, 816 student computers, 946 I-pads, and 3,744 Chromebooks, in addition to I-pods, Kindles, televisions, and cameras. This equipment is shared by students and faculty and is under continuous use. The projected cost for preventative

maintenance, hardware maintenance contracts, repairs, replacement parts, and to replace systems that cannot be repaired is \$235,000.

Vendor service contracts

Currently contract services are used to install and maintain 244 radios, a repeater for radio communications, 14 electronic card access systems (includes the door hardware, communication panels, and server), 3 electronic gate systems (includes the communication panels, and server), district wide video surveillance systems (includes the cameras, communication panels, and DVR servers), 10 intercom systems, 10 bell systems, 11 auditorium stage lighting systems, 11 auditorium sound systems, 11 auditorium stage rigging fly systems, 10 closed circuit television systems, 314 classroom LCD projectors, 191 classroom smart boards, 174 classroom sound systems, television broadcast circuits, TV studio, and printer repairs. The district currently spends about \$1,046,000 per year on contract services to maintain these systems.

The recommendation is to reduce the scope of contract services to maintain security systems (radios, electronic card access system, video surveillance, security gates), intercom system, bell system, auditorium (stage rigging, sound, stage lighting), closed circuit television systems and installation of new audio/visual systems and repurpose the savings towards dedicated building technical support (Listed below). Funds should be reallocated to dedicated building technical support staff who would absorb the responsibility of maintaining classroom systems. The projected cost for maintenance contracts is \$416,000.

Dedicated building technical support

The district's technology inventory has more than tripled over the last 3 years, the number of support calls has steadily increased, resulting in the need for additional technical staff to continue to provide support for the districts faculty and staff. It is recommended to have a dedicated technician in each school building in order to provide immediate support for our teachers. Building technicians would also maintain supplies, maintain building equipment inventory records, handle basic technical issues and act as the primary person of contact for technical support. The projected cost for 9 additional dedicated technicians is \$630,000.

Telecommunications services, maintenance, and repair

Currently the district uses 5 PRI lines to handle incoming and outgoing calls, 234 copper circuits that serve as backup to the PRI lines, provide dial tone for fax machines, alarms, and elevator telephones. There are 12 hybrid telephone switches across the district and a telephone set in every classroom and office.

In three years (2017-2018 school year), it is anticipated that e-rate funding will no longer provide funding for telecommunication services. Additionally, the copper telephone circuits that are used for backup telephone lines and the districts alarm systems are owned and supported by Verizon. This infrastructure is degrading and, as a result, the district must redesign its telecommunication infrastructure.

During the 2015-2016 school year, it is recommended to renew existing telecommunication circuit costs for one year and re-design the telecommunications system to minimize reliance on Verizon's copper plant and minimize expenses as e-rate funding changes. The projected costs of telephone circuits, telephone system maintenance contracts, fax machine repairs and telephone handset repairs is \$112,000.

Consumables

The supply budget provides toner/ink for 406 printers, overhead bulbs for 250 overhead projectors, LCD bulbs for 315 projectors, stage bulbs, batteries for 1,400 remotes, optical disks, etc. to operate existing equipment. The purchasing of these supplies were centralized a year ago reducing costs by half. The projected cost of supplies is \$101,200.

Equipment

Each elementary school contains a computer lab, general purpose library computers, laptop cart and Chromebook carts. Each middle school contains a library lab, computer lab, general purpose library computers, three laptop carts and Chromebook carts. The high school has a computer lab for each department, TV studio, 2 TV editing labs, Graphic Arts lab, Cad lab, Journalism room, Photo lab, Writing lab, laptop cart, and Chromebook carts. All units are connected together via a wireless and wired LAN in each building. Buildings are connected via a WAN. All schools access the internet from a circuit that is terminated in the high school. Every year, equipment that is 5 years or older is refreshed in order to keep up with increasing demands. Old equipment is repurposed for non-critical tasks, used for parts, or removed from inventory and recycled.

The table below is a list of equipment that is due for replacement.

Technology Equipment		
Item	Quantity	Estimated Cost
Staff computer replacements (ASCA, teachers)	120	108,000
Computer Lab Upgrades	130	130,000
Mobile Device Management	1	27,000
Computrace	1	27,000
Network Switches	1	453,000
Department / Building Hardware	To be determined	To be determined
Total Technology Equipment		745,000

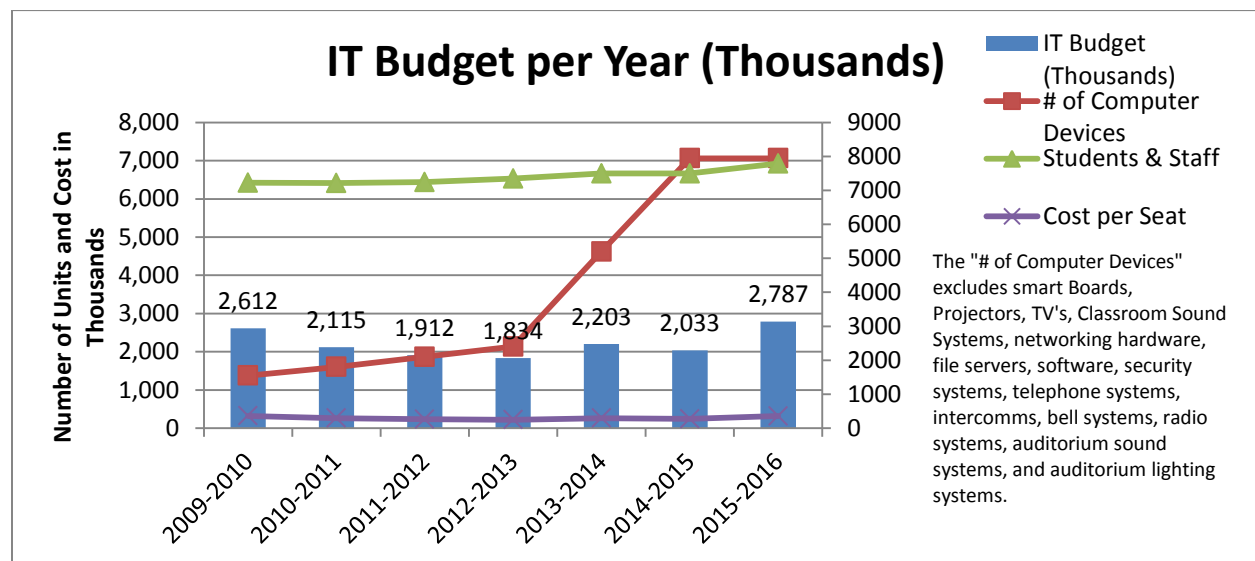
Technology Budget Summary

The estimated 2015-2016 technology budget is as follows:

Network Services	350,400
Software	193,272
Maintenance Contracts and Parts	235,000
Telecommunications Contracts and contract services	112,000
Consumables	101,200
Technology Equipment	745,000
Vendor Services	416,000
Building Technicians	630,000
*Total Technology Request	*2,786,872

***This does not include technology specific items requested by Principals and Supervisors. Budget meetings are scheduled over the next month to determine these requests.**

How does the 2015-2016 budget request compare to prior year budget appropriations?



School Year	IT Budget Appropriations	*During the last two years, replacement of a portion of aging systems was deferred and funding was reallocated towards technology requirements to prepare for PARCC
2009-2010	2,612,000	
2010-2011	2,115,000	
2011-2012	1,912,000	
2012-2013	1,834,000	
2013-2014	2,203,000	
2014-2015	2,033,000	
2015-2016	2,787,000	

Assessment and Reporting

The department of Assessment is responsible for the administration of standardized 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 budget request for both departments is as follows:

Data Processing	Quantity	Estimated Cost
Postage	46,000	23,000
Secondary School Report Cards / Progress Reports	28,000	28,000
Elementary School Report Cards (Legal size paper)	36,000	720
Elementary school Progress Report Forms	9,000	9,000
Paper - Reports / Schedules	200,000	4,000
Supplies	1	5,000
Total Data Processing		69,720

Assessment and Reporting	Quantity	Estimated Cost
Postage	4,500	2,250
PSAT Exams	1,000	18,000
DRA	1	20,000
Supplies (Paper, envelopes, etc.)	1	5,000
Summer Entrance Testing - hours	100	6,000
Total Assessment		51,250

Data Processing	69,720
Assessment and Reporting	51,250
Total	120,970

ENROLLMENT CHANGES AND BUILDING CAPACITY

Elementary School Enrollment

Elementary enrollment has been increasing since 2006 by more than a 21% increase over the past 7 years (2,683 elementary students in the 2006-2007 school year compared with 3,253 elementary students in the current, 2014-2015, school year). While the elementary enrollment growth was anticipated to taper off over the last two years, Kindergarten enrollments remained relatively flat so that the decline in elementary enrollments has been delayed, impacting

enrollment projections for all grade levels into the future. The demographer has adjusted assumptions regarding future Kindergarten enrollments to reflect the higher numbers experienced over the past two years, resulting in elementary buildings remaining at capacity for another few years.

Understanding that space would be tight with the continued enrollment growth, an analysis completed in 2010 determined that by making adjustments to elementary boundaries, we would be able to accommodate all of the elementary students without undergoing the expense of building any additions. The Board voted to adjust the boundaries as well as acknowledged that Board Policy 8110 allows the administration the discretion to balance enrollments at specific grade levels between schools when making assignments. With minor adjustments for a handful of students, the change in boundaries has allowed us to handle the increased enrollments without having to lose a dedicated art or music room, something that was considered acceptable if necessary to avoid building an addition to our elementary schools. However, expanded programming such as the elementary reading intervention program has put additional demands on the elementary space that continue to compete for any available space in the buildings.

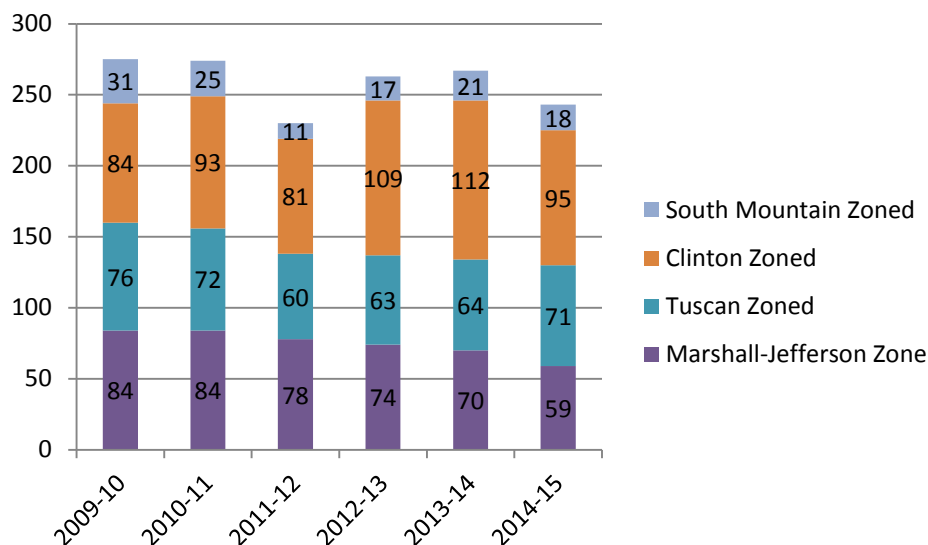
We will continue to face space constraints at individual elementary buildings for another few years while the higher enrollment grades progress. We specifically continue to experience high enrollments at Tuscan Elementary School. While the changes in boundaries did curtail the projected enrollment growth, the fact that Kindergarten enrollments did not decline as anticipated has resulted in continued enrollments over 600 students, and in order to restrict even higher enrollments, late registrations have been enrolled at alternate schools. At the same time, other elementary schools continue to maximize capacity, so there is no obvious solution to reducing the higher enrollments at Tuscan School. A thorough analysis of redistricting options should be considered. For budgeting purposes, staffing considerations should assume that all elementary schools will be at capacity. If any boundary changes are to be considered, then the impact on transportation expenses should be taken into consideration in budget development.

The opening of the Montrose School building as an Early Learning Center will provide some relief on those buildings currently housing the preschool classes. Although the recommendation is for this building to house only preschool classes, the option of relocating Kindergarten classes to Montrose remains available should additional elementary space be needed.

Seth Boyden Demonstration Program

Redistricting discussions should consider the attendance zones for Seth Boyden, originally designed to receive about 50% of its enrollment through an opt-in program. While we continue to see the demonstration student numbers (non-Seth Boyden zoned), remain in the 50% range, the reasons for these enrollment numbers have shifted from the original intention of families opting in for the demonstration program itself. Originally the elementary boundaries were created with the Seth Boyden zone being smaller to allow space for others to opt in. The South Mountain and Tuscan zones were made larger, anticipating that students from these zones would opt into the demonstration program at Seth Boyden. Over the years, we have seen higher number of students opting in from the Clinton area and some still from the Tuscan area, but the reasons being for the closer proximity to Seth Boyden or the convenience of transportation,

rather than citing the Seth Boyden programming as the reason for the request. The following chart shows the changes in enrollments for the non-zoned students at Seth Boyden over the past six years:



Aside from families choosing Seth Boyden for convenience, over the past few years, a number of the Kindergarten placements at Seth Boyden have been the result of late registrations at other buildings where we determined not to add an additional section. For instance, it was decided not to add a fifth Kindergarten at Tuscan School for the 2014-15 school year in order to address the growing enrollments at that building. That resulted in a full class of Kindergarten students who registered late in the spring or summer to be registered at other schools. The ultimate result was that of the 31 “non-zoned” Kindergarten students at Seth Boyden this school year, approximately 22 of those students were placed there because they were closed out of other schools rather than opting into the program.

It should also be noted that the 31 Kindergarten students is only 28% of the Kindergarten enrollment. The 5th grade has the largest percentage of non-zoned students and so expectations are that the overall percentage of opt-in students will fall well below the 50% range in the future.

	Percentage of Students “Non-Zoned”
K	28%
1	38%
2	40%
3	36%
4	43%
5	63%

At the same time we have been seeing the composition of the school experiencing a steady increase in the number of students eligible for free and reduced lunch and students requiring

additional academic support. The composition of the Seth Boyden population should be considered when developing the 2015-16 budget and resource allocation. These factors should also be considered in any general attendance zone discussions.

Middle School Enrollment

Middle School enrollment has been increasing since 2007 with over a 19% increase over the past 7 years (1,332 middle school students in 2007-2008 compared with 1,587 middle school students in the current school year). More than half of that increase was over the past two years with the high elementary numbers matriculating into the middle schools as anticipated. The demographer projections anticipate that the middle school enrollments will continue to grow for the next five years, reaching 1,672 students in 2019-20, or another 5% or 85 students more.

With the middle schools already fully utilizing their buildings, it was determined that additional classroom space would be needed at the middle school level. The addition to Maplewood Middle School, opened this year, adds an additional 7 classrooms to the building to accommodate the growing enrollment. It is likely that attendance zone adjustments will need to be made so that the increasing enrollment numbers will be attending Maplewood Middle. Both middle schools are experiencing large class sizes in 7th and 8th grades with only two teams per grade level at each school, compared with three teams in the 6th grade. In the past, the 6th grades had smaller class sizes allowing for movement from the three teams into only two teams in 7th grade. However, with the increased enrollments, the 6th grade classes are experiencing higher enrollments suggesting the need for additional staffing at the 7th and 8th grade levels to allow for a third team.

With the addition at Maplewood Middle School and a shift in enrollments from South Orange to Maplewood, the expectations are that a third team could be added at Maplewood Middle School and maintain only two teams at South Orange Middle for the 7th and 8th grade. Exploration of the potential for this shift in enrollment, as well as the projected staffing needs, is underway. It is anticipated that the adjustments will be made one grade at a time so that incoming students would change schools rather than impacting students already attending South Orange Middle. Consideration for grandfathering families with children already at South Orange Middle will be included in the proposals.

It is apparent that additional staffing is necessary at the middle school level in the 2015-16 budget. The level of increase is dependent on the outcome of the enrollment analysis and decisions.

High School Enrollment

High School enrollment has fluctuated over the past few years but the 3.6% growth over last year is the beginning of the anticipated continuous growth as the higher middle school and elementary enrollments move into the high school. The demographer projections indicate that the enrollment will reach nearly 2,150 by 2019-20. Based on the current elementary enrollments, it is likely that the high school enrollment will continue to grow to enrollments in the 2,300-2,400 range in later years. Additional classroom space was identified as part of the Columbia High

School capital renewal discussions and capital plans were being developed to convert these spaces as needed. With the potential of these additional classroom spaces, it was determined that an addition was not needed at the time of these discussions. Stakeholder discussions, as part of the middle states accreditation process, will impact the final determination of the use of the existing space. However, the enrollment projections should continue to be monitored closely each year when the projections beyond 2019-20 would be more statistically sound. Preliminary decisions will be critical in the next few months as the high school enrollments are expected to increase by another 4% over the next two years and space alterations take extensive time for planning and execution.

Scheduling and staffing discussions are critical to informing the 2015-16 budget as increased staffing may be necessary with the expanding enrollments. Higher class sizes this year resulted in scheduling concerns when larger classes were scheduled in classrooms with lower occupancy allowances. Occupancy rates will be considered in the 2015-16 class scheduling, creating an additional limitation to scheduling and staffing flexibilities.

New Housing Developments

Demographic projections take into consideration new construction when developing enrollment projections. Although some current projects have the potential of adding a fair number of students (59 at 3rd and Valley, and 30 at Maplewood Crossing), the projections anticipate that the students would be spread out by grade level and can be absorbed into the current projections. To date, this assumption has proved to be true but we continue to observe registrations from the new development addresses as increasing enrollments from each of these developments combined over time will add to our already burdened facilities. Since these projects are adding new residential space, not previously assigned to specific schools, we will consider the appropriate “zones” for these schools as we look at all of the enrollment figures. Notification of the attendance zones for each of these new developments will be posted on the website and sent to realtors as soon as they are determined, although they will be reminded that Policy 8110 does allow for adjustments as necessary. Any students that have enrolled prior to any adjustments to the attendance zones, will have the option to continue at the schools they are already attending.

MONTROSE SCHOOL

Background - Guiding Change Process

The Board approved a Guiding Change document regarding the repurposing of Montrose school on October 15, 2012. Guiding Change documents establish parameters for the development of proposals, including the context of the project, desired outcomes, and unacceptable means. 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:

1. To reduce the number of new out-of-district placements, better serve our students in-district, and slow the rate of increase in out-of-district tuition costs.
2. To explore the possibility of a special education program that would become a revenue source based on receiving tuition based out-of district students.

The Board of Education directed that no fewer than two (2) options for programs to be provided at Montrose school should be presented and that at least one of the options should not create additional operating expenses associated with the program itself.

After evaluating seven possible options, administration recommended two for the consideration of the Board of Education:

1. The Montrose Early Childhood Center (Preschool only)
2. The Montrose Early Childhood Center (Preschool and Kindergarten)

Options Considered but Not Proposed

The Guiding Change document from the Board requested an option that would better serve our students in district and reduce the number of new out of district placements. There were many factors considered before determining what would work best for our district. At first blush it might appear that a program for autistic students or multiply disabled students would be the logical choice and present the largest potential savings long term for the district. However, there are sound reasons why creating a program at Montrose for these two groups would be a less than optimal use of resources. Some of the reasons for not choosing these are as follows:

1. Autistic Program

There are many fine programs in existence for students on the autistic spectrum. Research has shown that early intervention for children on the autistic spectrum enhances their chances to acquire needed social and pre-academic skills. Most of these programs employ an Applied Behavioral Analysis (ABA) model in either a pure or modified form. ABA teaches skill acquisition through a behavioral model. The staff to student ratio is also very low in many private schools (1:1 in some cases) making it a very costly mode to implement. Some of these programs have long standing good reputations among the autistic parent community and it would be difficult to compete on this level.

Where our district can add value is that students with autism are included in many areas of the school day with their typically developing age-appropriate peers. The options considered would have offered a low student staff ratio (1:2 or 1:1) as needed, because we have a modified program with students receiving related services and opportunities to generalize their skills in a natural inclusive setting. The district currently has this model in 3 of our in-district classes (2 preschool and 1 K-3). Last year we partnered with Morris Union Jointure, a leader in educating autistic children, to enhance these classes. We have been able to successfully transition some students into inclusion classes for part or all of the day. This partnership would continue into our two proposed options as would integration with general education students. This could not happen in a setting where there are only students on the autistic spectrum.

Another instructional model used with students on the spectrum and students with developmental delays is the Developmental Individual Difference-Relationship Based model of service delivery (DIR/Floortime), which is offered in an inclusion setting with facilitated play and social skills. This is the model used at the Ben Samuels Center located on the campus of Montclair University and a few other private schools. Many parents prefer this method, as skills are not taught in isolation. The options we are proposing, along with an affiliation with Montclair, will present a second model for students on the autistic spectrum.

As many students on the spectrum age they may require more life skills. Utilizing Montrose this way would require providing opportunities to perform these life skills. Many private schools are already equipped to do this and have facilities such as banks, supermarkets, and recreational facilities which we could not provide.

2. Multiply Disabled Program

The classification of multiply disabled means the presence of two or more disabling conditions, the combination of which causes such severe educational needs that they cannot be accommodated in a program designed solely to address one of the impairments. Multiple disabilities includes cognitively impaired-blindness, cognitively impaired-orthopedic impairment, etc. (This definition excludes speech-language as one condition or deaf-blindness.)

While we have multiply disabled students who attend out-of-district schools, the disabling conditions are not uniform. Some may have cognitive impairments along with blindness or deafness or orthopedic impairments. Others may have orthopedic impairments along with blindness or deafness. Trying to create a program suitable for these students would require having multiply skilled professionals who can address the varied needs of students. It would be a more complex and complicated program to operate than a single disabilities program.

When we place a multiply disabled student in a program we do a careful match of needs to program. We have an in-district program for middle and high school students where the multiple needs of students are ones for which we can provide programming. Most of our in-district students are in middle and high school where they receive a functional curriculum focusing on community integration and some life skills training. Even so, we still find it necessary, on occasion to place our older students in a setting where they will receive more life skills training than we can offer.

3. Partnership with a Therapeutic School

There were discussions with the directors of a therapeutic school for students with psychiatric and psychological issues about partnering on a program at Montrose. Talks had also turned toward a partnership where the school would be under SOMSD auspices but “managed” by an outside vendor. Upon further discussion this did not appear workable due to legal questions, curriculum, reporting, and management questions. In the end this did not seem like a viable solution for the district.

4. Long-Term Leasing

Long term leasing was an option considered. While this would generate a revenue stream, it would not address the desire to reduce the number of out-of-district placements. Leasing would also place the district in a property management position where we would either have to hire a property manager or manage the property in-house. This option also would not provide any relief from the space constraints the district is currently experiencing.

5. Sale of Property

Sale of the Montrose property would generate a one-time revenue influx. The real estate market has not fully recovered from the economic downturn and so this would not necessarily be the optimal time to sell the property. This option would not provide any long term relief for the district. It also would not provide any relief from space constraints in our schools.

Recommended Options

Two options were recommended by administration which we believe satisfied the criteria of the *Guiding Change Document*.

- Both options offer an early intervention and support program for preschool students who are on the autistic spectrum or have other disabling conditions. This early intervention will offer some future relief in how these students are serviced and should provide an avenue to maintain many of them in-district.
- Both options have the potential to generate a revenue stream.
- Both options have the added benefit of offering relief to our current space issues.
- Both options offer the centralization of preschool services and the possibility of becoming a model program for early intervention and inclusion for students with disabilities.

The Administration recommended, and the Board approved, Option 1, the repurposing of the Montrose Building as an Early Learning Center for preschool students, on December 16, 2013.

Option 1: The Montrose Early Childhood Center

This option proposes to reduce the number of new out-of-district placements, better serve our students in-district and slow the rate of out-of-district tuition costs by:

1. Enhancing and expanding our current preschool programs,
2. Offering more integrated options for students,
3. Centralizing preschool offerings into one building and,
4. Building partnerships with local universities.

This option offers the possibility of a special education program that would become a revenue source based on:

1. Receiving tuition from general education parents in-district and out-of district
2. Receiving tuition from other districts for special needs preschool students
3. Receiving tuition for toddler - preschool class for staff.

This option will also free space in our crowded buildings. Currently 3 classrooms in Jefferson and 1 classroom in South Mountain are used for preschool. The current situation of crowded buildings prevents the expansion of any preschool programs within our elementary buildings.

Program

The Center will be able to serve approximately 150 preschool students from the communities of South Orange and Maplewood. The Center will offer integrated supported classroom services for general education and special education students as well as self-contained classes with intensive ABA services provided. The programs will enable the district to offer a variety of services to meet the needs of 3 and 4-year-old children with both full and half day options. Many classrooms will have a fully included delivery model.

The district currently utilizes the *Creative Curriculum* and *Handwriting Without Tears* in most of its preschool classrooms and will continue to use these curricula to prepare students for entry into Kindergarten. The Center will also offer classrooms to address the needs of students on the Autism Spectrum of Disorders and utilize an Applied Behavioral Analysis (ABA) approach to teaching.

Additionally, the Center will use 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. Facilitated play and social skills will be incorporated into all programs.

In addition to the preschool population of 3 and 4 year olds, the Center could support a childcare center for up to 15 children from ages 18 months to 3 years of age. The Center could service the children of staff members and be a recruiting factor for attracting new teachers. The program would have extended hours to accommodate the needs of our staff with an open early, close late schedule. Consideration could be given to community members, if SOM staff underutilizes the toddler care program. With this childcare concept in mind, the Center could also offer wrap around services to extend the school day for the preschool population, which could be contracted to an outside vendor in the same way that our elementary schools offer these services on site for students in their respective buildings. The All-Purpose Room, Auditorium and the outside playground area, would be sufficient space to accommodate a program of this scope.

Space

The Montrose building can utilize 8 rooms on the first and second floors for classroom space. An additional classroom on the second floor could be used for a Sensory/Therapy room for use by all of the students with special needs and supervised by our Occupational and Physical Therapy staff. Each room needs a single bathroom/changing area appropriate for preschool students. And each classroom also needs a sink area with counter space in the room for quick clean up or set up for projects. The building should be air conditioned for year round use and lighting should be able to be dimmed in each room to meet the sensory needs of our young students. An elevator is needed to make the building barrier free.

The Basement level can be used for a space to house the Child Study Team, a faculty lounge area and another room which could be sub-divided into small space for student testing, treatment or parent interview space. There is also storage space on that level which is needed for a program of this size.

The first floor will also house a director/principal's suite with room for director/principal, secretary and nurse.

Related Services and Specials

Speech and Language Therapy Services

Speech services are needed in the Center to address the needs of the special education students. Space is available on the 2nd floor in areas between the classrooms. These rooms can be used for individual treatment of students, for parent meetings and or parent observation. The area between the classrooms has a glass window that looks into the room. This is an ideal situation to have an observation area and not disturb the flow of the classroom setting. This also keeps the speech therapists close to the classrooms so that natural teaching/treatment can readily occur.

Occupational and Physical Therapy Services

These services can be delivered in the classroom setting, but a Sensory/Therapy room is needed in the building to accommodate the needs of students. This classroom area will need equipment such as mats, balls, trampoline and a swing to support fine and gross motor issues as well as the sensory needs of students. The room needs to be physically large enough to have several students participate at the same time.

Music, Art and Physical Education

Specialists will be needed in the building to provide services for the students as well as prep times for the preschool teaching staff. There is a full gym in the building, which can be utilized for Physical Education groups as well as a large playground area at the back of the school building. Art and Music can be provided in the preschool classrooms utilizing the Creative Curriculum fine arts areas. The current auditorium can be slightly modified to make a music and art center. Storage and Office space will be needed for all of these specialists in the building and can be created in the basement area of the Center.

Social Work Interns

Many of the students with special education needs often require assistance with socialization. Friendship groups are often needed to assist young children with developing appropriate social skills. Use of the Social Work Interns could be a way of utilizing their time and talents to meet this need. These groups can be conducted in the classroom setting, on the playground or in a small group room in the building.

Child Study Team

A Preschool CST will be needed in the building to address the ongoing needs of the special education population. There will also be a need to support classroom staff with any ongoing issues involving interventions with the general education students. The team will need office space as well as a small conference area for meetings with family and staff. Small office space will be needed for assessing student needs and can be shared with other professionals in the building.

Nursing Services

A school nurse will be needed for the building to address the ongoing medical needs of this preschool population. Space is already available on the first floor for an office and dispensary. Healthy living and ongoing assessments of developmental needs can be addressed by having this professional in the building. This also allows us to take medically fragile students rather than send them out of district.

University Affiliation

The communities of South Orange and Maplewood are located close to many universities. Affiliations with Montclair have been proposed. These partnerships would enhance the program and support ongoing staff development. It would also provide an avenue for training new professionals to the field of education and allow our staff to be exposed to cutting edge instructional strategies for working with students with special needs.

The current areas of exploration include partnering with Montclair on the use of Developmental Individual Difference –Relationship Based model of service delivery (DIR/Floortime) for

students with developmental delays and communication disorders. This model would be new to the district and is the one Montclair uses in its Preschool Center.

Costs for Montrose as an Educational Building
Model 1

Following this model there could be a total of 150 students for the building with 81 available seats for general education students and 69 seats for students with an IEP and requiring special education services. The free and reduced population of the district is about 20% of the students enrolled in our schools. Currently, we allow these students to attend our preschool program and we waive the tuition.

The revenue generated by this proposal is student dependent. Projections were made based on full enrollment. This may not occur and so the actual revenue generated may be lower than projected, particularly in the start-up phase of the program. Projections were made based on tuition figures of \$3,600 for half day and \$8,400 for full day per year. This model would free up 4 in-district rooms which can be used for additional space as needed.

	<u>Needed</u>	<u>Currently in Place</u>
Director/ Principal	\$100,000	No
Secretary	\$ 55,000	Might be able to be re-deployed
Nurse	\$ 80,000	No or share with the Annex
Custodian	\$ 50,000	No
Utilities	\$ 48,000	Partially
	<u>\$333,000</u>	

Staff for Pre-K Model 1

Full Day ABA (3 year olds) - 1 teacher 3 paras	\$225,000	In Place
Full Day ABA (4 year olds) - 1 teacher 3 paras	\$225,000	In Place
ELLI Full Day 1 teacher 2 para (4 yr olds)	\$135,000	
ELLI Full Day 1 teacher 2 paras (4 yr olds)	\$135,000	
ELLI ½ day 1 teacher 2 paras (3 yr olds)	\$135,000	
ELLI ½ day 1 teacher 2 paras (3yr olds)	\$135,000	In Place
Full Day PSD 1 teacher 2 paras	\$135,000	In Place
Full Day ELLI(3 yr olds) 1 teacher 3 para	\$135,000	
1 Toddler Full day (Staff- Y) No cost (may make small profit)		
1 OT/PT room	\$ 95,000	In Place
1 Speech	\$ 85,000	In Place
Training by Montclair Univ.	<u>\$121,000</u>	In Place
 TOTAL Teaching, training and related services	 \$1,561,000	

+\$ 333,000 (Support)
 \$1,894,000
 -\$1,021,000 (In place costs)

\$ 873,000 (additional expense for 4 additional teachers and building support and leadership)

One Time Start up costs

Furniture and supplies for 4 new class plus toddler	\$ 32,000
Outdoor playground and fencing	\$20,000
Miscellaneous	\$ 5,000.
	<hr/>
	\$57,000

Total First Year Incremental Expense (additional expense plus one time start up) \$930,000

Projected Income

6 Special Education Other District students	\$360,000
In-district Revenue for non-special ed, students	\$300,300
(35½ time @ \$ 4,200)	
(18 full time at \$8,400)	<hr/>
	\$660,300

First year cost \$660,300 - \$930,000 = (269,700) additional cost to district

Offset by anticipated continued revenue:

\$59,400 State funding currently in place
\$37,000 IDEA funding
<hr/>
\$96,400

Incremental cost to the district in year 1 is \$173,300. However, we anticipate that by offering this program internally, that 7 PK students will attend in district rather than attend out of district schools for an annual savings of \$490,000, for a net savings or \$316,700.

In addition, one of the non-monetary benefits is that this will free up classroom space in other elementary buildings. And without this additional space we would not have the space to bring these additional students back in district.

Kindergarten

This facility requirement for preschool classrooms, needing access to a toilet room in each classroom, is the same for Kindergarten classrooms. If Kindergarten enrollments increase more than projected, requiring additional space, then the Montrose building could also house Kindergarten classes. A potential model allowing up to 3 Kindergarten classes to move to

Montrose has been developed as a back-up plan. There should be no additional costs related to kindergarten, other than potential transportation costs (approximately \$50,000 for a single route), as furniture and staff are already in place elsewhere in the district.

SUMMER PROGRAMMING

Each year the South Orange & Maplewood School District offers a myriad of summer learning opportunities to students. Summer offerings are designed to serve students at the elementary, middle and high school levels, for the purposes of enrichment, academic support and credit recovery. The intent of these offerings is to support student academic growth, provide opportunities for acceleration, and to allow students to recover credits necessary for promotion or graduation. Summer programming is beneficial for students to maintain skills they have learned during the school year and prevents “summer slide”. Students are selected to attend summer programming to increase a level or take additional courses to improve their programming options. This is especially important for students who wish to pursue careers in business, engineering or science.

In the summer of the 2013 -14 school year the district offered a variety of summer programming. A total of 1, 453 students attended programs including:

- Transition – from Elementary School to MS, and MS to HS
- Summer step up – opportunities to move up a level
- Academic advancement/enrichment – to move up a level in math (MS or HS) or science (HS)
- Academic Support – to help struggling students maintain progress to avoid summer slide (funded by Title 1 for Clinton and Seth Boyden)
- Credit recovery – to ensure timely graduation
- ELL – help ELL students maintain progress to avoid summer slide, Title 111 funded
- Extended school year – special education/classified students – IEP driven
- FAST program- Flexible Academic Support Time

There were 40 courses, K-12, 102 sections.

Salaries - \$259,050

Materials - \$ 6,300

Total expenditures – \$265,350

Grade Level	Type of Program	Total Number of Students	Funding Source
Jefferson Marshall South Mt. Tuscan	Academic Support Grades 1 – 5	132	LEA
Clinton	Academic Support Math and Language Arts Grades 3-5	29	Title I
	ELL	23	Title III

Seth Boyden	Rising Stars Academic Support Math and Language Arts Grades 1-5	76	Title I
	Summer Stars Academic Support Math and Language Arts	74	Title 1
Middle Schools	Academic Support Math and Language Arts Grades 6-8	252	LEA
	ELL	20	Title III
	Step Up Math <ul style="list-style-type: none"> • 5-6 Honors • 5-6 Accelerated 	106 <ul style="list-style-type: none"> • 36 moved up • 33 moved up 	LEA
	MS Orientation	10	LEA
Columbia High School	Credit Recovery – all subjects	377 <ul style="list-style-type: none"> • 90% passed 	LEA
	Bridge to Success Academic Support	177	LEA
	Step Up	98	LEA
	Skill Boost	30	LEA
	Study Skills	59	LEA
	Step Up	98	LEA
	On line Courses	177 <ul style="list-style-type: none"> • 84% passed 	

While summer programming is beneficial for credit recovery and for students to move up in levels and maintain skills that were developed during the school year, there are some very important points to take into consideration.

Summer school programming funded by the LEA has grown over the years.

For example:

Year	Number of Classes at CHS	Number of Classes at Middle Schools
2009	7	1
2010	9	3
2012	18	13
2014	27	13

There are additional costs and factors to consider when scheduling summer school courses. Additional costs/issues to consider are:

- Transportation – cost transporting eligible students
- Paraprofessional – some students require a paraprofessional to accompany them to class
- Support staff – secretaries, nurse services
- Substitutes for absences
- Lack of AC for all classrooms– warm classrooms are not conducive to learning
- Supervision – 12 month principals/supervisors and 11 month supervisors are all busy with additional work. There is no one assigned to answer questions and emails
- Additional materials required such as text books, reading material, copies.
- Notification for parents is an ongoing concern. Parents make summer plans for their children in the winter and we traditionally notify parents very late in spring. This creates a hardship since some parents might want their child to attend but cannot change plans.

Extended School Year:

The extended school year program is for students with IEPs who have difficulty with sustained learning skills. This program is for pre- kindergarten –grade 5.

The social skills program is for students who have significant social skills deficits that impact their ability to interact appropriately with peers. This program is for students who are in grades K-12.

Extended School Year	PreK - 5	115 students
Social Skills Program	Elementary	49 students
	Secondary	22 students

The cost associated with the Extended School Year program is approximately \$500,000.

Administrative time:

CHS –

- Significant loss of administrator planning and scheduling time due to large volume of students in attendance and number of classes. Time spent creating schedules and registering students, changing schedules, monitoring attendance, dealing with student issues, staff absences as well as responding to parent concerns.
- Wear and tear on building, maintenance/cleaning projects delayed.

Middle Schools –

- Administrative time loss due to scheduling students and dealing with student issues and parent concerns.
- Wear and tear on building, maintenance/cleaning projects delayed.

There are two schools that offer Title 1 funded summer programs. Last year programs were at Clinton and Seth Boyden Elementary Schools. The focus for the programs funded by Title 1 are on developing literacy and math skills for eligible Title 1 students to ensure that they are ready for the next grade.

Considerations for changes to summer programming:

- Charge a fee for courses that are not required for graduation requirement (exempt students who are F/R lunch eligible). Possibly \$500.00 per course for students who wish to accelerate or take a course for enrichment purposes. This would include on – line courses. Revenue approximately 150,000.
- Eliminate courses that do not have full enrollment – 15 students or more. Eliminate low enrolled classes, approximately 15 sections - \$33,000.
- Provide after school classes during the school year to provide for extra time to meet grade level standards in lieu of summer option for students who are eligible.

GIFTED AND TALENTED PROGRAM

The Board recently approved a Gifted and Talented Strategy proposal at the November 2014 Board meeting. The plan standardizes many of the existing provisions for gifted students, including differentiated instruction, grade acceleration in some subjects, and ability grouping within classrooms. Other current provisions include AP offerings in the high school. There are several new components, one of which is cluster rotations, where several teachers in a grade work with small groups of children who excel at a specific subject. For truly exceptional students, the district might utilize a Gifted Action Plan (GAP) that would include specific, differentiated curriculum. In addition, the district plans to expand mentoring opportunities between Columbia High School students and younger students.

Since there is no pull-out component, most of the strategy focuses differentiated instruction and therefore professional development is critical so that teachers can adequately differentiate instruction for students who require more challenge. Budgetary implications of the program are mostly associated with the professional development.

- Consultant fee – Staff training on GT screening checklist and GAP plan creation as needed, \$1,000 daily @ approximately 7 visits, \$7,000
- Professional development on differentiated instruction – 8 sessions, 8,000
 - K-2- Marshall, Clinton/So. Mtn, SB/Tuscan
 - 3-5 Jefferson, Clinton/So. Mtn, SB/Tuscan
 - 6-8 MMS, SOMS
- Materials –fee – \$1,000.00
- Gifted and Talented Specialist (staff position – 1 FTE) - \$85,000
- **Total – approximately \$101,000**

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 \$690 per month for a single employee in higher deductible plan (Direct 20/30; the monthly cost for a single employee in Direct 15 is \$753) to \$2,226 monthly for a family in Aetna Freedom 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 % totaled over \$800,000 annually. Subsequently, the Board of Education negotiated with the bargaining units an agreement that the Board will pay 100% of the premium for NJ Direct 15 of the School Employees Health Benefits Plan, less the statutory employee contribution, with employees paying 100% of any incremental premium expense if they opted to buy a more expensive plan offered within the SEHBP.

In the past when the School District bore the entire coverage, the majority, more than 86% of district employees, chose more expensive plans than Direct 15, mainly Direct 10. Since the changes in coverage and contributions, approximately 66% of the employees opted to change their coverage to NJ Direct 15, or a less expensive plan, rather than paying the additional premium. This change in the collective bargaining agreement resulted in more than \$500,000 in savings annually to the district operating budget.

In 2011, Chapter 78, was passed, requiring staff to contribute between 3 and 35% of the health care premium, with the responsibility of these contributions tiered over four years, increasing $\frac{1}{4}$ of the responsibility each of the four years. The majority of the staff are currently in year 2 of tiered contributions, or paying 50% of the required premium contributions.

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. Since that time we have been receiving projections on the increases in the NJSEHBP premiums sometimes in the double-digit figures. Therefore we regularly explore options through private providers in search of potential cost savings. Unfortunately each 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. Therefore we were unable to secure proposals from private providers in the past.

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:

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	+13%
2010-11 (actual)	\$9,672,726	+3%
2011-12 (actual)	\$10,320,097	+7%
2012-13 (actual)	\$11,313,485	+10%
2013-14 (actual)	\$12,489,988	+10%
2014-15 (budgeted)	\$13,341,279	+7%

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 in which 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 any time a life status change occurs. We currently have 85 staff members who have waived their benefits, 52 of which received a cash incentive. The average annual premium cost to the District for an employee on Direct 15 is about \$16,000 (after employee contributions). The total premium reduction for employees receiving a cash incentive is therefore about \$832,000, for a net savings over \$660,000. With the introduction of Chapter 78, the premium contribution acts as an additional waiver itself, as the employee does not have to pay any premium contribution if they opt out of the health insurance.

Budgetary implications of statutory employee contributions

With the enactment of Health reform Chapter 78, P.L. 2011, employee contributions to health care were required to be phased in over a four year period, beginning with the expiration of any existing bargaining unit contracts. Both SOMEA and ASCA member contributions imposed by Chapter 78 began 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.

Chapter 78 requires staff to contribute between 3 and 35% of the health care premium, with the responsibility of these contributions tiered over four years, increasing $\frac{1}{4}$ of the responsibility each of the four years. The majority of the staff are currently in year 2 of tiered contributions, or paying 50% of the required premium contributions. It is difficult to ascertain the specific impact of the contributions when both future salaries and future health insurance premiums are unknown. However, extrapolating information based on current premium amounts, we can approximate the level of contributions to be anticipated over the next four years.

School Year	Projected Employee Contributions based on Direct 15 (does not include additional cost of buying up to a more expensive plan)
2013-2014 (tier 1)	\$825,000
2014-2015 (tier 2)	\$1,400,000
2015-2016 (tier 3)	\$2,300,000
2016-2017 (tier 4)	\$3,300,000

The average annual contribution of employees in tier 4 (2016-2017) is estimated to be over \$4,000, with some of the higher salaried employees on the family plan expected to contribute over \$7,000 annually in health care contributions.

Review of alternative health insurance options

The district regularly conducts 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. As part of this year's budget process, a health care task force was created to specifically look at options available to the district for health care provisions. The task force is composed of central office staff including the Business Administrator and two representatives from Human Resources, two Board members, a representative from SOMEA and an ASCA representative. A representative from Brown and Brown, health care advisors, has been attending the task force meetings as a resource to inform the discussions.

The task force has been meeting to discuss health care insurance options and have been considering three options available to the district: (1) remaining in the state health benefits plan, (2) providing equivalent health benefits through private insurance providers, or (3) providing benefits by self-insuring. The task force is still gathering data and will be meeting again in January, at which time it is anticipated that the task force will make a recommendation for the Board and administration to consider in the budget development.

There are pros and cons to each option. Some highlights of the discussions for each option are as follows:

(1) State Health benefits plan

- Status quo – easier to administer since the majority of the employees would not be making changes
- Participation in a claim pool of over 100,000 participants significantly diminishes the district's individual exposure to adverse claims.
- 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.
- Premiums have increased over 70% over the past 5+ years.
- The plan is significantly underfunded which suggests the need for high increases in future years.
- There are multiple 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.
- State likely to restrict plans to be under the Cadillac tax level (see section on Affordable Care Act below) to avoid cost.

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. The District's claim loss ratio has been declining over the past few years, making the District more appealing to private insurance companies. Two companies submitted proposals for providing health insurance to the District directly, Aetna and Horizon (the two current providers within the State Health Benefits Plan). The Aetna proposal did not yield much savings, whereas the Horizon proposal resulted in approximately a \$350,000 projected savings to the District. While, \$350,000 is a significant savings when considering the alternative uses of these funds, it is not the significant savings in health benefit expenses that community members may have suggested would be available as alternatives. Although the savings were not as significant as hoped, the task force identified advantages of switching to private insurance.

(2) Private Insurance Provider

- Approximately \$350,000 in savings in district insurance costs
- More control over alternative plans to be offered (lower deductible plans). Therefore the potential to offer lower premium cost options for employees looking to reduce contributions
- Flexibility of moving back to the state health benefits plan if premiums increase at any time
- Administrative task of moving in and out of plans
- Potential large fluctuation if recent lower claim history isn't sustainable
- Employee contributions for private plans are for medical and dental premiums versus just the medical when in the state health benefit plan.

The third option under consideration is to self-insure. Self-insurance would require the district to budget funds to cover potential medical claim. The district would purchase stop-loss insurance to cover significant claims. The task force specifically considered the creation of a district health center, as proposed by Integrity Health Care. We are still waiting for a specific proposal from Integrity, but their program suggests savings, especially in future years, by providing services to staff and their families through a District Health center that would be located within South Orange or Maplewood. Services would still be available through a network which would be

developed specifically for the District. The committee's concern was the projected utilization rate of the health center given the demographics of the staff. Integrity highlighted success in other districts where 90+% of the staff lived within 10 miles of the health center. Only 61% of the South Orange Maplewood staff lives within 10 miles of the district. Over 70% of the staff carry insurance for family members other than themselves and therefore the task force felt that the distance from home would be a major factor on the success of the program.

(3) Self-insurance

- More risk and uncertainty about annual cost of program
- Need to provide COBRA (self-funded)
- 3 year agreement with Integrity.
- Need to budget money for outstanding claims for multiple years even if return to alternate method of insurance provision
- Use of health center is voluntary, not required, although rates may end up being higher if the health center portion of the program is not utilized.
 - Distance to health center for staff members and their families
 - "one stop" shop for health center and no co-pay
 - Need space for health center and district purchases/leases equipment
- District can define the benefits of the plan
- Significant increase in administrative functions within the District
- District burden of Cadillac tax

The task force continues to explore the options and is anticipated to present a recommendation in January.

Impact of the Affordable Care Act

One other factor that must be taken into consideration in budgeting health benefits for the 2015-16 school year is the impact of the Federal healthcare reform. Employers are required to offer health insurance to all employees working an average of 30 hours or more per week. This applies to all persons earning a salary from the school district including long term subs, aides, paraprofessionals and daily substitutes. The hours also include coaching hours, overtime hours, or any additional coverages for part-time workers. This will mean that we either will have to restrict the number of hours employees that do not receive benefits work, or offer benefits to groups that have not traditionally received health benefits. The introduction of this regulation may impact costs associated with contracted services as well.

Also being considered as part of the health care task force discussions is the "Cadillac tax" that will be an annual tax beginning in 2018 on employers that provide high-cost benefits through an employer-sponsored group health plan. The tax is 40% of the cost of plans that exceed predetermined threshold amounts. In the case of purchasing insurance through either the state or a private plan, the insurer is responsible for the tax, but you can anticipate that it would be passed down to the District and employees through even higher premiums. If we were to self-insure, the District would be responsible.

The Affordable Care Act contains a number of additional reporting requirements adding administrative responsibilities to the District.