

SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 40**

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1996

The Senate Education Committee reports favorably a Senate Committee Substitute for Senate Bill No. 40.

This committee substitute provides for the establishment of a thorough and efficient system of free public education (T&E) as guaranteed by the State Constitution. It establishes standards of thoroughness and efficiency and a new system for funding public education through a combination of State aid and local support. The proposed law supersedes those portions of P.L.1975, c.212 (C.18A:7A-1 et seq.) which address goals and standards and replaces the funding provisions established by the "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), which is repealed in its entirety.

The substitute directs the State Board of Education to review the new core curriculum content standards within three years after their implementation and thereafter to review and update the standards every five years. The core curriculum content standards shall define for all students in the State the substance of a thorough education. The commissioner is directed to develop and establish efficiency standards which shall define the types of programs, services, activities and materials necessary to achieve an efficient education. In establishing the efficiency standards, the commissioner is directed to utilize the cost benchmarks for non-instructional services in similarly situated school districts which will be developed by the Commission on Business Efficiency in the Public Schools. Together these standards will define what is required to provide a thorough and efficient education and will serve as the basis for determining the amount of funding necessary to do so.

Under the substitute's provisions, the Governor is required to issue biennially in each even numbered year, the Report on the Cost of Providing a Thorough and Efficient Education. The report will establish the per pupil amount necessary to provide a thorough and efficient regular education at the elementary, middle, and high school levels and the acceptable range of deviation from that amount in order to recognize and accommodate the need for local flexibility. In addition the report will establish per pupil amounts for early childhood

and demonstrably effective program aids, instructional supplement aid, and additional per pupil categorical amounts. These amounts will apply to the two successive fiscal years beginning one year from the subsequent July 1 and will be adjusted for inflation by the CPI in the second year.

The per pupil amounts established in the report will in turn serve as the basis for determining a school district's T&E budget, or the total amount of funding needed to provide a thorough and efficient education consistent with the curriculum content and efficiency standards issued by the State board and commissioner. The T&E budget will be determined by multiplying the per pupil amount for a thorough and efficient regular education at the elementary level by the district's resident enrollment, weighted based on the relative proportion of kindergarten, elementary, middle, and high school pupils included in the enrollment. Each school district is required to fund its T&E budget through local tax revenues up to a level based on district property wealth and district income. Any difference between the district's T&E budget and the required local share will be funded through State aid, with supplemental aid being available for certain districts where the impact of the new standards on local taxes would be excessive. Also, stabilization factors have been included within the State aid formula so as to prevent dramatic increases or decreases in a district's State aid as a result of the permanent part of the formula. For each district, a maximum and minimum permissible budget level is calculated within the established T&E range.

Every two years, the commissioner is required to notify each district of the T&E amount, T&E flexible amount, T&E range, and amounts per pupil for early childhood program aid, demonstrably effective program aid, instructional supplement aid, and the categorical programs for the subsequent two fiscal years. Annually, within two days following transmittal of the State budget message to the Legislature by the Governor, the commissioner shall notify each district of the maximum amount of aid payable to the district in the succeeding school year and shall notify each district of its T&E budget, maximum T&E budget, and minimum permissible T&E budget for the succeeding school year. Annually, on or before March 4, each district board of education is to adopt and forward to the commissioner for approval, a budget that provides no less than the minimum permissible T&E budget plus categorical amounts required for a thorough and efficient education. Before approving the budgets, the commissioner must determine that they properly implement the core curriculum content standards, and in instances where they do not, the commissioner may make such fiscal or programmatic adjustments as he deems necessary, including directing additional spending up to the district's maximum T&E budget level.

Under the substitute's provisions, a district proposing a budget which includes spending which exceeds the maximum T&E budget must submit a general fund tax levy to the board of school estimate,

or the voters, as appropriate, which when added to the other components of its net budget does not exceed its prior year net budget by more than the spending growth limitation. For such a district, the spending growth limitation equals the sum of three percent or the CPI, whichever is greater, with adjustments for changes in enrollment, certain capital outlay expenditures, and special education costs per pupil in excess of \$50,000. The enrollment adjustment will equal the increase in unweighted resident enrollments between the prebudget and budget years multiplied by the per pupil general fund tax levy amount for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for capital outlay expenditures will equal the difference between the capital outlay portion of the general fund budget for the budget year and the capital outlay portion of the general fund budget for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for special education costs shall equal the sum of per pupil amounts in excess of \$50,000 for the budget year less the sum of per pupil amounts in excess of \$50,000 for the prebudget year indexed by the CPI or three percent, whichever is greater.

A district proposing a budget set at or below the minimum T&E budget is to submit to the board of school estimate or voters, a general fund tax levy which when added to the other components of the net T&E budget does not exceed the prebudget year net T&E budget by more than the spending growth limitation. This limitation will be calculated as described above except that the enrollment adjustment is to equal the increase in weighted resident enrollment between the prebudget and budget years multiplied by the T&E amount less the T&E flexible amount.

A district proposing a budget set at or below the maximum T&E budget, but including amounts in excess of the minimum T&E budget, is to submit to the board of school estimate or voters, a general fund tax levy which when added to the other components of its net T&E budget does not exceed the spending growth limitation. This limitation will be calculated as previously described except that the enrollment adjustment is to equal the increase in the unweighted resident enrollment between the prebudget and budget years multiplied by the prebudget T&E program budget per pupil indexed by the CPI or three percent, whichever is greater.

The substitute also establishes a procedure for cap waiver proposals to be submitted to the board of school estimate, or the voters of the district in the case of a district whose budget does not exceed the maximum T&E budget. Any cap proposal which is rejected will be submitted to the municipal governing body or board of school estimate for a determination of the amount, if any, which should be expended. The decision of the municipal governing body or board of school estimate will be final.

Any general fund tax levy which is rejected by the voters for a proposed budget in excess of the maximum T&E budget is to be

submitted to the governing body of the municipality or the board of school estimate as appropriate for a determination of the amount that should be expended notwithstanding voter rejection. There would be no appeal from the determination of the governing body or the board of school estimate. However, the governing body or board of school estimate could not certify a general fund tax levy in an amount which is less than 98 percent of the prebudget year general fund tax levy with adjustments up and down for enrollment increases or decreases.

Any reduction made to a proposed budget which is at or below the maximum T&E budget may be appealed to the commissioner on the grounds that the amount is necessary for a thorough and efficient education. Any reduction made to a proposed budget which is below, or after reductions by the municipal governing body or board of school estimate is below, the minimum T&E budget shall be automatically reviewed by the commissioner. In addition, the municipal governing body or board of school estimate will be required to demonstrate clearly to the commissioner that the proposed budget reductions will not adversely affect the ability of the school district to provide a thorough and efficient education.

Under the substitute, special education including extraordinary costs, pupil transportation, bilingual education, adult and post-secondary education, distance learning network, and county vocational aid are to be paid to all school districts as categorical aid. Also, the department is to determine programmatic definitions and establish appropriate per pupil amounts for adult high school programs and post-secondary vocational educational programs.

State aid for special education will be distributed for the 1997-98 school year on the basis of classifications under four tiers, with an increasing amount of per pupil aid for each tier: Tier I includes related services; Tier II includes perceptually impaired, neurologically impaired, educable mentally retarded and preschool handicapped; Tier III includes pupils in categories other than speech correction and the Tier II categories, who do not meet the criteria of Tier IV, intensive services; Tier IV services are defined for 1997-98 as those services provided in a county special services school district and services provided for pupils who meet the classification definitions for autistic, chronically ill, day training eligible, or visually handicapped, or are provided for pupils who meet the classification definition for multiply handicapped and are in a private school for the handicapped placement in the 1996-97 school year. Additional aid may be provided to a district in which the costs for an individual classified pupil exceeds \$50,000; in which the district must educate an extraordinary number of classified pupils; or in which the district is ordered to make a high cost placement by a tribunal of competent jurisdiction.

The T&E budget is designed to give districts resources to provide a thorough and efficient regular education. However, additional early childhood education program aid, demonstrably effective program aid, and instructional supplement aid are provided for districts that have

socioeconomically disadvantaged children living in conditions of poverty. Early childhood aid is provided for those districts having 20% or more low-income pupils, and is to be used for preschool, full-day kindergarten and other early childhood programs. Additional aid is provided for concentrations of low-income pupils of 40% or more for transition and social services to primary grade students. Demonstrably effective program aid is to be distributed based on school-based concentrations of low income pupils in order to provide instructional, school governance, health and social services aimed at addressing the socioeconomic disadvantages of these pupils. Instructional supplement aid is to be provided to districts with concentrations of low-income pupils of 5% or more but which do not qualify for early childhood aid. The substitute also makes provision for technological advancements through the establishment and funding of a distance learning network, which, while available to all districts, will be especially helpful to disadvantaged districts as a means of providing quality programs at low cost.

The substitute also establishes an Academic Achievement Reward Program to provide rewards to districts having one or more schools that meet criteria for absolute success or significant progress towards high student academic achievement. Schools are to be ranked into three groupings by enrollment for the High School Proficiency Test, the Early Warning Test, and the Fourth Grade Test which then determine reward eligibility for both the absolute success and the significant progress reward. Schools with 90% of student enrollment performing at or above the passing scores qualify for the absolute success reward. Schools that do not qualify for the absolute success reward are eligible for the significant progress reward. The schools will be grouped together in five bands and the top 10% in each band with the highest level of improvement will qualify for the significant progress reward. Schools located in districts that have been penalized under the "School Efficiency Program Act," P.L.1995, c.236, will not be eligible for either reward. The reward appropriation will be equally divided among all districts with schools determined to be eligible for a reward.

Under the substitute, the commissioner is directed to establish a Consolidation of Services Grant Program which will utilize the county special services school districts to promote shared services and regionalization of services. In addition, a Regionalization Advisory Panel consisting of 12 members will be created in order to study and to develop recommendations regarding ways to encourage school districts to regionalize or share services.

The pupil transportation formula established under the substitute is designed to encourage operational efficiency and includes two principal components: a base aid amount and an efficiency factor. Base aid represents a level of funding to reimburse districts for the cost of efficiently transporting eligible pupils based on regular or specialized modes of transportation, eligible pupils transported,

average miles per eligible pupil, and cost factors representative of school districts in the top two quartiles of efficient performance. The substitute provides that for the 1997-98 school year, each district's base aid will be prorated so that the overall distribution of base aid does not exceed that distributed Statewide in the 1996-97 school year. Also, the Governor is to submit to the Legislature at least sixty days prior to the 1998 budget address proposed transportation incentive factors applicable to the 1998-99 school year and thereafter.

State aid for school facilities shall be paid to districts toward principal and interest payments on both debt service and lease purchase agreement payments for the fiscal year, at the percentage of State support in the district's T&E budget. The base to which this percentage shall be applied shall be the full debt service and lease purchase agreement payments for all debt service issuances authorized and lease purchase agreements approved prior to July 1, 1997. For all debt service authorized and lease purchase agreements approved after July 1, 1997, the aidable base shall be that percentage of the debt service or lease purchase payment equivalent to the ratio of approved costs to the original issuance principal, with the ratio never to exceed one, and shall be reduced for districts that fail to meet maintenance requirements on aided facilities. Beginning ten years from the date of enactment of the substitute, districts shall be required to demonstrate a net investment within the previous ten years of 2% of what the facility's replacement cost was ten years prior in order to receive aid on an improvement to the facility. Aid for new construction approved or authorized after July 1, 1997 shall be reduced, beginning in the fourth year after occupancy, for districts that fail to demonstrate in the prior fiscal year an investment in maintenance of the facility of at least two-tenths of one percent of the facility's replacement cost.

Approved costs for new construction and additions shall be the product of an approved square footage of construction, derived from school models developed by the department for each school level; a cost allowance per square foot of construction; and percentage allowances for equipment and furnishings, architect and engineering fees, and issuance costs. The approved area shall be based on the number of unhoused students the district shows as a result of a five-year cohort survival enrollment projection. The area construction cost allowance shall be determined based on a five-city historical cost index for construction in New Jersey. Other allowances shall be based on industry standards. Approved costs for renovations shall be the product of the replacement cost of the facility, determined by multiplying the gross area of the facility by the construction cost and other allowances, and a factor less than one that decreases as building age increases. Renovations on buildings fewer than twenty years of age shall not be aided. Approved costs for new construction done in lieu of renovations shall be determined as for new construction only when the age of the facility is 50 years or greater or when the commissioner determines that extraordinary circumstances warrant

differential treatment. Approved costs for new construction done in lieu of renovations for facilities less than fifty years old shall be determined as for renovations. For purchase of an existing facility, total approved costs for both the purchase of the facility and any renovations made to the facility within five years of purchase shall be that amount determined as for new construction.

Under the substitute, the commissioner is empowered to ensure that all districts are meeting established standards through a variety of means. In addition to his general powers of supervision, this substitute requires the commissioner to review annual budgets to ensure compliance with core curriculum content standards, continues the existing system of monitoring with a new emphasis on meeting standards, and authorizes the commissioner to summarily take extraordinary measures when he determines, as the result of a district or school's performance on State assessments or through State evaluation, that established standards of thoroughness and efficiency are not being met.

Finally, in the event the commissioner establishes an interdistrict school choice program at a subsequent date, the substitute includes language that would allow nonresident students enrolled in such a program to be included within a district's resident enrollment count.