

## **EXECUTIVE SUMMARY**

### **Introduction**

Kingsway Regional School District provides education for students in Grades 7-12 and is composed of the following constituent districts that provide instruction in grades PK-6 to their respective residents: East Greenwich, South Harrison, Swedesboro and Woolwich. The Logan Township School District currently provides education in grades PK-8 and sends students in grades 9-12 to Kingsway Regional High School through a sending-receiving relationship.

Through Porzio, Bromberg, & Newman, P.C., Kingsway retained independent consultants to prepare a preliminary study of the educational, governance, financial, demographic and racial impacts of the possible PK-12 regionalization of these communities. The consultants were Dr. Richard S. Grip of Statistical Forecasting LLC who was primarily responsible for the demographic analysis, enrollment projections, and racial impact; David C. Hespe of Porzio Compliance Services who was primarily responsible for the educational analysis; and Steven Cea, a retired School Business Administrator, who was primarily responsible for the financial analysis.

The study reviewed three alternative scenarios:

1. Status quo.
2. East Greenwich, South Harrison, Swedesboro, Woolwich and Logan form a PK-12 All Purpose Regional.
3. East Greenwich, South Harrison, Swedesboro, and Woolwich form a PK-12 All Purpose Regional and Logan enters into a new Sending-Receiving Agreement with the new PK-12 Regional for grades 9-12.

This study furthers the policy goals of the State of New Jersey to create more effective and efficient educational structures through new PK-12 regional school districts. Indeed, the purpose of the grant provided by the Division of Consumer Affairs, which is the funding source for this study, is to incentivize school districts to form an all-purpose regional district resulting in educational program enhancements, cost savings and improved efficiencies. Sending districts to a limited purpose regional district such as Kingsway have been prioritized for study given the relationships that already have been formed among these communities. In this way, the creation of a new all-purpose regional school district would further these goals. The consultants applaud the communities participating in this study for recognizing the desirability of studying potentially more effective ways of delivering educational programs and services in a more cost-efficient manner ultimately benefiting students, families and taxpayers.

### **Demographics**

The first step in conducting the analysis was to determine the current and future enrollments that would be served by the new regional configuration. If Kingsway Regional were

to be dissolved and the East Greenwich, Logan, South Harrison, and Swedesboro-Woolwich School Districts form a PK-12 regional school district, enrollments are projected to steadily decline throughout the ten-year projection period. In 2031-32, enrollment is projected to be 6,264, which would be a decline of 603 students from the 2021-22 aggregated enrollment of 6,867.

Under the alternative scenario (Kingsway Regional is dissolved and the East Greenwich, South Harrison, and Swedesboro-Woolwich School Districts form a PK-12 regional school district whereby Logan Township continues to operate a PK-8 school district and sends its grade 9-12 students to the new regional on a tuition basis), enrollments are projected to steadily decline throughout the ten-year projection period. In 2031- 32, enrollment is projected to be 5,510, which would be a decline of 486 students from the 2021- 22 aggregated enrollment of 5,996.

The consultants also examined the change in the number of economically disadvantaged students and determined that the number of economically disadvantaged students would have been fairly stable in the communities comprising the new regional prior to declining in 2021-22.

### **Building Capacity**

The consultants used the capacities from the districts' Long Range Facilities Plans to determine the differences between building capacity and current/projected number of students in each building. It is important to note that the term "unhoused" students is not intended to convey that there will not be available space for students. Districts with unhoused students can accommodate these children by increasing class sizes, and/or recouping existing space, which in turn increases the school's capacity.

In the East Greenwich Township School District, there is currently surplus seating in both Clark (+58) and Mickle (+78) in 2021-22. Due to a projected decline in enrollment, the number of surplus seats is projected to increase in Clark (+153) and Mickle (+132) in 2026-27. While there is currently a surplus of seating (+39) in Donnelly in the Logan Township School District, there is a shortage of seating (-70) in Logan Elementary School and Logan Middle School, which share the same building. In 2026-27, the number of surplus seats at Donnelly (+56) is projected to increase due to a projected decline in enrollment. At Logan Township School and Logan Middle School, surplus seating (+16) is projected due to a projected decline in enrollment. In the Swedesboro-Woolwich School District, there is a small number of unhoused students in three of four schools in 2021-22, with the largest being in Clifford (-28). Stratton currently has a small number of surplus seats (+19). In 2026-27, the shortage of seating in Clifford, Harker, and Hill is projected to be similar to their current number of unhoused students. The number of surplus seats in Stratton (+42) is projected to increase due to a projected decline in enrollment. At South Harrison Township Elementary School, there is a surplus of 121 seats in 2021- 22. It is estimated that there will be a similar number of surplus seats (+119) in 2026-27. Regarding Kingsway Regional, Kingsway Middle School (7-8) and Kingsway High School (9-12) each have a shortage of seating in 2021-22, with the greater amount being in Kingsway Middle School (-60). In 2026-27, each school is projected to have unhoused students. However, due to a projected increase in

enrollment in Kingsway Middle School, the school is projected to have a greater number of unhoused students (-97).

### **Racial Impact**

Two alternative configurations were considered in comparison to the status quo in order to determine the racial impact. In regards to the scenario where the East Greenwich Township, Logan Township, South Harrison Township, and Swedesboro-Woolwich School Districts form a new PK-12 regional school district, there would be no negative racial impact since all students would be educated in the same buildings in which they currently are housed. Reconfiguration would not change the racial make-up of these schools. In regards to the alternative scenario where East Greenwich Township, South Harrison Township, and Swedesboro-Woolwich School Districts form a new PK-12 regional school district and Logan Township continues to operate a PK-8 school district and sends its grade 9-12 students to the new regional school district on a sending-receiving basis, there would be no negative racial impact given that all students would continue to be educated in the same buildings in which they currently are housed. Reconfiguration would not change the racial make-up of these schools.

### **Educational Impact**

The consultants reviewed data regarding student performance, climate indicators and indicators of success in college and careers. The consultants conducted site visits to the various schools and observed the school environment and discussed how the schools support teaching and learning and the social emotional growth of students. The consultants then compared the data collected against best practices that are research based and linked directly to the characteristics of successful schools. From this data, the consultants concluded that regionalization will allow the communities to further expand educational opportunity and maximize student potential. Students in all of the districts will have the opportunity to receive a higher quality education. A new regional district will be better situated to put in place best practices that lead to successful schools and improve educational outcomes for the communities involved.

Small school districts often struggle to provide needed support for students with special learning needs or who require accommodations due to medical conditions. A consolidated district may be better situated to design and deliver these programs and services more effectively and more efficiently. For example, it will be able to consolidate child study team and case management services to all constituent schools (including evaluations that identify a student's educational needs and the development of the individualized education program) in an optimized manner. The consultants also believe that the new regional school board will be uniquely better situated to serve at-risk students (chronically absent, socio-economically disadvantaged or English language learners) by being better able to connect and draw on expertise and resources from throughout the region and municipal agencies and state government including transportation, social workers, food programs, employment, health and dental care, before and after school care, as well as medical and dental care.

There also will be many opportunities for educational improvement presented by the implementation of the new configuration. For example, a shared curriculum development and implementation office would provide additional resources to each school to provide strong learning connections across the schools and grade levels. The effectiveness of the curriculum implementation function will be improved through robust data collection and analysis at the central office, school and professional learning community level. For this reason, The consultants recommend that a Chief Performance Officer be hired to ensure that this is done effectively but our concern is whether, in a smaller regional, the resources will be available to do this. In addition, a regionalized human capital and professional development office also could assist schools in recruiting and inducting teachers and in developing and delivering high quality, rigorous and effective professional development. An all purpose regional school district could provide additional support to schools in the area of student and staff safety.

The consultants have not identified any educational obstacles to regionalization. Because students will remain in the same buildings with generally the same teachers, they can be expected to continue to experience educational success.

The consultants also reviewed an alternative regionalization scenario where Logan Township continues to operate a separate PK-8 school district and sends students in 9-12 to the newly formed PK-12 Regional. The consultants believe that this alternative scenario still will present distinct educational advantages for all students and districts and is preferable to the status quo.

## **Governance**

In regards to the issue of the Governance of the new regional, the consultants noted that current law provides that the boards of education of the constituent districts of the proposed new regional district may, by resolution, agree to apportion members other than as provided in statute. The consultants recommend that the districts consider using this authority to create an apportionment structure that provides for a ten-seat board. This alternative apportionment structure would more closely track the current board membership on the limited purpose regional: Swedesboro-1; East Greenwich-3; South Harrison- 1; Woolwich-3; and Logan-2.

## **Transition**

In terms of a transition to the new regional structure, the consultants recommend that during the initial five-year period, all students and staff remain in their current assignments. However, the administration of the unified district will begin to provide expanded services and programs in many areas including curriculum and instruction, professional development, and student support services. The consolidation of the central office functions of the various school districts also could start during the transitional period in order to achieve efficiencies in operation.

## **Finance**

Collectively the all-purpose regional scenario will save dollars through both economic and logistical efficiencies. Given the financial pressures on smaller districts, the communities involved in the new regional will benefit from the efficiencies gained by reducing the functions replicated over several school districts. Rather than separately training and equipping multiple individuals to meet various tasks, a unified regional district would consolidate these functions. These type of efficiency savings are significantly larger than those from scale economies. The economic and efficiency gains involved in unification will generate significant savings resulting in reduced taxes and better functional performance. Larger districts offer economies when purchasing goods and services. There are two types of economies of scale. The first, on the production side, refers to factors that cause the average cost of producing something to fall as the volume of its output increases. Dividing fixed costs over more students will achieve these types of economies. The second, and more intuitive, are scale economies, generated by purchasing inputs at a lower per-unit cost when purchased in large quantities. For example, these economies include a range of goods and services from supplies to insurances.

Also, the consultants note that the savings generated from regionalization assumes existing levels of state aid. S3488 provides some risk mitigation since it requires aid to be no less than the combined amounts received by the districts prior to unification.

The consultants also simulated the allocation of the new regional district's costs among the constituent communities as well as the resultant tax impact. By law, costs can be allocated on an "equalized valuation" basis, on a "per pupil" basis or by a combination of the two. The consultants were unable to identify any allocation using equalized valuation or enrollment that would provide a tax benefit to all communities under either of the two scenarios studied. However, using the transitional allocation provision of the new regionalization law of January 2022, each community studied can share in the savings generated through regionalization. The first scenario, in which all communities currently being serviced by Kingsway Regional unify into an all-purpose regional, generates upwards of \$3.5 million in savings. Using a combination of equalized valuation and enrollment negatively impacts Swedesboro and Logan to an extent difficult to compensate for after the ten-year transitional allocation period.

The study uses the second scenario, in which Logan retains its sending-receiving relationship for students in grades 9–12, to apply the transitional allocation. Although this scenario has reduced savings of \$2.1 million, the transitional allocation, using a snapshot of the latest budgeted tax levy, would ensure all communities share proportionally in the savings generated through regionalization for the first ten years. After the ten-year transition, the consultants propose an allocation of 97% equalized value and 3% enrollment to be phased-in over an additional five years. Given the potential changes to property values and enrollments over the ten-year period, a reevaluation of these percentages in year eight or nine is also recommended. Given the analysis herein, a four community PK–12 all-purpose regional with Logan continuing through a sending-

receiving agreement is financially viable, which is a significant driver to recommending this reconfiguration. Additionally, the close existing working relationship among the districts and the significant educational benefits also provide strong motivation for entering into this new relationship.

The consultants also reviewed the debt service implications of the proposed regionalization. The borrowing margin for school districts, as set forth in N.J.S.A. 18A: 24-19, is calculated by multiplying the average of the last three years of equalized values by a percentage corresponding to the district's grade configuration. Smaller districts have lower margin percentages. The consultants have calculated that the maximum borrowing margin will increase for the new regional by \$23.8 million. The Comprehensive Annual Financial Reports of the districts in the study indicate that the combined indebtedness, consisting of serial bonds and bond refunding, totaled \$85,660,000 as of June 30, 2021. By the end of the ten-year transition period, the balance of this existing debt will be \$15,420,000. This amount represents the total indebtedness of buildings, grounds, furnishings, equipment, and additions thereto. Under the proposed unification of all communities all assets will be assigned to the newly formed all-purpose regional.

### **Conclusion**

The consultants concluded that the communities of East Greenwich, South Harrison, Swedesboro, Woolwich and Logan continue to pursue a new district configuration under either of the alternative proposals which are preferable to the status quo.