



State of New Jersey
Commission of Investigation

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**An Inquiry Into
Questionable and Hidden Compensation
for Public School Administrators**

March 2006

State of New Jersey
Commission of Investigation



**Questionable and Hidden
Compensation for Public School
Administrators**

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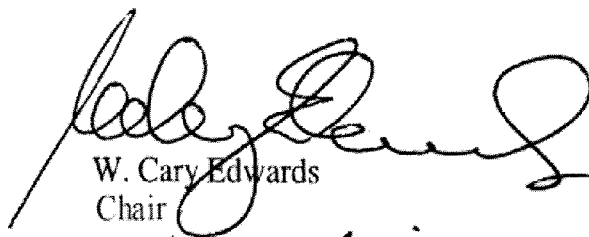
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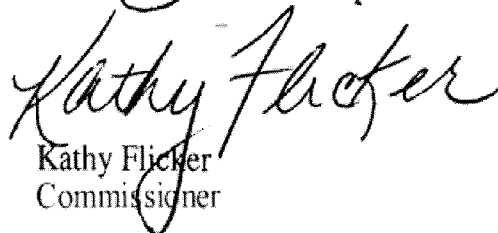
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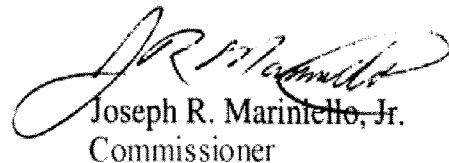
Governor Jon Corzine
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M, herewith formally submits the report of findings and recommendations stemming from an inquiry into questionable and hidden compensation for public school administrators.

Respectfully,


W. Cary Edwards
Chair


Kathy Flicker
Commissioner


Joseph R. Mariniello, Jr.
Commissioner

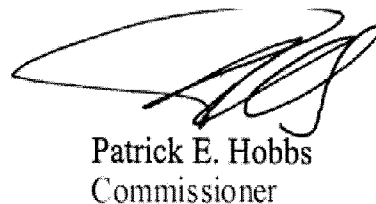

Patrick E. Hobbs
Commissioner

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Executive Summary

The Commission examined employment contracts and compensation arrangements between public school administrators and boards of education and found a range of questionable and excessive practices that, collectively, cost unsuspecting New Jersey taxpayers millions of dollars. Lucrative provisions of these privately negotiated deals enable superintendents and others at the top tier of public school administration to receive compensation and benefits often well beyond the reach of any other class of public-service employees. Moreover, it is not unusual for these arrangements to be structured such that they continue to benefit recipients with costly and, in some cases, irregular pensions and perquisites well into retirement.

This inquiry represents part of a broad ongoing effort by the Commission to identify waste and abuse at all levels of government in New Jersey. The findings detailed here raise serious questions about the reasonableness and rationality of employment contracting standards utilized by boards of education and whether these local governing bodies – as frontline stewards of the public purse – are properly and adequately overseen in that regard by higher authorities. As it stands, the prevailing system is riddled with inconsistencies and freighted with pressures that render it vulnerable to abuse: pressure to hire and retain the so-called “best” administrators money can buy, pressure to satisfy an ingrained professional culture in which job security is considered an entitlement, pressure to meet employee demands for ever-higher compensation at every level. Ultimately, with school board members and state authorities serving as enablers through a mix of action and passivity, it is a system that seems designed to pit school districts against each other in a “sky’s the limit” contest to recruit and retain top personnel. All

too often, the result is an unseemly spectacle reminiscent of sports teams and their competition for free-agent athletes – with the cost, of course, underwritten not by fans and corporate sponsors, but by taxpayers.

Indeed, the Commission found that the growth in compensation for top administrators in recent years has significantly outpaced that of classroom teachers. Analysis of salary data for the seven-year period from 1997-2004 shows that average, or mean, salaries paid to administrators as a group, including superintendents, assistant superintendents and business administrators, rose by 31 percent – more than twice the growth rate of average teacher salaries, which increased 14 percent during the same interval.¹

The findings detailed in this report are particularly troubling in view of the fact that even though they must pay the bill, taxpayers often are in the dark as to the full scope and cost of employment packages approved by boards of education for school administrators. In public representations, district officials, whether inadvertently or by design, often understate or gloss over in general terms the true total compensation paid to administrators. Even in instances in which citizens obtain copies of administrator contracts via informal requests or through written applications filed under terms of the State Open Public Records Act, these documents frequently do not reveal the real cost or explicit dollar value of various significant elements of compensation and benefits beyond that of base salary. Indeed, this inquiry revealed instances in which written contracts

¹ The comparison in salary growth rates was based upon a comprehensive analysis of data drawn from Vital Education Statistics compiled and maintained by the New Jersey Department of Education. The Commission identified the mean, or average, salaries for two groups, Total Classroom Teachers and Administrators, as of a single date in October for the years 1997 through 2004. The analytical methodology took into account available data from several sources in an attempt to ensure that the findings would not be subject to distortion or skewing due to any single factor.

either did not even exist or failed to reveal base salary amounts. The true cost may be further shrouded from public view by periodic re-negotiations that alter compensation and benefits in substantial, complex ways difficult for the public to decipher. Even the Commission, utilizing statutory power to compel document production via subpoena, encountered difficulty in obtaining all relevant materials pertaining to administrator employment arrangements. Lack of timely and responsive submissions by various school districts required repeated follow-up work by Commission staff and unnecessarily prolonged the investigation.

In the context of public access and disclosure, it is noteworthy that the State has no central repository of accurate data reflecting the full cost of employing top school administrators. Public listings on file with the State Department of Education merely reflect salaries as submitted by local boards of education. In most instances, the reported salary amounts substantially understate the true total compensation of individual personnel. The Commission's analysis revealed numerous instances in which school administrators, through various enriched contract provisions, receive substantially greater compensation than officials at the highest levels of New Jersey government who are responsible for directing the operations of statewide agencies with outsized budgets and sweeping responsibilities. The State Commissioner of Education, for example, whose annual salary, like that of other Cabinet officers, is currently capped by statute at \$141,000, runs a vast governmental bureaucracy with approximately 1,000 employees and core responsibilities that include the disbursement of more than \$7 billion annually in aid to more than 600 local school districts.²

² N.J.S.A. 52:14-15.107.

Beyond the sheer level of compensation for public school administrators, the Commission also examined tax compliance issues and found a range of apparent gaps. Depending on the form of added compensation and the manner in which it is disbursed, significant questions arise over whether, and to what extent, school districts and administrators are in full compliance with federal and state laws requiring proper and timely filing of all appropriate information for income tax purposes.

Over the course of its inquiry, the Commission examined multiple contracts and employment arrangements involving 334 administrative personnel in 71 urban and suburban school systems, including state-operated and so-called “Abbott” districts, vocational-technical schools, large regional districts and small single-facility districts. Thousands of documents were examined and more than 100 interviews were conducted. Although the sample represents only a portion of the total number of school districts (616) in New Jersey, the scope of common issues among them was large, and the Commission took pains to inject balance and perspective by examining circumstances in districts of varying size in every region and county across the State.

In sum, the Commission approached this inquiry in the same manner in which it undertakes all of its work – with a dispassionate eye toward identifying and assessing problems across an entire system based upon the facts and as exemplified by specific events and circumstances. It bears emphasis, of course, that the vast majority of school board members in this state constitute a corps of dedicated, hard-working individuals and that the administrators in their employ have legitimate rights to decent livelihoods for tough and demanding jobs. The Commission also is cognizant of the powerful grip of “home rule” in New Jersey, a deep-seated tradition which dictates the supposed sanctity

of local governing bodies and which demands deference by higher governmental authorities to many aspects of local decision-making.

But none of this should diminish the significance of the very real systemic issues that underlie the findings of this investigation. Given that state government in New Jersey currently provides \$7.7 billion annually in taxpayer funds to support public education – more than one-fourth of the entire state budget – and that local property taxes account for billions more, it is incumbent that effective mechanisms be in place to ensure that expenditures by school districts are reasonable and appropriate, and that taxpaying citizens are adequately and appropriately informed about how their money is spent. In matters of compensation, benefits and expenses for school district administrative personnel, the State traditionally has deferred the performance of this vital oversight obligation to local boards of education. But as the findings of this investigation amply demonstrate, this generalized “hands-off” approach to these matters has produced a vacuum in which questionable or patently abusive compensation practices have been allowed to flourish.

Collectively, these are issues that demand careful consideration and, where necessary and appropriate, practical systemic reforms as recommended at the conclusion of this report.

Summary of Key Findings

The Commission's findings fall broadly into five major areas:

- **Inflated and Questionable Compensation/Benefits**
- **Severance Packages/Buy-Outs**
- **Pension Manipulation**
- **Obstacles to Public Disclosure**
- **Lax Oversight**

Inflated and Questionable Compensation / Benefits

▪ The Commission found numerous instances in which superintendents and other public school administrators receive total monetary compensation, some of it partially hidden from public view, in excess of typically substantial six-figure base salaries set forth in contracts.

▪ The inflated compensation packages typically result from contract negotiations in which boards of education allow administrators to collect additional sources of income at taxpayer expense, including stipends, bonuses and a range of other payments for various purposes.

▪ A particularly lucrative source of compensation over and above base salary is grounded in the practice of granting and accumulating inordinate amounts of sick, vacation and other forms of paid leave and the cashing-in of unused leave annually during employment and at retirement.

- School district policies are wildly inconsistent with respect to both allotting annual leave and regulating the cash redemption of unused leave as it accumulates over time. In some cases, deliberate steps have been taken to circumvent caps designed to restrict leave redemption.

- Contracts for top administrators commonly guarantee yearly lump-sum contributions at district expense toward the purchase of personal tax-sheltered investments, including special trust accounts and annuities. The Commission found a widespread practice in which the value of these investments was tacked on to base salaries contrary to the requirements of state law.

- Examination of income data on Federal Forms W-2 raises questions as to whether the full panoply of perks and payments received by administrators beyond base salaries are properly reported for federal and state tax purposes.

- Additionally, severance payments were often deferred to future years or spread over a period of years following separation or retirement. These arrangements may represent improper deferral of compensation for tax purposes.

* * *

Beyond cash compensation, multi-year administrator contracts awarded by boards of education were found to include a range of fringe benefits, such as:

- Time off beyond regular sick and vacation leave in the form of “professional” time, “special dispensation” days and “compensatory” leave for attending to school business beyond normal working hours, such as evening board of education meetings. The Commission also found that in addition to these contractual leave packages, some administrators, like

teachers, are authorized to take paid post-holiday and other school breaks during the course of the school year.

- Special health insurance, such as long-term and supplemental coverage after retirement, payment of unreimbursed medical expenses and even future nursing home costs. In some instances, administrators have opted out of districts' group health insurance programs, including the State Health Benefits Plan, and have been reimbursed at taxpayer expense for doing so.³ In others, administrators receive private health-insurance coverage and carry this private coverage into retirement, despite the fact that they may qualify at that time for coverage under the state health plan. Spouses or other dependents often qualify for special health benefits as well.
- Generous life insurance and disability insurance plans.
- Paid sabbaticals immediately preceding retirement.
- Reimbursement for employee contributions to New Jersey's Teachers' Pension and Annuity Fund (TPAF) public retirement system. Such reimbursements are sometimes inappropriately included in base salaries for pension calculation purposes.
- An array of perquisites, including cars, computers and cellular telephones for personal use; personal bonuses; and donations in their names to selected charitable organizations.

³ Employees at the state level of government are permitted to opt out of the State Health Benefits Plan, but they are prohibited from being reimbursed for doing so.

Severance Packages/“Buy-Outs”

- Millions of dollars in special payments, perks, bonuses and other arrangements have been awarded by boards of education to public school administrators as inducements for them to resign or break contracts, or in exchange for non-renewal of contracts.

- At retirement, some administrators have been offered a range of consulting deals that keep them on the public payroll, notwithstanding eligibility for generous pensions and the receipt of proceeds from the cashing-in of unused leave at taxpayer expense.

- In some instances, agreements were made to defer certain payments to a subsequent year. Though such arrangements may provide significant tax benefits to recipients and are a significant budgetary device used by some school districts, these deferrals may be in contravention of U.S. Internal Revenue Service regulations.

Pension Manipulation

- The Commission found a pattern in which questionable or patently improper steps have been taken by boards of education to provide superintendents and other administrators with overly-generous pensions through the TPAF retirement system.

- Pensions are inflated through a number of stratagems, primarily by padding earnings with an assortment of base salary add-ons, including cash stipends, bonuses, the proceeds of unused accumulated sick and vacation time sold back to the district and even taxpayer-subsidized reimbursements for employee contributions to the pension system.

- The system is prone to widespread manipulation of this sort despite the fact that many forms of “extra compensation” are explicitly deemed impermissible by the State for inclusion in base salaries for pension calculation purposes.

Obstacles to Public Disclosure

- Despite the millions of taxpayer dollars expended annually in New Jersey to compensate and provide benefits for school administrators, it is often difficult for average citizens to obtain an explicit dollar-for-dollar accounting from local boards of education and the State of how and why the money is spent.

- In public forums, such as board of education meetings in which contractual compensation matters involving administrators are on the agenda for final resolution, school district officials typically gloss over details and understate the full cost of such packages.

- Active steps have been taken by some district officials to disguise or otherwise obscure elements of compensation from public view.

- The Commission found inconsistent record-keeping practices across the span of school districts reviewed. In several instances, the investigation was hampered by missing and/or incomplete records.

Weak Oversight

- The Commission found significant gaps in oversight and accountability at the local and state levels of government with regard to ensuring the propriety and reasonableness of compensation and benefits for public school administrators.

- In many instances, senior school district administrative personnel are solely responsible for tracking their own sick and vacation leave time, the accumulation of which can lead to substantial personal windfalls through sell-back arrangements.

- Although local boards of education routinely retain the services of outside auditors to examine their financial ledgers, matters of administrative compensation that come before boards of education for approval are not scrutinized in the context of possible abuse or excess.

- Neither the taxpayer-fund portion of audit reports nor board-approved administrative compensation packages are subjected to regular or meaningful review or examination by outside authorities, including the State Department of Education, except in instances suggesting outright fraud.

INFLATED and QUESTIONABLE COMPENSATION / BENEFITS

Top public school administrators in New Jersey – superintendents, assistant superintendents and business administrators – are employed on the basis of contracts negotiated and awarded separately from those involving larger collective bargaining units such as teachers’ unions.

In the case of superintendents, who serve as chief school district administrators, state law dictates a specific minimum contract term of no fewer than three years and no more than five, with opportunity for unlimited renewal. This span of duration was established in 1991 when the Legislature eliminated career tenure, or permanent job security, for superintendents and instituted a system providing for tenure throughout the effective period of a contract. The statute, N.J.S.A. 18A:17-20.2, states, “*During the term of any employment contract, a superintendent shall not be dismissed or reduced in compensation except for inefficiency, incapacity, or conduct unbecoming a superintendent or any other just cause . . .*” Other statutory provisions provide that superintendents’ contracts annually must span the period between July 1 and June 30 and be renewed automatically – the so-called “evergreen” provision – if local boards fail to provide at least one year advance notice of an intention not to renew.⁴ Otherwise, there are no limits on the number of times a contract may be re-negotiated and/or amended during a superintendent’s term of employment.

⁴ No similar advance notice is statutorily required of incumbent superintendents who decide unilaterally to end their employment.

With regard to contracts for assistant superintendents and business administrators, no regulatory or statutory rules govern contract duration or notice of renewal. Assistant superintendents and business administrators, however, are provided with job security under the State's tenure statutes.

Beyond mandating controls over contract duration and renewal notice for superintendents, the State provides little in the way of requirements, guidelines or oversight with regard to the type, structure, scope or cost of other significant contract options and provisions for administrators. Instead, boards of education and administrative personnel rely on their own devices, securing outside expertise and/or consulting other resources, such as generic template contracts drawn up by several non-governmental interest groups – the New Jersey School Boards Association (NJSBA), the New Jersey Association of School Administrators (NJASA) and the New Jersey Association of School Business Officials (NJASBO).⁵

As might be expected, the NJASA and NJASBO model contracts, geared for a membership consisting primarily of current and prospective contract recipients, establish a framework for particularly liberal compensation and benefits. Neither recommends limits, for example, on provisions governing the award of sick and vacation leave or on how much accumulated unused leave can be cashed in at retirement. They call for merit raises, and, in the case of the NJASA, additional longevity raises, on top of regular percentage-of-salary adjustments. The model contracts also include special allowances for various expenses and outline generous medical and health insurance coverage for administrators and their families. It is not uncommon for school districts to pay annual

⁵ Model contracts drawn up by each of these organizations and provided to the Commission during the course of this inquiry are included in the Appendix to this report.

membership dues to these and other professional organizations on behalf of administrators.

The Commission's inquiry revealed significant areas in which contractual employment arrangements involving administrative personnel have evolved to encompass forms of compensation and benefits beyond those embodied in the model contracts. Negotiations between school boards and administrators, for example, have yielded a wide assortment of perks that range from the conventional to the unusual, such as cell phones, computers and vehicles for business and personal use; chauffeurs; funding for moving expenses; allowances to cover housing costs; and the purchase of employment service credit for pension purposes. In one instance, a top administrator of the Salem County Vocational School District was granted clothing allowances at taxpayer expense. In another, the City of Trenton School District, a former superintendent's contract provided for "personal protection."

The Commission also identified instances in which the negotiation process itself has become an important cost-driver in matters of administrative compensation. Rather than adhere to the full term of a contract, some boards of education, anxious to retain the services of incumbent superintendents, have entered into repeated re-negotiations with them – on an annual basis and sometimes more frequently – producing amendments and other changes that introduce new and lucrative provisions to the contractual mix at each juncture.

In addition to stipends, bonuses, special insurance plans, and reimbursement at taxpayer expense for contributions to the government pension plan in which administrators participate, the State Teachers' Pension and Annuity Fund (TPAF), two

activities, in particular, account for significant shares of inflated and questionable compensation:

- The cashing-in of unused accumulated sick, vacation and other forms of leave sold back to or redeemed by districts annually and at retirement.
- Payment of cash at district expense into tax-deferred personal investment instruments, including special trust accounts and annuities.

* * *

Administrators in 39 of the 71 school districts examined by the Commission – better than half the sample – collected a cumulative total of nearly \$6 million between 1999 and 2004 for selling back unused sick, vacation and other leave to their districts on an annual basis.⁶ In extreme cases, the amounts were substantial. For example, during that period:

- In the Bergen County Vocational School District, eight administrators cashed in a combined total of more than \$1.21 million for unused leave exclusive of an additional total of nearly \$665,000 in leave redemptions for four of these individuals at retirement.
- In the Toms River School District, seven administrators cashed in \$850,000 for unused leave.

⁶ By comparison, public employees at the state level of government in New Jersey are prohibited from cashing in any unused accumulated leave prior to retirement. As to sick leave, State employees are granted a maximum of 15 days per year, and payment for accumulated unused sick leave is restricted to retirement and limited to a lump sum representing 50 percent of the unused leave, calculated at current salary, and capped at \$15,000. As to vacation, State employees are limited to a maximum of 25 paid vacations days per year after 20 years of continuous service. No more than one annual entitlement of vacation time can be carried from one year to the next, and none may be exchanged for cash or any other emolument on an annual basis or at retirement.

It should also be noted that as a general rule, teachers in public school districts are not permitted under the terms of their contracts to sell back unused leave and only at retirement may claim limited reimbursement for unused sick leave.

- In the Hudson County Vocational School District, four administrators cashed in more than \$520,000 in unused leave.
- In the Teaneck School District, five administrators cashed in more than \$270,000 for unused leave.
- In the Bayonne School District, three administrators cashed in more than \$248,500 for unused leave.
- In the New Brunswick School District, three administrators cashed in \$211,000 in unused leave.
- In the Long Branch School District, one administrator cashed in \$108,000 in unused leave.

The Commission found widespread inconsistencies in the placement of limits, or caps, by school districts on the amounts of leave administrators can redeem annually. Data gathered from districts subject to the Commission's review revealed a broad span of caps, ranging from prohibition of annual sick-leave redemption to liberal policies allowing for as many as 80 days to be cashed in each year. Similarly, the caps on vacation leave redemption annually ranged from five days to as much as a full year's allotment of 40 or more days. In at least one district, Bayonne, some administrator contracts provided no explicit annual ceiling on sick-leave redemption. Some education officials defend annual leave redemption as a means of spreading the cost over a number of years, thus sparing districts large budgetary "hits" in the form of cumulative lump-sum payouts at the time of employee separation or retirement. However, the Commission's review of the data revealed that this process obscures from public view the full implications of granting, accumulating and cashing-in of inordinate amounts of leave.

During 1999-2004, 79 administrators in school districts reviewed by the Commission collected more than \$4.3 million at separation and/or retirement for accumulated unused vacation and sick leave. Although 23 of these individuals were employed on the basis of contracts containing provisions ostensibly capping leave cash-ins at separation, those caps ranged as high as \$110,000. Even in the districts where such caps were in effect, administrators were able to circumvent them via other contract provisions allowing annual leave redemption prior to departure, thereby rendering the retirement caps meaningless. In other cases, caps were increased or altogether eliminated shortly before and/or in apparent anticipation of retirement.

The taxpayer cost of such practices in individual districts can be substantial. For example, John Grieco, who died in 2004 while incumbent superintendent of the Bergen County Vocational School District and who was subjected to a generous cap – \$110,000 – on sick leave redemption, collected more than \$580,000 in payments for accumulated sick, vacation and compensatory leave between 1999 and 2004, including nearly \$300,000 paid to his estate upon his death. In 2004, the payout for sick leave alone to Grieco and his estate, as reported by the district, was \$134,500 – well in excess of the cap in effect for him at the time. This occurred in a district in which other administrators, though subject to a generous cap in their own right, were nonetheless able to circumvent it. For example, a review of district records for a deputy superintendent, Anthony Miller, showed that a \$60,000 cap on sick leave redemption at retirement was raised to \$90,000 in a subsequent contract awarded prior to, or in apparent anticipation of, his likely departure. Even with the higher cap in effect, his annual leave redemptions over several years enabled him to capitalize on unused leave and to minimize lost compensation due

to the cap. Miller collected more than \$268,000 between 1999 and 2004, including more than \$167,500 when he left the district.

In other instances, Assistant Superintendent Roy Hermalyn received more than \$115,000 in annual payments for unused leave between 1999 and 2004, plus a lump-sum of more than \$115,000 upon retirement. Assistant Superintendent John Kolmos, meanwhile, collected more than \$37,500 for unused leave between 1999 and 2002 and a separate leave redemption payout of nearly \$83,000 at retirement in 2004.

In another district, New Brunswick, former Superintendent Ronald Larkin received a lump-sum of more than \$261,000 for leave redemption upon retirement in July 2004. Although Larkin's original contract with the district had contained a provision capping sick-leave cash-ins at \$15,000, it was later negotiated to incorporate a more generous cap in force at the time of his departure. Meanwhile, in the five years prior to his retirement, Larkin had additionally redeemed a total of more than \$186,000 worth of unused leave, for a grand total of \$447,000.

Further, although state law authorizes administrators to transfer unused sick leave from one district to another when they switch jobs, the Commission discovered instances in which leave was carried over to become the new employing district's liability even though it had been cashed in at the expense of the sending district.

In a number of instances examined by the Commission, administrators were provided with sabbaticals or paid leave for as much as a year prior to separation or retirement as compensation for districts' unwillingness or inability to redeem inordinate amounts of unused leave or to circumvent caps. In the Camden City Public School District, for example, former Superintendent Roy Dawson, who resigned his post in

March 1999, was paid his full salary through the expiration of his contract with the district in June 2000. In the City of Passaic School District, former Assistant Superintendent David McLean was provided with a six-month paid leave of absence with retirement effective at the leave's conclusion. And in the City of Paterson School District, former Superintendent Edwin Duroy remained on the payroll for six months worth of "administrative leave" until he retired from the district.

These types of sabbaticals and extended leave practices can impose two significant forms of systemic financial burdens: one, affected districts typically must hire interim replacement administrators at substantial per diem rates of pay in addition to the continuing salaries of departing administrators; and two, any extension in a school employee's length of service and final salary creates additional long-term costs to the state pension system.

* * *

State law in New Jersey, N.J.S.A. 18A:66-127, authorizes boards of education to offer employees the opportunity to shelter a portion of their annual earnings from income tax liability through investment in tax-deferral instruments, such as annuities. According to the statute, this can occur under circumstances in which "*the employee agrees to take a reduction in salary . . . in return for the board's agreement to use a corresponding amount to purchase for the employee an annuity.*"

The Commission found that annuities not only have become increasingly popular and lucrative components of compensation for public school administrators, but that they appear in many instances to have been awarded as adjuncts to base salaries rather than in place of corresponding salary reductions as required by the enabling statute.

Nearly two-thirds of the districts examined in this inquiry – 45 of 71 – provided funds to cover the cost of annuities pursuant to contracts with administrators. It is particularly noteworthy that at least 13 of these districts also used taxpayer funds to reimburse the same administrators for the cost of their contributions toward retirement under the TPAF pension system.

Examples of how annual annuity payments by districts can add up over the years to provide administrators with sizeable tax-deferred nest eggs, in addition to regular pension-related retirement benefits, include:

- **Bergen County Vocational School District:** John Grieco, the late superintendent, received payments into a tax-deferred trust account totaling \$238,800 between 1999 and 2004. Upon his death, his estate received more than \$327,000 from the trust funds. During the same period, the district reimbursed Grieco a total of \$48,483 for his contributions to the TPAF pension system.
- **Wall Township School District:** During 2003-2004, the district paid \$69,450 into an annuity for Superintendent James Habel. Payments totaling \$11,844 were made between 2002 and 2004 to reimburse him for contributions to the TPAF pension system.
- **City of Newark School District:** Superintendent Marion Bolden, whose base salary for 2004 – \$212,000 – made her the highest paid superintendent among those in New Jersey’s three state-operated school districts, received annuity payments totaling \$42,500 between 2000 and 2005.

- **Hopatcong School District:** Superintendent Wayne Threlkeld received \$35,000 in three separate payments to an annuity between 2001 and 2004. In an added twist, the board of education agreed to a request by Threlkeld in July 2001 that it begin depositing the proceeds of his leave redemption into the tax shelter. Accordingly, \$60,000 was deposited in three installments of \$20,000 each from 2002 through 2004.

Reported Salaries v. Actual Compensation⁷

The Commission examined the annual earnings of public school superintendents as reported to the State Department of Education and found wide discrepancies between the data on file and available for public inspection and the true level of compensation. Indeed, the official DOE listing provides no clue that many top administrators receive payments for unused leave, annuities, pension contribution reimbursements and other forms of remuneration well beyond the scope of regular paychecks.

Following are summary examples based upon an analysis of base salaries compared to total compensation for 2004-05:

- ***Salem County Vocational School District***

Superintendent William Adams

Base salary reported to DOE: \$179,830.

Actual total compensation: \$246,950.

⁷ See Appendix pp. A-2 and A-3 for charts illustrating the differential between salaries as reported by districts to the State Department of Education and actual compensation.

Difference: \$67,120 or 37.3 percent.

Compensation beyond base salary during 2004-05 included \$56,197 for cashing in accumulated unused leave; \$17,983 in an annuity payment calculated at 10 percent of total salary; \$9,216 in reimbursements for contributions to the TPAF pension system; \$1,200 in clothing allowance reimbursement of which he was entitled to up to \$2,500 annually; and \$507 for insurance.

Between 2000 and 2004, Adams received more than \$86,400 in leave redemptions and, in select years, received \$500 in attendance bonuses. During this same time period, he received a total \$69,747 in annuity payments calculated as a percentage of salary; maximum clothing allowances ranging from \$1,500 to \$2,500; and a \$4,000 annual supplemental insurance payment included in base salary. The district also paid more than \$40,800 for long-term health-care coverage for Adams based upon an arrangement under which his potential liability for reimbursement to the district for this plan was forgiven at an annual rate of \$10,424 after four years of employment with the district.

- ***Wall Township School District***

Superintendent James F. Habel

Base salary reported to DOE: \$159,000.

Actual total compensation: \$215,780.

Difference: \$56,780 or 35.7 percent.

Compensation beyond base salary during 2004-05 included an annuity payment of \$13,498; \$23,188 in sellback of unused leave; \$7,565 in pension reimbursement; \$6,583

for disability coverage and life insurance; approximately \$4,500 in automobile-related expenses and stipends; and \$1,446 for unreimbursed medical expenses.

Habel assumed the position of superintendent in March 2003. During 2003-04, the district paid \$7,545 in reimbursement for pension contributions; \$4,000 toward insurance; disability coverage of \$2,583 annually; \$3,000 for longevity; and \$3,750 in educational credit stipends. On April 28, 2004, Habel requested an annuity retroactive to 2003-04. This resulted in a lump-sum annuity payment of \$69,450 by the district on his behalf in August 2004.

The board of education also authorized the leasing of a vehicle for Habel, to replace the use of a district vehicle. Subsequently, he entered into a lease agreement, at district expense, for a top-of-the-line GMC Denali sport utility vehicle for delivery in January 2005.

- ***Toms River School District***

Superintendent Michael Ritacco

Base salary reported to DOE: \$210,750, including \$14,000 for serving additionally as business administrator.

Actual total compensation: \$347,462.

Difference: \$136,712 or 64.9 percent.

Compensation beyond base salary during 2004-05 included \$80,507 for cashing-in unused leave; \$20,000 in annuity payments; and \$36,204 toward various insurance coverages.

Between 1999 and 2004, Ritacco was the beneficiary of \$79,000 in annuity payments; \$11,187 toward disability payments; \$8,780 toward long-term health care; and

\$96,801 toward life insurance. Between 2000 and 2004, Ritacco received a total of \$277,000 for cashing-in unused accumulated sick and vacation leave.

- ***Barnegat School District***

Superintendent Thomas McMahon

Base salary reported to DOE: \$166,228.

Actual total compensation: \$261,568.

Difference: \$95,340 or 57.4 percent.

Compensation beyond base salary during 2004-05 included \$43,500 in additional salary for doubling as district business administrator; \$17,977 for opting out of the district's health insurance plan; \$7,031 toward disability coverage and life insurance; an \$8,000 annuity payment; and a \$15,237 redemption of unused leave.

Between 2001 and 2004, McMahon collected payments totaling more than \$38,000 for cashing in unused leave; \$16,000 in annuity payments; \$32,612 in disability policy payments; \$15,000 in stipends for having a doctoral degree; and \$42,000 for opting out of the district health insurance plan. Since his hiring as superintendent in July 2001, McMahon's multi-year contract has been opened and re-negotiated by the board of education on four occasions, resulting at each juncture in extensions and modified salary and benefits.

- ***Long Branch School District***

Superintendent Joseph Ferraina

Base salary reported to DOE: \$193,149.

Actual total compensation: \$305,099.

Difference: \$111,950 or 58.0 percent.

Compensation beyond base salary during 2004-05 included more than \$78,461 for cashing in unused leave; \$10,809 in stipends; \$10,907 toward long-term health and disability insurance; \$1,244 for unreimbursed medical expenses; and \$11,529 in annuity payments.

From 1999 through 2004, Ferraina cashed in \$108,100 in unused accumulated leave, and received \$30,900 toward long-term health insurance, annuity payments totaling more than \$43,200 and \$36,000 in automobile stipends.

Ferraina was hired as superintendent of the Long Branch School District in May, 1998, under a multi-year contract. Within one year, however, the board of education revisited the pact, boosting its terms and provisions in the first of what would turn out to be a series of 10 separate amendments, modifications and revisions over the next five years. In each instance, Ferraina's compensation and benefits increased significantly at taxpayer expense.

- ***Hopatcong School District***

Superintendent Wayne Threlkeld

Base salary reported to DOE: \$182,847.

Actual total compensation: \$221,880.

Difference: \$39,033 or 21.3 percent.

Compensation beyond base salary during 2004-05 included \$15,542 for cashing in unused leave; a \$15,000 merit payment placed in an annuity; \$9,000 in longevity pay; \$3,547 toward insurance; a monthly automobile lease stipend of up to \$412, plus district-

paid automobile expenses. In addition to this compensation, Threlkeld is paid \$25,000 a year as Director of the educational system's Sussex County Regional Cooperative.

Between 1999 and 2004, \$14,934 in insurance premium payments were made on Threlkeld's behalf, and he cashed in \$84,718 in unused leave. Also, between 2001 and 2004, Threlkeld redeemed an additional \$60,000 in unused leave time, combining that with \$35,000 in merit bonuses, all of which were deposited into a 401(a) tax-deferred annuity plan for a total of \$95,000.

- ***Hudson County Vocational School District***

Superintendent Frank Gargiulo

Base salary as reported to DOE: \$173,902.

Actual total compensation: \$217,832.

Difference: \$43,930 or 25.3 percent.

Gargiulo's salary as reported to DOE included longevity pay of \$15,809. Compensation beyond base salary during 2004-05 included \$36,230 for cashing in unused sick and vacation leave; \$700 as an "attendance incentive bonus"; and a \$7,000 annuity payment.

Between 1999 and 2004, Gargiulo cashed in \$148,605 in unused sick and vacation leave and earned \$1,600 in incentive bonuses for not using sick leave. During the same period, more than \$23,600 was expended on Gargiulo's behalf for insurance coverage, and he received annuity payments totaling \$27,000.

- ***Camden City Public School District***

Superintendent Annette D. Knox

Base salary reported to DOE: \$180,081.

Actual total compensation: \$222,911.

Difference: \$42,830 or 23.8 percent.

Compensation in addition to base salary during 2004-05 included \$11,630 for cashing in unused leave; \$7,200 in bonuses; \$18,000 in automobile, travel and other stipends or allowances; and a \$6,000 annuity payment.

Between 2001 and 2004, Knox was the recipient of an automobile package, including a leased vehicle and operating expenses valued in excess of \$10,800 annually. In addition, Knox cashed in a total of \$37,298 for unused leave and redeemed more vacation days than she had accumulated.

Indeed, the overall absence of leave usage information, combined with inadequate and inconsistent records, raise substantial questions as to the validity of leave redemptions in Camden. A correct sick leave balance could not be ascertained and true unused vacation balances were blurred by missing and conflicting entries and supporting documentation. Moreover, Knox was permitted to cash-in vacation days at the inception of a year rather than at year's end, when unused leave could actually and accurately have been calculated. Further, there appears to have been lax enforcement of a requirement to provide leave balances to the board of education on a quarterly basis. Taking all of these factors into account, the annual sale of leave here has become tantamount to a hidden and ritualized salary bonus.

- ***Bayonne School District***

Superintendent Patricia McGeehan

Base salary reported to DOE: \$174,950.

Total actual compensation: \$225,060.

Difference: \$50,110 or 28.6 percent.

Compensation beyond base salary during 2004-05 included just under \$34,000 for cashing in unused leave; a \$6,000 automobile allowance; \$912 toward insurance; \$420 as an attendance benefit for not using sick leave; and \$8,785 in reimbursements for contributions to the TPAF pension system. The salary reported to DOE includes academic degree and career stipends valued at \$8,860 and \$10,500 in longevity pay.

Between 2000 and 2004, McGeehan cashed in \$120,346 worth of unused leave while collecting \$2,100 in attendance benefits for not using sick days. During this period, she also received \$39,600 in longevity payments; \$30,240 in academic degree stipends; \$26,476 in reimbursements from the district for contributions to the TPAF pension system; and \$3,826 toward disability insurance.

- ***Bergen County Vocational School District⁸***

Superintendent John Grieco

2003-2004 base salary reported to DOE: \$209,737.

2003-2004 actual total compensation: \$370,357.

Difference: \$160,620, or 76.6 percent.

⁸ Compensation data for the Bergen County Vocational, Paterson and Princeton Regional school districts is for 2003-04 because that was the last year their respective superintendents were employed.

Compensation beyond base salary during 2003-04 included \$72,800 in annuity payments; \$69,982 in reimbursement for unused leave through June 30, 2004; \$8,000 toward life insurance; \$8,180 in reimbursement for contributions to the TPAF pension system; \$1,032 toward long-term health-care; and \$1,069 toward disability insurance.

Between 1999 and 2004, Grieco and his estate received more than \$580,000 for unused sick, vacation and compensatory leave, of which more than \$368,000 was paid in calendar year 2004 alone. Also during this period, the district deposited \$238,800 on his behalf into a tax-deferred trust account. Upon his death on October 2, 2004, the payout from this account to his estate was \$327,881. Grieco also was reimbursed \$48,483 for TPAF pension contributions.

- ***City of Paterson School District***

Superintendent Edwin Duroy

2003-04 base salary reported to DOE: \$173,056.⁹

2003-04 actual total compensation: \$197,711.

Difference: \$24,655, or 14.3 percent.

Compensation beyond base salary during 2003-04 included \$7,211 for cashing in unused vacation leave; a \$5,000 annuity; and a maximum of \$4,500 toward life and disability insurance. Between 1999 and 2004, Duroy collected \$25,000 in annuity payments, and between 2001 and 2003 cashed in more than \$20,400 for unused accumulated leave.

⁹ This figure does not reflect a raise to a salary of \$181,000 approved by the Commissioner of Education in December 2003 and made retroactive to July 1, 2003.

Duroy relinquished his duties with the district at the end of the 2003-04 school year. On June 2, 2004, he entered into a termination contract whereby he was placed on administrative leave to “special assignment” to the Commissioner of Education. Duroy collected \$43,542 between July and November of 2004. In addition, his termination contract allowed for payment of sick and vacation leave totaling \$53,545; and a \$2,500 payment toward his annuity. Including the proceeds of this termination contract, his total remuneration was \$297,298. Duroy retired on January 1, 2005.

- ***Princeton Regional School District***

Superintendent Claire Sheff Kohn

2003-2004 base salary reported to DOE: \$169,865.

2003-2004 actual total compensation: \$186,165.

Difference: \$16,300 or 9.6 percent.

Compensation beyond base salary during 2003-04 included \$11,500 in an annuity payment and a \$4,800 stipend for automobile use.

Between 2000 and 2004, Sheff Kohn collected a total of \$44,500 in annuity payments. Sheff Kohn retired on July 31, 2004, after which she was paid \$19,647 for cashing in unused leave.

Tax Issues

A comparison was made of nearly 1,200 Federal Tax Forms W-2 issued by the various districts employing the 334 administrators subject to the Commission’s inquiry. Among these administrators, 33 were provided with leased or district-owned

automobiles, almost all of which were specifically available for unrestricted personal use. The instructions on Form W-2 state, “*The lease value of a vehicle provided to your employee and reported in box 1 (Wages, tips and other compensation) **must** be reported here (Box 14) or on a separate statement to your employee.*” (Emphasis in original.) Of the 33 administrators, only three were found to have received Forms 1099 reporting nominal amounts, based upon documents submitted. No W-2 reflected the value of this fringe benefit in the manner prescribed in U.S. Internal Revenue Service regulations.

Further, for 92 administrators found to have received annuities or trusts funded by districts at taxpayer expense, no Form W-2 reflected the total value of district contributions to such plans. The instructions for Form W-2, Box 14, continue, in part:

“You may also use this box for other information that you want to give to your employee. . . . Examples include state disability insurance taxes withheld, union dues, uniform payments, health insurance premiums deducted, nontaxable income, educational assistance payments, or a member of the clergy’s parsonage allowance and utilities. In addition, you may enter the following contributions to a pension plan: (a) nonelective employer contributions made on behalf of an employee”

Fifty-three employees were reimbursed for their TPAF pension contributions. These reimbursements, as well as those for supplemental life insurance, long-term health insurance, disability coverage and additional health insurance, as provided to 128 administrators; for medical expenses not paid by health insurance, as provided to 17 individuals; for payments to 11 individuals as compensation for not participating in a health insurance plan; and for numerous other reimbursements for tuition, moving expenses, chauffeurs, cable television service, computers, cell phones, prior pension credits, bonuses, professional dues and other expenses were likewise rarely reflected on

Forms W-2 or 1099. This problem can become compounded when individuals file personal tax returns and claim deductions for employee business expenses for which they already have been reimbursed. In certain instances, it was determined that fringe benefit payments were included in base salary for pension calculation purposes, though the New Jersey Division of Pensions and Benefits has ruled these types of payments ineligible for pension compensation. Disguising fringe payments as components of earned wages creates a legacy of under-funded liabilities for generations of taxpayers to come.¹⁰

Numerous individuals also were afforded the ability to spread certain compensation due at separation over as many as six years. These payments, consisting largely of redemptions of unused leave earned during employment, would typically represent taxable income at the time of separation. Postponing payment provides both an income-tax deferral and likely savings to the recipient. Such arrangements, if not presently funded, also create liabilities that can impact school budgets well into the future. More significantly, such deferrals may be in violation of U.S. Internal Revenue Service regulations.

The Commission finds that it is remarkable and particularly troubling that any school district, as a taxpayer-funded governmental entity, would fail to be in full compliance with both federal and state tax regulations.

¹⁰ For additional discussion of this issue as it relates to pensions, see section entitled “Pension Manipulation” at p. 40 of this report.

SEVERANCE PACKAGES/ “BUY-OUTS”

When legislation was adopted in 1991 abolishing career tenure for public school superintendents in New Jersey, one expectation was that the change would ameliorate the practice of boards of education entering into costly separation-of-employment arrangements with administrators they wished to remove or replace in a timely and efficient manner. The thinking was that under a new and limited tenure structure established by New Jersey law – in which superintendents henceforth would enjoy job security through the confines of a set contract period of between three and five years – school district governing bodies would be afforded greater flexibility in dealing with and resolving such matters without costly and protracted litigation typically triggered by challenges to the career tenure system.

In reality, costly severance deals and contract buy-outs for superintendents have continued to proliferate, along with those involving tenured assistant superintendents and business administrators. Examples include:

Wall Township School District

The district’s board of education in recent years has approved lucrative buy-outs for two superintendents and a business administrator.

In 1996, in order to obtain the resignation of then-Superintendent Eileen J. Smith-Stevens, the board approved a separation-of-employment agreement that kept her on the district’s payroll and gave her a lump-sum of more than \$37,000 for signing a release. She also received more than \$82,000 for unused sick, vacation and personal leave.

The deal was structured such that Smith-Stevens for five years would receive an annual salary of \$2,284 – minimal but sufficient to allow her to continue accruing pension-related employment service credits. The district’s taxpayers also picked up the tab for contributions on her behalf to the TPAF pension system. During this five-year period, she ostensibly served as a “Coordinator for grants” for the district. However, the separation agreement explicitly stated that she was not required to report to the district’s office for work. Meanwhile, the leave redemption was split into separate annual payments of \$16,412, postponing her income tax exposure to future years and raising questions as to the ultimate propriety of the arrangement for tax purposes. Also, given that her original contract called for her to receive non-contributory health insurance coverage for herself and family at termination, retirement or death, the district paid more than \$65,000 for it between 1999 and 2005 and continues to provide the benefit.

* * *

Smith-Stevens’ successor, Edward Miklus, was hired as superintendent in March 1997. In July 2000, he was awarded a new three-year contract later amended to provide, among other things, guaranteed lifetime medical benefits for he and his wife at district expense. In March 2003 – three months prior to the contract’s scheduled expiration – the school board entered into a separation-of-employment agreement with Miklus that called for nullification of his contract in exchange for the following:

- Miklus would waive the statutory requirement that his contract be automatically renewed. Under law, the board was obligated to offer him a minimum renewal of at least three years because it had failed to meet the

statutory requirement of providing at least one year of advance notice of its intention not to renew.

- Miklus would remain on the district payroll at a rate of \$12,831 per month through June 2003 as a “consultant.”
- Miklus would receive a lump sum of more than \$109,000 in consideration of unused accumulated sick, vacation and personal leave, payable in three segments to a tax-sheltered annuity plan through the year 2005. Here again, questions arise as to the propriety of such deferrals for tax purposes.

* * *

In December 2004, the board of education entered into yet another separation-of-employment agreement, this one with then-business Administrator Jack M. Hahn. Hahn was placed on administrative leave, but the district retained him as a salaried “special consultant” to assist in the transition of a replacement. His salary over a three-year period – including a raise after the first year – was set as follows: \$138,915 for 2005; \$145,861 for 2006; and \$145,861 for 2007. Further, upon retirement, Hahn was to continue to receive full health insurance coverage at district expense. This arrangement enabled Hahn to qualify for full pension benefits without reduction for early retirement.

Although both Hahn and the district have continued to make contributions on his behalf to the TPAF pension system, the State Division of Pensions and Benefits has disallowed his extended eligibility pending the outcome of an official review of the matter.

Princeton Regional School District

Marcia E. Bossart was hired as superintendent in May 1994 under the provisions of a contract that was subsequently re-negotiated with an employment term to expire in June 1999. In January 1998, however, Bossart and the board of education mutually agreed to nullify the contract in exchange for the following as memorialized in a special contract addendum that enabled Bossart to:

- Take a leave of absence from February 1, 1998 through June 30, 1999.
- Remain on the district's payroll, receiving a salary of \$127,545 for the balance of the 1997-98 school year, including a 3.5 percent raise, and \$135,198 for 1998-99, including a 6 percent raise.
- Continue to be reimbursed for travel to professional conferences, membership in professional organizations, attendance at the Harvard Institute of Superintendents or other similar professional institute, an annual medical examination, clerical support services, premiums for disability income insurance up to \$2,700 per year, and \$150 for retirement and financial planning.
- Receive a \$25,000 payment within five days of her official resignation effective June 30, 1999.

Bossart was also provided with a professional letter of recommendation, and the board agreed to a joint public announcement of her departure that was structured to be devoid of any negative or pejorative language.

Asbury Park School District

Following a clash with the board of education of “leadership styles,” Superintendent Robert H. Mann resigned in June 2000 in exchange for \$310,000 under the terms of a separation agreement approved by the board of education.

As part of this arrangement, the board also paid \$40,000 to cover Mann’s legal fees in connection with the dispute. The separation payout to Mann was in addition to his salary of \$120,750.

Pleasantville School District

Former Superintendent Andrew Carrington was hired in November 1999 based upon a five-year contract to expire in June 2004. In 2002, he and the board of education in this Atlantic County district became embroiled in a dispute over the board’s decision to rescind a raise and place him on a two-week administrative leave. In November 2002, Carrington and the board reached a separation-of-employment agreement under which he would vacate his position and be paid \$125,000 less withholding taxes. He also received \$11,999 in payment for 22½ days of unused vacation leave and full family medical coverage through June 30, 2003.

Southern Regional School District

James A. Moran Jr. was employed as assistant superintendent and business administrator in this Ocean County district under a five-year contract that was scheduled to run from July 2000 through June 2005. Moran resigned effective December 1, 2003. The resignation was contingent upon the board’s ratification of a severance agreement under which he would be paid \$200,000 “*in full satisfaction of all claims Moran may*

have against the school district for salary, salary increments, payment for unused vacation time, payment for unused sick leave and all other forms of employment compensation.”

Moran’s Federal Form W-2 for 2003 shows that he was paid a total of \$314,197. This included the severance, which was paid in a lump-sum.

Lakewood School District

In June 2000, the board of education awarded Ernest J. Cannava a new five-year contract as superintendent, but then sought to remove him prior to the contract’s expiration. Based upon a separation-of-employment agreement signed in October 2004, Cannava stepped down but was allowed to remain on the payroll, working out of his home as an assistant superintendent for “special projects.”

The deal called for Cannava to continue to receive his previously negotiated superintendent’s salary of \$152,230 for 2004-05 plus full health and medical benefits. On July 1, 2005, Cannava became a special projects “consultant” for the district through November 2005, when he was scheduled to retire. During this five-month period, he was paid \$71,963 and reimbursed for accumulated unused sick and vacation leave at a rate of approximately \$692 per day.

Carteret School District

Former Superintendent Gary Vitta was employed under the terms of a five-year contract that was scheduled to expire at the end of June 2004. During 2003, however, the board of education modified Vitta’s pact in such a way as to allow him to remain on the payroll even though he left the district to take another job.

The vehicle for Vitta's special separation arrangement was a paid leave of absence for nearly five full months, from August 6 until December 31, 2003, during which he assumed the responsibilities of Acting Schools Superintendent in Hunterdon County at an annual salary of \$101,000. During this period, he collected \$56,000 from Carteret and was entitled to full benefits plus compensation for unused accumulated leave at district expense.

The separation agreement with the board stated that "*the Superintendent and the Board are desirous of modifying the contract to facilitate the possible acceleration of the effective date of the Superintendent's resignation.*"

PENSION MANIPULATION

Public school administrators in New Jersey qualify for retirement benefits under the State Teachers' Pension and Annuity Fund (TPAF), which covers a wide range of school employees. Under the TPAF system, as with other taxpayer-subsidized public-employee pension plans, the amount paid to each retiree is governed by rules that take into account a range of factors, including primarily the length of employment service and the level of annual base salary. Generally, the longer the term of service and the higher the base salary, the larger the pension payout at retirement.¹¹ In an effort to ensure fair and proper dispensation of the TPAF pension benefits, the State Department of the Treasury, through its Division of Pensions and Benefits, periodically provides every school district in New Jersey with a manual delineating acceptable procedures for accrual of pensionable service time by employees and outlining what is permitted for inclusion in base salaries for pension calculation purposes. These regulatory guidelines state plainly that *“the compensation of a [TPAF] member subject to pension and group life insurance contributions and creditable for retirement and death benefits in the system shall be limited to base salary, and shall not include extra compensation.”* (Emphasis added)

The Commission discovered manifest inconsistencies in school district policies and practices with regard to inclusion of extra compensation for pension purposes. In some instances, boards of education and administrators were fully cognizant of the

¹¹ The TPAF system was created to fund retirement compensation for teachers. It was designed to be funded via teacher contributions which, over time, while invested during years of service, would accrue earnings and, where necessary, would be supplemented by taxpayer support. In school districts where employee contributions to TPAF are refunded or paid by the employer, the retirement system reverts wholly to a taxpayer-funded plan.

Although there are nine different retirement payout options available under the TPAF system, the basic calculation for pension benefits is total years of employment service divided by 55 and multiplied by final average salary. The final average salary is the average of the three highest annual salaries, which, in most instances, are for the years immediately preceding retirement.

State's rules and acted accordingly. In others, the Commission found questionable or patently improper steps were taken to provide administrators with inflated and overly generous pensions by padding base salaries with multiple forms of extra compensation. In some cases, this salary padding occurred in the years immediately preceding retirement. In others, however, it reflects a pattern of practice endemic throughout a longer course of employment. The salary add-ons, frequently quite lucrative, are wide-ranging and include:

- Payments for cashing-in of unused sick, vacation and/or personal leave.
- Payments in lieu of overtime.
- Cash bonuses.
- Tax-deferred annuities and trusts.
- Payments for length of service (longevity).
- Stipends for travel, meals and miscellaneous expenses.
- Reimbursement of disability insurance payroll deductions.
- Reimbursement for "opting out" of a district's group employee health insurance plan.
- Salary increments or adjustments in express recognition of an impending retirement.
- Reimbursement of employee contributions to the TPAF system.

This inquiry even revealed exceptional instances in which contracts have been written such that top school administrators reap a kind of "double dip" pension boost in which they purchase credit toward additional pensionable service time, are reimbursed at

taxpayer expense for the cost of it, and then have the dollar value of the reimbursement added to their regular pay, thus further inflating their base salaries for pension purposes.

The cumulative effect of such machinations, of course, is to lock retiring administrators, and those nearing retirement, into long-term pension payouts often far more generous than they would otherwise receive, given the critical role played by base salary in the calculation of ultimate pension benefits. Moreover, at the time these arrangements are approved by local boards of education, taxpayers are rarely provided with details regarding the cost they must bear for assorted salary add-ons. Further, excessive upward manipulation of base salaries, particularly in the final few years prior to retirement, can undermine the fiscal integrity of the overall TPAF pension system by creating abrupt and unanticipated liabilities not sufficiently funded by employer/employee contributions to the system.

Events and circumstances involving the compensation of top administrative personnel in the following school districts are emblematic of systemic pension manipulation issues identified during the Commission's inquiry:

Teaneck School District

The Commission examined contracts and other internal employment documents involving three top administrators in the Teaneck School District and found in each instance that, for pension purposes, substantial amounts of compensation were improperly built into base salaries. Two of the three administrators are retired, collecting inflated monthly pensions at taxpayer expense; the third is still employed. In each instance, the full scope of compensation was/is obscured from public view. For example, minutes of board of education meetings show that the base salaries for these personnel,

when presented in public, were routinely shorn of substantial add-ons that, in reality served to boost their total compensation. Moreover, even if interested taxpayers were granted access to the district’s payroll records, they would find, as the Commission did, that the annual total value of various base salary add-ons – stipends, reimbursements, etc. – was divided up and buried in equal bi-monthly increments corresponding to the district’s 24 regular pay periods. Thus, no single pay stub reflects an abrupt spike in salary due to the inclusion of a lump sum. One of the Teaneck administrators whose compensation was examined by the Commission, Assistant Superintendent A. Spencer Denham, memorialized this type of ploy in an e-mail to one of his administrative colleagues. *“As per our conversation . . . I would like to sell back accumulated PB [personal business] days and Vacation Days totaling approximately \$3300 (sic) . . . ,”* Denham stated. *“It should be spread out over the remaining quarters, for this school year, for pension purposes, so there is a consistency in my quarterly reports rather than and (sic) up and down appearance. . . .”*

* * *

Harold Morris was superintendent of the Teaneck School District for 17 years prior to his retirement in August 2003. A review and comparison of Morris’ contract and the district’s payroll records revealed that in addition to a base salary and regular raises, he collected more than \$216,000 in salary add-ons over a period of four years leading to his retirement. The add-ons included more than \$109,000 in proceeds from the cashing in of unused sick, vacation and personal leave; \$54,000 in reimbursements from the district for expenses associated with meals, conferences and various “professional” activities; \$9,600 in stipends paid to him by the district for use of an automobile; and

more than \$43,000 toward optical coverage, disability insurance and general health insurance.

The health insurance component is particularly notable because of the way it was manipulated to boost Morris' salary for pension purposes. Although school district employees in Teaneck received free coverage at district expense through the State of New Jersey's Health Plan, the benefit for Morris was taken a step further. Every month, the dollar value of the premium for his individual coverage was annualized and applied to his salary. Though he never actually received cash for this perk, it nonetheless served to inflate his pensionable base salary.

In 2002-03, the last year of his employment, Morris' base salary of \$170,000 was inflated overall by a total of more than \$58,000, giving him a final pensionable salary of \$228,679. As a result of this, factored together with his years of service, Morris qualifies for a TPAF pension calculated at a maximum of \$81,381 per year, according to data provided by the State Division of Pensions and Benefits. Had the various components of extra compensation been excluded from Morris' base salary, his pension would be reduced to \$61,378 per year.

In addition to his boosted pension, Morris collected a lump sum of more than \$113,400 for cashing in unused accumulated sick and vacation leave at retirement. He and his wife also were granted full hospitalization, major medical, dental and optical coverage at district expense until the time of his death. Further, the board awarded Morris a post-retirement consulting contract – initially capped at \$40,000 per year, but later amended to include an additional \$20,000 – in which he was to apply his “special knowledge and expertise” to pending capital construction and technology projects and

staff development programs. Upon his retirement, Morris received a three-day golfing vacation to Myrtle Beach, South Carolina, courtesy of district taxpayers at a cost of \$1,713, including round-trip airfare on Hooters Air. During the Commission's investigation, when questions were raised about the propriety of this arrangement, three district officials reimbursed the district on Morris' behalf.

* * *

Similar machinations were used to inflate the pensionable base salary of the Teaneck district's former business administrator, Vincent Doyle, who retired in 2001. During his final year of employment, nearly \$47,000 in extra compensation was factored into Doyle's base, including more than \$33,900 for selling back unused accumulated sick, vacation and personal leave. Like Morris, Doyle's pensionable base salary was further inflated through the added value of health insurance premiums.

The combined effect of the extra compensation was to balloon Doyle's pensionable salary at retirement to \$159,858 from a genuine base of \$113,036. Paperwork certified by the district and submitted to the Division of Pensions and Benefits thus qualified him for an annual pension of more than \$70,000. Based upon the Commission's estimates, had the various components of extra compensation been excluded from Doyle's base salary, his pension would be reduced to approximately \$54,000.

Denham, the current assistant superintendent in Teaneck, has collected nearly \$57,000 for selling unused vacation and personal leave back to the district during the past four years – approximately one-half of that amount during 2003-04 alone. All of it, along

with lesser payments for use of an automobile, has been added to his base salary for pension purposes, inflating it from \$129,606 to more than \$155,000.

Southern Regional School District

District Superintendent James Kerfoot is employed under terms of a five-year contract through 2007 that guarantees annual raises of at least \$7,500, plus extra compensation valued at nearly \$26,000 for inclusion in his base salary for pension calculation purposes. Significant among his current salary add-ons are a \$14,727 annual reimbursement for waiving participation in the district group employee health insurance plan, contributions at district expense to a tax-sheltered annuity starting at \$5,500 and increasing annually at a rate of 3 percent, a \$300 monthly allowance (\$3,600 per year) for expenses associated with official “*in-district and night activities*”, and a \$1,458 annual fee for disability insurance. As a result, Kerfoot’s current salary as reported to the State for pension purposes has been boosted from a genuine base of \$149,883 to an inflated base of \$176,040.

In both his current contract and in a prior contract covering the years 2000-2004, neither the dollar value of Kerfoot’s base salary nor that of the various salary add-ons is specified. Language in the earlier contract with respect to compensation was limited as follows: “**COMPENSATION. Salary. DISTRICT shall pay SUPERINTENDENT an annual salary which will be increased each year by the cap percentage subject to satisfactory evaluations and Board review.**” Similarly, the current contract simply states, “**DISTRICT shall pay SUPERINTENDENT an annual salary which will be increased**

each year by the \$7,500 as per the attachment, subject to satisfactory evaluations and Board review.” (Emphasis in original.)

* * *

Contract provisions similar to those enjoyed by Kerfoot also have been used to inflate the pensionable salaries of current Southern Regional Assistant Superintendent Craig Henry, current Business Administrator/Board Secretary Lynn Shugars, and former Assistant Superintendent Stephen Klemens, who retired under unusual circumstances.

In Henry’s case, more than \$13,000 in compensation has been added to his current base salary of \$129,447, including \$6,010 for a tax-sheltered annuity; \$6,548 for opting out of the district’s group health insurance plan; and \$1,458 for disability insurance. As a result, Henry’s base salary for 2004-05 as reported by the district to the State Division of Pensions and Benefits is \$142,595.

Shugars’ contract contains provisions that boosted her pensionable base salary by nearly \$8,000 in the current year, from \$114,950 to \$122,908, with the addition of a \$5,665 contribution by the district to a tax-sheltered annuity and nearly \$2,300 for disability insurance.

Klemens, meanwhile, received an annuity contribution of approximately \$8,000, reimbursement of approximately \$12,000 for opting out of the district’s group health insurance plan and \$2,500 toward disability insurance during 2003, the final year of his employment with the district. Collectively, these amounts boosted his final pensionable salary by \$22,500. Moreover, although Klemens retired in December 2003 and moved to Florida, the Commission determined he remained on the district payroll for four months, until April 2004, collecting a gross salary of \$36,669. According to district officials, he

performed select special projects during that period at the behest of the superintendent. Klemens was told that he did not have to report to the district's offices but was allowed to work from home. The district, however, could not provide the Commission with any document setting forth official instructions as to what he was to do. Klemens' 2003 W-2 tax form was mailed by the district in February 2004 to the address of his condominium in Pompano Beach, Florida.

At retirement, Klemens also was entitled to more than \$78,500 for unused accumulated leave. Instead of paying a lump-sum in this amount, however, the district agreed to divide it into equal annual installments of \$26,169 payable over three years following his departure. This type of deferral arrangement raises questions as to compliance with appropriate tax laws and regulations.

New Brunswick School District

Ronald Larkin retired as superintendent of the New Brunswick School District in Middlesex County on July 1, 2004 with a salary for pension calculation purposes of more than \$206,000, plus additional income that boosted his final year's total compensation to more than \$430,000.

Analysis of district employment records and other relevant documents shows that Larkin's pensionable base was inflated for years with salary add-ons in the form of pension reimbursements, stipends and other payments. Moreover, the entire history of the process utilized by the district in formulating his compensation is replete with circumstances suggesting an effort to obscure from public view the true overall cost. For example, although Larkin served as the district's top administrator for 24 years, only one

formal contract governing his employ was ever approved by the board – a three-year deal inked in 1990. Subsequent annual extensions, including changes and amendments providing him with raises and other payments, were granted based largely upon memoranda written by Larkin himself and rubber-stamped by the board. Minutes of board meetings obtained by the Commission via subpoena contain no reference to Larkin’s various memoranda, nor do they memorialize public action by the board to modify Larkin’s compensation pursuant to various internal missives.

Documents obtained by the Commission suggest deliberate steps to inflate his pensionable salary in anticipation of retirement. In a memorandum dated July 19, 1998, Larkin informed the board of his intent to retire effective during the 2001-2002 school year. In a second memorandum dated July 28, 1998, entitled “1998/99 Contract Negotiations”, Larkin reminded the board that the district had been paying his share of contributions to the TPAF pension system for several years at a rate of \$513 per month and that he also received a regular \$200 monthly expense allowance. He asked that the combined sum, \$713 per month or more than \$8,500 annually, be added to his base salary. These changes were implemented, as evidenced by documents provided by the district. Board agreement was memorialized by signature and date provided by the then-president of the board. Subsequently, as the projected retirement year neared, a memorandum dated June 13, 2000 from the then-president of the board informed his colleagues on the panel that Larkin henceforth would be entitled to a \$10,000 annual bonus in recognition of his years of service and that this amount annually would be “adjusted into his salary.”

Overall, district records show that during his final six years of employment, Larkin's base salary for pension purposes was layered with various stipends, pension contribution reimbursements, bonuses and other payments. The ultimate effect of these inclusions was inflated total compensation of \$226,662, which was the amount reported to the State Division of Pensions and Benefits for pension calculation purposes. As a result of this, Larkin receives an annual pension of more than \$123,000.

During the years leading to his departure from the district, Larkin also collected substantial amounts of compensation beyond that which was included in his base salary for pension purposes. For example, on an annual basis during the five-year period between 1999 and 2003, he cashed in a cumulative total of more than \$185,000 in unused sick and vacation leave. Upon retirement in 2004, Larkin walked out the door with a lump-sum payment of more than \$261,000 for accumulated unused leave, plus a \$10,000 annuity and an \$18,000 automobile stipend, bringing his total final year's compensation to more than \$487,000. As reported to the State Department of Education, however, for inclusion in that agency's statewide listing of superintendent salaries, Larkin's total pay for that year was pegged at a substantially lower \$225,712.

Deptford Township School District

David H. Moyer was awarded a contract as superintendent of this Gloucester County district in July 1996 under terms in which his starting base salary of \$120,093 would rise through regular increments to \$140,493 at the end of five years. The contract called for the district to contribute \$12,500 per year to an annuity for Moyer, and it contained an unusual provision – a “Supplemental Income/Retirement Program” that

provided him with fluctuating annual cash reimbursements for unused sick leave. The annuity payments and leave redemptions, along with regular raises, were rolled into base salary in such a way as to maintain it at a level \$154,724 from one year to the next. In 1999, before the contract's scheduled expiration, Moyer and the board of education negotiated a second five-year deal. Although the "Supplemental Income/Retirement Program" was discontinued, the inflated salary it produced became the starting point for a series of raises that increased Moyer's pensionable base to more than \$215,000 by the time he retired in September 2004, according to state pension records.

By loading his base with add-ons during the initial contract but not later, Moyer and the board of education were able to avoid possible scrutiny by the State Division of Pensions and Benefits, which examines the propriety of annual raises that exceed 10 percent in the final years prior to retirement. For example, had Moyer's base salary in the final year of his first contract (2000-01) been \$140,493 – as initially scheduled minus the annuity and leave redemptions – he would have had to receive a raise of more than 24 percent to reach the salary he actually was paid that year, \$174,881. Instead, the deal was structured such that it appeared he received a raise of little more than 6 percent.

Haddonfield School District

Barry Ersek retired as superintendent of the Haddonfield School District in Camden County in July 2005 after the board of education, fully aware of his impending departure, undertook what appears to have been a concerted effort to boost his salary for pension purposes.

Under the terms of a final three-year contract awarded to Ersek in June 2003, the board agreed to provide him with a series of annual cash payments for inclusion in base salary over and above regular raises. Conveyance of these sums coincided with a letter of resignation – dated June 12, 2003 and incorporated as part of the contract – in which Ersek expressed his intent to retire effective July 1, 2005. One such payment was applied retroactively to inflate Ersek’s 2002-03 base salary from \$150,539 to \$159,571 with inclusion of a 6 percent (\$9,032) “recognition” bonus. For 2003-04, a 3.5 percent longevity payment increased his base salary by \$5,864, from \$167,550 to \$173,414. For 2004-05, the last year of his contract, another 3.5 percent longevity payment lifted his base salary by \$6,373, from \$182,085 to \$188,458. The compounding impact of this bonus and these longevity payments effectively enabled Ersek to collect a cumulative raise of nearly \$40,000 over three years, in addition to regular increments under the terms of his contract. In each of the three years, the base salary with these payments included was the figure filed with the State for pension calculation purposes.

Ramapo-Indian Hills School District

Superintendent Paul Saxton’s base salary has been inflated for pension purposes through the addition of annual travel stipends and annual increments in recognition of his longevity of service. His employment contract with the district further boosts his pensionable base pay by calling for the addition of payments into an “annual flexible account.” This device is not explained or defined in any records obtained from the district. Given that these payments are made directly to Saxton as part of his base salary, the Commission can only conclude that the terminology used to describe them is merely a

contrivance to disguise what essentially are increments over and above regular raises as specified in his contract.

Between 1999 and 2005, Saxton received a total of more than \$66,300 in combined longevity and “flex account” payments, plus \$28,000 worth of travel stipends (at \$4,800 per year) on top of his contractual base salary during those years. For example, in 2002-03, his contractual base salary was \$154,831, but the base as reported to the State for pension purposes was \$167,600, with the addition of the \$4,800 travel stipend and flex/longevity payments. In 2003-04, the contractual base of \$161,024 was boosted for pension purposes to \$179,018 with the addition of the travel stipend and \$13,194 in flex/longevity payment. For 2004-05, Saxton’s salary as reported to the State for pension purposes was \$191,168, including the travel stipend and more than \$18,900 in flex/longevity payments.

OBSTACLES TO PUBLIC DISCLOSURE

A recurrent phenomenon throughout this inquiry was the absence of any mechanism to assure unfettered, uniform and timely public access to data and information that bear directly upon the cost of employing school district administrative personnel. The prevailing system is marked by widespread inconsistency in which taxpaying citizens often must run a gamut of impediments in search of an accurate understanding of the full scope and budgetary implications of compensation and benefits in this realm.

Although many districts readily provide copies of basic employment contracts, these documents frequently do not detail the value of various forms of monetary and other remuneration awarded to administrative employees on an annual or intermittent basis. Moreover, although compensation of district personnel ultimately must be voted upon during public school board meetings, a review of the various records and minutes of such sessions revealed that discussion of such matters is routinely circumscribed and few details are offered to those in attendance.

Events in the Borough of Ridgefield School District in Bergen County provide a case in point. At a regular public meeting of the district's school board in October 2001, for example, an agenda involving personnel, disciplinary and other matters was presented for final approval. Under an item identified only as "Pension Service Credit," the resolution called for approval of the *"purchase of military and municipal service credit as per memorandum dated October 23, 2001 in agreement with contractual relationship between the Board of Education and the Superintendent of Schools."* The resolution was adopted by a vote of 4-0 with three abstentions. The meeting minutes reflect no

substantive discussion or fiscal details. In fact, the resolution authorized then-Superintendent Richard A. Sabella to receive, at taxpayer expense, additional credit toward his final pension for 23 months of military service time valued at nearly \$45,000 and 40 months of pension-related municipal service credit valued at more than \$39,000.

Elsewhere, in the Camden City Public School District, a review of written meeting minutes as well as audio tapes demonstrated that those in attendance could have gained no insight into the true compensation of current Superintendent Annette Knox or the reasons why her predecessor, Roy Dawson, was permitted to resign 14 months prior to his contract expiration and yet nonetheless continue to be paid and receive full benefits.

Similarly, no requirement exists under which boards of education and other district officials must actively, regularly and without prodding delineate elements of separation and retirement arrangements or re-negotiated contract provisions and their attendant cost. To be sure, interested citizens eventually may gain access to such information, but reaching that objective typically seems to require an unnecessarily dogged search – and fairly precise knowledge of exactly what to ask. The standard layman’s query – “How much does administrator so-and-so make?” – will not necessarily produce a complete or sufficient answer.

In addition to specific instances of obstacles to proper and acceptable public access cited at various junctures throughout this report, the Commission found instances in which school districts failed to provide complete information even in response to a subpoena. In Asbury Park, for example, officials stated that they could not locate the superintendent’s contract. In Bayonne, the district did not maintain all original written

contracts for top administrative personnel. Meanwhile, incomplete and disorganized records yielded a range of unsatisfactory responses. For example, the City of Newark School District – the largest in the State – provided the smallest, most limited volume of records of all the districts that received Commission subpoenas. In Elizabeth, district officials acknowledged that no formal contracts even exist for the business administrator and assistant superintendents.

When all else fails, obtaining the official records of board of education proceedings does not necessarily help. Analysis of the minutes of board meetings in the Montclair School District, for example, demonstrated that none of the following was memorialized as having been an agenda topic of discussion and/or action at the appropriate meeting: administrator annuities, reimbursements for pension system contributions, the dollar value of vacation and sick leave redemptions and stipends for expenses associated with automobile use.

In Carteret, school district officials told Commission investigators that in the event of a request via the Open Public Records Act for material related to administrator compensation, a copy of the current contract is provided but not the monetary amounts associated with its various provisions.

Sometimes, public disclosure is sacrificed for public relations. In Hopatcong, for example, correspondence found in one file indicated that although funds were to be deposited in an annuity account for an administrator, interest accrued on the amount in question “*would not be calculated as compensable income, which removes it as a public relations liability.*”

LAX OVERSIGHT

With few exceptions, such as mandating a minimum annual salary for teachers, state government in New Jersey maintains a “hands-off” policy of long standing with regard to deliberations and decisions by local boards of education regarding compensation and benefits for public school personnel. Indeed, there are only four districts in which the State exercises any direct ongoing control over salaries and benefits for top administrators: in Jersey City, Newark and Paterson, where the State has assumed full control of all operations; and in Camden, which currently functions under terms of a quasi-takeover by the State through the Municipal Rehabilitation and Recovery Act. Only in those districts are the negotiated provisions of employment contracts for superintendents subject to review and approval by the State Board of Education and the State Commissioner of Education.

Similarly, although school districts across the State annually retain private-sector accounting expertise to conduct certified financial audits, these reviews typically do not involve qualitative cost assessment of personnel compensation and benefit levels or examination of contractual terms involving the employment of administrative or other personnel. Moreover, routine audits may not serve to assure that wages and fringe benefits have been reported properly to recipients in accordance with federal and state tax laws and regulations. This inquiry also has established that boards of education typically do not subject key compensation provisions of proposed employment contracts to any form of meaningful cost analysis before they are awarded to top administrators.

The collective result of these phenomena is a fundamental gap in the government’s ability to bring proper oversight and accountability to bear in the

expenditure of substantial sums of taxpayer dollars. That the State does not maintain a comprehensive, accurate and up-to-date listing of the full monetary compensation paid to top school administrators – and that school districts themselves have wildly inconsistent policies with regard to ease of public access to such information – speak volumes about the current state of affairs.

Perhaps the best evidence suggesting the need to address issues of orderly control over and transparency in today’s administrator compensation system came in sworn testimony from top administrators themselves.

Michael J. Ritacco, superintendent of schools in Tom River and Seaside Heights, agreed that, considering the depth of State-sponsored taxpayer support of public schools in New Jersey – Toms River schools receive approximately \$67 million in state aid each year, beyond revenues raised locally through property taxes – it may be advisable for the State to establish guidelines for local school boards to follow before reaching final decisions on how and to what extent to compensate administrators. Ritacco testified:

Q. . . . *[I]f the District is willing to accept state aid to that extent, shouldn’t . . . the State have some kind of responsibility or play a role in how [those] monies are being divided to the school officials and the superintendent?*

A. *I think that if they made some guidelines that maybe the Boards of Education would be able to go by it might be helpful. But I really . . . think it’s an individual thing at an individual school district.*

Thomas McMahon, superintendent of schools in Barnegat, testified that given prevailing circumstances in which candidates for top school administrative jobs can command virtually whatever the market will bear in terms of compensation, the State should go beyond guidelines and actually mandate salary levels for top administrators.

Q. *Why should a public servant's job be [treated like] a free agent?*

A. *Should not. The salary should be set by the legislature.*

Joseph G. Torrone, superintendent of schools in Brielle, told the Commission it was important to shed light on issues related to compensation and benefits so that taxpayers know what they are paying for.

A. *. . . Whatever comes out of this, maybe it will help a small town down the road or a big city down the road. And if some of these things are exposed, maybe it will make some people more reluctant to try to go after some of the[se] things. So anybody that's abusing the system, I don't think anybody likes that. . . . [N]obody likes to see our money go out the window for frivolous things. It just doesn't make any sense. It just frosts us all.*

Referrals and Recommendations

The Commission refers the findings of this report to the State Department of Education; the Office of the Attorney General of New Jersey; the State Department of the Treasury, Division of Pensions and Benefits; the State Division of Taxation; and the United States Internal Revenue Service for their consideration and any action they may deem appropriate.

Given the systemic scope of the issues examined in this inquiry, and in the interest of promoting maximum awareness of their import and implications, the Commission also undertakes the extraordinary effort of providing copies of this report to every public school district, county and municipal governing body in the State of New Jersey.

* * *

Based upon the findings of its investigation, the Commission makes the following recommendations for systemic reform:

1. Enhance Public Disclosure

New Jersey taxpayers devote billions of dollars in property taxes and more than one-quarter of the entire state budget to support public education. It is, therefore, critical that effective and practical mechanisms be in place to ensure not only that school district expenditures are reasonable and appropriate but also that citizens are properly and adequately informed of the disposition of their tax dollars.

In order to bring greater public transparency to this system, the Commission recommends:

- Legislation requiring that boards of education include in their annual public budget documents the following:
 - A detailed statement of all contract terms, including duration and all forms of compensation to be paid to the superintendent, assistant superintendents and other key central-office administrative personnel.
 - The annualized cost of all benefits for district administrators, including, but not limited to, all contributions by the district to health, dental, life and other types of insurance, medical reimbursement plans, retirement plans, and all allowances, bonuses and stipends.
 - Any provision for the conferral of benefits on behalf of an employee after separation from the district.
 - Any in-kind or other form of remuneration, including compensation not included in salary and/or benefits.
- Legislation requiring boards of education to provide public notice of any plan to renegotiate, extend, amend or otherwise alter the terms of administrators' contracts. This notice should be issued at least 30 days prior to the date scheduled for action by the board on such renegotiation, extension or amendment. If such proposed change were to provide for an adjustment in compensation or in contractual duration, boards would be required to hold at least one public hearing with full disclosure of all contractual terms prior to final action, including additional public notice at least 10 days prior to any such hearing.

- School district business administrators should be required to certify that all required tax reporting documents are properly filed to include all forms of compensation paid to school administrators in compliance with Internal Revenue Service and New Jersey Division of Taxation regulations. Independent auditors retained by school districts should be required to incorporate test measures to assure the accuracy of tax filings.

2. Establish and Enforce Benefit Limits

Significant weaknesses in the statutory and regulatory structure governing public employee benefits in New Jersey enable public employees below the state level of government to obtain lucrative packages involving sick and vacation leave. This investigation revealed the widespread practice by school districts granting excessive leave and allowing top administrators, at taxpayer expense, to cash in substantial amounts of accumulated sick and vacation time annually and at retirement. In the past, the Commission has reported findings of similar activity at the municipal and county levels of government (See December 1998 SCI report, *Pension and Benefit Abuses*) and repeatedly has suggested the implementation of effective mechanisms for bringing these costly practices under control. Accordingly, recommendations in the following areas are reiterated in general but with particular reference to public school administrators:¹²

¹² Readers should also note that on December 1, 2005, a special State Benefits Review Task Force issued a final report on methods to control soaring public-employee pension and benefit costs, including capping payouts for unused accumulated sick leave and restricting end-of-career salary hikes that have the effect of inflating pension payouts.

- *Sick Leave*

As with public employees at the state level of government, boards of education should be required to limit to a maximum of 15 the number of paid sick days granted per year to school district personnel. At retirement, payment for accumulated sick leave should be limited, as it is for state government employees, to a lump sum representing 50 percent of an employee's unused sick leave, calculated at the current salary, up to a maximum \$15,000.

No public school employee should be permitted to cash in accumulated unused sick leave at any time prior to retirement, including in the event of resignation.

- *Vacation*

In granting vacation leave to administrators, boards of education should adhere to the limit placed on state employees of 25 paid vacation days per year after 20 years of continuous service. Further, no more than one annual entitlement of vacation time should be carried forward from one year to the next, and the practice of cashing-in or redeeming unused vacation leave on an annual basis should be prohibited. Upon retirement, no employee should be entitled to a lump-sum payment greater than the value of the accrued vacation for the current year plus the carry-forward from the prior year.

- *Personal Days*

Boards of education that opt to grant leave to employees beyond the scope of regular sick and vacation time should adhere to the State’s policy under which additional leave is restricted to “personal days,” no more than three of which may be granted per year. Further, personal leave should not accumulate or convert to other forms of authorized employee leave.

- *Compensatory Leave*

School district administrators should not be eligible for compensatory time-off, or for overtime payment in lieu of such leave.

- *Health Insurance*

State government employees are permitted to decline membership in the State’s group health insurance plan but are prohibited from being reimbursed for doing so. This same prohibition on reimbursement should apply to school administrators and other public employees who elect to opt out of health coverage provided by their employers.

Once these benefit limits have been established, the State Department of Education should be the agency of government charged with the primary responsibility of ensuring that individual school districts are in compliance.

Further, participation in New Jersey’s public employee pension system should be conditioned upon the acceptance by local governing boards of the basic leave standards and policies maintained for public employees at the state level.

3. Enforce Adherence to Pension Calculation Limits

As detailed in the text of this report, the Commission found a pattern in which questionable or patently improper steps have been taken to provide public school superintendents and other administrators with inflated or overly generous pensions. This is achieved through a number of stratagems, including substantial and inordinate pay raises in the final years of a contract and the padding of pre-retirement earnings with an assortment of non-salary add-ons, including stipends and bonuses and the proceeds of unused accumulated sick and vacation leave sold back to the district. In order to protect the financial integrity of New Jersey's public employee pension system, specifically, in this instance, the Teachers Pension and Annuity Fund (TPAF) in which school administrators participate, the Commission makes the following recommendations:

- All school district administrative personnel and members of boards of education should be trained on a periodic basis with regard to the types of compensation that are disallowed by law or regulation for purposes of calculating pension awards.
- School districts should be required to certify that no disallowed compensation has been included in total amounts submitted to the New Jersey Division of Pensions and Benefits.
- Intentional violations of state pension system standards and rules are subject to possible criminal prosecution under N.J.A.C. 17:3-4.1, which provides for referral of such matters to the Office of the Attorney General. Such violations should also be subject to appropriate civil penalties.

- School districts, through their boards of education, should be made financially responsible to the pension fund for any unfunded pension cost liability resulting from any violation of pension system rules and regulations.

4. Strengthen Authority of the N.J. Division of Pensions

As the findings of this and earlier Commission investigations have demonstrated, New Jersey's public-employee pension system is vulnerable to multiple forms of manipulation that undermine its fiscal integrity. As a result, legislation should be enacted to strengthen the ability of the State Division of Pensions and Benefits to administer and oversee the pension system in the following ways:

- Grant the Division administrative subpoena power to compel school districts and other public employers to testify and to provide any and all records, documents and supporting documentation as sought by the Division pursuant to its statutory authority and responsibility to protect not only the employees' entitlement but also the integrity of the pension funds.
- Require certifying officers to attest under oath as to the accuracy of documents and to certify that the information provided to the Division is in compliance with all appropriate statutes, regulations and policies established by the Division.

- Impose an employer liability payable to the specific pension reserve fund for any unfunded liability resulting from an improperly enhanced benefit negotiated between employer and pension system member in which the intention was to inflate the member's retirement allowance.

5. Strengthen Oversight and Accountability: New Jersey Department of Education

In matters of compensation, benefits and expenses for school district administrative personnel, the State Department of Education traditionally has deferred the performance of routine oversight to local boards of education. As the findings of this investigation amply demonstrate, however, this deferral has helped to produce a vacuum in which questionable or patently abusive compensation practices have been allowed to flourish. As a result, the Commission recommends that all necessary regulatory and/or legislative steps be taken to authorize the establishment within the Department of a unit empowered to:

- Devise and maintain uniform standards to govern the types of compensation and benefit provisions considered for inclusion in school district administrator contracts, and determine a reasonable duration of such contracts. This process should be undertaken in consultation with organizations representing the interests of all parties, including the New Jersey Association of School District Administrators, the New Jersey Association of School Business Officers, and the New Jersey School Boards Association, but DOE would be the ultimate arbiter of proper and

accepted contract standards in order to ensure a proper balance between the livelihood of school administrators and the integrity of the public treasury.

- Require school districts, through boards of education, to submit proposed employment contracts for public school administrators to the Department for review prior to execution of such documents. The Department should then report back to the districts in a timely fashion on whether the proposed contracts comply with the new uniform standards governing compensation and benefits.
- Maintain a current central file, readily accessible to the public, of all public school administrator contract documents and a regularly updated list showing total compensation, including, but not limited to, base salaries.
- Define what constitutes reasonable and acceptable reimbursement for expenses incurred by district administrative personnel in the course of performing their duties, and provide a mechanism to enforce adherence to such standards.

6. Strengthen Oversight and Accountability: Boards of Education

Although school district administrative personnel are the recipients of the excessive and sometimes abusive financial largesse detailed in this report, it is important to recognize that they are, in the final analysis, merely operating within a contractual

framework granted them by the district's own governing body. In view of that fact, school board members have a special obligation; indeed, they constitute a "first line of defense" for the public purse, and while the Commission recognizes the hard work and dedication of these elected or appointed officials, it is apparent from this investigation that not all are equipped and prepared to fulfill their key role in ensuring proper accountability and providing proper oversight in the first instance. In this context, the Commission makes the following recommendations:

- The State, through the Department of Education, should establish a mandatory continuing education program in which board of education members and district professional staff would receive fundamental training with regard to fiduciary responsibility and fiscal oversight, including reasonable and acceptable standards for employee compensation, benefits and expense reimbursements.
- Boards of education should be required to establish citizen advisory committees to assist in the selection of auditors, review the periodic audit reports and monitor whether findings suggesting questionable activities and/or expenditures are subjected to timely and proper remediation.
- Boards of education should be required to establish a uniform centralized record-keeping mechanism to track the accumulation and use of sick, vacation and other leave by district administrative personnel. No individual should have the sole authority to record and approve his/her own leave time and usage.

- The Commission found a number of instances in which a single individual serves as both superintendent and business administrator and/or board secretary. A “firewall” should exist between these two positions to ensure the integrity of district finances and the maintenance of a clear separation of powers, given the overlapping and conflicting responsibilities. In order to provide for improved checks and balances over school district expenditures and operations, legislation should be enacted prohibiting this dual role. A bill to accomplish this, A-1040, was introduced during the 2004-2005 legislative session but was not released from committee. The Commission also recommends that decisions with regard to the hiring and compensation of business administrators rest solely with boards of education and not be delegated to staff.

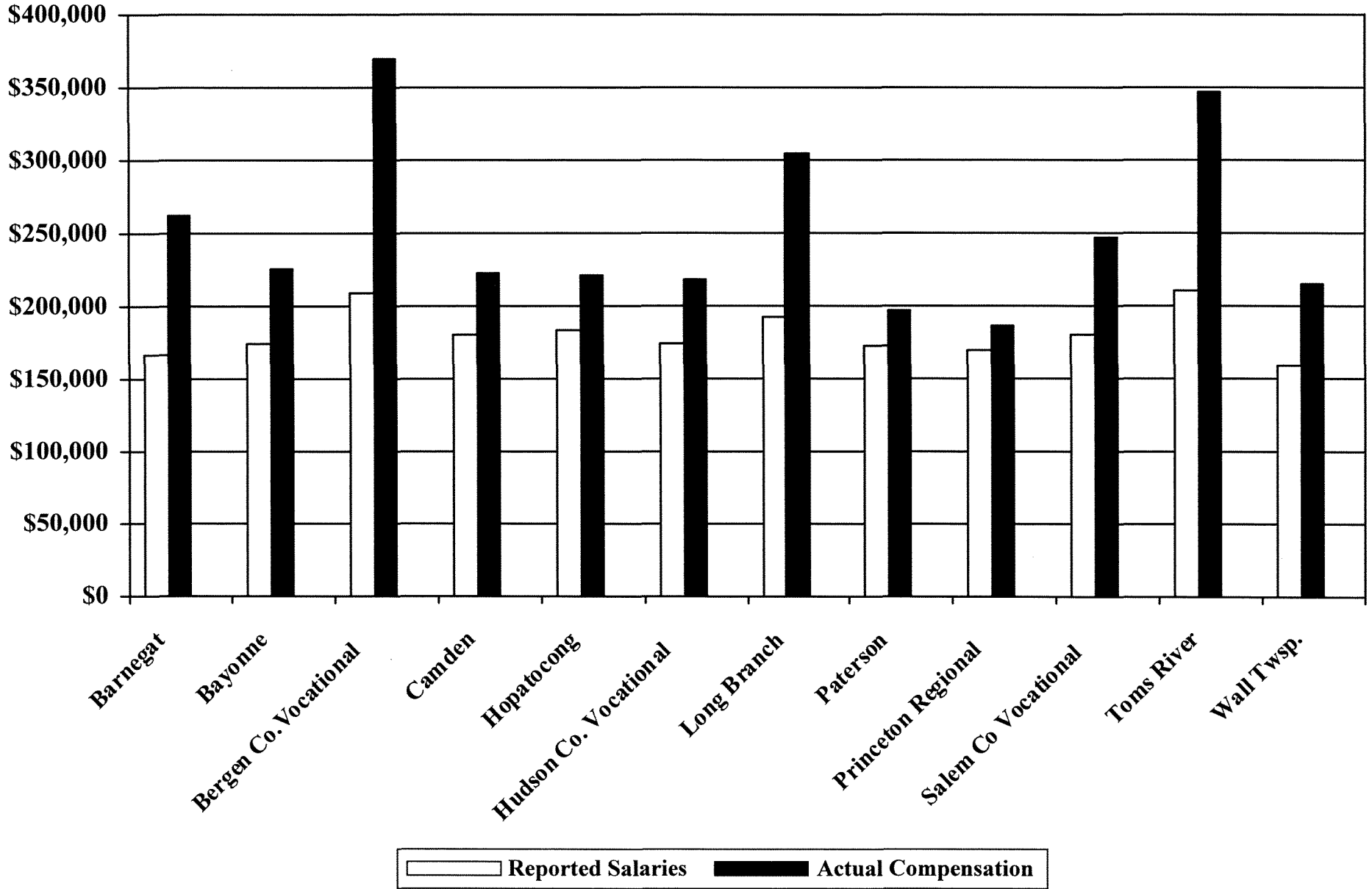
7. Limit Duration of Automatic Contract Renewals

State law, N.J.S.A. 18A:17-20.1, contains a so-called “evergreen provision” requiring automatic renewal of public school administrator contracts for a minimum of three years under circumstances in which boards of education fail to provide at least one year advance notice to the employee of intent not to renew an expiring contract. No similar statutory notice requirement exists for administrators who decide unilaterally to leave a district’s employ – an obvious disparity that, as this inquiry has shown, can be exploited to the detriment of local taxpayers. The Commission, therefore, recommends that the statute be amended to place a one-time one-year limit on the extension of an administrator’s contract, not a three-year minimum renewal. The extension would be

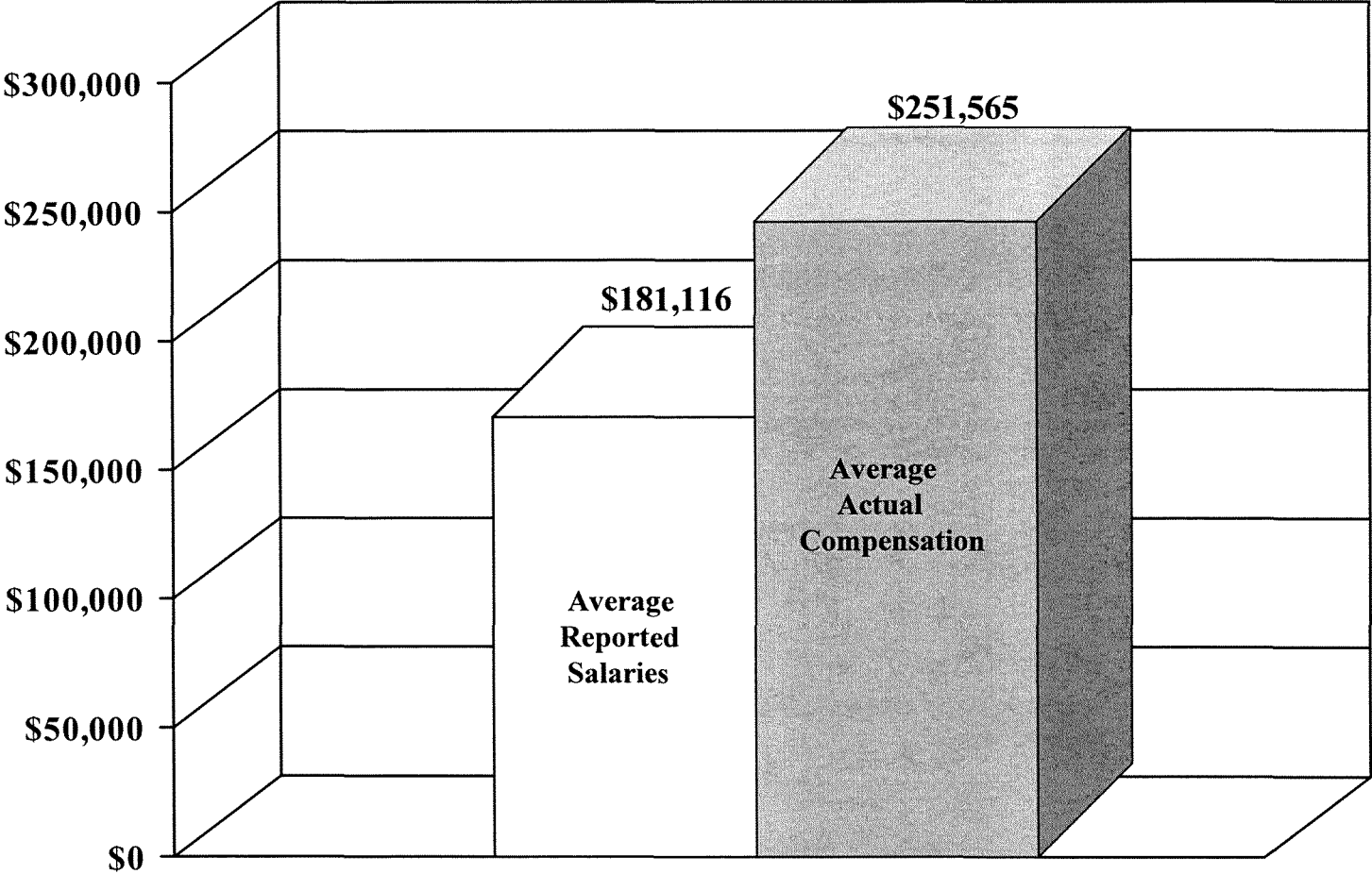
triggered automatically by failure on the part of boards of education to provide statutorily required notice. By making this recommendation, the Commission emphasizes that the ultimate objective should be an orderly and stable process governing the negotiation of multi-year contracts rather than multiple or unlimited contract extensions.

APPENDIX

Reported Salaries vs. Actual Compensation



Average Reported Salaries vs. Average Actual Compensation*



*Based on data summarized on pages 21-30

New Jersey Association of School Administrators (NJASA)

DISCLAIMER

The NJASA *Model Contract* is to be used as a tool only to help you gather data as you prepare to negotiate your first contract, or as you prepare to re-negotiate your current contract. This *Model Contract* is not intended to be a substitute for legal advice provided by an attorney who represents you. The needs of individual superintendents and individual school districts are so specific that any attempt to utilize this or any other model contract without competent legal advice may actually be detrimental. Therefore, any individual who attempts to utilize this contract without first seeking the advice of an attorney does so at his/her own risk. **This Model Contract should be used together with advice of competent legal counsel only.** Please note, anyone attempting to utilize this or any other model contract should not assume that the board attorney represents his/her interest when drafting the final employment contract.

MODEL EMPLOYMENT CONTRACT

CHIEF SCHOOL ADMINISTRATOR

developed by the staff of the
NJASA Legal Department

THIS EMPLOYMENT CONTRACT is made and entered into this _____ day of _____, 20 ____, by and between the _____ BOARD OF EDUCATION, of the City/Borough/Township of _____, County of _____, with offices located at _____, _____, New Jersey _____ (hereinafter referred to as the "Board"), and _____, (hereinafter referred to as the "Superintendent").

THIS EMPLOYMENT CONTRACT replaces and supersedes all prior Employment Contracts between the Parties hereto. Signature to this Contract constitutes assent to a rescission of any and all prior Contracts as well as agreement to the terms thereof.

WITNESSETH:

WHEREAS, the Board desires to provide the Superintendent with a written employment contract in order to enhance administrative stability and continuity within the schools, which the Board believes generally improves the quality of its overall educational program; and,

WHEREAS,¹

¹WHEREAS, the Superintendent achieved tenure prior to the Tenure Law Amendments of 1991;

WHEREAS, the Board and the Superintendent believe that a written employment contract is necessary to describe specifically their relationship and to serve as the basis of effective communication between them as they fulfill their governance and administrative functions in the operation of the education program of the schools;

NOW, THEREFORE, the Board and the Superintendent, for the consideration herein specified, agree as follows:

1. TERM

The Board, in consideration of the promises herein contained of the Superintendent, hereby employs, and the Superintendent hereby accepts employment as Superintendent of Schools for a term commencing _____, 20____, and expiring midnight July 1, 20____.²

2. SUPERINTENDENT RESPONSIBILITIES

The Superintendent shall be the chief executive and administrative officer of the Board and shall have general supervision over all aspects, including the fiscal operations and instructional programs of the district, and shall arrange the administrative and supervisory staff, including instruction and business affairs in a manner which, in his/her judgment, best serves the district. The selection, placement, transfer, renewal and dismissal of personnel, both instructional and noninstructional, shall occur only upon the recommendation of the Superintendent, subject to Board approval, and the nonrenewal of personnel shall occur upon the Superintendent's notification to the employee and the Board.

The members of the Board, individually and collectively, will refer to the Superintendent any and all criticisms, complaints and suggestions concerning the operation and management of the district called to their attention. The Board will not take action on any such criticisms, complaints, and/or suggestions until they are discussed by the Board members at a scheduled meeting of the Board and a consensus sought to direct the Superintendent to study, recommend, and/or take action. The Superintendent shall have the right to contact the Board attorney for legal assistance as the need arises in carrying out his/her duties.

²Note that, if this is a situation in which a board and superintendent are entering into a new contract before the expiration of an old contract, it is strongly recommended that the superintendent seek legal counsel before proceeding.

All duties assigned to the Superintendent by the Board should be appropriate to and consistent with the professional role and responsibility of the Superintendent, and shall be set by Board policy and in Job Description No. _____ (attached hereto and incorporated herein by reference), which may be modified by mutual agreement from time to time, consistent with the intent set forth above. The Board shall not substantially increase or change the duties of the Superintendent unless such increase or change is mutually agreed upon through a written amendment to this Contract.

The parties agree that the Superintendent shall have the right to attend all Board meetings and committee meetings of the Board and s/he or his/her delegate has the right to make recommendations to the Board or committee with respect to any proposed action or policy. The parties also agree that the Board shall not hold any discussions regarding the Superintendent's employment, unless the Superintendent is given written notice at least 48 hours in advance, is permitted to be present during such discussions, is given the opportunity to address the Board, and is permitted to have a representative of his/her choosing speak on his/her behalf. In addition, the Board shall not hold any discussions with regard to the Superintendent's performance, or that may adversely affect the Superintendent's employment, in public session, unless the Superintendent requests that such discussions be held in public session, pursuant to the Open Public Meetings Act.

3. COMPENSATION³

During the term of this Employment Contract, including any extension thereof, the Superintendent shall not be reduced in compensation, including salary and benefits. In no event shall the Superintendent's salary, leaves, medical and/or other insurance, and/or any other forms of compensation and benefits be less than that provided any other employee in the district. Any adjustment in salary made during the life of this Employment Contract shall be in the form of an amendment and shall become part of this Employment Contract, but it shall not be deemed that the Board and the Superintendent have entered into a new employment contract.

³It is recommended that, in order to receive the most up-to-date information regarding the effect that your compensation level will have on your pension, you contact an NJASA attorney, or your personal attorney.

A. Salary⁴ The Board shall provide the following salary as part of the Superintendent's compensation:

1. Initial Salary. The Board shall pay the Superintendent an annual salary of _____ dollars (\$____) for the 20__-__ school year. This annual salary rate shall be paid to the Superintendent in accordance with the schedule of salary payments in effect for other certified employees.

2. Minimum Salary Increase. On July 1, 20____, and July 1st of each subsequent year of this Employment Contract, the Board will grant the Superintendent a minimum of a _____ percent (____%) salary increase [*alternatively, set forth the annual salaries*].

3. Additional Merit Increases. Additional annual merit increases, beyond the minimum increases set forth above, may be provided, based on the Superintendent's progress toward achieving the district goals, described in Section 8 below. These performance-based salary increases shall be granted on July 1, 20____, and on July 1st of each subsequent year of this Employment Contract and shall become part of the base salary for the school year immediately following the evaluation.

4. Longevity Pay Increase. On July 1, 20____, and July 1st of each subsequent year of this Employment Contract, the Board shall grant the Superintendent a minimum of a ____ percent (____%) increase in his/her base salary due to his/her longevity of service with the district.

B. Leaves. The Board shall provide the following leaves as part of the Superintendent's compensation:

1. Vacation. The Superintendent shall be granted ____ (____) vacation days annually, all of which shall be available to the Superintendent on July 1st of each year. S/he may carry over all unused vacation days from one year to the next. The Superintendent shall

⁴There are a variety of ways to set up salary and/or merit increases. As salary is one the most important contractual items, you should contact the NJASA Legal Department, or your own attorney, to discuss this issue. You should gather the following data prior to negotiations: 1) the prior superintendent's salary and benefits package, 2) the salary and benefits packages of comparable districts; and, 3) the collective bargaining agreements in effect for teachers and administrators. This data will guide you in making salary (as well as salary increases) and benefit proposals.

be permitted to take vacation days at any time, including, but not limited to, at the Superintendent's sole option, upon retirement, resignation or contract nonrenewal. The Board, through the its business office, shall be responsible for maintaining written documentation of the Superintendent's earned, used and accrued vacation days. In the event of an unpaid leave of absence for any reason, the Superintendent shall be permitted to be paid during that time for any unused accumulated vacation time at his/her option.

2. Holidays. The Superintendent shall be entitled to the following holidays: *[specifically enumerate the holidays you are permitted to have off in addition to vacation days, including winter and/or spring recess, if applicable]*.

3. Sick Leave. The Superintendent shall be allowed _____ (____) days sick leave annually. The unused portion of such leave, at the end of each school year, shall be cumulative. The Board acknowledges that the Superintendent has _____ (____) unused, accumulated sick days in his/her former public school district, and the Board hereby agrees to credit the Superintendent's sick leave account with said _____ (____) days of sick leave.⁵

4. Personal Leave.⁶ The Superintendent shall be granted _____ (____) days of absence annually for personal matters which require absence during school hours, to be used at his/her discretion. Unused personal days shall convert to accumulated sick leave at the end of each year.

C. Medical Insurance. The Board shall provide, as part of the Superintendent's compensation, the following medical insurance:⁷

1. Major Medical/Hospitalization. The Board shall provide, at a minimum and at no cost to the Superintendent, the medical insurance plans, with full family coverage, that

⁵If the board does not agree to credit sick days, consult NJASA Legal Department regarding other alternatives. It is essential that you protect yourself against the possibility of an unexpected, prolonged illness.

⁶Note that this Employment Contract includes other personal days (such as bereavement and illness-in-the-family days) under the rubric of personal leave days. Therefore, the number of personal leave days must be more than the usual three or four days that appear in most teachers' and/or administrators' association contracts.

⁷Describe the medical insurance benefits agreed to in specific detail. Prior to negotiations, determine what is currently available in the district.

are provided to other professional employees of the district.

2. Dental Care. The Board shall provide the Superintendent with a program of dental care which provides full family coverage.⁸

3. Prescription Plan. The Board shall provide the Superintendent with a prescription program which provides full family coverage.

4. Visual Care. The Board shall provide the Superintendent with a visual care program which provides full family coverage.

5. Uncovered Medical Expenses. The Board shall reimburse the Superintendent for all medical expenses not covered by health insurance. In the event the medical insurance benefits provided to other employees is reduced during the term of this contract, the Board agrees to continue to provide the Superintendent with the same level of medical insurance as s/he receives as of the date of signing this Employment Contract, either by maintaining the same insurance benefits, or by paying the Superintendent's contribution for any increase in co-pays, additional out-of-pocket costs, or deductibles that result from the change.

D. Other Insurance.⁹ The following insurance will be provided as part of the Superintendent's compensation:

1. Disability Income-Protection Insurance. The Board shall purchase a disability income-protection policy for the Superintendent that will provide a monthly income for life to the Superintendent in an amount equal to at least _____ percent (____%) of his/her then-current salary in the event s/he becomes disabled.

2. Life Insurance. The Board shall contribute ____ dollars (\$____) toward the purchase of a life insurance policy selected by the Superintendent. Designation of the beneficiary shall be at the option of the Superintendent.

3. Life Insurance [alternative to #2]. The Board shall purchase for the

⁸If the district does not participate in a prescription, dental, and/or visual plan, you may request reimbursement; i.e., "the Board agrees to reimburse the Superintendent for up to \$1,000 annually for family dental and visual care and for prescription costs not covered by the major medical/ hospitalization insurance plan. Family dental and visual reimbursement shall be available for office visits, all diagnostic procedures and all treatments including, but not limited to, crowns, fillings, orthodontic work, glasses and contact lenses."

⁹You should consult your tax advisor to determine the tax consequences of these forms of compensation.

Superintendent a whole-life insurance policy with face coverage in the amount of _____ dollars (\$_____). The Superintendent shall own the policy and shall have the option of choosing the beneficiary. The Superintendent shall also have the right to select the insurance company.

4. Liability Insurance. The Board agrees to cover the Superintendent under the Board's liability insurance, including employment practice liability, in the amount of _____ dollars (\$_____).

5. Long-Term Care Insurance. Throughout the term of this Contract, the Board shall pay the premiums of a Long-Term Care Insurance policy selected by the Superintendent. Said insurance shall include a benefit option for home care as well as an automatic annual benefit increase option.

E. Job-Related Expenses¹⁰

1. Monthly Expense Allowance. The Board shall pay the Superintendent _____ dollars (\$_____) per month as compensation for expenses incurred for sustenance and travel within the district in the performance of his/her duties under this Employment Contract. This amount will be reported to the Internal Revenue Service as income, and the Superintendent shall be responsible for keeping such records as may be required with reference to its deductibility.

2. Expense Reimbursement [alternative to #1]. The Board shall reimburse the Superintendent for job-related expenses including, but not limited to, transportation expenses and sustenance. Reimbursement for mileage will be at the prevailing IRS rate.

3. Automobile Entitlement. In light of the unique nature of the Superintendent's professional duties, the Board shall provide the Superintendent with an automobile for his/her use. The automobile shall be fully maintained by the Board, and the Board shall keep the automobile in safe, usable condition and provide for all expenses incidental to automobile usage, including insurance.

4. Computer. The Board shall provide the Superintendent with a computer and

¹⁰You should consult your tax advisor to determine the tax consequences of these forms of compensation.

other necessary equipment for his/her use while working at home. The Board shall be responsible for maintaining said computer.

5. Cellular Telephone. The Board shall provide the Superintendent with a cellular telephone and shall pay the monthly charges, including business-related telephone call charges.

F. Other Compensation¹¹

1. Tax-Deferred Annuity Program. The Board and the Superintendent hereby agree that the Superintendent's salary shall be reduced annually in the amount of [up to \$10,500]¹² in accordance with *N.J.S.A.* 18A:66-127, 18A:66-128 and Section 403(b)(7) of the federal Internal Revenue Code, to purchase an annuity or invest in a custodial account as permitted by law.

2. Tuition Reimbursement. The Board shall reimburse the Superintendent the full cost of registration fees, tuition expenses, and textbooks for graduate school coursework at an institution of the Superintendent's choosing. The Superintendent shall follow Board policy in supplying the necessary documentation when seeking reimbursement.

3. Moving Expense Reimbursement. In connection with the relocation of the Superintendent and his/her family to the district, the Board shall reimburse the Superintendent for necessary and reasonable expenses incurred in moving the Superintendent's family and belongings, including moving-company expenses, real estate closing fees, security deposits, and/or rental costs for temporary housing for up to six months. The Superintendent shall document all expenses with receipts, canceled checks or credit card statements, and the Board shall reimburse the Superintendent for all such documented expenses.

4. Payment for Prior Years of Service. The Board shall pay the Superintendent the amount of _____ dollars (\$_____) to allow the Superintendent to purchase pension credit for his/her prior years of service in public education. Said payment shall be

¹¹You should consult your tax advisor to determine the tax consequences of these forms of compensation.

¹²Please contact your tax advisor for the proper way to establish a tax-sheltered annuity.

made to the Superintendent on or before _____.

G. Indemnification. The Board shall defend, hold harmless and indemnify the Superintendent from any and all demands, claims, suits actions and legal proceedings of any kind brought against the Superintendent in his/her capacity as an agent and/or employee of the Board. If, in the good faith opinion of the Superintendent, a conflict exists in regard to the defense of any claim, demand or action brought against him/her, and the position of the Board in relation thereto, the Superintendent may engage his/her own legal counsel, in which event the Board shall indemnify the Superintendent for the costs of his/her legal defense.

4. SEPARATION FROM SERVICE

The Superintendent shall also receive the following, as part of his/her compensation upon his/her separation from employment with the district.

A. Sick and Vacation Days. Upon the Superintendent's separation from employment with the district, the Board will pay all unused, accumulated sick and vacation days at the *per diem* rate of the Superintendent's final annual salary. Throughout this Employment Contract, the Superintendent's *per diem* rate shall be calculated as 1/240th of his/her then-current annual salary.¹³

[B. *Optional: Continued Coverage*. Upon the Superintendent's retirement, the Board will provide coverage to the Superintendent and his/her family under the Board's hospitalization, medical, prescription, dental, and visual insurance plans at the Board's expense. This provision shall survive the termination and/or expiration of this Employment Contract, unless otherwise agreed to in writing by the parties.]¹⁴

C. Payment to Estate. If the Superintendent dies before his/her Employment Contract year is completed, payment for his/her unused, accumulated vacation and sick days shall be made to his/her estate.

D. Definition. For the purposes of this Employment Contract, "separation from employment" shall be meant to include, but not be limited to, the Superintendent's separation from the district or to death, incapacity, retirement, contract nonrenewal, and/or voluntary or involuntary

¹³Note, for 11-month employees, this becomes 1/220th and, for 10-month employees, it becomes 1/200th.

¹⁴It is important that you contact the NJASA Legal Department to determine whether this provision may be utilized in your particular circumstances.

resignation.

5. PROFESSIONAL GROWTH OF SUPERINTENDENT

The Board encourages the continuing professional growth of the Superintendent through his/her participation, as s/he might decide in light of his/her responsibilities as the Superintendent, in the following:

- (a) the operations, programs, and other activities conducted or sponsored by local, state and national school administrators and school board associations;
- (b) seminars and courses offered by public or private educational institutions;
- (c) informational meetings with other persons whose particular skills or backgrounds would serve to improve the capacity of the Superintendent to perform his/her professional responsibilities for the Board;
- (d) visits to other institutions; and,
- (e) other activities promoting the professional growth of the Superintendent.

In its encouragement, the Board shall permit a reasonable amount of release time for the Superintendent, as s/he deems appropriate, to attend such matters and shall pay all necessary travel, registration and sustenance expenses. At a minimum, the Superintendent shall be permitted to attend, at his/her option, two state and two national conferences annually.

The Superintendent shall attend the "New Superintendent's Academy" sponsored by the New Jersey Association of School Administrators at Board expense. The Board shall pay all fees and costs associated with attendance of the Academy.¹⁵ The Board shall pay all costs and fees for the Superintendent to complete state-mandated mentoring.¹⁶ The Board shall pay all costs and fees associated with any state-mandated continuing education.

6. MEMBERSHIP FEES

The Board shall pay one hundred percent (100%) of the Superintendent's membership fees and/or charges to the American Association of School Administrators, the New Jersey Association of School Administrators, and other professional/civic groups [*list other specific groups*] at the

¹⁵All members becoming a superintendent for the first time, or entering New Jersey from another state, are strongly urged to attend the "New Superintendent's Academy."

¹⁶This should be included only if the superintendent is required to complete state-mandated mentoring.

option of the Superintendent, which the Superintendent deems necessary to maintain and/or improve his/her professional skills.

7. OUTSIDE ACTIVITIES

The Superintendent shall devote his/her time, attention and energy to the business of the district. However, s/he may serve as a consultant to other districts or educational agencies, lecture, engage in writing activities or speaking engagements, and engage in other activities which are of a short-term duration at his/her discretion. Such activities, which require the Superintendent to be absent from the district for more than one full working day, shall be reported to the Board president.¹⁷

8. DISTRICT GOALS AND OBJECTIVES

Within sixty (60) days [*or other specified time*] of the execution of this Employment Contract, the parties shall meet to establish the district's goals and objectives for the ensuing school year. Said goals and objectives shall be reduced to writing and shall be among the criteria by which the Superintendent is evaluated, as hereinafter provided. On or prior to June 1st of each succeeding school year, the parties will meet to establish the district's goals and objectives for the next succeeding school year, in the same manner and with the same effect as heretofore described.

9. EVALUATION

The Board shall evaluate the performance of the Superintendent at least once a year, on or before April 1; at the same time, the Superintendent shall evaluate the Board in its policy-making role in the district. It shall be the Board's responsibility to ensure completion of the annual evaluation of the Superintendent.

The Superintendent's annual evaluation shall be in writing, shall include areas of commendation and recommendation, and shall provide direction as to any aspects of performance in need of improvement. Before final Board action, a copy shall be provided to the Superintendent, and the Superintendent and the Board shall meet to discuss the findings. The annual evaluation shall be based upon the goals and objectives of the district, the responsibilities of the Superintendent as

¹⁷You may wish to add, "If the Superintendent chooses to engage in such outside activities on weekends, on his/her vacation or personal time, or at any other time when s/he is not required to be present in the district, s/he shall retain any honoraria paid."

set forth in the job description for the position of Superintendent (attached hereto and incorporated herein by reference), and such other criteria as the State Board of Education shall by regulation prescribe. The Superintendent shall receive a copy of any backup forms utilized in the process. The evaluation format shall be developed and approved jointly by the Board and the Superintendent within ninety (90) days of the execution of this Employment Contract.¹⁸

In the event that the Board determines that the performance of the Superintendent is unsatisfactory in any respect, it shall describe in writing and in reasonable detail the specific instances of unsatisfactory performance. The evaluation shall include specific recommendations for improvement in all instances where the Board deems performance to be unsatisfactory. The Superintendent shall have the right to respond in writing to the evaluation; this response shall become a permanent attachment to the Superintendent's personnel file upon the Superintendent's request. On or before June 1st of each year of this Employment Contract, the Superintendent and the Board shall meet to review the evaluation format and to mutually determine the evaluation format to be used in the subsequent school year.

10. TERMINATION OF EMPLOYMENT CONTRACT

This Employment Contract may be terminated by:

- (a) mutual agreement of the parties;
- (b) unilateral termination by the Superintendent upon sixty (60) days written notice to the Board; or,
- (c) notification in writing by the Board to the Superintendent, at least one (1) years prior to the expiration of this Employment Contract, of the Board's intent not to renew this Employment Contract. The Board agrees that, in the event of a nonrenewal, it shall not unilaterally relieve the Superintendent of his/her duties during the term of this Employment Contract.

11. COMPLETE AGREEMENT

This Employment Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the undersigned parties.

¹⁸It is important that the Board's goals and objectives and the other criteria to be used in the evaluation are clearly stated and that progress toward reaching the goals or other standards is objectively measurable.

12. CONFLICTS

In the event of any conflict between the terms, conditions and provisions of this Employment Contract and the provisions of the Board's policies or any permissive federal or State law, the terms of this Employment Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law, unless otherwise prohibited by law.

13. SAVINGS CLAUSE

If, during the term of this Employment Contract, it is found that a specific clause of the contract is illegal in federal or State law, the remainder of this Employment Contract not affected by such a ruling shall remain in force.

14. RELEASE OF PERSONNEL INFORMATION

The Board acknowledges and agrees that disclosure of personnel information is governed by the Open Public Records Act, codified at *N.J.S.A. 47:1A-1, et seq.*, Executive Order No. 11 (November 15, 1974), Executive Order No. 21 (July 8, 2002), Executive Order No. 26 (August 13, 2002), and case law interpreting them. All information related to the Superintendent's performance, evaluation or any discipline which the public is not otherwise entitled to access under law is deemed confidential and shall not be released to the public absent a written release by the Superintendent, or by a lawful order of a court of competent jurisdiction, or pursuant to a rule of a court of competent jurisdiction.

15. PERSONNEL RECORDS

The Superintendent shall have the right, upon request, to review the contents of his/her personnel file and to receive copies at Board expense of any documents contained therein. S/he shall be entitled to have a representative accompany him/her during such review. At least once every year, the Superintendent shall have the right to indicate those documents and/or other materials in his/her file that s/he believes to be obsolete or otherwise inappropriate to retain; such documents identified by him/her shall be destroyed.

No material derogatory to the Superintendent's conduct, service, character or personality shall be placed in his/her personnel file unless s/he has had an opportunity to review the material. The Superintendent shall acknowledge that s/he has had the opportunity to review such material by affixing his/her signature to the copy to be filed with the express understanding that such signature

in no way indicates agreement with the contents thereof. The Superintendent shall also have the right to submit a written answer to such material.

16. REGIONALIZATION CONTINGENCY

If, at any time during the term of this Employment Contract (or any extension thereof), the district joins, creates, and/or becomes a regional or consolidated entity of any kind, or if the district becomes a non-operating district, or if, for any reason, the position of Superintendent is abolished or combined with a position for which the Superintendent does not hold the appropriate certificate, the Board shall pay the Superintendent a lump sum equal to the salary, benefits and emoluments that the Superintendent would have received under this Employment Contract (or any extension thereof) if s/he continued to be employed in that capacity. The lump sum shall be paid to the Superintendent before: (a) the newly created board is seated; (b) the district becomes a non-operating district; or (c) his/her position is combined with another. This provision shall not apply if the newly created board or entity: (i) appoints _____ to the position of Superintendent and/or the Chief School Administrator of the newly created district or entity under terms and conditions which are at least equal to or greater than those provided herein, and (ii) _____ accepts such appointment.

17. PREEXISTING TENURE RIGHTS

Pursuant to *N.J.S.A. 18A:17-20.4*, the Superintendent retains all tenure rights accrued in any position which s/he previously held in the District. The Superintendent shall also continue to accrue seniority in all positions in which s/he achieved tenure in the District. The Superintendent shall have the right to assert all tenure and seniority rights in the event that the Board does not renew the Superintendent for any reason.

WHEREAS, a duly authorized officer of the Board has approved the terms and conditions of this Employment Contract; and,

WHEREAS, the Superintendent has approved of the terms and conditions of this Employment Contract; and,

WHEREAS, this Employment Contract has been approved by a vote of the Members of the Board of Education of the _____ School District at its meeting of _____, 20____, and has been made a part of the minutes of that meeting;

IN WITNESS WHEREOF, they set their hands and seals to this Employment Contract effective on the day and year first above written.

BOARD OF EDUCATION OF THE
_____ SCHOOL DISTRICT

(name) Superintendent BY: _____
(name) Board President

WITNESS:

(name) Board Secretary

DATE:

DATE:

Rev'd. 04/05

***THIS IS ONLY A MODEL. IF YOU HAVE ANY QUESTIONS
PLEASE CONTACT ONE OF THE ASSOCIATION ATTORNEYS.**

MODEL EMPLOYMENT CONTRACT

The Board of Education of the _____ School District in the County
of _____, hereinafter "Board" and _____,
hereinafter "School Business Administrator" (SBA) hereby enter into this
Employment Contract for the school year _____.

1. COMPENSATION

(a) The Board hereby employs the School Business Administrator for the period
July 1, 19__ through June 30,
19__ at an annual salary of \$ _____. This annual salary will be paid
in equal installments in
accordance with the Board's regular payroll schedule.

(b) Salary Increase: On July 1, 19__, and July 1st of each subsequent year of this
Employment Contract, the
Board will grant the School Business Administrator a minimum of a
_____ percent (____%)
salary increase, or an increase equal to the average of the cost of living indices from
New York and Philadelphia
for the preceding year, from April to April, whichever is greater, until the
termination of this Employment Contract.

Additional annual increases, beyond the minimum increases set forth above, may be
provided, based on the School
Business Administrator's performance. These performance-based salary increases
shall be granted on July 1,
19__ and on July 1st of each subsequent year of this Employment Contract.

(c) Additional Compensation: The Board shall pay the School Business
Administrator's contribution for
Contributory Life Insurance throughout the Public Employee Retirement System (____
or TPAF) at the current rate.
The Board shall pay the School Business Administrator's contribution to the
pension fund, either TPAF or PERS
as is appropriate.

2. SALARY DEDUCTIONS

(a) The following compulsory deductions will be made from the School Business Administrator's paycheck: Federal Income Tax; State Income Tax; F.I.C.A. (Social Security); and the New Jersey Public Employees Retirement System.

(b) The following optional deductions will be made from the School Business Administrator's paycheck upon written authorization by the School Business Administrator: United Way; Health Maintenance Organization fees; and other deductions approved by the Board.

3. WORK DAY

(a) The workday for the School Business Administrator shall be similar to other administrative personnel except that it is understood that the School Business Administrator is employed for specific tasks and is expected to work beyond the regular workday in order to accomplish such tasks when necessary. Such employment shall be considered part of the contract and no additional remuneration shall be provided.

(b) On evenings when the School Business Administrator is required to stay for meetings or other activities beyond 7:00 p.m., the School Business Administrator shall be entitled to reimbursement for meal expenses up to a maximum of \$_____ per occurrence.

4. PERFORMANCE

The School Business Administrator agrees to faithfully perform the duties of the position as set forth in the job description for the position, and in accordance with all applicable laws, regulations, policies and directives.

5. VACATION

**(a) The School Business Administrator shall be entitled to _____ ()
vacation days per school year.**

(b) Up to one year's vacation entitlement may be carried over into the next year for use in the future years or for payment under paragraph (e) of this section.

(c) In determining vacation entitlement, Saturdays, Sundays, and legal holidays shall not be counted.

(d) In the case of when the School Business Administrator retires or resigns during the year, vacation days earned shall be pro-rated for that year.

(e) Unused vacation days shall be converted to a cash payment at the time of retirement or severance on the basis of the School Business Administrator's then current per diem rate of pay (see paragraph 8.e).

(f) At any time during the term of this contract, the School Business Administrator may convert vacation days to salary on the basis of the School Business Administrator's then current per diem rate of pay.

EXAMPLE: Annual salary \$60,000. and annual vacation entitlement twenty days. Conversion of five days results in an annual vacation entitlement of fifteen days and a salary of \$61,230.

Whenever this option is exercised the vacation days will be permanently removed from the School Business Administrator's record and/or annual entitlement.

6. HOLIDAYS

(a) The School Buenos Administrator shall be entitled to time off with pay on the following holidays:

Independence Day; Labor Day; Columbus Day; Veterans Day; Thanksgiving; Christmas Day; New Year's Day; Martin Luther King's Birthday; Lincoln's Birthday; Good Friday; Easter Monday; Memorial Day

(b) In addition, the School Business Administrator will be entitled to such other days off with pay as are established in the Administrative Calendar, as approved by the Board.

7. PERSONAL LEAVE

The School Business Administrator shall be entitled to the same personal leave with pay as is provided to the other administrative positions in the District.

8. SICK LEAVE

(a) Sick leave is defined to mean the absence from the School Business Administrator's post of duty because of personal disability due to illness, injury, or because of because the School Business Administrator has been excluded from school by the school's medical authorities on account of a contagious disease or of being quarantined for such a disease.

(b) The School Business Administrator shall be entitled to _____ () sick days per year with pay.

(c) Unused sick days shall be accumulative without limit.

(d) Upon retirement, under the rules and regulations of either the Public Employees' Retirement Systems or the Teachers' Pension and Annuity Fund, the Board shall provide compensation for accumulated sick leave days at the rate of \$ _____ per day. Notification must be made by December 1st of the last year of employment to the Board of the School Business Administrator's intent to retire.

(e) Upon voluntary termination of employment the Board shall provide compensation for accumulated sick leave at the rate of \$ _____ per day (Annual salary divided by 240 days = amount per day).

9. INSURANCE

The School Business Administrator shall be entitled to the following insurance benefits:

(a) Enrollment in the district's hospitalization and medical insurance program, dental insurance program and prescription insurance program, including family coverage, if applicable.

(b) Children will be covered to the age of 23 in accordance with the provisions of the policy.

(c) An income protection plan to be purchased in the School Business Administrator's name and to be chosen by the School Business Administrator, at a cost not to exceed \$ _____ per year.

(d) Any changes in insurance benefits for other administrative staff members that may be developed will be

extended to include the School Business Administrator.

(e) Reimbursement for up to \$ _____ per year for medical and health related expenses not covered by the above insurance plans. During the term of this contract the School Business Administrator shall have the option to either continue to receive this benefit or convert the \$ _____ to salary.

(f) Life Insurance: The Board shall pay the premium on either a whole life or term insurance policy in the amount of \$ _____. The beneficiary shall be at the option of the School Business Administrator.

(g) Continued Coverage: Upon the School Business Administrator's retirement, the Board will provide coverage to the School Business Administrator and his/her family in the Board's hospitalization, medical prescription and dental plans, at the Board's expense. The Board's obligation to pay the cost of medical insurance shall cease if the School Business Administrator has twenty-five years of pensionable service in New Jersey.

10. MATERNITY LEAVE

As per Board policy.

11. AUTOMOBILE EXPENSES

(a) The Board agrees to furnish to the School Business Administrator, in recognition of the substantial amount of travel required by this position, an automobile for use in all travel related to the fulfillment of the responsibilities of this position. The Board will pay all insurance and maintenance expenses for the vehicle, and all gasoline expensed for travel related to the fulfillment of the responsibilities of this position.

(b) Effective July 1, 19_____, the School Business Administrator shall have the option to surrender the automobile and thereafter shall be responsible for supplying his/her own automobile for all district related travel.

Effective July 1, 19_____, the School Business Administrator shall receive an automobile allowance of three hundred fifty dollars (\$350.00) per month. The difference between the value of the automobile and the value of the

automobile allowance ($\$9,935 - 4,200 = \$5,735$) shall be added to the School Business Administrator's salary.

Effective July 1, 19____ all allowances for the use of a personal automobile shall terminate and the School

Business Administrator shall be solely responsible for supplying his/her own transportation for all district business.

Effective July 1, 19____, the value of the automobile for personal use (\$10,233) shall be added to the School

Business Administrator's base salary.

12. MONTHLY EXPENSE ALLOWANCE

The Board shall pay the School Business Administrator _____ dollars (\$_____) per month

as compensation for expenses incurred for sustenance and travel within and outside the district in the performance

of his/her duties under this Employment Contract. This amount will be reported to the Internal Revenue Service as

income, and the School Business Administrator shall be responsible for keeping such records as may be required with reference to its deductibility.

13. ANNUITIES

The Board agrees to purchase on behalf of the School Business Administrator an annuity of the employee's choice in the amount of \$_____.

14. TERMINATION

(a) During the period of nontenured status for the School Business Administrator, either party may terminate this contract by giving (sixty (60)) (one hundred twenty (120)) days notice in writing of intent to terminate same.

(b) During the period of tenured status for the School Business Administrator, the School Business Administrator shall provide the district with not less than sixty (60) days notice of intent to resign and six (6) months notice of intent to retire. Notice shall be in writing to both the Board President and the Superintendent.

(c) During the period of tenured status for the School Business Administrator, the Board may request the resignation of the School Business Administrator effective no less than sixty (60) days after the request is

submitted in writing to the School Business Administrator. In recognition of the loyal and continuous service of the School Business Administrator, the Board agrees to provide to the School Business Administrator a sum equal to one month's pay for each year of continuous service, if resignation occurs under the circumstances of this paragraph. Severance pay under this section shall be payable on the last day of employment.

15. PROFESSIONAL ASSOCIATIONS

The Board agrees to pay up to \$ _____ per year in dues and fees on behalf of the School Business Administrator to ASBO International, NJASBO and County Association.

16. PROFESSIONAL DEVELOPMENT

(a) The School Business Administrator shall be entitled to attend the Annual Workshop of the NJASBO, one other in-state conference of his/her choice. Registration, travel and lodging expenses shall be paid by the Board. Meal expenses shall be reimbursed in accordance with Board policy.

(b) The School Business Administrator may, during any year of the Agreement, convert the cost professional development to salary. Thereafter, the School Business Administrator may pursue professional development at his/her own expense.

17. OUTSIDE ACTIVITIES

The School Business Administrator shall devote his/her time, attention and energy to the business of the school district. However, he/she may serve as a consultant to other districts or educational agencies, lecture, engage in writing activities and speaking engagements, and engage in other activities which are a short-term duration at his/her discretion. Such activities which require the School Business Administrator to be absent from the school district for more than one full working day shall be reported to the Chief School Administrator.

18. PROFESSIONAL LIABILITY

(a) The Board agrees that it shall defend, hold harmless, and indemnify the School Business Administrator from

any and all demands, claims, suits, actions, and legal proceedings brought against the School Business Administrator in his/her individual capacity or in his/her official capacity as agent and/or employee of the Board, provided the incident arose while the School Business Administrator was acting within the scope of his/her employment; and, as such liability coverage is within the authority of the Board to provide under state law.

(b) The Board will provide the School Business Administrator with professional liability insurance in the amount of _____ dollars (\$ _____). The premium is to be paid by the Board.

CONTRACT OF EMPLOYMENT
THIS AGREEMENT, made this -- day of -----, 200--
BETWEEN: THE BOARD OF EDUCATION OF
-----, ----- COUNTY ("Board")
ADDRESS
-----, New Jersey -----
AND: ----- (hereinafter "the Superintendent")

SAMPLE

WITNESSETH

THIS EMPLOYMENT CONTRACT replaces and supercedes all prior Employment Contracts between the Parties hereto. Signature of this Contract constitutes assent to a rescission of any and all prior Contracts as well as agreement to the terms herein;

WHEREAS, for the purpose of mutual understanding and in order that a harmonious relationship may exist between the Board and the Superintendent to the end that continuous and efficient services will be rendered by both parties, for the benefit of both and for the benefit of students and residents of the district; and

WHEREAS, the Superintendent is the holder of an appropriate certificate as prescribed by the State Board of Education and as required by N.J.S.A. 18A:17-17;

[YOU MAY WISH TO ADD TO THE RECITALS A LIST OF ANY AND ALL POSITIONS PREVIOUSLY HELD BY THE SUPERINTENDENT IN THE DISTRICT.]

NOW, THEREFORE, in consideration of the following mutual promises and obligations, the parties agree as follows:

ARTICLE I

EMPLOYMENT

A. The Board hereby agrees to employ ----- as Superintendent of Schools for the period of -----, 200----- through midnight July 1, 200---. *[NOTE 3, 4 OR 5 YEAR CONTRACTS ONLY.]*

Nothing contained in this document should be construed as legal advice. This document is for informational purposes only. Please consult your board attorney for legal advice.

B. *(For Interim appointment. The Parties agree that the Superintendent's salary for the remainder of the 200--- school year shall continue to be the salary received as Acting Superintendent, which is \$----- per year, prorated for the remaining portion of the year and payable in accordance with the Board's regular payroll schedule for all other professional staff.*
OR)

The parties agree that the Superintendent's salary for the 200--- 200--- school year shall be \$_____ payable in accordance with the Board's regular payroll schedule for all other professional staff.

C. Effective July 1, 200---, the Superintendent's salary for the remainder of the term of this contract shall be as determined by the Board, but shall not be less than the salary paid to him/her in the previous year. The Board agrees to review the Superintendent's salary at the conclusion of the 200---200-- school year, and at least annually thereafter. The parties agree that future salary determinations by the Board will be based on merit and the performance evaluation described in Article V below.

D. The Board will decide whether or not to award an annual merit increase by the first board meeting in April (prior to the annual organization meeting), but no later than April 30th. The determination of merit shall be made upon completion of the evaluation.

E. Any annual merit increase awarded by the Board in or before April will take effect on the following July 1.

F. Written criteria for determining each merit increase shall be set forth in the Superintendent's goals and will be established by June 1st, or within sixty (60) days of commencing employment, for the next succeeding school year. Both parties will discuss a draft of the criteria prior to adoption by the Board. The goals and objectives shall be reduced to writing and shall be among the criteria by which the Superintendent is evaluated.

G. *For interim evaluation see Article VI.*

H. Notwithstanding the foregoing, no salary increase of any kind will take effect on midnight July 1, 200-- (the final day of this agreement) unless the parties have agreed to a contract extension. The terms of the extension will govern all increases to take effect on or after July 1, 200--.

I. Nothing in this Agreement shall limit the Board's authority under Chapter 29 of the School Laws, including N.J.S.A. 18A:29-4 and 18A:29-14 (concerning withholding of increments). *[NOTE: See N.J.S.A. 18A:29-4.3.]*

ARTICLE II CERTIFICATION

The parties acknowledge that the Superintendent currently possesses the appropriate New Jersey administrative certification and school administrator endorsement.

OR

The parties acknowledge that the Superintendent possesses a certificate of eligibility and is in the process of obtaining, but does not currently possess, a provisional administrative certificate and school administrator endorsement from the New Jersey Department of Education, which certificate and endorsement is required in order for him/her to serve as Superintendent. The Superintendent agrees to use his/her best efforts to obtain it as soon as possible, and to keep the Board President informed of the status of his/her application for certification. The Board agrees to cooperate in promptly providing any information or documentation that is necessary for the Superintendent to obtain a provisional certificate as a school administrator, and further agrees to cooperate with [*OPTIONAL - and pay the costs of*] a state-required mentor during the residency period as per state certification regulations. The Board expects the Superintendent to obtain the appropriate administrative certification and school administrator endorsement prior to the commencement of the next school year.

ARTICLE III DUTIES

In consideration of the employment, salary and fringe benefits established hereby, the

Superintendent hereby agrees to the following:

A. To faithfully perform the duties of Superintendent of Schools for the Board and to serve as the chief school administrator in accordance with the Laws of the State of New Jersey, Rules and Regulations adopted by the State Board of Education, existing Board policies and those which are adopted by the Board in the future. The specific job description adopted by the Board, applicable to the position of Superintendent of Schools, is incorporated by reference into this contract.

B. To devote his/her full time, skills, labor and attention to this employment during the term of this contract; and further agrees not to undertake consultative work, speaking engagements, writing, lecturing or other professional duties for compensation without permission of the Board. The Superintendent shall notify the Board President in the event she/he is going to be away from the district on district business for two (2) or more days in any week. Any time away from the district that is not for district business must be arranged in accordance with provisions in this contract governing time off. The Board recognizes that the demands of the Superintendent's position require him/her to work long and irregular hours. *[OPTIONAL - The Board also recognizes the necessity for the Superintendent to have some flexibility to adjust his/her office hours and to work occasionally from home.]*

C. To assume the responsibilities for the selection, renewal, placement, removal and transfer of personnel, subject to the approval of the Board, by recorded roll call majority vote of the full membership of the Board, and subject to applicable Board policies and directives. The Board shall not withhold its approval of any such recommendation for arbitrary or capricious reasons, all in accordance with N.J.S.A. 18A:27-4.1.

D. To study and make recommendations with respect to all criticisms and complaints, which the Board, either by committee or collectively, may refer to him/her.

E. To assume responsibility for the administration of the affairs of the School District, including but not limited to programs, personnel and business management, and all duties and

responsibilities therein will be performed and discharged by him/her or by staff under his/her direction.

F. The Superintendent shall have a seat on the Board and the right to speak (but not vote) on all issues before the Board in accordance with applicable law. The Superintendent shall attend all regular and special meetings of the Board, (except where a Rice notice has been served upon the Superintendent notifying him/her that his/her employment will be discussed in closed session, and the Superintendent had not requested that the meeting be conducted in public), and all committee meetings thereof, and shall serve as advisor to the Board and said committees on all matters affecting the School District.

G. To suggest, from time to time, regulations, rules, policies and procedures deemed necessary for compliance with law and/or for the well being of the School District.

H. To perform all duties incident to the Office of the Superintendent and such other duties as may be prescribed by the Board from time to time.

ARTICLE IV

BENEFITS IN ADDITION TO SALARY

A. The Superintendent shall receive *[no less than 10]* sick days annually. Unused sick leave days shall be cumulative in accordance with the provisions of Title 18A. *[OPTIONAL: Upon retirement and notice to the board ---- days of unused sick days will be reimbursed, at the rate of \$----.00 per day (1/240 x annual salary), with a minimum ----- years continuous service in the district. Reimbursement for sick days shall not exceed ----- days and/or \$-----.00. As of - date— there were # days accumulated.]*

B. The Superintendent shall be entitled to an allowance at the Board's expense for professional dues for the following professional associations: NJASA, AASA and the County Administrators Association and/or other organizations deemed important by the board. The Superintendent may hold additional memberships in other organizations as approved by the

board and contained in the budget. The Superintendent also shall be entitled to reimbursement for expenses incurred for attendance at professional conferences as budgeted by the Board and similar expenses which s/he may incur while discharging the duties of Superintendent. It is specifically understood that in the absence of compelling circumstances requiring the presence of the Superintendent in the district, s/he shall be entitled to attend the Fall NJSBA Workshop and Convention and the Spring Conference of the NJASA/NJSBA. Reimbursement or payment for such expenses shall be made in accordance with Board policies [*OPTIONAL: and shall not exceed \$-----.00*].

C. The Superintendent may subscribe to appropriate educational and/or professional publications within the limit set in the annual budget.

D. 1. The Board shall provide the Superintendent with individual or family health benefits coverage. The Board will pay --% of the premium costs for all such coverage, with the remainder of the premium paid by the Superintendent through payroll deduction.

2. The Superintendent may waive coverage in any of the health benefits plans if s/he is covered through his/her spouse's health plan, and in accordance with procedures established by the Board. The Superintendent will be paid the same stipend for waiving coverage as is received by other administrative staff members employed by the Board. [*NOTE: SHBP does not permit waiver of coverage.*]

E. 1. The Superintendent shall be entitled to an annual vacation of ----- working days per year. As of --date—there were # days accumulated.

2. The Superintendent shall take his/her vacation time during periods when school is not in session, including Winter break and Spring break and only after giving the Board President reasonable notice, which shall be no less than four weeks notice. School vacations do not constitute time off for the Superintendent, unless s/he uses his/her leave time. The Superintendent may take vacation days during the school year, with the permission of the Board President as single days, half days or in the event of an emergency. If the Superintendent wishes to take more than two (2) consecutive vacation days during periods when school is in session, s/he shall request permission from the Board President no less than four weeks prior to the date

such vacation is proposed to commence. The Superintendent is expected to attend to the business of the district as required for the smooth and efficient operation of the school district.

3. The Board encourages the Superintendent to take his/her full vacation allotment each year; however, not more than ten (10) unused vacation days may be carried over by the Superintendent from year to year. All days carried over must be used in the next year or those days not taken will be forfeited. *[Alternatively, and with verification by the Board Secretary and sign-off by the Board President, the Superintendent may turn back not more than five (5) unused vacation days per year and receive payment at his/her then current daily rate. In any year, the combination of unused vacation days carried over and turned back shall not exceed ten (10).]*

4. In the event that his/her contract is terminated prior to its expiration, unused vacation time (for the year of termination only) shall be paid on a pro-rated basis of ----- days accrued per month. In the event this contract is not renewed, earned but unused vacation time will be paid at the Superintendent's daily rate of pay following his/her last day of employment. However, at the Board's discretion, should termination or non-renewal occur, the Board reserves the right to require the Superintendent to use his/her full vacation entitlement.

F. The Superintendent shall be entitled to all holidays granted to other administrators in the district. Floating holidays may be taken during the school year upon four weeks prior notice to and approval of the Board President.

G. *[OPTIONAL: The Board shall reimburse the premium for a disability plan of the Superintendent's choice, to a maximum of \$----- per year.]*

H. The Superintendent shall be entitled to ----- personal days, to attend to personal business during the school day, with full pay during the work year. Personal days may be taken during the school year with the prior permission of the Board President. As much advance notice as possible of the request to take personal time will be given. Personal day usage shall be reflected on time off slips filed with the Board Secretary. Personal days are non-cumulative and non-reimbursable.

I. The Superintendent shall be reimbursed for actual mileage when using his/her personal

vehicle for Board business as annually established by the Internal Revenue Service. *[May opt to provide monthly stipend: The Superintendent shall be paid an allowance of \$-----per month as reimbursement for use of his/her car in performance of his duties. There will be no additional reimbursement of mileage allowance paid, except for travel outside of New Jersey.]*

J. The Superintendent shall be responsible for filing a time off slip, in advance of the time off, as set forth herein, or immediately upon his/her return to the district in the event of an unplanned absence, with the Board Secretary each time any leave is taken. The Superintendent shall periodically review the Board Secretary's record to assure correctness. *[OPTIONAL: The Board may wish to require weekly time sheets be filed with the board secretary.]*

K. The Superintendent shall have the right at any time prior to the commencement of, or at any time during his/her employment, to take a reduction in salary and to require the Board to use an amount corresponding to such reduction to purchase a tax sheltered annuity and/or mutual fund investment in accordance with N.J.S.A. 18A:66-127 et seq. and applicable tax laws, including Sections 403(b) and 457(b) of the Internal Revenue Code. The maximum amount of reduction in salary authorized shall be the maximum tax deferral amount permitted by the Internal Revenue Code.

ARTICLE V

ANNUAL EVALUATION

The Board shall evaluate the performance of the Superintendent at least once a year in accordance with statutes, regulations and Board policy relating to Superintendent evaluation. Each annual evaluation shall be in writing, a copy shall be provided to the Superintendent and the Superintendent and the Board shall meet to discuss the findings. The Board may meet in closed session to discuss the evaluation and the Superintendent's performance where a Rice notice has been served upon the Superintendent notifying him/her that his/her employment will be discussed in closed session, and the Superintendent has not requested that the meeting be conducted in public. The evaluations shall be based upon the criteria adopted by the Board, the goals and objectives of the district, which shall include encouragement of student achievement, the responsibilities of the Superintendent as set forth in the job description for the position of

Superintendent and such other criteria as the State Board of Education shall by regulation prescribe. The final draft of the annual evaluation shall be adopted by the Board in April prior to the annual organization meeting, but no later than April 30th. The Superintendent shall propose a schedule for evaluation to the Board President by March 1st of each year.

ARTICLE VI

INTERIM EVALUATIONS

In addition to the annual evaluation, the Board may conduct interim evaluations, by October 1 and by February 1 of each school year. The interim evaluations shall be based upon the same criteria used during the annual evaluation process, but may be in the form of a written summary of comments of Board members made during a confidential board meeting(s) for the purpose of conducting an interim evaluation.

ARTICLE VII

TERMINATION OF EMPLOYMENT CONTRACT

A. This Contract shall terminate, Superintendent's employment will cease, and no compensation shall thereafter be paid, under any one of the following circumstances:

- (1) Failure to possess/obtain proper certification;
- (2) Revocation or suspension of the superintendent's certificate;
- (3) Forfeiture under N.J.S.A. 2C: 51-2;
- (4) Mutual agreement of the parties; or
- (5) Notification in writing by the Board to the superintendent, at least one (1) year prior to the expiration of this Contract, of the Board's intent not to renew this contract;
- (6) Misrepresentation of employment history, educational and professional credentials, and criminal background.

B. In the event the superintendent is arrested and charged with a criminal offense which could result in forfeiture under N.J.S.A. 2C: 51-2, the Board reserves the right to suspend him/her pending resolution of the criminal charges. Such suspension shall be with pay prior to indictment, and may be with or without pay, at the Board's discretion, subsequent to indictment,

unless the Board certifies contractual tenure charges.

C. Nothing in this Contract shall affect the Board's rights with regard to suspension under N.J.S.A. 18A:6-8.3 and applicable case law.

D. The Superintendent may terminate this Employment Contract upon at least ----- [*suggest 120-180 days minimum*] calendar day's written notice to the Board, filed with the Board Secretary, of his/her intention to resign.

E. The Superintendent shall not be dismissed or reduced in compensation during the term of this contract, except as authorized by paragraphs B. and C. *supra.* and N.J.S.A. 18A:17-20.2; provided, however, that the Board shall have the authority to relieve the Superintendent of the performance of his/her duties in accordance with N.J.S.A. 18A:27-9, so long as it continues to pay his/her salary and benefits for the duration of the term.

F. In the event the Board elects to terminate this contract prior to its expiration date, and to remove the Superintendent from the actual performance of his/her duties, the Board shall compensate the Superintendent for all salary and fringe benefits until the expiration date is reached, minus compensation from any and all other employment. It is understood that the Superintendent must make a good faith effort to find employment elsewhere as soon as possible and prior to the expiration date of the within contract. The salary received by the Superintendent in such employment shall be deducted from the payments made to the Superintendent by the Board. Insurance benefits will be adjusted to reflect coverage, if any, in the new position.

ARTICLE VIII

RENEWAL - NON RENEWAL

This contract shall automatically renew for a term of ---- calendar years, expiring July 1, 20---, unless either of the following occurs:

A. The Board by contract reappoints the Superintendent for a different term allowable by law; or

B. The Board notifies the Superintendent in writing, prior to July 1, 200--, that he/she will not be reappointed at the end of the current term, in which case his/her employment shall cease upon the expiration of this contract.

ARTICLE IX

COMPLETE AGREEMENT

This Employment Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the undersigned parties.

ARTICLE X

SAVINGS CLAUSE

If, during the term of this Employment Contract, it is found that a specific clause of the Employment Contract is illegal under Federal or State law, the remainder of the Employment Contract is not affected by such a ruling and shall remain in full force.

ARTICLE XI

RELEASE OF PERSONNEL INFORMATION **PERSONNEL RECORDS**

The Superintendent shall have the right, upon request, to review the contents of his/her personnel file and to receive copies at Board expense of any documents contained therein. S/he shall be entitled to have a representative accompany him/her during such review. At least once every year, the Superintendent shall have the right to indicate those documents and/or other materials in his/her file that s/he believes to be obsolete or otherwise inappropriate to retain; and, upon final approval of the board, such documents identified by him/her shall be destroyed.

[NOTE: discuss with your attorney implications of the Open Public Meetings Act and the Records Destruction Act before destroying any document.]

No material derogatory to the Superintendent's conduct, service, character or personality shall be placed in his/her personnel file unless s/he has had an opportunity to review the material.

The Superintendent shall acknowledge that s/he has had the opportunity to review such material by affixing his/her signature to the copy to be filed with the express understanding that such signature in no way indicates agreement with the contents thereof. The Superintendent shall also have the right to submit a written answer to such material.

IN WITNESS WHEREOF, the parties have set their hands and seals to this Employment Contract effective on the day and year first above written.

THE BOARD OF EDUCATION OF

SUPERINTENDENT

Date
, President

Date

ATTEST:

WITNESS:

, Board Secretary

N.J.S.A. 52:9M-12.2 provides that:

- a. The Commission shall make a good faith effort to notify any person whose conduct it intends to criticize.*
- b. The notice required under subsection a. of this section shall describe the general nature and the context of the criticism, but need not include any portion of the proposed report or any testimony or evidence upon which the report is based.*
- c. Any person receiving notice under subsection a. of this section shall have 15 days to submit a response, signed by that person under oath or affirmation. Thereafter the Commission shall consider the response and shall include the response in the report together with any relevant evidence submitted by that person; except that the Commission may redact from the response any discussion or reference to a person who has not received notice under subsection a. of this section.*
- d. Nothing in this section shall be construed to prevent the Commission from granting such further rights and privileges, as it may determine, to any person whose conduct it intends to criticize in a proposed report.*
- e. Notwithstanding the provisions of R.S. 1:1-2, nothing in this section shall be deemed to apply to any entity other than a natural person.*

The following materials are responses submitted pursuant to those statutory requirements.

Salem County

Vocational Technical Schools

www.scvts.org
(856) 769-0101 ext. 301
Fax. (856) 769-3602

RECEIVED
2006 FEB 14 AM 11:07
Office of the Superintendent
880 Route 46 Dr
STATE INVESTIGATION
TRENTON, NJ 08098-0350

February 13, 2006

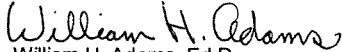
Ms. Charlotte K. Gaal
Deputy Director - Chief Counsel
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

**Re: Notice of Proposed Report
Dissemination #06-02-008**

Dear Director Gaal:

Pursuant to your letter of February 6, 2006, and N.J.S.A. 52:9M-12.2, I enclose herewith my response that I understand shall be included in the final draft of the report. Please note that I have sworn and affirmed the truth of the statements contained in this response as required by the above-noted statute.

If you have any further questions, please direct same to me so that this response will be accepted well within the fifteen day required time frame. Thank you.

Very truly yours,

William H. Adams, Ed.D.
Superintendent of Schools
Salem County Vocational Technical Schools

Response of William H. Adams, Ed.D. to the State of New Jersey Commission of Investigation Information that was Hand Delivered on February 6, 2006 Concerning Notice of a Proposed Report

In accordance with provisions of N.J.S.A. 52:9M-12.2 which provides that any person whose conduct will be criticized in a proposed Commission report will be provided with a copy of the relevant portions of the report and an opportunity to respond to that report. William H. Adams, Ed.D. responds as follows:

I have reviewed the limited edited portions of the report that were provided to me and find it impossible to provide a full response. As a partial response, I point out that all compensation and benefits paid to me were negotiated with the Salem County Board for Vocational Education and were approved at an open public meeting. Further, these benefits and compensation were accrued over a 33 year period. All benefits that were subject to tax were properly taxed and the tax paid. Further, some of the benefits reported have been negotiated and/or approved by the Board of Education for other district employees. The compensation and benefits information presented is out of context in that many of the benefits reported as being accrued by me as superintendent of schools have been negotiated and properly approved and accrued over a 33 year period. Further, following procedures suggested by the current business administrator, some of these benefits are being paid out toward the end of a career in a manner that was designed to ultimately save the board and taxpayers money.

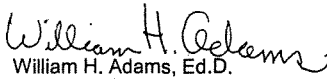
I acknowledge that I have been paid appropriate compensation during my 33 years of service as superintendent of schools. I also point out that at my own professional expense and the expense of my family, given far more of myself than what the compensation has been. I therefore do not apologize for the wages and benefits that I have earned for my expertise, experience, leadership, time and commitment to the job and the people of Salem County that I have served.

When I was hired some 33 years ago, the board president at the time who recently passed away and for whom I have the greatest respect, told me I was on the clock 24 hours a day, seven days a week. I took that charge and challenge seriously and I continue to serve the district and the people who entrust their children and education to me in that manner. I am proud of the accomplishments that have been achieved over the years by the students who have been served through career and technical education programs that I have been responsible for. I also have no regrets for having passed up professional opportunities both here in New Jersey and nationally to pursue the passion that I have for the students I serve through career and technical education. Further, I believe what I do, I do extremely well.


The Salem County Board for Vocational Education and its many different members over my 33 years of service to the board have recognized my talent and have compensated me in an appropriate manner for the job that I do and my commitment to excellence. They have also done this in a manner to entice me to remain as the educational leader for the district.

There is no question that we have a problem in our state with regard to how we fund schools through local property taxes. The system as it is currently structured does not work for people on fixed incomes or people struggling to get ahead. It is not fair. It is also not fair to blame these ills on the wages and benefits that are paid to superintendents of schools. I will continue to do my job to the best of my ability, believing that I have been treated fairly with regard to my compensation over the years and in particular for the period that is reported on by the State Commission of Investigation.

Pursuant to N.J.S.A. 52:9M-12.2, I hereby swear and affirm that the above-noted statements made by me are true.


William H. Adams, Ed.D.
Superintendent of Schools

Sworn to and Subscribed
to me this 13th day of
February 2006.



Notary Public

LINDA KATHRINE DUNN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires January 4, 2011



Marion A. Bolden
State District Superintendent

February 21, 2006

Ms. Charlotte K. Gaal
Deputy Director/Chief Counsel
State of New Jersey
Commission of Investigation
28 West State Street, P.O. Box 045
Trenton, NJ 08625-0045

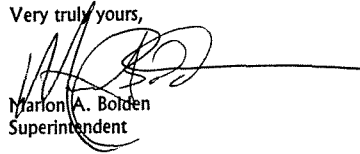
Dear Ms. Gaal:

SUBJECT: NOTICE OF PROPOSED REPORT DISSEMINATION #06-02-004

Receipt of your February 6, 2006 letter regarding my employment agreement with the State of New Jersey is acknowledged. As you know, my contract is not with a local board of education. My contract is signed by former Commissioner Librera, State Board of Education President Hyndman and the Deputy Attorney General.

The annuity payment in Section 3 of my contract is in lieu of a higher salary. Commissioner Librera acknowledged that my salary prior to the current contract was unreasonably low. The salary was adjusted to an appropriate amount and the annuity was included to compensate for the prior deficiency. Annuity inclusion in prior contracts were also in lieu of a higher salary per Commissioner David Hespe.

Very truly yours,


Marion A. Bolden
Superintendent

MAB:sc

c: Alan A. Rockoff
Lucille E. Davy, Acting Commissioner of Education
Gordon MacInnes, Assistant Commissioner of Education

THE NEWARK PUBLIC SCHOOLS
Office of the State District Superintendent

2 Cedar Street
Newark, New Jersey 07102-3099
Phone: 973-733-7333
Fax: 973-733-6834

RECEIVED

2006 FEB 27 AM 10:44

STATE COMMISSION OF
INVESTIGATION



Lucille E. Davy
Acting Commissioner of Education

ALL CHILDREN WILL LEARN



Marion A. Bolden
State District Superintendent

THE NEWARK PUBLIC SCHOOLS
Office of the State District Superintendent
2 Cedar Street
Newark, New Jersey 07102-3091
Phone: 973-733-7333
Fax: 973-733-6834



RECEIVED
2006 FEB 27 AM 10:16
Lucille E. Davy
Acting Commissioner of Education
STATE COMMISSION OF
INVESTIGATION

February 21, 2006

Via Facsimile and First Class Mail

Charlotte K. Gaal, Deputy Director/Chief Counsel
New Jersey Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

Re: Notice of Proposed Report
Dissemination #06-02004

Dear Deputy Director Gaal:

Please consider this as an addendum to my submission earlier today responding to your February 6, 2006 letter regarding the investigation into employment contracts and compensation arrangements between boards of education and public school administrators. Your letter suggests that portions of my contractual compensation with the State of New Jersey may be violative of the statutory provisions in Title 18A. This matter has been reviewed by internal counsel for the Newark Public Schools and I offer the following response:

Please be advised that my employment contract is with the State of New Jersey, executed by the Commissioner of Education as required in my role as State District Superintendent pursuant to N.J.S.A. 18A:7A-34 et. seq. With regards to process, it is my understanding that the terms of my contract are drafted and reviewed by the Deputy Attorney General assigned to the Education Section of the New Jersey Division of Law. As such, there is a presumption that each clause of the contract complies with State Law. The fact that my contract with the State of New Jersey suggests that the reference to N.J.S.A. 18A:66-127 may not be applicable as the aforementioned takeover law abolished a "board of education" in the City of Newark and created a board that serves in an advisory capacity only. See N.J.S.A. 18A:7A-48. As such, N.J.S.A. 18A:66-127 seems to only apply to circumstances in which a functioning board of education contracts with its employees.

Assuming, for argument purposes only, that N.J.S.A. 18A:66-127 governs a term of my contract with the State of New Jersey, I submit that the salary reduction


requirement of the statute has been met. Despite your characterization of my salary as "[t]he highest paid superintendent among...State operated School districts," my compensation package was designed to address salary inequities with my counterparts throughout the State. As you know, I am responsible for the largest school district in the State and despite that fact, my salary can be best termed as unreasonably low when compared to my counterparts in non-Abbott school districts. As such, any annuity amount was an effort to address salary inequities and bring my salary in line with other administrators with far less responsibilities. Moreover, my current compensation package was also designed to address the fact that my initial contract was also low. In that regard, the reduction in salary requirement under N.J.S.A. 18A:66-127 has been met.

In sum, if you determine that N.J.S.A. 18A:66-127 serves to preclude annuity purchases as a part of my compensation package, then the prior and current contracts must be revisited to address the agreed upon compensation terms.

Finally, I urge you to consider the applicability of N.J.S.A. 18A:66-127 to the circumstances surrounding my contract with the State of New Jersey. If you believe the same applies, I contend that the compensation structure involved a reduction of my base salary to address salary inequities and a previously unreasonably low salary.

I trust this resolves any outstanding concerns. Should you have any further questions, please do not hesitate to contact me.

Respectfully,


Marion A. Bolden
State District Superintendent

cc: Lucille E. Davy, Acting Commissioner of Education
Gordon MacInnes, Assistant Commissioner of Education

ALL CHILDREN WILL LEARN

RECEIVED

2006 FEB 22 AM 10:36
February 17, 2006
STATE COMMISSION OF
INVESTIGATION

Charlotte K. Gaal, Deputy Director
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

RE: Response to Proposed Report Dissemination #06-02-012

Dear Ms. Gaal:

I am in receipt of the Notice of Proposed Report Dissemination #06-02-012. I was provided with a heavily redacted section or portion of a section entitled, "Severance Packages/ Buy-Outs." I am clearly at a disadvantage in providing a response as the full report has not been shared with me. In addition, the excerpt of the report with which I was provided does not include attachments.

Immediately before a section bearing the caption, "Princeton Regional School District," there is an indication that text has been deleted; however, there is no indication as the amount of text deleted and the relation of that text to the section that follows.

I did enter into an agreement with the Princeton Regional School District in or about January 1998. The agreement was mutual, and recites that it was due to philosophical differences. The agreement was approved by the Princeton Regional Board of Education at a public meeting. It is my recollection that many of the terms and conditions therein were already items included in my employment agreement. The actual documents approved at the January 1998 board meeting speak for themselves as to their terms and conditions.

In closing, I reiterate that I have been extremely hampered in my response without having the opportunity to view the entire report and its attachments.

Sincerely,

Marcia E. Bossart

Marcia E. Bossart, Ed.D.

STATE OF NEW JERSEY
COUNTY OF MERCER

On the 17th day of February 2006
before me personally appeared Marcia E. Bossart
to me known and known to me to be the person
executing the document
Marcia E. Bossart
2825 592
Commissioner of Investigation

RECEIVED
Mr. A. Spencer Denham
One Merrison Street
Teaneck, New Jersey 07666
2006 FEB 21 AM 9:44
STATE COMMISSION OF
INVESTIGATION
February 16, 2006

Charlotte K. Gaal, Esq.
Deputy Director/Chief Counsel
State of New Jersey
Commission of Investigation
28 West State Street, P.O. Box 045
Trenton, New Jersey 08625-0045

Re: Notice of Proposed Report
Dissemination #06-02-006

Dear Ms. Gaal:

I am in receipt of your February 6, 2006 letter to me providing me with six (6) pages of the proposed SCI report on employment contracts and compensation arrangements between boards of education and public school administrators.

In your letter, you advise me that under statute, you are required to provide the aforesaid to me as a "person whose conduct will be criticized in the proposed Commission report" and afford me an opportunity to respond within 15 days.

First, I would like to point out to you that, without a good faith basis, the report assumes my retirement in the near future. I have no present plan to retire. My retirement may not happen for several more years. By the time I do retire (if I live that long) the base salary to which you refer may have no relevance to my pension calculation. In order to comply with your request for brevity I will not herein set forth how pensions are calculated. Accordingly, the proposed criticism of me relating to "pension manipulation" is unwarranted and should be omitted.

Second, the proposed report incorrectly assumes that I have exercised my contractual right to redeem unused vacation days and personal business days to improperly increase my base pay and therefore my pension. That assumption is incorrect. I had my own personal reasons for my decision which have nothing to do with pension calculations. I respectfully request that your unfounded criticism of me for merely exercising my contractual rights be omitted from the final report.

Charlotte K. Gaal, Esq.
Deputy Director/Chief Counsel
State of New Jersey
Commission of Investigation
February 16, 2006
Page 2

Third, I take exception to your proposed report's quote of a portion of one of my e-mails, from some unspecified time, to "one of his administrative colleagues" (who is unnamed) without context or explanation. As you should know, I have provided the SCI with my explanation of what I intended by my e-mail, which explanation the proposed report ignores. Specifically, with respect to my direction to the payroll department to "spread out (the payment) over the remaining quarters, for this school year, for pension purposes, so there is a consistency in my quarterly reports rather than and (sic) up and down appearance..." I would like to state that my concern resulted from a situation back in the early 1980's. At the time I was serving as Acting Superintendent of Schools, and for this increase in responsibilities, the Board of Education awarded me an increase of approximately \$3,500.00 per month. This lasted for approximately 4-5 months while we recruited a Superintendent. Almost a year later, the State Division of Pensions inquired about the sudden rise and fall in my salary during particular salary quarters. Therefore, in 2003 when I "cashed in" days (as was my right under my contract), I asked the Business Office not to give one full payment, but rather spread it over the year so that no one salary quarter would be substantially more than another during the course of the school year. I thought this would avoid any confusion or concern such as that raised by the Division of Pensions twenty years earlier.

Your proposed report is in error when it accuses me of participating in a "ploy" to increase my pension and such criticism of me should be removed before the final report is issued.

Thank you for your consideration of my point of view on these issues.

Very truly yours,



A. Spencer Denham

Charlotte K. Gaal, Deputy Director
Commission of Investigation
State of New Jersey
P.O. Box 045
Trenton, NJ 08625-0045

RECEIVED
February 9, 2006
2006 FEB 14 AM 10:17
STATE DIVISION OF PENSIONS
INVESTIGATION
Vincent Doyle
Camino Oceano
Rio Rico, AZ 85648

Re: Notice of Proposed Report
Dissemination #06-02-010

Dear Ms. Gaal:

I have received your Notice, and have prepared the following clarifications. In advance, I respectfully ask your indulgence to consider all of the information contained herein, *prior* to the release of said report.

My response addresses two areas:

- background on how my contract was prepared, and why, (points one and two, below) and
- separate and apart, some statements presented in the report that are factually incomplete or inaccurate. As a result, they unfairly convey misperceptions that my employer paid compensation to me in excess of my written employment contract. That is incorrect (please see points three and four, below).

Revisions are requested to the *draft* report, so that the factual record is accurate and complete.

1. The employment contract (which generated my salary, now in question) was prepared solely by the Teaneck Board's legal counsel, and reviewed and approved by the Board in private session. (I was never permitted to attend such sessions, nor be involved in those deliberations).

The end result: I was given a final contract to sign. My understanding was that I received a 'compensation package' that was prepared by a board attorney.

If the attorney's wording of my contract is now deemed in conflict with pension regulations, it was unintentional. The intent was not to inflate a pension. Rather, it was to reach the listed salary level utilizing the contract's provisions as needed, pay out my accrued leaves, and do so in a manner that would not impact the employer's cash flow by incurring a lump sum payment. That was my understanding.

I wish to note:

- all employment contracts in Teaneck (historically) have been written by a board attorney, and reviewed and approved in a private session of the Board, from which employees (whose contracts are under review) are excluded; and
- if a mistake was made in the wording of my contract by the Board's legal council in her/his interpretation of what was appropriate, as it impacts pension, I should not be penalized, *retroactively*, for that error (since I was not involved in its wording, nor permitted to alter it).

Therefore, I respectfully request: *IF there is to be any adjustment in my monthly pension, that it affect only future payments (and that I be held harmless for past payments). The contract, to my understanding, was not intended to impact pension, and its wording was to be the work of the board attorney, solely.*

2. The (draft) report makes no mention of the fact that I paid the larger TPAF deductions (out of my paycheck), for the salary now questioned. The employer never made any of the employee contributions (nor was there ever any reimbursement of these).

This is a material omission. Without the inclusion of this information, the report leaves open to question (incorrectly) that I did not pay my proper contribution to the pension system. In fact, I did make all required employee contributions to TPAF for the salary that I received. There were never any employer reimbursements for these (nor any intended).

These higher payments to TPAF also speak to my intent. I did not try to deceive anyone; I paid the mandatory TPAF deduction, commensurate with the salary I received.

Therefore, I respectfully request, that the report state that I paid all of the mandatory, employee contributions to TPAF at the required rate. Further, IF any adjustments are made in my monthly pension, that credit be given back to me for the higher, employee share pension contributions that I actually made.

3. ALL monies paid to me by the Teaneck Board of Education were contractually detailed, earned, accurately paid, and properly accounted for by all prevailing standards.

This is NOT STATED in the (draft) report. This creates an inaccurate perception that I received compensation from the Teaneck Board for which I was not contractually entitled. That is not true.

Every document covering my receipt of any compensation from the Teaneck Board attests that it was received in conformance with the legally binding employment contract, and disbursed according to its provisions. Further, all compensation received by me from my employer was subject to the scrutiny of independent audit, and not one exception (to either contract or statute) was ever been cited.

While I understand that I received a draft report, not to clarify that all compensation received from the employer was legally and contractually obtained is a grievous oversight. The implication to the contrary is factually incorrect.

Therefore, I respectfully request: the (draft) report clearly state, in each section listing my compensation, that ALL monies were earned legally, and paid in accordance with the Board's approved employment contract with me.

4. The (draft) report contains inaccurate statements, that appear to be (in their current wording) misleading.

Specifically, the sentences stating

"Moreover, even if interested taxpayers were granted access to the district's payroll records ...no single pay stub reflects an abrupt spike in salary due to ...a lump sum."

are both incorrect. In fact,

- for the entire time of my employment in Teaneck, all employment contracts, including mine, were available for public inspection during normal business hours. That was the Board attorney's consistent interpretation of statute, the local Board's mandate, and a practice that was followed without exception (to the best of my knowledge).

The sentence cited insinuates otherwise, and is not correct.

- "buried in equal bi-monthly increments" and "abrupt spike" – are misleading by conveying a belief that without a lump sum payment, something was done improperly. That is not true.

My contract's language required that payments be made in accordance with the regular payroll schedule (to administrators). Making the payments to me other than bi-monthly would have been improper.

The draft report's statements over the availability of the contract for public scrutiny, and of the payment schedule are not accurate, and require a factual correction.

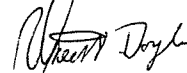
I respectfully request: a more factual revision to the (draft) wording of these two sentences– (for example) "the annual total value of various base salary add-ons was divided up in equal bi-monthly increments corresponding to the district's 24 regular pay periods. Thus, no single pay stub reflects the inclusion of a lump sum amount."

In closing, hopefully my clarifications show that the intent of my contract was not to deceive the pension system. Rather, the compensation package was intended to provide a specific level of salary, while simultaneously paying out contractually accrued leave over time, without impacting the employer's cash flow by incurring a lump sum payment. My employment contract was written by a Board attorney, utilizing its provisions granted by the Board, to accomplish this. If the wording was in error, then a mistake was made. However, because the board attorney wrote the contract, I should be held harmless for past pension payments, if some portion is now deemed in error.

The report's presentation of compensation that I received from my employer is of primal importance. Any implication that I was paid more than what I was contractually permitted to receive is incorrect, and must be clarified. Please state this fact clearly.

Finally, I would hope to resolve the concerns with reason. I would like to discuss these matters as they address me prior to the release of this report. However, I do not know if that is appropriate, but would open that door to you for initiating such contact. Separately attached, a phone number is provided for your use, though it is not being offered for general release.

Sincerely,



Vincent Doyle

Edwin Duroy, Ed.D.
2 Reese Court
South Amboy, New Jersey 08879

RECEIVED
2006 FEB 17 AM 10:14
STATE COMMISSION OF
INVESTIGATION

Charlotte K. Gaal,
Deputy Director/Chief Counsel
State of New Jersey
Commission of Investigation
28 West State Street, PO Box 045
Trenton, New Jersey 08625-0045

RE: Edwin Duroy- Notice of Proposed Report Dissemination # 06-02-013

Dear Ms. Gaal:

I am in receipt of the State's Notice of Proposed Report Dissemination dated February 6, 2006, which is essentially an excerpt of a report that has been heavily redacted. The incomplete sections that I received are entitled, *Inflated and Questionable Compensation/ Benefits and Reported Salaries v. Actual Compensation*. None of the documents or exhibits upon which the SCI's conclusions are based have been attached. The fact that I do not have a completed report, I believe, is not fair and renders it impossible to respond in a comprehensive manner.

However, I would like to share relevant information which can assist you in completing a more accurate and reflective report.

- a. The Paterson School District, under my tenure as superintendent, was State-operated requiring that my contract, compensation and benefits be approved by the New Jersey Department of Education, the Commissioner of Education, and reviewed by the Attorney General's office. Please note that all my employment contracts with the Paterson School District followed this format and were signed by the Commissioner of Education.
- b. The annual reporting of my contract compensation and benefits were reflected in the district's fall report. The information provided for the fall report did not include monetary figures for my benefits. These additional benefits were not required to be included in the fall report for myself and other employees. Thus, such benefits were not included in the fall report for other district administrators, teachers and support staff in the district who received additional compensation in the form of stipends for coaching, other stipend-related activities, extended-day and year compensation, and tuition reimbursement (all covered in their respective contracts).

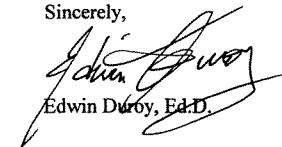
- c. The approval of the annual budget included all aspects of my salary and compensation package. This budget was publicly presented and disseminated, including review and approval by the New Jersey Department of Education.
- d. My 2003-04 base salary, which was approved by the DOE, was \$181,000.00. On the redacted page 2 of the excerpted report, the 2003-04 base salary of \$173,056.00 is not correct, because, in that particular year, the DOE adjusted my salary after the fall report. This also changes the percentage cited in the corresponding section of the excerpted report.

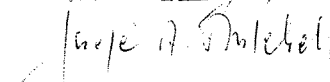
Upon further reflection regarding the excerpted report, it is implied therein that I have not been completely forthcoming concerning my full compensation and benefits package. This is misleading because, on a monthly basis, my salary and benefit were submitted in public for approval by the State-operated board, and all minutes were submitted to the DOE. In addition, to the best of my knowledge, any requests for copies of the minutes made by members of the public were honored.

In closing, I believe that, for the notification process to be implemented in a just and objective manner, I must be provided with copies of the documents the SCI is relying upon. I have been further hampered in my response as I have not been provided with a copy of the entire report and, therefore, there is always the possibility that other sections may contain information which is pertinent to my response. The information submitted in this correspondence provides facts lacking in your document and further suggests that it is incomplete.

Thank you for the opportunity to respond.

Sincerely,


Edwin Duroy, Ed.D.

County of Middlesex
Sworn and Subscribed
before me on February 15, 2006

LUCJA A. MITCHELL
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires September 23, 2009

Barry R. Ersek, Ed.D.
52 Cambridge Drive
Glen Mills, PA 19342

RECEIVED
2006 FEB 14 AM 11:06
STATE COMMISSION OF
INVESTIGATION

W. Cary Edwards, Chair
Commission of Investigation

February 9, 2006
Page Two

February 9, 2006

VIA Certified/RRR Mail
#70010360000191562094

Honorable W. Cary Edwards, Chair
State of New Jersey
Commission of Investigation
Post Office Box 045
Trenton, NJ 08625-6767

**RE: Response to Notice of Proposed Report
Dissemination #06-02-039**

Dear Mr. Edwards and Members of the Commission:

I am in receipt of the Notice of Proposed Report and have reviewed the four-page redacted version of the Report that was left at my home. Please consider this my written response to same.

I have been an educator for over 42 years. I served the Haddonfield School District from 1978 to 2005, and was Superintendent of Schools from 1981 until my retirement in 2005. I object to the discussion of my Employment Contract as Superintendent in Haddonfield and my retirement from my position under the Report's heading, "Pension Manipulation." My service in Haddonfield was honorable, and I was faithful in carrying out my duties to serve its students, parents, staff and the Board of Education.

Readers of the Commission's one-sided and biased Report would never learn that I received many commendations for my 24 years of service as Superintendent. These include commendations from former United States Senator Jon S. Corzine, the Mayor of Haddonfield, Letitia Colombi, and many current and former members of the Board of Education. (Enclosed are photocopies of a Proclamation from the Borough of Haddonfield and a letter from Senator Corzine dated July 26, 2005.) Readers would never learn that I spent countless hours away from my own family in service to the district, and that I gave up many nights, weekends, holidays and family gatherings in such service. Readers would never learn that my Employment Contract was negotiated by a Board of Education that was elected by the members of the community, and that the Board was represented by its own attorney in the drafting and negotiation of the Contract. Readers would never learn that all of the negotiations regarding my Employment Contract were at arms length, and that the approval of my Employment Contract occurred at a public meeting of the Board. Readers would also never learn that my Employment Contract is and remains a government record, which any member of the public could request at any time for inspection and copying. Lastly, readers would never learn that, in my role as Superintendent, I fully cooperated with and assisted the district's Business Administrator in responding to the Commission's records subpoena.

The Report identifies a number of items which pension regulations prohibit from inclusion as creditable compensation for pension purposes; these items are referred to as "extra compensation." My Employment Contract and my creditable salary did not contain any "extra compensation." None of my benefits or perks were ever added to my base salary so as to improperly inflate it for pension purposes.


With regard to the "recognition' bonus" referred to in my Contract and in the Report, this was a base salary increase in recognition of meritorious service. In other words, it was a performance-based salary increase; it was not a one-time cash bonus for simply doing work beyond the regular school day. In fact, my work generally continued well-beyond school hours including evenings and weekends.

At the time my Contract was negotiated, I had assisted the district in completing major additions and renovations to four school buildings, which were completed on time and under budget. Due to careful record keeping and negotiations by me during the two-year construction project, my efforts led to reimbursements and credits to the district of approximately \$90,000. In addition, student achievement increased significantly during my tenure—there were increases in standardized test scores, SAT results, Advanced Placement test scores, and the fact that 98% of High School graduates from the district went on to higher education, with 90% attending four-year colleges.

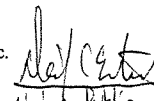
With regard to longevity increases, most of the Haddonfield teaching staff are eligible for longevity increases after 15 years of service, with the highest percentage of increases provided after 25 years of service. As I previously indicated, I had been employed in the district for 27 years prior to the time I retired. Therefore, there was nothing out-of-the ordinary with respect to the Board providing me with longevity increases. Furthermore, my average annual percentage increases during my final three years in the district were less than some administrators' and some faculty members' annual percentage increases.

In closing, I would like the Commission and members of the public who may read this response to understand that there was no "padding" or manipulation with respect to my salary. It is my understanding that the starting salary of my successor in Haddonfield is in the same range as my average salary during my last three years of employment. I believe this indicates that my salary was reasonable and competitive under the circumstances. Based on the foregoing, I would respectfully request that the Commission reconsider including any discussion in its final Report of my Employment Contract or of my pension.

Sincerely,


Barry R. Ersek, Ed.D.

Enc.



DANIEL C. EASTWICK
Notary Public, New Jersey
My Commission Expires June 11, 2009

JON S. CORZINE
NEW JERSEY



United States Senate
WASHINGTON, D. C. 20510

July 26, 2005

Dr. Barry Ersek
52 Kingbridge Drive
Glen Mills, PA 19342

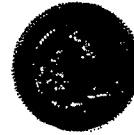
Dear Dr. Ersek,

Congratulations on your retirement. Over the past 27 years, parents, children, and the community of Haddonfield have benefited from your strong leadership, stellar values, and commitment to excellence. Under your direction, the education of our children was clearly the top priority and for that I join with the people of Haddonfield to express the utmost appreciation for your work.

For almost three decades you have been a symbol of community strength and devotion and for that you will be missed. I wish you the best of luck in the future and, again, congratulations.

Sincerely,

JON S. CORZINE
United States Senate



BOROUGH OF HADDONFIELD
242 KING'S HIGHWAY, EAST
HADDONFIELD, NEW JERSEY 08033
PROCLAMATION

WHEREAS, 27 years ago Barry R. Ersek was hired by the Haddonfield Board of Education as an Assistant Superintendent; and

WHEREAS, 25 years ago Barry R. Ersek became the Superintendent of Schools in Haddonfield; and

WHEREAS, Barry continued to live in Glen Mills, Pennsylvania, however, it could be said that Barry lived in Haddonfield, but slept in Glen Mills; and

WHEREAS, Barry fully immersed himself into the Haddonfield community becoming a member of the Rotary Club and serving on the Library Board; and

WHEREAS, Barry led unprecedented passages of school budgets and building and maintenance referendums during his tenure as superintendent, and fostered the sharing of school facilities for activities in the Borough; and

WHEREAS, Barry initiated the Garden State Coalition to advocate for a better balance of state funds for "I" and "J" school districts; and

WHEREAS, Barry instituted a tuition program that brought many talented students and significant additional revenue to the Haddonfield school district; and

WHEREAS, Barry led a school district which won the Colonial Conference Best Overall Record, the highest achievement of athletics in the district, continuously since 1978; and

WHEREAS, Barry led the Haddonfield School District which annually celebrates a 95+% student body that attends college; and

WHEREAS, Barry was rewarded for his leadership when Haddonfield Memorial High School was awarded a Blue Ribbon High School status, one of only 32 in the nation; and

WHEREAS, Barry Ersek has had a greater influence, a more positive influence, and a more lasting influence on the character of our community and on so many of its residents - past, present, and future- than anyone in the history of Haddonfield.

NOW, THEREFORE BE IT RESOLVED, I, Letitia G. Colombi, on behalf of Commissioner Edward Borden and Commissioner Neal Rochford, ask all its residents to join in proclaiming Thursday, June 2, 2005, Dr. Barry R. Ersek Day in the Borough of Haddonfield.

Letitia G. Colombi
Mayor

Neal Rochford
Commissioner

Edward F. Borden, Jr.
Commissioner



OFFICE OF THE SUPERINTENDENT
LONG BRANCH PUBLIC SCHOOLS
540 BROADWAY, LONG BRANCH, NEW JERSEY 07740

JOSEPH M. FERRAINA
SUPERINTENDENT OF SCHOOLS
(732) 571-2868, EXT. 2386
FAX: (732) 229-0797

RECEIVED

2006 FEB 17 AM 9:46

STATE COMMISSION OF
INVESTIGATION

February 16, 2006

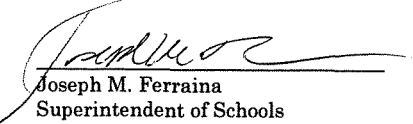
Charlotte K. Gaal, Deputy Director
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

RE: Notice of Proposed Report

Dear Ms. Gaal:

Enclosed herewith is my response to the request from you.

Sincerely,


Joseph M. Ferraina
Superintendent of Schools

JMF/trm
Enclosure
c: Maria M. Lepore, Esq.

STATE OF NEW JERSEY :
SS.:
COUNTY OF MONMOUTH :

The undersigned, being of full age and duly sworn according to law upon his oath, deposes and says:

1. I have reviewed the three page document stamped by the State Commission of Investigation ("Commission") Release #06-02-028, herein referred to as "the document." The document I received contains seven references to deleted text. I realize that the context of these deleted portions of the document may have significant relevance of which I am unaware. I am particularly concerned by the wording of Ms. Gaal's cover letter. She states that I am being given this opportunity because N.J.S.A. 52:9M-12.2 provides that any person whose conduct will be criticized must be provided with a copy of the relevant portions of the report. Nevertheless, I welcome the opportunity to comment on the portions of the document that the Commission forwarded to me.

2. My remarks concern the "model contract," contract negotiations, salary data collection, my initial appointment as Long Branch Superintendent of Schools, and the absence of any data on special education costs in the district.

3. The document, page 1 -- The "model contract" prepared by the New Jersey Association of School Administrators (NJASA) contains a "wide assortment of perks." Many have never been part of my contract in the 32 years

of service I have provided to Long Branch. To the best of my knowledge, my contract contains provisions that are "conventional".

4. The document, page 1 -- Another key element contained in the document is the reference to a negotiation process referred to as an "important cost-driver in matters of administrative compensation." Beyond my initial employment contract as Superintendent in 1994, I have never participated in any negotiations regarding my compensation. The Board of Education, after lengthy discussion in executive session, has offered me subsequent contracts based on its knowledge of my accomplishments and its assessments of my worth to the district.

5. The document, page 2-- The Commission seeks to make the point that what is actually reported as salaries to the Department of Education are different from what is actually paid to other Superintendents and to me. The Commission finds that there are "wide discrepancies between the data on file and available for public inspection and the 'true' level of compensation". An uneducated reader could infer from such a comment that an administrator willfully deceived the Department of Education. I have attached a snapshot of the data collection printout mandated by the Commissioner of Education called the New Jersey Department of Education Report of Certificated Staff. It is a compilation of certified staff as of October 15, 2004. Only contracted salary may be reported on that form. To my knowledge the Department does not currently have any other means to collect other forms of compensation. Therefore, I would suggest if the collection of such data is critical to the State, that it work with the Commissioner of Education to restructure the current

data collection process. Further, as you are aware, under the Open Public Records Act (OPRA) any one can request copies of my contract. Thus the public has every opportunity to review what a board of education offers to its employees including its Superintendent of Schools. The public also has every right to attend the Open Public Meetings when my contracts are approved by the Board of Education.

6. While I can appreciate the intensity and depth of your investigation, I would hope that the end results of two (2) years spent would not yield a broad stroke conclusion regarding all employment contracts. In my 12 years as Superintendent, commencing in July 1994 (not May of 1998 as the document states), I have saved the district millions of dollars, held the line on property taxes, created many opportunities for children of all races and socio-economic backgrounds, and supervised the building of the first free standing preschool in the State of New Jersey (under budget).

7. Further though it is easy to aggregate years of compensation to highlight an issue, particularly your emphasis on "unused accumulated leave", I must point out that by having a Board of Education pay for accumulated sick days (which I accrued during 32 years of service), over several years rather than all at one time at a higher per diem rate is financially better for the district.

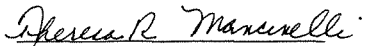
8. Finally, when the investigation commenced, the Commission advised the district that the Commission had been directed by the Legislature to investigate two separate matters. The first was the costs of special education and the second, administrative costs. Indeed, during the first conference with representatives of the Commission, approximately one and one-half hours were devoted to discussing the costs to the district of students with special needs.

There was no discussion of these significant and costly budgetary items when representatives of the Board of Education appeared before the Commission nor is there any reference to the costs of special education in the portion of the report that has been supplied to me. I assume that this will be in another section of the report when it is completed.

9. I hope my comments and the information the District has supplied to the Commission have been helpful.


 JOSEPH M. FERRAINA

Sworn and subscribed to before
 me this 16th day of February, 2006.


 Notary Public of the State of New Jersey

THERESA R. MANCINELLI
 Notary Public of New Jersey
 My Commission Expires Apr. 17, 2010

New Jersey Department of Education
 Report of Certificated Staff as of October 15, 2004
 Final Staff Listing

MONMOUTH - LONG BRANCH CITY
 School: 000-DISTRICT OFFICE

S	T	S	S	R	D	E	D	JOB- F	JOB- F	JOB- F	J										
S	SOC	SEC	NUM	LAST	FIRST	M	E	A	E	EXPERNCE	X	O	CODE	T	CODE	T	CODE	T	C		
				NAME	NAME	I	X	C	G	DT	NJ	TO	SALARY	C	B	#1	E	#2	E	#3	E

(text deleted)

F				FERRAINA	JOSEPH	M	M	H	M	32	33	33	193149	50	0102	F					
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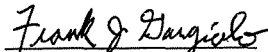
(text deleted)

RESPONSE TO COMMENTS IN SCI REPORT

The purpose of this statement is to correct certain information contained in the SCI's draft report.

The draft report, at page 3, lists the base salary of Hudson County Vocational School District Superintendent Frank Gargiulo for the 2004-2005 school year as \$173,902. In fact, the base salary was \$158,093, as reported to the Department of Education.

Second, the sum of \$23,600 referenced on page 3 as additional expenditures for insurance coverage is actually not additional income. It is imputed income, consistent with the requirements of Circular No. 06-08-OMB, entitled "Group-Term Life Insurance in Excess of \$50,000." This Circular makes clear that the Internal Revenue Code requires that the value of group-term life insurance in excess of \$50,000 be processed as wages for tax purposes. In this regard, the value of such insurance should be reported on behalf of any New Jersey public employee meeting the \$50,000 threshold.


Frank J. Gargiulo

Dated: February 21, 2006

Ms. Charlotte K. Gaal, Deputy Director
State of New Jersey
Commission of Investigation
PO Box 045
Trenton, New Jersey 08625-0045

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2006 FEB 15 AM 10:50
STATE COMMISSION OF
INVESTIGATION

Dear Ms. Gaal,

In response to the information provided to me regarding the SCI report on employment contracts and compensation agreements between boards of education and public school administrators, I am respectfully requesting that errors contained in the report provided for my review be corrected.

Generally, I would like to note that I received what appears to be portions of sections entitled *Inflated and Questionable Compensation/Benefits* and *Reported Salaries v. Actual Compensation*. These sections include many redactions. Furthermore, the opportunity being given by the SCI to comment on these sections is significantly hampered by the fact that I have not been provided with a complete report, and have not been provided with a copy of the documents that the SCI has relied upon to draw its conclusions.

Please correct and clarify the following:

Inflated and Questionable Compensation / Benefits:

ERRORS

In the paragraph that reads " During 2003-2004, the district paid \$69,450 into an annuity for Superintendent James Habel, *in addition to* payments totaling \$11,844 between 2002 and 2004 to reimburse him for contributions to the TPAF pension system." There are two errors that need to be corrected.

Exhibit A:

Business office worksheet previously supplied to SCI on 12/19/05 per your request and submitted to Chief Accountant Joseph Becht showing breakdown of the \$69,450 payment.

1. The \$69,450 paid into an annuity was inclusive of contractual provisions for March 2003-June 2003; July 2003- June 2004; and July 2004 - June 2005 and not for 2003-2004 as stated.
2. The TPAF reimbursements were *not in addition* to the \$ 69,450 but rather *included* in the \$69,450.

Exhibit B:

Business office worksheet requested from SCI and quarterly disability bill.

Reported salaries v. Actual Compensation:

CLARIFICATION:

My contract is a valid document approved by the Board of Education at a **public meeting**. The report states " Indeed, the official DOE listing provides no clue that many top administrators receive payments for unused leave, annuities, pension contributions reimbursements and other forms of remuneration well beyond the scope of regular paychecks." The SCI needs to take into consideration that the residents of individual school districts do not generally obtain information about the operations of their school districts from data collected by the DOE. It is anticipated that they choose to attend board of education meetings, read about the meetings in the local newspapers, or request information from the Board office. The employment contracts themselves are subject to public inspection.

My contract has a provision for reimbursement of all unused vacation days at my per-diem rate. In addition, the Board of Education and I agreed that it was mutually beneficial to receive this reimbursement on a yearly basis. This enables the Board of Education to pay a lower per-diem rate for each reimbursed day and save the cost of FICA payments. It also allows for the Board of Education to disperse these funds over a period of time rather than in a large lump sum amount at retirement. When I was hired, the TPAF reimbursement was a provision afforded to other district administrators, both past and present, and therefore was also provided to me as a contract provision. In addition, this is not a benefit isolated to the superintendent; all district employees are reimbursed for unused sick and vacation days at a negotiated contractual amount upon retirement.

In regard to the "discrepancies" between the salary reported to the Department of Education and actual compensation, the same would be true for every district employee. All salaries are publicly approved by the Board of Education. In addition, this information is included in the Report of Certificated Staff that is sent to the Department of Education. We report the salary of all employees, including longevity and or educational credits. It would be extremely rare for any teacher or administrator to report stipends, mileage, health benefits, disability insurance coverage, or unreimbursed medical expenses as part of their base salary on the Report of Certificated Staff, since, for the most part, none of the aforementioned items would be part of pension salary.

ERRORS:

1. My actual compensation on the worksheet is \$212, 480 and not the \$218,480 listed on page two of the report provided for my review.
2. The difference between my \$159,000 base salary and the actual total compensation is therefore \$53,480 and not the \$59,480 listed on page two of the report provided for my review.
3. On page 3 of the report provided for my review, the paragraph that begins with "Compensation beyond base salary during 2004-2005..." the amount for automobile-related expenses and stipends was \$1,200 and not the \$7,200 listed. As the worksheet provided by the business office states, the stipend began in May 2005.

In the last paragraph of page three there are several errors that need to be corrected:

1. The annual cost of my disability insurance is \$2,583 annually as reported on the worksheet provided; not the \$ 7,749 that appears on page three of the report that was supplied to me. I have included a quarterly bill for March of 2005. That bill is for \$645.75 ($645.75 \times 4 = \2583).
2. The listing of my longevity and educational credits as stipends is erroneous; both payments are included in my base salary (see worksheet). The report states that my "Base salary reported to DOE: \$159,000." The aforementioned amount includes educational and longevity credits; however, the last paragraph on page three (immediately following error in the disability insurance amount cited above) states that I received "\$ 3,000 for longevity; and \$3,750 in educational credit stipends." Once again, as reported, these are not paid as stipends and *are included* in the base salary and to list them again separately is misleading.

Exhibit C:

January 6, 2005 Finance /Facilities Committee Agenda, Report, and January 11, 2005 Board of Education Agenda for public workshop meeting.

1. The sentence that reads "the Commission learned that without board knowledge or consent, Habel entered into a lease agreement for a GMAC Denali sport utility vehicle at district expense" needs to be stricken. **It is not correct to report that the board was not aware or to infer that the agreement was a cost increase to the board.**

I have enclosed the January 6, 2005 Board of Education **Finance and Facility Committee notes that were disseminated to every board member by the committee chair and read publicly at the January 11th Board of Education meeting.** Due to the age of the fleet vehicles, mileage accrued, high maintenance costs and safety issues, it was a unanimous recommendation to sell the fleet cars and lease a replacement vehicle for the superintendent. The committee discussed a mid-size SUV as a lease for the superintendent to be chosen from among a Chevy, GMAC, Ford or Dodge.

The district spent \$9,900 for maintenance, insurance, and gas for the three district fleet cars, two of which were used by district employees that were not contractually entitled to the use of a car. The decision to sell the three fleet cars realized \$7,169.

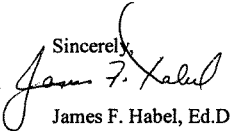
Subsequently, the business office received quotes on a lease for a GMAC Yukon Denali. The low quote was \$490 per month, which included a down payment of \$4,056 (tax of \$2,924.84 was returned.) The net to the district from the sales was a plus of \$3, 113.


The vehicle lease was approved by the board and the board of education is the owner of the lease. The board capped the vehicle reimbursement for the superintendent in an April addendum at \$600 per month, which included lease, gas, and maintenance. This was less than the \$700 per month granted contractually to the previous superintendent.

The **savings** to the board after selling the three fleet cars and leasing the Yukon Denali was \$5,813 in 2004-2005 and thereafter will result in an annual savings of \$2700 for the Board of Education.

I have enclosed a copy of the report with the areas cited above highlighted for your convenience. Please feel free to contact me if you require any additional information. I thank you in advance for correcting the inaccuracies in the draft report.

	TPAF Reimbursement	TSA Reimbursement	Vacation Buy-Out
Mar.'03 - June '03	1,812.50	3,250.00	0.00
June '03 - June '04	7,250.00	13,000.00	0.00
July '04 - June '05	7,950.00	13,000.00	35 days @ 662.50
			23,187.00
Sub Totals	17,012.50	29,250.00	23,187.00
401A	41,000.00		
403B	28,450.00		
	69,450.00		

Sincerely,

 James F. Habel, Ed.D


 Laurel Anderson
 Notary Public-New Jersey
 My Commission Expires Aug. 5, 2007

Name of District: Wall Township School District

Name of Person: Dr. James F. Habel

Contract Salary	\$159,000	
Sell Back of Time (Sick, Vacation and/or Other)	23,188	35 Vacation days @ \$662.50 = \$23,188.00
Annuity	13,498	TSA - \$13,498 - Board of Education match
Reimbursement of TPAF	7,565.	
Insurance (Life, Disability, Long Term Care, Other)	6,583	\$4,000 - Life Insurance Policy \$2,583 - Disability
Unreimbursed Medical	1,446	
Opt Out of Health Insurance		
Bonuses (Merit, Attendance, etc.)		
Stipends (Auto, Education, Travel, etc.)	1,200	Auto Allowance @ \$600 per month beginning 5-1-05
Longevity		Included in contract salary above
Other: Perks not specifically mentioned in above categories, i.e clothing allowance housing allowance, moving expenses, etc.		NJASA Dues = \$1,595

EXHIBIT B
(1 of 2)

Name of Person Completing Chart MARGARET H. MUELLER Position ACCOUNTING MANAGER
 Date Completed 12/19-05



Administrative Offices:
 Administrative Systems, Inc.
 1310 Mercer Street, Suite 200
 Seattle, WA 98109
 (206) 343-5633 (800) 877-2701
 www.asbpi.com

EXHIBIT B
(2 of 2)
 ASI now has online billing and payment available.
 Come see our website www.asbpi.com

BILLING STATEMENT

WALL TOWNSHIP BOARD OF EDUCATION/0656
 ATTN: ELLEN PINTNICK
 PO BOX 1199
 187H AVENUE
 WALL, NJ 07719

Employer Account Number: 29527
 Invoice Date: March 16, 2005
 Due Date: April 10, 2005
 Payroll Deduction Month: March 2005

MUST RETURN A COPY OF THIS BILL WITH PAYMENT

Name	SSN	ACCT ID	Total Due	Change	Change Codes
HABEL, JAMES		97681	\$446.75		

TOTAL DUE: \$1,291.50
 TOTAL REMITTED:

Sample Quarterly bill Disability Plan 5

*Change codes to use:
 E - Employment Termination
 C - Cancel Program
 D - Deceased
 L - Leave without pay
 M - Missed the first deduction from payroll
 X - Extra Deposit
 O - Other (attach explanation)
 N - New employee (attach application if employee is not on the bill)

EDUCATORS INSURANCE SERVICES

EXHIBIT C
(1 OF 5)

FINANCE/FACILITIES COMMITTEE

January 6, 2005 7:00 a.m.

AGENDA

1. Resolution - Cancelled 2003/2004 Encumbrances (\$118,000)
2. PMK - IAQ Proposal (\$111,000)
3. Van Bid (Budget - \$25,000)
4. Truck Bid (Attachment)
5. Polling Hours
6. North Gym Lighting (Attachment)
7. Random Bill List (Attachment)
8. 2005-2006 Budget (Attachment)
9. Bill List
- * 10. Miscellaneous

EXHIBIT C
(2 OF 15)

FINANCE & FACILITIES COMMITTEE REPORT

The most recent meeting of the Finance & Facilities Committee took place on Thursday, January 6th at 7:00 a.m. Participating were: Robert Kerr, John Lane, Paul MacLaughlin, Doug Wild, Dr. Habel, Margaret Mueller and Brian Smyth.

Meeting Agenda Items

1. RESOLUTION - CANCELLED 2003/2004 ENCUMBRANCES (\$118,000.00) - An additional \$118,00.00 in cancelled purchase orders from the 2003 - 2004 budget has been identified. A resolution will be introduced at the regular Board of Education meeting on January 18th dedicating these funds as additional tax relief in the 2005 - 2006 budget. This amount will be in addition to the \$600,000.00 previously earmarked for tax relief in '05 - '06.

2. PMK - IAQ PROPOSAL (\$111,000.00) - Following a detailed examination of the major IAQ remediation projects identified by PMK, the Committee recommends that the administration proceed with design preparation and the submission of specifications for the identified projects. Specifications will be submitted to the state for all projects so the district can undertake these on a priority-of-need basis. These projects and the associated costs have been discussed with representatives of the Township Committee who have agreed that proceeding with these is an appropriate course of action.

3. VAN BID (BUDGET - \$25,000.00) - Bids are being solicited for replacement of a student transportation van and the addition of one additional van. The district must replace one existing van and an additional van is being proposed to accommodate the growing needs of our special education student population. The proposed \$25k would cover the annual cost of a five-year lease/purchase for both vehicles.

4. TRUCK BID - A total of four vendors requested bid packets for the replacement maintenance vehicle. One vendor returned a bid and an alternate bid (to equip the vehicle with a snow plow) and the Committee recommends that both bids be awarded to Kelle Chevrolet of Farmingdale. The base bid received was \$25,332.00 and the alternate bid was \$3,200.00 for a combined \$28, 532.00. This is \$6,468.00 below the anticipated original cost estimate of \$35,000.00.

5. POLLING HOURS - The Committee recommends that the polling hours for the annual school election be maintained as amended in 2004 @ 2:00 p.m. - 9:00 p.m. The Wall Township Police Dept. will be so advised so that proper security can be maintained for those schools affected.

EXHIBIT C
(3 of 5)

6. **NORTH GYM LIGHTING** – Brian Smyth has corresponded with FVF regarding inadequate lighting levels in the north gym. As reported previously, all light bulbs have been replaced in the gym. A subsequent measurement of the lighting levels was taken and it has been determined that said level is 10 foot. candles below state requirements. FVF has been advised of this finding and discussions regarding a more permanent remediation of this situation are on going.

7. **RANDOM BILL LIST** – All Board Members will be provided with a more comprehensive and descriptive report of monthly expenditures. The prior purchase order “snapshot” was both inadequate and at times, confusing. The Committee wishes to thank Margaret Mueller for developing this new, and vastly improved format.

8. **2005 – 2006 BUDGET** – Dr. Habel has advised that all phases of the creation of the 2005 – 2006 budget are underway. This process has been made particularly challenging due to state imposed CAP restrictions under S-1701. This CAP has been set at 3% and is scheduled to be reduced over subsequent years as the law is presently written. There is legislation pending that would leave the 3% amount in place with no reductions. Further complicating the process is the fact that Acting Governor Cody is trying to extend the date of his budget address by two weeks, which would delay receipt of state aid information. Dr. Habel has indicated that we will be proceeding with budget formulation based upon a zero increase in state aid. Funding requests will be received from the building Principals by January 21st. Building Principals have been advised to submit funding requests based upon a “zero-based” approach where all budget appropriations are fully justified. A tentative budget schedule is attached for Board review.

* 9. **MISCELLANEOUS** – The Committee evaluated the status of the three vehicles that have been made available for use by district personnel. It is recommended that due to age and mileage, the vehicle presently being used by Dr. Habel and the vehicle formerly used by Superintendent Smith-Stevens be traded in to on a lease for a replacement vehicle to be used by Dr. Habel. The vehicle formerly used by Mr. Hahn would be made available, on an as-needed basis, for those individuals needing to travel between facilities within the district.

BOARD COPY

EXHIBIT C
(4 of 5)

WALL TOWNSHIP PUBLIC SCHOOLS
BOARD OF EDUCATION WORKSHOP MEETING
Tuesday, January 11, 2005

Intermediate School

8:00 p.m.

1. **Call to Order**
2. **Sunshine Announcement**
3. **Roll Call**
4. **Approval of Secretary’s Minutes**
 - a. Combined Workshop/Regular Meeting – December 14, 2004
 - b. Executive Session – December 14, 2004
5. **Committee Reports**
 - a. Curriculum
 - b. Enrollment/Redistricting
 - c. Finance & Facilities
 - d. Personnel
6. **Superintendent’s Report**
 - a. **Human Resources**
 - i. Recommend approval of the Human Resources Report – Attachment HR-1
 - ii. Recommend approval of the Explore Academic and Creative Heights (EACH) Coordinator Job Description – Attachment HR-2

b. Curriculum

- i. Recommend approval of the following School Psychology Intern:

Name	Position	College	Term	Cooperating Teacher
Teresa Savage	Counseling Practicum	Kean University	150 hours 1/15/05 to 6/15/05	Hedy Brown

- ii. Recommend acceptance of the Curriculum & Services Development & Adoption Regulation – Attachment C-1

c. Special Services

- i. Recommend approval of the Special Services Report – Attachment SS-1
- ii. Recommend approval of the Out-of-District 2004-2005 School Year – Attachment SS-2
- iii. Recommend approval of the following Student for Bedside Instruction:

Student	Placement	Tuition
01A05	Princeton House	\$34.25

d. Acceptance of Gifts

- i. Recommend acceptance with appreciation of a Spinnet Piano by Mary Hunt of 2811 Harrison Street, Wall to be placed in the High School practice room (\$800)
- ii. Recommend acceptance with appreciation of 300 surge protectors by Ushir Shad of Rockefeller Financial Service, Inc., 30 Rockefeller Plaza 5600, New York, NY to be placed in the West Belmar Elementary School. (\$3,000)

EXHIBIT C
(5 OF 5)

7. **Business Administrator's Report**
 - a. Bills & Financial Reports
 - b. Transfer of Funds
 - c. Certification of Funds
 - d. Maintenance Vehicle Bid
 - e. Resolution - Cancelled 2003/2004 Encumbrances - Attachment BA-1
 - f. Resolution - on S-1701 - Attachment BA-2
 - g. Polling Hours (2:00 p.m. to 9:00 p.m.)
8. **Miscellaneous**
 - a. End of Month Reports for December 2004
 - i. District Enrollment Statistics - Attachment M-1
 - ii. District Attendance Report - Attachment M-2
 - iii. Wall High School Certificate Students - Attachment M-3
 - iv. District Fire Drills - Attachment M-4
 - v. District Suspension/Expulsion - Attachment M-5
9. **Public Comment**
10. **Adjournment**

Jack M. Hahn
40 Seville Drive
Bricktown, NJ 08723

February 21, 2006

Via Fax (609-633-7366) and Regular Mail
Ms. Charlotte K. Gaal
Deputy Director
Commission of Investigation
State of New Jersey
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

RE: Notice of Proposed Report Dissemination #06-02-007

Dear Ms. Gaal:

I am in receipt of your correspondence dated February 6, 2006 and portions of the report regarding the Commission's investigations into employment contracts and compensation arrangements between boards of education and public school administrators. Kindly accept this correspondence in response to such portions of the report.

I have been employed by the Wall Township Board of Education ("District") for 31 years. On December 14, 2004, the District and I entered into an agreement, whereby I would transfer from my position of Business Administrator / Board Secretary, and continue my employment in the position of Special Consultant.

The agreement describes the duties of Special Consultant as follows:

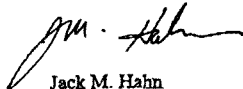
" ... to assist in the transition of a newly appointed Business Administrator / Board Secretary and shall report to the Superintendent of Schools. All duties assigned to Mr. Hahn shall be appropriate with this professional role and consistent with the intent set forth above. Mr. Hahn shall not be responsible for any budgetary obligations such as the preparation or maintenance of the 2004-2005 budget or any subsequent budget; the operation of the Board Office; nor District operations."

In order to perform the duties of Special Consultant, I am required to maintain my certification as School Business Administrator. Given my extensive experience as a Business Administrator and my long tenure with the District, I have been able to fulfill my role as Special Consultant by providing assistance and practical advice on issues such as: the newly enacted S1701 legislation; the District's surplus / financial position; the 2003-2004 audit; liquidation of the 2003-2004 Purchase Orders; Spending growth limitations; bidding requirements; personnel issues, and School Board elections. Further, please note that the District has only retained a part-time Interim Business Administrator. This interim situation makes my employment as Special Consultant necessary to the sound financial operation of the District.

Accordingly, the District has and continues to make all appropriate tax deductions and appropriate pension contributions from my salary in accordance with the regular periodic installment of the District's payroll cycle.

Thank you.

Sincerely,



Jack M. Hahn

cc: Anthony P. Sciarillo, Esq.

Craig E. Henry
324 W. 19th Street
Ship Bottom, New Jersey 08008-4472

February 17, 2006

Ms. Charlotte K. Gaal, Esquire
Deputy Director/Chief Counsel
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Re: Response to Proposed Report
#06-02-032

Dear Deputy Director Gaal:

Please accept this letter as my response/rebuttal to the Proposed Report prepared by the Commission of Investigation #06-02-032. The Proposed Report contains the allegation "*the Commission found a pattern in which questionable or patently improper steps were taken to provide administrators with inflated and overly generous pensions by padding base salaries in years immediately preceding retirement with multiple forms of extra compensation*". I have, according to my personal career timeline, minimally eight more years of service before I consider retiring and, ideally, will continue to work well beyond that minimal time frame. I pay Federal and State Income Taxes on my **entire salary**, including my alleged "extra compensation", (except for the amount of the annuity, which is not subject to tax) and I pay 5% of my **entire salary**, including my alleged "extra compensation" to the Teachers Pension and Annuity Fund as my portion of the pension contribution. As such, the allegation of "*excessive upward manipulation of base salaries, particularly in the final years of retirement can*

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STATE COMMISSION OF
INVESTIGATION

undermine the fiscal integrity of the overall TPAF pension system by creating abrupt and unanticipated liabilities not sufficiently funded by employer/employee contributions to the system” is false as these “items were not added to my base salary during the last few years prior to my retirement” but were a part of my initial and continuing employment contract with Southern Regional School District and I have contributed fully my required pension contribution.

I am a respected member of my profession. I feel, however, that accusations such as those contained in the Proposed Report can undermine and destroy the credibility that has been built over 28 years of working in public education. This is especially so when words like “manipulation” and “machination” are used to describe what are otherwise unintentional actions. Those words imply an almost criminal act on my part – an act that is purposeful. The term “purposeful” is defined as consciously engaging in an activity to cause a result. Prudent to this element of my rebuttal is the fact that the contract model that I have been working under since becoming a district-level employee was one that was established prior to my becoming a district-level employee. Additionally, it is a contract that was developed by highly regarded professionals and was thoroughly reviewed by respected counsel. I offer this as further evidence that no action that I have taken, by virtue of accepting a pre-existing contract template, was neither a deliberate nor was it a willing “manipulation” of pension guidelines. I also sincerely request that you thoughtfully consider the potentially adverse impact that the Proposed Report will have on one’s personal and professional integrity when weighing the contextual implication and pre-bias that language such as “manipulation” and “machination” imparts.

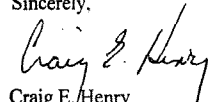
I have not consciously engaged in any activity in order to “manipulate” my pension. There is absolutely no proof of such activity on my part. One cannot and should not assume that I have “manipulated” my pension by the mere fact that my employment contract contains

provisions similar and/or the same as other school administrators throughout the State of New Jersey. As stated above, I have treated as taxable income the payments that I receive from the Southern Regional Board of Education, with the exception of the annuity payment. As stated above, I have paid State and Federal income taxes on the payments I receive from the Southern Regional Board of Education, with the exception of the annuity payment. As stated above, I have paid my 5% pension contribution on the entire amount of my salary that I receive from the Southern Regional Board of Education, including all payments that you have defined as “salary add-on” in the Proposed Report. Notwithstanding, my contract openly and fully-discloses all elements of my salary and therefore, the State of New Jersey Commission of Investigation, through its generalized allegations is potentially defaming and maligning my impeccable professional reputation that I have worked hard to establish and am proud to defend.

In concluding, if I have been mistaken in the treatment of the payments made under my Employment Agreement as salary, then such mistake was unintentional and honest. A mistake is surely excusable and not nearly befitting of the quasi-criminal treatment that is imposed by the language, tone and actual wording of the Proposed Report.

I appreciate your time and attention to this matter.

Sincerely,


Craig E. Henry
Assistant Superintendent
Southern Regional School District

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2006 FEB 21 AM 10:41
James D. Kerfoot, Ed.D.
168 Cheyenne Trail
Medford Lakes, NJ 08055

February 17, 2006

Ms. Charlotte K. Gaal, Esquire
Deputy Director/Chief Counsel
Commissioner of Investigation
28 West State Street
PO Box 045
Trenton, NJ 08625-0045

Subject: Response to Proposed Report - #06-02-031

Dear Deputy Director Gaal:

Please accept this letter as my response/rebuttal to the Proposed Report prepared by the Commissioner of Investigation #06-02-031. The Proposed Report contains allegations that I have manipulated my base salary for purposes of increasing my pension entitlement at the time of retirement. These allegations fail to mention the fact that the "additional salary" I received is treated as taxable income, with the exception of the annuity. These allegations fail to mention the fact that I pay Federal and State Income Taxes on my entire salary, except for the amount of the annuity. These allegations fail to mention the fact that I pay 5% of my entire salary to the TPAF as my portion of the pension contribution. These allegations fail to mention the fact the alleged pension manipulation results in a minor impact upon my overall pension entitlement.

When my contract was written and accepted in late 1999, the board and I felt nothing should be hidden in the contract and full disclosure of how my salary was determined would be outlined for all to see. In fact, every year the area newspapers ask for copies and have included the contract in their articles. If the board and I wanted to manipulate the salary for pension purposes, we would have constructed the contract in a different manner and not in detail. The contract was reviewed by counsel and all parties to the contract felt it met the requirements of protecting the board and taxpayers and also provided an equitable salary and pension for the superintendent.

Response to Proposed Report #06-02-031
February 17, 2006
Page 2

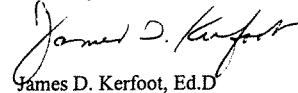
I am a respected member of my profession. I feel, however, that accusations such as those contained in the Proposed Report can undermine and destroy the credibility that has been built over years of working in public education. This is especially so when words like "manipulation" and "machination" are used to describe what are otherwise unintentional actions. Those words imply an almost criminal act on my part – an act that is purposeful. The term "purposeful" is defined as consciously engaging in an activity to cause a result.

I have not consciously engaged in any activity in order to "manipulate" my pension. There is absolutely no proof of such activity on my part. One cannot and should not assume that I have "manipulated" my pension by the mere fact that my employment contract contains provisions similar and/or the same as other school administrators throughout the State of New Jersey. As stated above, I have treated as taxable income the payments that I receive from the Southern Regional Board of Education, with the exception of the annuity payment. As stated above, I have paid State and Federal income taxes on the payments I receive from the Southern Regional Board of Education with the exception of the annuity payment. As stated above, I have paid my 5% pension contribution on the entire amount of my salary that I receive from the Southern Regional Board of Education, including all payments that you have defined as "salary add-on" in the Proposed Report.

In concluding, if I have been mistaken in the treatment of the payments made under my Employment Agreement as salary, then such was mistake it was unintentional and honest. A mistake is surely excusable and not nearly befitting of the quasi-criminal treatment that is imposed by the language, tone and actual wording of the Proposed Report.

I appreciate your time and attention to this matter.

Sincerely,


James D. Kerfoot, Ed.D.

JDK/b



RECEIVED
 BOARD OF EDUCATION, CAMDEN, NEW JERSEY
 (856) 966-2040/2047
 (856) 966-2138
 INVESTIGATION

201 N. Front Street, 7th Floor
 Camden, New Jersey 08102

ANNETTE D. KNOX
 Superintendent of Schools

Camden . . . "It's All for the Children"

February 17, 2006

Ms. Charlotte K. Gaal
 Deputy Director/Chief Counsel
 STATE OF NEW JERSEY
 Commission of Investigation
 28 West State Street
 POB 45
 Trenton, New Jersey 08625-0045

Dear Ms. Gaal:

I am writing in response to the incorrect statements that have been suggested in your report concerning my compensation, including vacation, personal and sick time. Consequently, please accept this letter as my formal response to your inaccurate statements.

As with any Superintendent in New Jersey, I have a written contract that governs many areas of my employment with the Camden City Board of Education. Included in my initial contract are several provisions which apply in regard to this matter. For example, my compensation is specifically stated in Paragraph 4. Moreover, Paragraph 5(A) deals with my vacation and holiday entitlement. This section refers to an addendum to the contract, entitled Resolution #3, which was initially passed by the Board of Education in 1994, six (6) years before my tenure began. The Resolution provides for twenty-one (21) days of vacation and expressly allows for the carry over of no more than twenty-one (21) days of vacation. Further, due to the nature of the responsibilities for the Superintendent, Assistant Superintendents and the Business Administrator/Board Secretary, any of these individuals, in accordance with the Resolution may receive remuneration for any accrued, but unused vacation days at the end of the fiscal year, payable after the conclusion of the year. The district's fiscal year is July 1 to June 30.

Moreover, in September of 2002, Resolution #22 was approved by the Board of Education in regard to my vacation time. This Resolution amends Resolution #3 and allows for the Superintendent to be reimbursement for unused vacation days or the carry over of the same at a time slightly after the start of the new fiscal year.

In conducting my review of the material concerning my vacation time, it appears that a miscalculation was made concerning the amount of time I had accumulated. It was my initial belief that I began my employment with twenty-one days of vacation. Since I took no vacation in the first calendar year of my employment with the Camden City Board of Education, I believed that this time rolled over into the subsequent year, in accordance with Board Policy. Apparently, the calculation was incorrect and was later confused by Resolution #22, which inaccurately listed my earned days during the period at issue. Subsequently, a possible miscalculation may have resulted in a temporary shortfall on paper of a few days. However, once the miscalculation was discovered, it was determined with the Board President that I would recalculate the available vacation time and deduct from the current number, therefore, rectifying any potential shortfall that may appear on paper as a result of the collective miscalculation.

According to my agreement, sick time is contractually set at thirteen (13) days, in accordance with Paragraph 5(B). As it states, all unused sick time is carried over and like my vacation time, any sick time is similarly listed in my recording material that I will discuss in a moment. However, all of this time is carefully recorded. Similarly, personal days and conventions are also meticulously recorded by my office.

Based on the above language, taken directly from my 2000-2004 employment contract with the Camden City Board of Education, I have followed the policies as presented and due to the requirements of my position did have excess vacation days. Consequently, I requested to be compensated for some of the time, in accordance with the policies and with the approval of the Board of Education. As a result after the end of the fiscal year, pursuant to the contractual language I have been provided with the required remuneration.

My subsequent contract, which runs through 2006 has the identical language in it concerning vacation time, sick time, accrual of the same and remuneration for unused vacation days. In fact, the contract specifically provides the calculation for the remuneration of unused vacation days up to twenty-one (21), paid at a per day rate of 1/240th of my annual base pay for that fiscal year. Further, five (5) personal days were also included into the contract. It should also be noted that the most recent contract and all of its terms were developed by Ms. Lucille Davy who was formerly in the Governor's Authorities Unit and Ms. Gloria Hancock, former Chief of Staff to the Governor. A large part of the reason why these individuals were involved in my contract is a direct result of the Municipal Rehabilitation and Economic Recovery Act (MRERA) N.J.S.A. 52:27BBB - 1 et. seq. In accordance with the MRERA, which is only applicable to the Camden City Board of Education, every action of the Board is subject to a fifteen (15) day review by the Governor's office. The Governor then has veto power over anything that the Board does, including dealing with my contract and all resolutions. As a result, not only does the Department of Education see my contract, but the Governor's office does as well. They drafted the same and agreed to the provisions that currently exist in my contract. No other district has this level of oversight or intervention directly by the Governor's office. All of these entities, including the Camden City Board of Education agreed to the contract as stated.

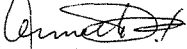
RECEIVED
February 19 11 AM 2006
STATE COMMISSION OF
INVESTIGATION

On any given day, my own personal time, including sick, vacation, conferences or otherwise are all recorded on the district approved attendance sheet, my daily planner and/or via memorandum to the Board President. The records are kept up to date by my office on a daily basis and are provided as required to the Business Administrator. These documents collectively show what I have done on almost every day since becoming Superintendent.

The voluminous records I have included with this response are almost all considered public records and are similarly obtainable by any member of the public in accordance with the Open Public Records Act (OPRA) N.J.S.A. 47:1A-1 et. seq. The Business Administrator in the district maintains all of the relevant material. Additionally, my office also maintains a copy of the relevant information. In support of my position, I have enclosed documents that have been marked as ADK 01 to ADK 0270.

As all of the documentation shows, I have conducted myself in an ethical and appropriate manner, in keeping with the express language of my employment contract with the Camden City Board of Education.

Sincerely,



Annette D. Knox
Superintendent of Schools

ADK:

Charlotte K. Gaal, Deputy Director
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

Re: Notice of Proposed Report, Dissemination #06-02-030

Dear Ms. Gaal:

I am in receipt of your letter dated February 6, 2006 with which you have enclosed portions of what appears to be of a larger report. The sections, which have been provided to me are entitled, *Inflated and Questionable Compensation/Benefits, and Pension Manipulation*. I must note that the above entitled sections as given to me were incomplete and are filled with redactions. Moreover, none of the documentation/ evidence upon which the report relies are attached. Clearly, the absence of more complete information severely hampers my ability to prepare the response that I have been given the opportunity to submit.

As a servant and educator for school children for 39 years in the State of New Jersey, I feel the need to clarify many of the statements in the report. Although, I will not comment on each and every assertion made in the report, the absence of a comment on my part is not intended to indicate my agreement with all matters relevant to me.

1. Under the heading, *Inflated and Questionable Compensation/Benefits*, the report notes that my initial contract, by which I assume that the SCI is referring to my March 1990 Employment Contract, included a \$15,000.00 cap for payment of unused accumulated sick days upon retirement. I was appointed superintendent in New Brunswick in 1980, and I do not recall whether the \$15,000.00 cap was in place at that time. But, between March 1990 and my retirement, I had provided the district with an additional 14 years of service.
2. There was no intent to hide my salary/ and or compensation during my employment in New Brunswick. My salary / compensation was, to the best of knowledge, available to the public by being discussed at Board of Education meetings. In fact, it was not an infrequent occurrence for my salary and compensation to be reported by the local press during my tenure as superintendent in New Brunswick.
3. I was a lifetime tenured superintendent, as opposed to a superintendent who is only tenured for the term of his/her agreement, which meant that compensation was negotiated, on a regular basis, not my rehire. Accordingly, my terms and conditions of employment were frequently amended by the parties entering into a memorandum of agreement as opposed to amending the employment contract. The salary negotiation process that was employed while I was in place, I have been told was the one employed before I became superintendent. The process called for the superintendent to negotiate with the Personnel and Finance committees of the board. The committees then gave their input to the full board for their approval. It was the practice of the board to approve all of the salaries for all employees at a public meeting in August of each year. This was done with a resolution that attached schedules which included all of the employees of the district. To the best of my knowledge, my name would appear on that list.
4. If you analyze my salary/ compensation for the last 24 years, you will see that my compensation falls within a range which is not uncommon for superintendents.
5. I did get compensated for unused accumulated sick and vacation time during my years of employment, but again, it should not be forgotten that I became superintendent in 1980. Therefore, this element of my compensation is based upon a lengthy tenure of service. In addition, although there appear to be various calculations which the SCI has made with reference to my being paid for unused sick and accumulated vacation time, the portion of the report which has been given to me fails to reference that near the time of my retirement, I gave the New Brunswick School District the sum of \$81,220.98 to fund scholarships at New Brunswick High School.
6. Under the heading, *Pension Manipulation*, I note that just before the section entitled, *New Brunswick School District*, there is an indication that text has been deleted. Clearly, I am at a disadvantage to not have knowledge of the text that was deleted. Here, once again I must reiterate that there was no intent to hide compensation/salary from the public. The terms and conditions of my employment were sometimes even the subject of newspaper articles.
7. I explained the process by which my compensation was negotiated and the process might well have been different from the processes utilized in other districts, because I was a lifetime tenured superintendent. The laws governing superintendent tenure underwent substantial amendments in or about 1991, the result being that the overwhelming majority of superintendents in this state are only tenured for the term of their employment contract (see *N.J.S.A.18A: 17-15 ; et seq.*)
8. It was the practice of the district to take "public action" on all salaries at the August board meeting as I explained more fully above.
9. Although there may be a memorandum that references a bonus in the sum of \$10,000, I cannot recall whether the board actually ever agreed to give me a bonus.

10. The \$18,000 figure, to which the excerpted report refers, was not a stipend but a negotiated part of my salary. It appears that the \$18,000.00 figure has been characterized in a few different ways in the excerpt of the report, and without additional information, I cannot determine whether any of these characterizations are accurate.

11. The statement that my final year's compensation was \$487,000.00 is misleading as that figure includes the lump sum payment which I received for accumulated sick and vacation time, which was accumulated after serving the district for 24 years. Such lump sum payments to school employees are not considered part of their final year of salary. It would be extremely unusual to report such a lump sum payment as part of compensation to the Department of Education. In fact, as it is my understanding that only items included in salary are reported to the Department of Education in a document commonly referred to as the, "The Fall Report." In addition, one would have to determine the date upon which district's report salary to DOE.

My entire salary and compensation was well known to all, custodians, teachers and the community at large. It was frequently a topic of discussion at New Brunswick Board of Education meetings and around the district.

Furthermore, New Brunswick is designated as an Abbott district which means the State Commissioner approves the yearly budget expenditures, trips and salaries. Two State Department of Education auditors were assigned to review the New Brunswick budget and policies. These auditors reviewed all expenditures on a monthly and yearly basis. Their job was to see that the money was spent according to New Jersey State Law. I cannot recall a time that these auditors questioned New Brunswick's policies or salary guides. In fact, the auditors reviewed my compensation and to the best of my recollection never raised any irregularities.

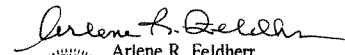

Finally, your reference to the Board of Education as a "rubber stamp" is extremely unfair. The Board and I negotiated in good faith as indicated by the documents provided to you with my testimony. In these documents it was shown that some requests were approved while others were denied.

Furthermore, all items which you characterize as part of my compensation were within the legal authority of the board of education to grant. In addition, I was not the only employee who received such benefits.

Sincerely,



Ronald F. Larkin

Arlene R. Feldherr
Commission #DD238913
Expires: Sep 14, 2007
Bonded Thru
Atlantic Bonding Co., Inc.



PATRICIA L. MCGEEHAN, Ed.D.
SUPERINTENDENT

BAYONNE PUBLIC SCHOOLS
Administration Building
AVENUE A & 29th STREET
BAYONNE, NEW JERSEY 07002

RECEIVED

2006 FEB 24 AM 11:19

STATE COMMISSION OF
INVESTIGATION

Tel: (201) 858-5817
Fax: (201) 858-6289

February 21, 2006

Charlotte K. Gaal
Deputy Director/Chief Counsel
State of New Jersey
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Dear Deputy Director/Chief Counsel Gaal:

Thank you for forwarding me relevant portions of your proposed report. After reviewing the proposed report, I have serious concerns regarding conclusions reached that I would like to bring to your attention. Therefore, I would appreciate it if you would consider the following information.

The proposed report insinuates that the cashing in of unused and accumulated time, along with other benefits, is "questionable". My employment contract, which was reviewed by the Commission of Investigation, is almost identical in this regard to my predecessor's employment contract, which was reviewed by the New Jersey Department of the Treasury in December 1999. The Department of Treasury did not find any of these benefits to be "questionable" or not in compliance with law. In fact, the Board utilized my predecessor's employment contract as a model for my contract because of the fact that it had been reviewed by the State of New Jersey.

With regard to the proposed report's comments concerning "reported salaries with actual compensation", the figure reported to the State represents my salary which is eligible for pension contributions. Reimbursement for unused time, expenses, etc., may be compensation, but certainly not salary. Therefore, it has not been reported as such. The proposed report insinuates that the Board has failed to report something which should have been reported. That is absolutely not correct. The Department of Education does not ask for total actual compensation. If the Department of Education did ask for such information it certainly would have been provided.

Finally, your inference that there were obstacles to public disclosure is not at all accurate. My contract has been the subject of public scrutiny on numerous occasions. In addition, during collective bargaining with the teachers' bargaining unit, the Superintendent's contract has been the subject of discussion in numerous years. There have never been any obstacles by the Board of Education or Administration concerning questions about my salary, compensation or benefits. The proposed report unfairly insinuates that there have been obstacles.

I would hope that this information is taken into consideration by the Commissioners before a final report is issued. It is one thing for the Commissioners to disagree with the salary or compensation that I may receive. However, it is misleading for the Commissions to insinuate that my salary, compensation or benefits are "questionable" or "inflated".

The salary upon which my pension will be based is more than \$30,000.00 per year less than what other districts would pay me to serve as Superintendent. Moreover, my total compensation is comparable with my peers in Hudson County and surrounding districts.

Thank you for the opportunity to submit this response. I hope that it is helpful to the Commission in issuing its final report.

Respectfully,

Patricia L. McGeehan, Ed.D.
Superintendent of Schools

PLM/mc

DAVID W. MCKEAN
37 Forest Ave
Watling NJ 07110
973 667-4313

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Response to February 14, 2006 Document

FEB 14 AM 10:53

STATE DIVISION OF
INVESTIGATION

#06-02-022

In early November, 2002 I had indicated to my supervisor, Dr Robert H. Water,

Supt of Schools that I contemplated taking a leave of absence, essentially for medical

reasons - although there were underlying concerns of a personal nature as well.

I was (am) under the care of three physicians of different disciplines, each for ailments

which can be life threatening. Within a year I had three falls during work hours

which required extensive rehabilitations and one brief visit to a local hospital.

Other Factors:

1) Work schedule precluded adequate time with my ten-year-old son while we were dealing with recent loss of his mother.

2) My mother's impending death (December 2002) The Hudson Ten care center in which she resided was not well.

3) A hostile climate at work owing to a push to get a board member's opinion the position which I held.

2

and the rift that was causing in the Board and community.

3) November 2002: A Board member claiming to represent the Board informed me of an lawsuit which I immediately reported to Whetzel.

I later discovered the Board member only represented fraction in the Board and was not authorized to make such a report.

4) I sometime later proposed a personal leave - hoping not to worry my family and all colleagues unnecessarily.

After four months on leave I decided to return 8-01-2003. In the meantime,

I offered my assistance to my district and replacement in order to ensure a smooth transition as possible.

My offer was accepted many times throughout the leave and even after retirement.

Please that I was the Assistant Superintendent not the Superintendent

as indicated on the last page of the document received.

(3)

Our Board Attorney, Mr. Matthew Michaelis, now retired, was consulted by me at every juncture in this process before I presented anything to the Board. I wanted to make sure that everything was legal and ethical. Mr. Michaelis indicated to me that he saw no problem with my actions.

Please see two items attached:
Board documents dated November 25, 2002 and March 31, 2003.

Kindly inform me of any pertinent developments in this matter. Thank you for this opportunity to respond.

David W. McLean

2-7-06.

March 31, 2003

J. Committee of the Whole - (Personnel Section)

1. Retirements

Dr. Robert H. Holster, Superintendent of Schools, recommends that the following requests for retirement be approved on the dates indicated:

(text deleted)

David W. McLean

Asst. Superintendent of Schools 9/1/64
Administration Building

8/1/03

(text deleted)

Nov 25, 2002

(text deleted)

15. Leave of Absence - Personal

Dr. Robert H. Holster, Superintendent of Schools, recommends that the following request for personal leave of absence be approved on the dates indicated:

<u>Name</u>	<u>Position</u>	<u>Date(s)</u>
David McLean	Asst. Superintendent of Schools Administration Building	1/1/03 - 7/31/03 (with pay)

(text deleted)

"TEAMWORK
FOR KIDS"

BARNEGAT TOWNSHIP SCHOOLS

550 BARNEGAT BOULEVARD NORTH
BARNEGAT, NJ 08005
(609) 698-5800 FAX (609) 698-6638
2006 FEB 21 AM 10:48

STATE COMMISSION OF
INVESTIGATION
February 17, 2006

Thomas C. McMahon, Ed.D
Superintendent

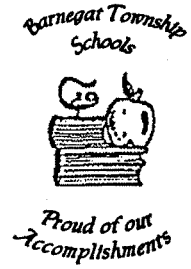
Rosalind Rilbaudo
Assistant Superintendent

Brian S. Falkowski
Board Secretary

Ms. Charlotte K. Gaal
Deputy Director
State of New Jersey
Commission of Investigation
28 West State Street
PO Box 045
Trenton, NJ 08625-0045

Dear Ms. Gaal:

Pursuant to N.J.S.A. 52:9M-12.2, which provides the opportunity for me to submit a written response to the proposed Commission report concerning the investigation into contract and compensation arrangements between Boards of Education and Public School Administrators, I hereby submit the following statement that I would like to have included in the Commission's Report:



"The Commission was charged with analyzing the annual earnings of the Superintendent. The inclusion of the Business Administrator's annual earnings skews this analysis. The Superintendent's salary listed in this report was accurately reported to the Department of Education. Additionally, the Superintendent serves as the Business Administrator at a per diem rate. These combined amounts were openly announced in a press release by the Board of Education, included in many local newspapers, and openly acknowledged by the Department of Education. Combining positions in this way has saved the taxpayers over \$95,000 per year and led to Barnegat having the lowest administrative cost in our peer group in the State of New Jersey. Benefits beyond this reported compensation cost an additional 24% as the average which is exactly the amount listed on the Department of Education's website for all public school employees. In addition, this report cites contract negotiations, but fails to acknowledge that the Superintendent's last contract negotiations resulted in a \$10,000 reduction per year in overall costs to the taxpayers."

Board of Education

Linda J. Mitchell
President

Ralph Splendorio, Jr.
Vice President

- Mark Bernstein
- Scott Bilker
- Sally Germano
- Grady R. Gibson
- Thomas Kostka
- Kimberly Lally
- Peter Minotti

Thank you for providing me with the opportunity to include this statement in your report.

Very truly yours,

Thomas C. McMahon, Ed.D.
Superintendent of Schools

TCM/ban

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2006 FEB 21 AM 9:43

HAROLD MORRIS, COMMISSION OF
STATE INVESTIGATION
9168 PUMPKIN RIDGE
PORT ST. LUCIE, FLORIDA 34986

RESPONSE OF DR. HAROLD MORRIS
TO COMMISSION REPORT
RELATING TO EMPLOYMENT AGREEMENTS WITH
THE TEANECK BOARD OF EDUCATION

February 17, 2006

Charlotte K. Gaal, Deputy Director
Commission of Investigation
28 West State Street
PO Box 045
Trenton, New Jersey 08625-0045

RE: Notice of Proposed Report
Dissemination #06-02—37

Dear Ms. Gaal:

Thank you for the opportunity to submit a brief response to the Proposed Report cited above. Enclosed you will find my response and trust that it will be taken into consideration for inclusion into the final report.

Sincerely yours,


Dr. Harold Morris

The Commission's Report relating to my employment agreements with the Teaneck Board of Education ("Board") unfairly criticizes my conduct and inappropriately suggests that I improperly received compensation and benefits. In fact, all of the compensation and benefits addressed in the Report for my last year of employment are set forth in the written employment agreement with the Board. In arriving at the terms of this agreement, the Board was ably represented by pre-eminent lawyers who specialize in representing boards of education in contract negotiations. I had every right to rely on their expertise and experience to insure that the agreement complied with state law.

I note that the Report does not identify a single violation of statute or regulation that would constitute a basis for a different conclusion. Moreover, there was nothing deceptive or misleading about the contracts that I signed. It is my understanding that such employment contracts are public records and were made available to members of the public upon request.

It is also unfair to suggest that I received compensation or pension benefits to which I was not entitled. Rather, as it had done on multiple contracts through prior years, the Board negotiated my final employment agreement to reflect the significant contribution that I had made and would be making during the final year after serving an unprecedented seventeen years as Superintendent.

I must also take exception to the implication that there was something improper about my consultant contracts with the Board following my retirement as Superintendent. As Superintendent, I was the district's lead person on a number of extremely complicated projects, including a large school construction program, which were not completed at the time of my retirement. My successor as Superintendent, who was new to the position, did not have, and could not have had, the same level of

OCEAN CITY PUBLIC SCHOOLS
OCEAN CITY, NEW JERSEY 08226-3891

DAVID H. MOYER, Ed.D., SUPERINTENDENT

RECEIVED

2006 FEB 16 AM 10:39 TELEPHONE: 609-399-5150

STATE COMMISSION OF
INVESTIGATION

501 ATLANTIC AVENUE, SUITE 1

February 13, 2006

Charlotte K. Gaul
Deputy Director
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, New Jersey 08625-0045

RE: Reply to Proposed Report Dissemination
#06-02-017

Dear Ms. Gaal:

Please consider this my written reply to the Proposed Report Dissemination #06-02-017. Since I was neither subpoenaed nor spoken to by an investigator regarding my employment as Superintendent of Schools in Deptford Township, I do not know what records or information that the SCI relied upon in formulating its report. Therefore, I cannot fully rebut the allegations contained in the portion provided to me.

However, I would offer the following information which, I believe, would put the salaries negotiated in my July 1, 1999 – July 15, 2004 Contract in proper perspective. In paragraph No. 1 of the Contract, "the Board has entered into this Agreement in recognition of the Superintendent's many years of exceptional and loyal service to the District. This includes his sound leadership in regard to fiscal affairs which have benefited the citizens of Deptford Township, while at the same time delivering a thorough and efficient education to the District's students." I was in my 27th year of service when I retired from the Deptford Township School District.

When I entered into contract negotiations for my final contract, I was being contacted by search consultants who were trying to court me to apply for the superintendent's position in several school districts. These included districts in New Jersey, as well as out-of-state districts. In many of these districts, the compensation was much more attractive than what I was receiving. One Pennsylvania district offered a signing bonus and an individual retirement plan; a Connecticut district offered a starting salary of \$265,000.00 plus other benefits. Several districts in New Jersey offered salaries substantially higher than my salary under my previous contract. I believe these circumstances were taken in consideration during the negotiations process at that time.

familiarity with those projects. The Board correctly in my opinion, made a judgment that my continued involvement in those projects would benefit the school district and the taxpayers. I fully performed all of the work requested of me under those consultant contracts. Significantly, the Report does not suggest that there was anything improper with such consulting contracts.

Finally, the Report's disparaging reference to the golfing vacation does not suggest that I did anything improper. I had always understood that the unsolicited golfing vacation that I received as a retirement gift was paid for by private, not public, funds.

My years, as Superintendent in Teaneck were the culmination of my career. Teaneck was and is a complex, demanding and challenging school district. I worked hard in Teaneck. Looking back, I know that my decisions and judgments were good ones that benefited the students of Teaneck. The taxpayers got their money's worth. I believe that the Boards of Education with which I worked thought so too. The Report seeks to paint a different picture. That picture is inconsistent with the facts.



DR. HAROLD MORRIS

Dated: February 17, 2006

Also, at that time, the District was about to embark upon a major building project. The District built three early childhood centers, an addition to the middle school, and an extensive addition to the high school. I was given general oversight of the five building projects which were under construction simultaneously. I was held accountable for all matters relating to the construction projects. I was given final decision-making authority. I had to resolve labor matters including picketing by the painters' union, as well as unforeseen environmental and asbestos issues. Additionally, I served as the Board's negotiator in settling five agreements. These responsibilities saved the District hundreds of thousands of dollars in professional service fees.

The Board in its deliberations regarding my contract at that time considered, in part, the following factors in its evaluation of my job performance:

- ❖ The District had experienced sound financial management over the past 22 years, resulting in no tax increase for the past five years and no projected tax increase for 2000-2001.
- ❖ The District had contained labor costs and improved staff utilization efficiency.
- ❖ The District's administrative costs were below the state, region, county, and SES groups.
- ❖ The District had contained major fixed costs such as employee health care resulting in millions of dollars in savings.
- ❖ The District had contained costs in the other areas of insurability through membership in the Atlantic County JIF.
- ❖ The District had contained costs through cooperative purchasing of supplies and materials through EDU-DATA Services.
- ❖ The District had maintained per pupil spending within the Thorough and Efficient spending box.
- ❖ The District never had to go to the public for CAP waivers to provide a Thorough and Efficient education for our children during my years as Superintendent.
- ❖ The District had reduced the school tax rate as a percentage of total tax rate for 1999-2000 to 46.8%, compared with a state-wide average of approximately 70%.
- ❖ The District had contained energy costs through facility retrofitting and membership in the Alliance For Competitive Energy Services.
- ❖ The District had instituted preventive maintenance programs so that the Facilities provided excellent learning environments for our children.
- ❖ The District had updated all of its libraries within the district through the use of the Winnebago System without increasing expenditures beyond the maximum permitted budget.
- ❖ The District had received a transportation efficiency rating of 139.8%, which is well above the state projection of 120% efficiency.
- ❖ The District had built a Capital Reserve Account to prepare for improving and expanding facilities.
- ❖ The District had built a capital reserve of \$2.7 million. By the time construction began for the early childhood centers, it was anticipated that 25% of the cost of the total project would be covered by this reserve.

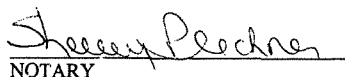
- ❖ The Superintendent, along with the solicitor, negotiated an architectural contract which saved the District approximately \$1 million in architectural fees.
- ❖ The District had received a seven-year state certification without any areas being recommended for correction – only commendations.
- ❖ The Class of 1999 received \$1,617,741 in awards and scholarships.
- ❖ Seventy-nine percent of the Class of 1999 had confirmed future plans for post-secondary education, including 4% who would enter educational programs in the armed services. When I arrived in the district, the rate was approximately 34%.
- ❖ Ninety-five percent of the 11th graders had passed the reading, writing, and mathematics sections of the High School Proficiency Test.
- ❖ The District had adopted a Technology Plan which, after full implementation, made Deptford one of the leaders in this area.

I believe that the Deptford Township Board of Education wanted me to remain in the position of Superintendent and, therefore, they were willing to compensate me accordingly. Hopefully, this information will assist you in understanding the rationale used in the development of my last contract with the Deptford Board of Education.

Very truly yours,


David H. Moyer

DHM/lst


NOTARY

SHELLEY PLECHNER
Notary Public of New Jersey
My Commission Expires September 10, 2008

**RESPONSE BY RICHARD A. SABELLA, Ph.D. TO EXCERPT
OF COMMISSION OF INVESTIGATION'S PROPOSED REPORT**

According to the Commission's February 6, 2006 letter to me (sent through counsel), "any person whose conduct will be criticized in a proposed Commission report must be provided with a copy of the relevant portions of the report". Attached to the Commission's letter was a copy of an excerpted section of a proposed Commission Report. That section, titled "Obstacles to Public Disclosure", comprises 24 lines of text over two pages.

The theme of the excerpt is that school districts lack "any mechanism to assure unfettered, uniform and timely public access to data and information that bear directly upon the cost of employing school district administrative personnel." As an example, the excerpt cites a resolution passed by the Ridgefield Board of Education approving "nearly \$45,000" in additional credit toward my final pension for 23 months of military service, and "40 months of pension-related municipal service credit valued at more than \$39,000." The Commission does not dispute the legality of the resolution or my entitlement to these additional credits. It observes merely that the minutes of that Board meeting "reflect no substantive discussion or fiscal details" presented to those members of the public in attendance at that meeting.

I cannot speak to the accuracy or comprehensiveness of the minutes to which the Commission refers, because I have no recollection of what specifically was discussed at the October 2001 Board meeting referenced in the proposed Report. Nor can I speak to, or address, what if any "impediments" to information tax-paying citizens may have encountered in other school districts. I can say, however, that the October 2001 public meeting referenced by the Commission in its proposed Report, as well as all other public sessions during my tenure as Superintendent, followed longstanding procedure and protocol established by the Ridgefield Board of Education, in consultation with the Board of Education Attorney. During my tenure as

Superintendent, the Board's policy and fiscal determinations were subject to intense scrutiny by, among others, the Board Attorney, school district auditors, school audits, employee bargaining groups, special education advocates, and the local media. If any of the foregoing had raised any concern about public access to or disclosure of all details relating to compensation and benefits for the school district administrators, I am confident that the Board would have adopted some measure to address any such concern.

Although the Commission notes that the "basic employment contracts" which it apparently reviewed "frequently do not detail the value of various forms of monetary and other remuneration awarded to administrative employees", the contracts between the Ridgefield Board of Education and the Superintendent of Schools, and indeed all financial records and information pertaining to compensation to its employees, were readily accessible and available to the general public, as they were to the various state and local auditors who routinely reviewed those records.

Finally, the determination to authorize additional credits toward my pension was made unilaterally by the elected members of the Board of Education after due consultation with the Board Attorney. The conduct on my part which apparently warranted the submission of the excerpted portion of the Commission's report was that I received these additional credits. I believe that the Board authorized and approved this additional remuneration in recognition of what the school district had accomplished during my 18 year tenure as Superintendent of Schools. ^{with 23 years tenure of total service to the Ridgefield School System.} Among other things, I conceived and instituted a magnet school system for Special Education in the Ridgefield School District which was not only lauded by the State Legislature and various governmental agencies, but, in the judgment of the Board, restored the District and its public school system to fiscal health and respectability after years of administrative indifference and financial chaos. The taxpayers in the district had ready access to this

information as well, although the successes of the school district may not have been set forth in Board agendas or meeting minutes in great detail or specificity.



RESPONSE TO COMMENTS IN SCI REPORT

Paul Saxton's compensation as Superintendent of the Ramapo-Indian Hills School District is commensurate with his experience and expertise, both of which place him in the upper echelon of New Jersey chief school administrators. The travel stipends, longevity increments, and flex accounts which are criticized are, in fact, a relatively small portion of the overall compensation, approximating ten percent. They are also traditional components of C.S.A. compensation in many districts. There was no secrecy concerning these items, nor were they treated for pension purposes other than in accordance with all existing rules.

However, Mr. Saxton's current contract, covering the term from July 1, 2005 through June 30, 2009, eliminates the issue. Longevity payments are spelled out clearly in the contract, at Paragraph 4, as is the Superintendent's right to use a portion of his own salary to purchase a tax sheltered annuity. Benefits, consistent with those of other district superintendents, are also spelled out clearly in the contract.



Paul Saxton

Dated: February 21, 2006

RESPONSE OF DR. CLAIRE SHEFF KOHN TO SCI
CONFIDENTIAL RELEASE #06-02-036

Lynn E. Shugars
13 Lexington Court
Shamong, New Jersey 08088

RECEIVED
2006 FEB 21 AM 10:44
STATE COMMISSION OF
INVESTIGATION

The information in the above report excerpt with respect to my employment in the Princeton Regional School District for the 2003-2004 school and fiscal year is factually incorrect, and the suggestion that there was improper or misleading reporting by me or anyone else in Princeton is totally unwarranted.

As to the facts, the statements in your report that my 2003-2004 actual total compensation was \$209,058 are incorrect. My total compensation in that school year consisted of \$169,865 in salary, an \$11,500 annuity payment, and \$4,800 in travel, for a total of \$186,165. The properly calculated difference between salary and total earnings was thus 9.6%, not 23.1%. I left Princeton during the 2004-2005 school year to take a position in Massachusetts. In September 2004, I received a lump sum payment in the amount of \$19,647, but that was a deferred payment for unused vacation and sick days, which was expressly provided for in my contract and accumulated over my entire tenure in the District. It was not paid during 2003-2004, nor can it fairly be attributed solely to the 2003-2004 school year.

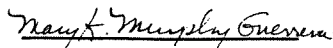
In addition to using incorrect numbers, the Commission's castigation of District reporting to the DOE is totally baseless, as is the suggestion of a discrepancy between "the data on file and available for public inspection and the true level of compensation." My contract (which details all forms of my compensation) was an open and public record throughout my tenure in Princeton, and the details of my entire compensation package were fully known and indeed posted throughout the community. Neither the Board of Education nor I ever tried to hide any form of compensation paid to me.

The Commission's comparison of total compensation to certain DOE filings as evidence of misleading or incorrectly reported numbers (because they did not include payments other than salary) is totally unwarranted. The DOE instructions asked for salary, not total compensation. The salaries reported on the DOE reports are the same as what the District is required to report on its reports to the State Division of Pensions. Pension regulations preclude the inclusion of lump sum payments in pension reporting of compensation. If the DOE had wanted total compensation, it should have asked for that.

And finally, the suggestion in the heading of the section that my salary and compensation package in Princeton was "inflated" and "questionable" is nothing but political grandstanding. Superintendent salaries are market driven. The fact that there is a nationwide shortage of qualified persons willing to serve as superintendents is the best evidence that superintendents are, if anything, underpaid. This is particularly so in New Jersey, which has one of the highest costs of living of any state in the union. The compensation package I received was negotiated at arms length, and there is no provision in there that was in any way inflated or questionable.


Claire Sheff Kohn

Sworn and subscribed before me
this 17th day of February 2006


My Commission Expires
April 23, 2010

February 17, 2006

Ms. Charlotte K. Gaal, Esquire
Deputy Director/Chief Counsel
Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Re: Response to Proposed Report #06-02-016

Dear Deputy Director Gaal:

Please accept this letter as my response/rebuttal to the Proposed Report prepared by the Commission of Investigation #06-02-016. The Proposed Report contains the allegation "*the Commission found a pattern in which questionable or patently improper steps were taken to provide administrators with inflated and overly generous pensions by padding base salaries in years immediately preceding retirement with multiple forms of extra compensation*". I have approximately 16 years or more of service before I will be eligible for retirement; I pay Federal and State Income Taxes on my **entire salary**, including my alleged "extra compensation", (except for the amount of the annuity, which is not subject to tax) and I pay 5% of my **entire salary**, including my alleged "extra compensation" to the Teachers Pension and Annuity Fund as my portion of the pension contribution. As such, the allegation of "*excessive upward manipulation of base salaries, particularly in the final years of retirement can undermine the fiscal integrity of the overall TPAF pension system by creating abrupt and unanticipated liabilities not sufficiently funded by employer/employee contributions to the system*" is false as these items were not added to my base salary during the last few years prior to my

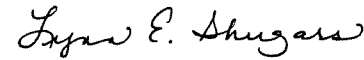
retirement but were a part of my **initial and continuing employment contract** with Southern Regional School District and I have contributed fully my required pension contribution on the alleged extra compensation. My employment contract with Southern Regional School District, which I have been working under since becoming employed by the District in May of 2004, was a contract model established before I was an employee of the district. It was developed by highly regarded professionals and reviewed by respected counsel. **The contract openly and fully discloses all elements of my salary.**

I am a respected member of my profession. I feel, however, that accusations such as those contained in the Proposed Report can undermine and destroy the credibility that has been built over many years of working in public education. This is especially so when words like "manipulation" and "machination" are used to describe what are otherwise unintentional actions. Those words imply an almost criminal act on my part – an act that is purposeful. The term "purposeful" is defined as consciously engaging in an activity to cause a result. I have not consciously engaged in any activity in order to "manipulate" my pension. There is absolutely no proof of such activity on my part. One cannot and should not assume that I have "manipulated" my pension by the mere fact that my employment contract contains provisions similar and/or the same as other school administrators throughout the State of New Jersey. I offer this as evidence that no action that I have taken, by virtue of accepting a pre-existing contract, was a deliberate or willing manipulation of pension guidelines.

In concluding, if I have been mistaken in the treatment of the payments made under my Employment Agreement as salary, then such mistake was unintentional and honest. A mistake is surely excusable and not nearly befitting of the quasi-criminal treatment that is imposed by the language, tone and actual wording of the Proposed Report.

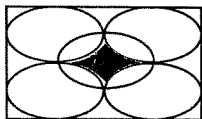
I appreciate your time and attention to this matter

Sincerely,



Lynn E. Shugars

Business Administrator/Board Secretary for the Southern Regional School District



Parents
Teachers
Children
Community
Administrators

RECEIVED
2006 FEB 17 AM 10:12

STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION
Hopatcong Borough Schools

Dr. Wayne L. Threlkeld
Superintendent of Schools

Trudy Doyle
Asst. Superintendent of
Schools

February 14, 2006

Ms. Charlotte K. Gaal, Deputy Director/Chief Counsel
State of New Jersey, Commission of Investigation
28 West State Street, P.O. Box 0045
Trenton, New Jersey 08625-0045

Reference: Release Number 06-02-014

Dear Ms. Gaal:

Pursuant to the provisions of N.J.S.A. 52:9m-12.2, I am providing additional information relative to the clarifications of my reported salary vs. actual compensation contained in your report and Release No. 06-02-014.

I have read the incomplete portions of the SCI report that were provided to me. I note at the outset that the report was severely edited. I believe I could discern a series of assumptions made by the SCI as to my salary and benefits. It is worth noting that a rudimentary discussion of these items would have readily dispelled the apparently erroneous conclusions regarding longevity, the Sussex County Regional Transportation Cooperative and sick and vacation day buybacks. However, no such dialogue took place.

It should be noted in the report that I have dedicated 35 years to this District, 25 as Superintendent. All contractual benefits have been negotiated at arms length with a BOE committee and the Board as a whole. The personnel for the Board has changed over the years. The common factor, however, has been a recognition that a seasoned, successful chief school administrator is worth retaining. The reward factor for a long and dedicated service goes unmentioned in the proposed report that I was able to see. It would seem that any fair comment on salary and benefits should take into consideration time devoted to a single position over many years.

Ms. Charlotte K. Gaal, Deputy Director/Chief Counsel
Reference: Release Number 06-02-014
February 14, 2006

Page 2

With that introduction, I propose the following corrections:

- The report separates my base salary of \$182,847 from my \$9,000 in longevity pay. All teaching and administrative employees in our school district who receive longevity pay have their salaries reported in total, salary and longevity. The total salary is subject to State and Federal taxes and pension credit.
- The Hopatcong Board of Education serves as the LEA (Local Education Agency) for the Sussex County Regional Cooperative. The Cooperative provides coordinated transportation for 67 school districts in Northern New Jersey. I serve as Director for the Cooperative for the services I provide to them at an annual salary of \$25,000. This salary was established by the Cooperative's Board of Directors, which is a separate entity from the Hopatcong Board of Education. The Hopatcong Board of Education, as the LEA, manages all fiduciary responsibilities for the Cooperative. All salaries for Cooperative employees and my salary are paid for through the profits of the Transportation Cooperative and are not paid for by the Hopatcong Board of Education or taxpayers in Hopatcong. As the LEA, payments pass through the Board's accounts, but do not impact on Board finances. I respectfully request that my Cooperative salary be removed from the report. The inclusion of compensation for work outside my work as Superintendent of Schools is misleading and erroneous.
- For clarification, the redemption of \$60,000 in unused leave time combined with \$35,000 in merit bonuses was negotiated with the Hopatcong Board of Education so that the unused vacation pay reimbursement to me could be reduced over a period of several years as opposed to the Hopatcong Board of Education incurring a single sum liability upon my departure from the school district. Part of the rationale was to avoid a potentially large financial impact on the annual school budget when I retire.

In closing, I want to thank you for your attention to this matter and hope that you can include the aforementioned information as corrections and/or clarifications from the report for public disclosure.

Sincerely,

Wayne L. Threlkeld, Ed. D.,
Superintendent

WLT/jmm

Cc: Alan Rockoff, Executive Director



RECEIVED

State of New Jersey
DEPARTMENT OF EDUCATION
HUNTERDON COUNTY OFFICE
PO Box 2900

Flemington, New Jersey 08822-2900

Telephone: 908-788-1414

908-788-1415

Fax: 908-788-1457

E-mail: schools@co.hunterdon.nj.us

Website: www.co.hunterdon.nj.us/schools.htm

JON S. CORZINE
Governor

Lucille E. Davy
Acting Commissioner

Dr. Gary Vitta
County Superintendent

February 9, 2006

CONFIDENTIAL

Ms. Charlotte K. Gaal
Deputy Director/Chief Counsel
State of New Jersey
Commission of Investigation
28 West State Street
PO Box 045
Trenton, New Jersey 08625-0045

Dear Ms. Gaal:

Re: Notice of Proposed Report - Dissemination #06-02-015

In accordance with the State Laws regarding Superintendent Contracts, and in compliance with the notice provisions in the multi-year contract between myself and the Carteret Board of Education, prior to the last year of the Contract, I tendered a voluntary resignation from my position effective with the termination of the contract in June 2004. I was willing to continue in the position of Superintendent during the final year of the Contract, but the Carteret Board of Education wanted to accelerate the effective date and the process of retaining a replacement, and initiated discussion for an earlier resignation date. I voluntarily agreed to change my effective resignation date to an earlier date via a mutually acceptable agreement, thus saving the Carteret School District over \$50,000 in salary and benefits that I was entitled to receive under the terms of my individual contract.

I was not appointed to the official permanent position as Hunterdon County Superintendent of Schools until December 15, 2003. I was, however, working in an acting capacity prior to that date.

Respectfully,

Dr. Gary J. Vitta
Hunterdon County Superintendent of Schools

