

**2006
SPECIAL SESSION
JOINT LEGISLATIVE COMMITTEE**

PUBLIC SCHOOL FUNDING REFORM

Co-Chairs:

Senator John H. Adler • Assemblyman Herb Conaway Jr.

Members:

Senators: Joseph V. Doria Jr. • Gerald Cardinale
Assemblymen: Brian P. Stack • David W. Wolfe

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I. Executive Summary

Pursuant to Assembly Concurrent Resolution No. 3, the Joint Legislative Committee on Public School Funding Reform was charged with reviewing and formulating proposals that address the manner in which government provides for the maintenance and support of a system of free public schools for the instruction of the children of this State.

The Joint Legislative Committee on Public School Funding Reform finds:

- In 2005 New Jersey's total Statewide property tax levy increased to almost \$20 billion with school taxes representing nearly \$11 billion of that total;
- In FY 2007, over \$10 billion of the State's \$30 billion budget is allocated to support pre-school through grade 12 education (34%);
- Of the \$16,000 average per pupil amount budgeted to be spent for education in FY 2007, approximately 52.2% is supported by local funds, 44.1% is supported by State funds, and 3.7% is supported by federal funds;
- On average, 55% of a homeowner's property taxes go to fund schools;
- Increases in education spending have been a major contributing factor to the rise in local property taxes;
- The development of a predictable, transparent school funding formula is essential for school districts to plan effectively and deliver the quality education that our citizens expect and our Constitution requires; and
- At the same time any new school funding formula must include mechanisms to control the taxing and spending behavior of school districts and to promote greater efficiencies in the delivery of educational services in order to provide meaningful property tax relief.

The Joint Legislative Committee on Public School Funding Reform recommends:

Development of a New School Funding Formula

- *Recommendation 1:* State aid for every school district should be based on the characteristics of the student population and the individual district's ability to pay.
- *Recommendation 2:* Aid calculations should be simplified to ensure transparency, thereby eliminating the need for multiple additional aid categories.
- *Recommendation 3:* A new school aid formula should be developed based upon the nationally-recognized professional judgment panels (PJP) model for determining the resources necessary to meet educational standards.
- *Recommendation 4:* The formula should be based on "costing-out" calculations developed through the PJP model to determine the base per pupil cost of a thorough and efficient education, as well as the additional weights for special education, at-risk, and limited English proficiency students. This should also include use of the geographic cost of education index to accurately reflect differences in the cost-of-living throughout the State.
- *Recommendation 5:* A district's share of State education funding should be based on up-to-date measures of a district's ability to pay. The formula for calculating the ability to pay should be based equally on a district's relative property wealth and income. Property wealth should be calculated by considering the equalized property valuation per capita relative to the State median. A district's income should be calculated based upon income per capita relative to the State median.
- *Recommendation 6:* The State should provide a hold harmless provision.
- *Recommendation 7:* A minimum amount of State aid should be provided to each school district.
- *Recommendation 8:* The Department's recommendations regarding the apportionment of costs in regional districts should be adopted.

Additional Aid Categories

- *Recommendation 9:* Continue the current funding method for adult and postsecondary education aid, county vocational school aid, and transportation aid, but update cost factors to reflect inflation.

Accountability and Monitoring

- *Recommendation 10:* To ensure increased school district accountability, the Commissioner of Education should conduct an evaluation of the Department and implement a reorganization plan and the authority of the commissioner should be clarified and strengthened.
- *Recommendation 11:* Continue and expand the authority delegated to the Commissioner under the school district accountability provisions of CEIFA.
- *Recommendation 12:* Amend the New Jersey Quality Single Accountability Continuum Act (NJ QSAC) to expand the authority of the Commissioner to conduct immediate comprehensive reviews and to clarify oversight authorities.
- *Recommendation 13:* Amend the School District Fiscal Accountability Act to expand the circumstances under which the Commissioner can appoint a State monitor for a school district.
- *Recommendation 14:* Place the Abbott district efficiency standards in permanent statute and apply them to all school districts. Grant the Commissioner the authority to withhold a portion of any district's State aid for failure to comply.
- *Recommendation 15:* Adopt various recommendations of the SCI report related to public disclosure and oversight, as well as other public disclosure and oversight provisions.
- *Recommendation 16:* Current school board training requirements should be expanded to cover re-elected and re-appointed school board members. In addition, the scope of the training should be expanded to include training in the five key areas of school district effectiveness: instruction and program, personnel, fiscal management, operations, and governance.
- *Recommendation 17:* Individual schools which meet established benchmarks for improvement of outcomes as determined by the Department of Education should

be rewarded through the use of nominal one-time grants. The use of the funding should be the subject of a vote of the teachers in the school so rewarded, but would be limited to use on non-recurring costs.

Special Education

- *Recommendation 18:* Increase pre-identification services.
- *Recommendation 19:* Promote inclusion of special education students in local school district programs through proposed changes to the school construction law which would expand capacity in local districts.
- *Recommendation 20:* Promote greater coordination of special education services available in local districts at the county level.
- *Recommendation 21:* Require the Commissioner of Education to establish a consistent tuition structure for out-of-district placements and an advisory group to review and make recommendations.
- *Recommendation 22:* Reduce the use of due process hearings and litigation to resolve special education disputes through increased coordination with the Center for Negotiation and Conflict Resolution (CNCR).
- *Recommendation 23:* Continue funding of extraordinary special education aid.

Budget Controls

- *Recommendation 24:* Include a revenue cap in the funding formula to be adjusted annually by the CPI and changes in enrollment.

School Board Elections

- *Recommendation 25:* Move the school board member elections to November. Keep school budget elections in April but eliminate the budget vote if the district's budget is under the predetermined cap.

State Mandates

- *Recommendation 26:* Eliminate unnecessary State mandates.

Early Childhood Education

- *Recommendation 27:* Provide State support for high-quality preschool for all children in A & B district factor group (DFG) school districts and for children who qualify for free and reduced price meals in all other districts.
- *Recommendation 28:* Provide State support for full-day kindergarten programs in nonAbbott districts.

II. Introduction

On June 6, 2006, New Jersey Senate President Richard J. Codey and Assembly Speaker Joseph J. Roberts, Jr. announced “an unprecedented special legislative session” that would work throughout the summer and fall to enact reforms aimed at reducing New Jersey's property tax burden. The session began on July 28, when Governor Jon S. Corzine addressed a Joint Session of the Legislature, noting that New Jersey's property tax levy currently totals \$20 billion and provides 46% of the State's tax revenues. Without changes to the present system, that amount will reach nearly \$40 billion within a decade.

After the Governor's address, Assembly Concurrent Resolution No. 3 was passed by both Houses. It created four bicameral, bipartisan Joint Committees to review and formulate proposals to reform property taxes: (1) the Joint Legislative Committee on Public School Funding Reform, to address public school funding and expenses; (2) the Joint Legislative Committee on Government Consolidation and Shared Services, to address shared services and regionalized functions at all government levels; (3) the Joint Legislative Committee on Public Employee Benefits Reform, to control pension system abuses and the costs of public employee benefits; and (4) the Joint Legislative Committee on Constitutional Reform and Citizens Property Tax Constitutional Convention, to consider property tax reform through amendments to the State Constitution and other proposals.

The four Joint Committees followed an open and inclusive process. Throughout the State and at various hours, they held 32 public meetings, broadcast live and archived on the Internet, and nine public hearings. They solicited testimony in person and through teleconferencing from State and national experts, academics, practitioners, and officials; reviewed thousands of pages of background material; and received over 3,700 public emails. Both partisan and nonpartisan staff contributed research and policy analysis to the work of the Joint Committees and their members. The following is the report of the Joint Legislative Committee on Public School Funding Reform (hereafter JCSF or Joint Committee).

III. Background

Joint Committee Members

As required by Assembly Concurrent Resolution No. 3, the JCSF consisted of six legislative members. Senators John H. Adler, Joseph V. Doria, Jr., and Gerald Cardinale were appointed by Senate President Richard J. Codey, who also designated Senator Adler as co-chairperson. Assemblymen Herb Conaway, M.D., Brian P. Stack, and David W. Wolfe were appointed by General Assembly Speaker Joseph J. Roberts, Jr., who also designated Assemblyman Conaway as co-chairperson.

Joint Committee Charge

Assembly Concurrent Resolution No. 3 charged the JCSF with the duty to review and formulate proposals that address the manner in which government provides for the maintenance and support of a system of free public schools for the instruction of the children of this State. The Joint Committee was authorized pursuant to the resolution to consider proposals to: provide State support based on student needs rather than geographic location; eliminate disincentives to the regionalization of school districts; control school district spending, particularly administrative spending; and improve the effectiveness of current law limiting increases in school district spending; as well as such other proposals as the Joint Committee deems appropriate.

Materials Provided to Joint Committee

To facilitate the JCSF's work, binders containing pertinent information were compiled for each member by the staff of the Office of Legislative Services. Beginning with a copy of Assembly Concurrent Resolution, No. 3, the binders included a section on basic issues in education funding which included guides to the broad principles for the design of state school funding systems and a brief overview of the various ways the 50 states allocate education funding; a section that provided information on various aspects of New Jersey's funding formula including a copy of the current State law on school funding, the "Comprehensive Educational Improvement and Financing Act of 1996;" and copies of school funding bills that have been introduced in the 2006-2007 legislative session. The

binder also included a section on school funding litigation that provided information on lawsuits challenging state methods of funding public schools; a section on regionalization and shared services which included reports that explore incentives and disincentives for school district regionalization and recommendations for shared education and support services; and a section on education statistics. Media polling results on public employee salaries complete the materials in the final section of the binder.

Joint Committee Plan

To provide the public with as much access to the JCSF's deliberations as possible, the members adopted a work plan to ensure discussions on relevant topics. The work plan was developed to present the topics in a logical progression that began with a national perspective on the issue of public school funding, proceeded to educational funding as it has been implemented in New Jersey, and concluded with an explanation of specific components of a school funding formula. In order for committee members to learn more about the various topics, experts on the issues were asked to make public presentations. Many representatives from education interest groups and members of the general public attended the meetings and offered information to the Joint Committee.

It was agreed that meetings were to be held regularly, with some occurring in Trenton and some in different parts of the State. Notice about the meetings would be given at least five days before their occurrence and the public would be invited to attend. Information about the meeting times, the documents in the binders and complete transcripts of the meetings were to be available on the Internet site set up for each special committee on the homepage of the New Jersey Legislature. Most of the Joint Committee meetings were televised.

Summary of Comments Received by Electronic Mail

As part of the Legislature's desire to gather public input on the issue of property tax reform, in general, and the various components of the property tax system, specifically, an e-mail forum was established for each of the Joint Committees exploring the issues. The Joint Legislative Committee on Public School Funding Reform's e-mail forum encouraged public participation and provided the Joint Committee members and staff, as well as all members of the Legislature, with valuable insight from both the stakeholders in the education system and the public at large. The Joint Committee established access for the public, and they responded with over 1,000 e-mails.

Summary

As of November 1, 2006, 1,043 e-mails were received by the Joint Committee. The e-mails were categorized by topic. Some e-mails addressed more than one topic and were categorized as such, resulting in 1,563 categorized entries that break down as follows:

- 336** addressed administrative costs and regionalization/shared services/consolidation;
- 260** addressed employee and teacher benefits;
- 191** addressed the potential shift of property taxes to other revenue sources;
- 92** addressed who the sender thought should pay for education;
- 88** addressed the relationship between senior citizens and property taxes;
- 74** addressed issues related specifically to Abbott districts;
- 62** addressed the broad issue of the school funding formula;
- 56** addressed the New Jersey Education Association (NJEA);
- 43** addressed waste and abuse;
- 26** addressed school budgets;
- 19** addressed special education;
- 12** addressed nonAbbott districts;
- 6** addressed amending the thorough and efficient clause of the New Jersey State Constitution; and
- 4** addressed a constitutional convention.

The remainder of the e-mails addressed various other topics, including those not specifically directed to the Joint Committee's work.

Comments can be summarized as follows:

- Many members of the public commented upon the excessive number of school districts in the State, particularly citing the administrative costs associated with them.
- Public comment regarding employee and teacher benefits took two basic forms: 1) those suggesting that employee benefits are excessive and in need of curbing and restructuring; and 2) those suggesting that more generous benefits are indicative of a trade-off made by employees over the years to forego larger salaries in exchange for better benefits.
- Various residents suggested shifting a portion of the property tax burden to other revenue sources. These included sales tax either through an increase in the actual rate or an increase through a change in the structure, income tax, a revised property tax system, business tax, and tourism tax.
- A number of public comments suggested that parents should bear some additional responsibility for the funding of public education beyond State and local taxation paid by all.
- Residents expressed concern over the impact that property taxes have on senior citizens living on fixed incomes.
- The majority of the e-mails regarding Abbott districts focused on the large amounts of State aid provided to them. While some recognized the need to provide substantial funding to these areas, the majority of them focused on the amount of Abbott funding precluding sufficient funding to other districts, the lack of educational outcomes, the lack of planning toward self-sufficiency and the lack of accountability.
- Residents offered suggestions related to a new formula ranging from broad overall funding suggestions to recommendations on specific parts of the formula.

- Comments regarding waste and abuse took the form of general comments, equating the large number of administrative staff and the generosity of benefits to waste, and reference to specific situations in specific school districts.
- Residents' comments on school budgets focused mainly on the process and the public's need for more detailed information.
- Residents' comments on special education focused on the cost for local districts and the need to have the State provide increased support, service delivery and revising the appeal process.
- A few residents wrote regarding the need to provide a clear definition applicable to the "Thorough and Efficient" clause of the New Jersey State Constitution.
- E-mails regarding the possibility of a constitutional convention provided both positive and negative feedback.

IV. Summary of Meetings

The Joint Committee organized on August 10, 2006 and between that date and October 24, 2006 held a total of nine committee meetings. In addition to its meetings, the Joint Committee held two public hearings, one in Collingswood, New Jersey and one in Newark, New Jersey, to afford the members of the public an opportunity to be heard on the issue of public school funding reform and to present their recommendations for the consideration of the Joint Committee. The Joint Committee received testimony from over 100 citizens at its public hearings.

Among those testifying before the Joint Committee were public officials from the Department of Education, including Commissioner Lucille E Davy, and Allen Dupree, Manager of Policy and Research in the Office of School Funding; and national experts on school funding, including Dr. John G. Augenblick, president of Augenblick, Palaich and Associates, Inc., and Dr. Jay Chambers, Senior Research Fellow/Managing Director of the Education Finance Business Development Group in the Education Program at the American Institutes for Research.

Overview of Public School Funding

August 10, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Dr. Ted Settle, Principal Research Analyst, New Jersey Office of Legislative Services

The first meeting of the Joint Legislative Committee on Public School Funding Reform was convened on August 10, 2006. At this organizational meeting, the co-chairmen discussed the charge of the Joint Committee and the process that the Joint Committee would follow to meet that charge. It was indicated that a primary goal of the Joint Committee would be to improve the chance that every child in New Jersey, regardless of community of residence, would receive a quality education, while ensuring a predictable school tax levy through the establishment of meaningful spending controls on school districts. The Joint Committee indicated that it would follow a thoughtful, methodical process of numerous public meetings at which experts from New Jersey and other states would provide the Joint Committee members with information and different perspectives on public education. Testimony from members of the public would also be solicited. It was determined that a schedule of future meeting dates would be determined and published so that the public would be aware of the Joint Committee's schedule.

Each member of the Joint Committee provided an opening statement that outlined particular issues of concern which that member felt the Joint Committee needed to examine. Those issues included the determination of educational adequacy, methods to ensure equity and fairness to both the children and taxpayers of the State in the funding of public schools, the governance and organization of school systems, regional school districts and existing disincentives to the establishment of such districts, the optimum size of school districts, the special needs of low-income students, the elimination of State mandates, the provision of special education programs and services, and the connection between spending levels and student outcomes.

Following the opening discussion and statements, the Joint Committee heard a presentation by Dr. Ted Settle, Principal Research Analyst in the Education Section of the Office of Legislative Services. With the assistance of a PowerPoint presentation, Dr. Settle reviewed the components of the State's three most recent school funding formulas: the "Public School Education Act of 1975" (chapter 212), the "Quality Education Act of 1990" (QEA), and the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA). Dr. Settle also provided detail on the components of the individual formulas that sought to address the Legislature's constitutional obligation to provide a thorough and efficient system of free public schools and the issues subsequently raised in regard to the formulas.

Dr. Settle concluded his presentation with a review of data on school property taxes and State spending on education, including the following:

- In 2005 New Jersey's property tax increased to almost \$20 billion with school taxes representing nearly \$11 billion of that total;
- Between 1975 and 2005, school taxes as a percentage of total property taxes has remained fairly constant at 55%;
- Fifty percent of the municipalities in the State have an average school tax between \$1,744 and \$3,759 (2005);
- In FY 2007, over \$10 billion of the State's \$30 billion budget is allocated to support education (34%);
- Of the \$16,000 average per pupil amount spent for education in FY 2007, approximately 52.2% is supported by local funds, 44.1% is supported by State funds, and 3.7% is supported by federal funds; and
- Of the approximately \$7.4 billion allocated in FY 2007 as direct aid to school districts, \$4.2 billion or 57.6% is allocated to the 31 Abbott districts, and \$3.1 billion or 42.4% is allocated to all other districts.

National Perspective: Education Funding Formulas and Litigation

August 22, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Molly A. Hunter, Director, National Access Network at Teachers College, Columbia University
- Michael Griffith, Education Finance Consultant, National Conference of State Legislatures

National Overview of School Funding Litigation

Molly A. Hunter, Director of the National Access Network at Teachers College, Columbia University, provided the Joint Committee with an overview of education funding litigation in other states. The overview touched on three areas: a brief historical background of school finance litigation; a description of the anatomy of adequacy cases; and a review of trends in court decisions.

Ms. Hunter noted that the type of litigation that dominated the national landscape in the 1970's and 1980's were "equity cases," in which plaintiffs sought equal per pupil funding. In these types of cases the defendants, which were typically the states, won at least two-thirds of the cases. Since 1989, the standards-based reform in education – which describes what a student needs to know and be able to do at the various grade levels – led to another type of litigation, the "adequacy cases" in which the plaintiff seeks adequate funding for schools and an opportunity for an adequate education. In these type of cases, the state defendants are only winning about one-third of the cases. Ms. Hunter noted in her testimony that the courts are typically deferential to the legislative and executive branches in the first instance, but they become more prescriptive, with more detailed directives, if the case comes back to the court on a compliance issue. The state courts ordinarily award adequate funding – not necessarily equitable funding.

At the conclusion of her testimony Ms. Hunter took a number of questions from the Joint Committee members, including one in which she was asked to identify a state with a

funding formula which could offer guidance to the Joint Committee as it proceeds with its duties. Ms. Hunter replied that she could not identify any one “best” state, but that there were a few states that might be of interest to the Joint Committee: Vermont, where there is district-equalizing so that an equal tax effort generates equal tax revenues for a particular location; Maryland, which has a simplified, more easily understandable formula; and Kentucky, which is one of the states that ties the high-wealth districts to the low-wealth districts and has a narrow range of spending.

Issues Related to Education Funding Formulas

Michael Griffith, education finance consultant to the National Conference of State Legislatures, presented the Joint Committee a number of statistics in regard to how New Jersey compares to other similarly situated states in the way in which it funds schools. The comparison group included Connecticut, Illinois, Massachusetts, Michigan, Ohio, and Pennsylvania, which share similar population characteristics with New Jersey as well as a tradition of local funding and control and a tendency to fund schools above the national average. According to the data presented by Mr. Griffith, New Jersey spends \$11,500 per student, while the comparable states spend almost \$10,000 per student. The difference can be explained by two factors: a large number of New Jersey’s schools are situated in the Philadelphia and New York City metropolitan areas, which are high-cost regions; and New Jersey has traditionally been generous with its education spending. Mr. Griffith further noted in his testimony that approximately 39.4% of education spending in New Jersey is derived from State sources, which is similar to the percentage coming from state sources in the comparable states. Although New Jersey is ranked as one of the top states in property tax burden using any measure, the State is within the national average in regard to overall tax burden – the national average is \$102 of taxes for every \$1,000 of income, whereas New Jersey is at \$104.

Mr. Griffith also provided a review of various types of education funding systems, including foundation and modified foundation formula systems, teacher allocation systems, dollar allocation systems, and combination systems. Mr. Griffith concluded his presentation with a description of the criteria necessary for a good school funding system.

According to Mr. Griffith such a system must be adequate, just, flexible, straightforward, and capable of producing educational results. Mr. Griffith identified Maryland as having a school finance system that comes the closest to meeting these criteria.

At the conclusion of his testimony Mr. Griffith took a number of questions from the Joint Committee members. In response to one of those inquiries Mr. Griffith discussed New Jersey's minority position as a state that directly ties spending in the wealthiest districts to spending in the poorest districts, with approximately 60% of State education spending going to the Abbott districts. Mr. Griffith projected that this spending share would increase to 70% within five to seven years and up to 90% in about thirty years. Mr. Griffith explained that the use of caps can be an important element in systems where the spending of the wealthiest districts is tied to the spending of the poorest districts. Caps can be based on annual growth, a solid dollar amount, a per student amount, or other criteria.

In response to a question on school district consolidation, Mr. Griffith commented on the difficulties of such a process. He also explained that while some savings are accrued due to decreases in administrative staffing following consolidation, significant savings would not accrue unless the consolidation decreased the number of physical school buildings within a district. Mr. Griffith also addressed a question regarding the use in other states of a "floor" for determining a minimum local spending requirement for the support of a school district. Mr. Griffith explained that the majority of states do have provisions that require some minimum amount of local spending and the provisions are usually based on property wealth and employed through use of a sliding scale. Mr. Griffith continued that, in most states, the provision would require the minimum local contribution to increase as property values rise so that a situation like the one that exists in Hoboken (where property values have grown significantly while minimum local effort has not) would not occur in most other states.

School Funding under CEIFA and New Jersey's Best Practices

August 29, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Katherine Attwood, Director, Office of Fiscal Policy and Planning, New Jersey Department of Education
- Stanley M. Sanger, Superintendent, Union City School District
- Dr. Robert Previti, Superintendent, Brigantine School District.

Components of CEIFA, the State's School Aid Formula

Katherine Attwood, Director of the Office of Fiscal Policy and Planning, New Jersey Department of Education - accompanied by Dr. Robert K. Goertz, Director, Office of State Budget and Accounting, Division of Finance, Department of Education - provided the Joint Committee with information on the components of the State's statutory school aid formula, the "Comprehensive Educational Improvement and Financing Act of 1996," (CEIFA) P.L.1996, c.138. Their testimony focused on the following issues: the basic components of State aid for school districts under the CEIFA formula (which has not been utilized since the 2001-2002 school year); how State aid for school districts has been calculated in each year since the CEIFA formula was suspended; how the CEIFA spending caps on school district budgets operate; and CEIFA provisions regulating the school district budget process. In addition, Ms. Attwood summarized various provisions in the law commonly referred to as "S-1701," which since its enactment in 2004 has altered the caps for school districts in a number of ways, including: reducing the annual inflation adjustment from 3% or the CPI, whichever is greater, to 2.5% or the CPI, whichever is greater; and revising the cap adjustment for courtesy busing.

At the conclusion of Ms. Attwood's testimony a number of questions were posed to her and Dr. Goertz including:

- How was the per pupil foundation amount determined under CEIFA? Ms. Attwood explained that the “T & E amount,” as the per pupil foundation amount was referred to under CEIFA, was determined using professionals primarily from the Department of Education who identified the programs, services, activities, and materials that would be required to support a regular education student in achieving the core curriculum content standards and then those items were costed out.
- Does CEIFA permit school districts to increase their budgets even if they have declining enrollments? Ms. Attwood clarified for committee members the fact that the CEIFA budget cap permits a school district to increase its budget up to the rate of inflation even if other factors which suggest that the district budget could potentially contract, such as declining enrollment, exist.

Best Practices

Union City School District

The second presentation of the meeting was provided by Mr. Stanley Sanger, Superintendent of the Union City School District, who was accompanied by Mr. Anthony N. Dragona, business administrator of the district. Mr. Sanger reviewed student demographics in the Union City School District (a K-12 school district with approximately 11,400 students); highlighted indicators of the district’s success (such as high attendance and graduation rates); outlined various awards and other recognitions received by the district or schools within the district; and spoke of the importance of Abbott funding and school construction funding for the district. Mr. Sanger also presented to the Joint Committee some of the best practices employed by the district including the use of:

- A blueprint for sustained academic achievement which is the basic roadmap for the district’s success;
- Eight-week assessments to assure that all students are on-target with the curriculum;

- Regular administrative “face to face” meetings between the central office and the administrative teams at each school;
- Physicals and health screenings of early childhood education program participants for early identification of issues that may impact on learning; and
- Extended-day and extended-week instruction to assist students who are not mastering the necessary skills.

At the conclusion of Mr. Sanger’s testimony the representatives from the Union City School District were asked to comment on the district’s budgeting practices in light of the fact that Union City had a history of not applying for additional supplemental Abbott aid. Mr. Dragona explained that the district had embraced the practices of school leadership and school-based budgeting. School-based budgeting allows individual schools to make decisions that are most appropriate for their school, but those decisions must show a demonstrable result within a reasonable time frame. If demonstrable results are not seen, then the central administration unit works with the school to make necessary adjustments. The district works toward employing sound accounting practices, tracks salaries, and provides training to all school personnel in budgeting and purchasing concepts. The district also worked to reduce nonsalaried costs by between 5% and 10% each year. Finally, the district provides budgetary training to early childhood community providers to help keep early childhood tuition at an affordable rate.

Brigantine School District

The final presentation of the meeting was provided by Dr. Robert Previti, Superintendent of the Brigantine School District. Dr. Previti began by offering a profile of the Brigantine School District (a K-8 district with approximately 1,000 students) and a review of the awards it has received. He then outlined some of the key academic programs and strengths of his district including offering TV broadcasting, videography, video editing, and Web design in both the elementary and middle school settings. The district considers itself to be technologically cutting-edge and points to the offering of SMARTboard integrated lessons across the grade levels and throughout the content areas as a demonstration of that fact. Dr. Previti also reviewed data on: the district’s

performance on State tests which is above State and national averages; the percentage of revenue raised locally for the support of the district, which currently is approximately 75%; and the district's \$9306 per pupil cost - \$2340 below the State average. Finally, Dr. Previti asserted that the key factors which contribute to Brigantine's success are: efficiencies in staffing; a dedicated faculty and administrators; small district size; an active and involved parent base; and the district's ability to respond to the needs of all students.

At the conclusion of his testimony Dr. Previti answered questions posed by committee members, including how to effectively disseminate the best practices of districts such as Brigantine. In his response Dr. Previti touted the system in place in Atlantic County for sharing information which includes a strong Educational Technology Training Center and the Southern Regional Institute. Dr. Previti was also asked to provide information on the district's Grade Eight Proficiency Assessment preparation program. He explained that about 90 to 100% of eighth-graders voluntarily attend Saturday sessions in the months preceding the examination. The program is offered at no cost to the students and lessons are planned using innovative techniques that make them interesting and entertaining for the students.

School District Cost-Cutting Measures

September 5, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

Representatives of various education organizations were invited to provide testimony to the Joint Committee on cost-cutting measures that could be instituted in public schools without negatively impacting the provision of a high quality education. The following individuals provided testimony:

David G. Sciarra, *Education Law Center*;
Betsy Ginsburg, *Garden State Coalition of Schools*;
Judith B. Peoples, *Joint Council of County Special Services School Districts*;
Barry J. Galasso, *New Jersey Association of School Administrators*;
Richard R. Dorow, *New Jersey Association of School Business Officials*;
Jessani Gordon, *New Jersey Charter Public Schools Association*;
Judy Savage, *New Jersey Council of County Vocational-Technical Schools*;
Joyce Powell, *New Jersey Education Association*;
Debra J. Bradley, *New Jersey Principals and Supervisors Association*; and
Michael A. Vrancik, *New Jersey School Boards Association*.

The following are some of the major recommendations presented to the Joint Committee, grouped according to subject matter:

Special Education

- Expand the role of each county superintendent's office to provide legal services to districts for special education cases, if the services could be provided for a fee less than the cost of hiring a private attorney;
- Increase the auditing staff of the Department of Education to hold private providers of special education services more accountable;

- Encourage provision of services for students with “low-incidence” disabilities at countywide receiving school districts;
- Require districts to explore a public placement of special education students before private placements could be considered;
- Review and audit the tuition charged by private special education providers and cap the tuition so that it is permitted to increase on an annual basis only to the same extent that school district budgets are permitted to increase;
- Support the promotion of county-based special education programs offered by county vocational school districts;
- Consider the use of a three-year Individualized Education Program (IEP) versus the one-year IEP that currently is required. This option currently is available at the federal level and would save staff time;
- Address the State regulation that eliminates a district’s right to seek a waiver in regard to class size; and
- Review out-of-State placements for special education programs and determine if there are appropriate in-State options available.

Shared or Regionalized Services

- Encourage shared services between school districts and municipalities on items such as snow removal, and “piggy backing” on projects such as repaving school parking lots when the municipal streets are being paved;
- Provide incentives to school districts to join consortiums or group-buying plans for such items as supplies and energy;
- Create grant programs to finance feasibility studies and implementation costs to encourage a greater level of shared services among school districts;
- Provide incentives over a minimum of a five-year period to encourage the voluntary consolidation of districts and municipalities;
- Encourage initiatives that encourage shared services;
- Study existing shared services agreements and evaluate their cost savings and then disseminate information about them so that best practices could be replicated in other school districts;

- Require the Department of Education to actively disseminate information to districts on best practices for achieving cost-savings and information on local and regional opportunities to participate in cost-sharing efforts;
- Explore the possibility of regionalizing the administration of services provided to nonpublic school students such as transportation, technology, and nursing on a county or regional basis;
- Improve and expand existing local efforts such as joint purchasing of school supplies, use of educational services commissions, staggering of bus schedules, collective purchasing of fuel and consolidation of bus routes; and
- Address financial obstacles to the consolidation of school districts.

Facilities

- Provide incentives to reduce energy costs, such as permitting districts that reduce their costs to use the savings to increase allowable surplus above 2%. These funds would then be available to districts to either address emergency circumstances or to reduce the district's tax levy in future budget years; and
- Encourage districts to use qualified in-district personnel to do repairs and maintenance tasks, which could save costs on outside contractors.

Transportation

- Implement the recommendations of the Commission on Business Efficiency in the Public Schools. The commission's February 2006 report, "Finding the Road, Selected Issues in New Jersey Pupil Transportation," included recommendations that could result in cost savings for school districts. Bills have been introduced in the Legislature that would implement a number of the commission's recommendations.

Mandates

- Implement the recommendations of the Education Mandate Review Study Commission which was established in 2003 pursuant to Executive Order No. 75. The commission was charged with identifying and evaluating State statutory and

regulatory requirements imposed upon school districts and making recommendations regarding those mandates that could be altered or eliminated to provide cost flexibility or cost savings to school districts. The commission's March 25, 2004 final report set forth a number of recommendations for immediate action and, in addition, suggested other areas in which further study is required. Bills have been introduced in the Legislature that would implement the commission's recommendations.

Finance

- Support a funding formula that would eliminate the vote on a school budget that is within cap;
- Encourage long range planning and budgeting by providing State aid on a more predictable basis and begin to examine the possibility of implementing a two-year budget cycle; and
- Increase the prevailing wage threshold for district contracts – the threshold for districts is \$2,000, while the threshold for municipalities is more than five times that amount.

Miscellaneous

- Provide technical assistance to districts seeking to establish educational foundations which raise revenues for local school needs such as technology upgrades, equipment, or specialized programs that the district could not otherwise afford;
- Explore the potential of distance learning which is broadly accepted in higher education and could help at the K-12 level with supplementing the curriculum and providing specialized learning experiences; and
- Identify districts in each District Factor Group (DFG) that are high-achieving and cost-effective and use detailed information about these districts to assist other districts in the same DFG with both fiscal and academic matters.

At the conclusion of the testimony by the stakeholders, the Joint Committee members asked a number of questions, including what the panel thought of the suggestion to increase the role of the county superintendent of schools, a Department of Education employee, to include additional powers and responsibilities such as an aggregation of financial, transportation, or accounting services. Mr. Sciarra expressed his concerns with the proposal in light of the lessons learned from the Department's oversight of the Abbott districts. In his view, the Department does not have the capacity to ensure efficient spending in these districts, let alone evaluate program reforms for effectiveness. The Department lacks the technology, staff, and expertise necessary to fulfill its responsibility. He stated that before determining whether to provide an increased role for the county superintendent, it is more important to step back and first determine what kind of department was actually needed in order to accomplish the State's goals, mission, and objectives. Mr. Vrancik raised the concern that any countywide system should have enough flexibility to allow districts to maintain current contracts or agreements that are more beneficial to the district than those proposed at the county level. Ms. Powell agreed with Mr. Sciarra that the delivery system of the Department of Education must be examined to ensure quality prior to embarking on the suggested changes to the 21 county offices.

The representatives of the various groups also were asked for their perspectives on why there are so many out-of-district placements of special education students in New Jersey and how this could be remedied. Ms. Powell attributed the problem to having the actual decision of placing a special education student not with the district, where the decision should rightfully take place, but with an Administrative Law Judge who becomes involved when a dispute arises. Mr. Sciarra stated that Abbott districts have been required to attempt to bring special education students back into the regular education setting and that the Department of Education should be able to provide information on their experience, such as the amount of realized cost savings. He also mentioned the problem many districts experience with inadequate facility space to accommodate additional special education students in the regular education setting, and mentioned that school construction dollars must be used in a way that gives the district the opportunity to

create needed space. Ms. Bradley agreed that the facilities issue was critical in many districts. She also pointed to the fact that some parents believe that an out-of-district placement is better than what the district can offer and demand a due process hearing to press that position. Districts will often settle these cases in favor of the parents because of the expense of the due process proceeding.

State and Federal Mandates

September 12, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Mary Fulton, Policy Analyst, Education Commission of the States
- Barbara Gantwerk, Acting Assistant Commissioner, Division of Student Services, New Jersey Department of Education
- Raymond J. Brosel, Jr., Superintendent, Voorhees Township Public School District

Federal Mandates under the “No Child Left Behind Act of 2001”

Mary Fulton, policy analyst with the Education Commission of the States, provided the Joint Committee with a presentation on the “No Child Left Behind Act of 2001” (NCLB). In her presentation, Ms. Fulton addressed, among other things, some of the key state requirements of the act, the key state concerns with the act, and a review of New Jersey’s progress in meeting mandates. As Ms. Fulton explained, NCLB is the 2001 version of the federal Elementary and Secondary Education Act, which is reauthorized approximately every seven years. The primary goal of the act, according to Ms. Fulton, is to ensure that every student is performing at “proficiency” in reading and math by 2013-2014. Ms. Fulton listed the following state requirements under NCLB: reading, math, and science assessments; accountability for all students to reach proficiency in reading and math; sanctions and corrective actions for low-performing schools; highly qualified teachers in all classrooms; and state and district report cards. According to Ms. Fulton, the key state concerns regarding NCLB centered on the: need for adequate funding to meet NCLB requirements; tensions between state and federal education responsibilities; number of and timetable for requirements; establishment of realistic performance goals; measures of teaching quality; and alignment with state education reforms.

Ms. Fulton also provided the Joint Committee with the following data, indicating New Jersey's progress in meeting some of the NCLB requirements:

2004-2005 Adequate Yearly Progress (AYP) Results

- Percent of schools not making AYP: New Jersey = 39%; National = 26%
- Percent of schools in need of improvement: New Jersey = 23 to 25%; National = 14%

2005-2006 Preliminary AYP Results

- Schools not making AYP = 29%;
- Schools in need of improvement = 24%
- No national data available yet, but some states have reported AYP results.

Percent of classrooms taught by highly qualified teachers

- New Jersey = 93.5% (2004-05) and 96% (2005-06)
- National = Almost two-thirds of states reported that more than 90% of classes taught by highly qualified teachers (2004-05).

Special Education and the "Individuals with Disabilities Education Act"

Ms. Barbara Gantwerk, Acting Assistant Commissioner of the Division of Student Services in the New Jersey Department of Education, provided the Joint Committee with testimony on federal mandates under the "Individuals with Disabilities Education Act" (IDEA). In her testimony, Ms. Gantwerk offered a number of suggestions for the Joint Committee's consideration. She urged the Joint Committee to consider the forthcoming recommendations of the special education study commission. She also encouraged the Joint Committee to promote shared services and increased coordination of services in the area of special education. In addition, Ms. Gantwerk suggested that the Joint Committee consider revisiting the tuition rate-setting structure for private schools. Finally, Ms. Gantwerk asked the Joint Committee to consider taking actions that would either require or encourage school districts in the process of developing school construction plans to include in those plans larger spaces dedicated to meet the current and future needs of special education students.

School District Perspective

Raymond J. Brosel, Jr., Superintendent of the Voorhees Township Public School District, provided the Joint Committee with a district-level perspective of how state and federal mandates impact school operations. Mr. Brosel spoke of “the tremendous paperwork increase” since NCLB’s enactment. He also spoke of the duplication of effort which is required of him in meeting various reporting requirements. Concerning special education, Mr. Brosel explained how a tremendous amount of staff hours, and therefore budget dollars, are expended in having a special education child study team meet its annual review requirements. Mr. Brosel offered the Joint Committee the following suggestions: expand shared services; provide cost estimates on new mandates; take State action to receive greater funding for special education from the federal government; and consider establishing a standing committee that reviews all mandates prior to their enactment.

Costing-Out Methodologies

September 19, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Dr. John Yinger, Trustee Professor of Public Administration and Economics and Director of the Education Finance and Accountability Program, Center for Policy Research at the Maxwell School, Syracuse University
- Dr. Jay G. Chambers, Senior Research Fellow/Managing Director, Education Finance Business Development Group in the Education Program, American Institutes for Research

The Costing-Out Process

Dr. John Yinger, Trustee Professor of Public Administration and Economics and Director of the Education Finance and Accountability Program in the Center for Policy Research at the Maxwell School, Syracuse University, presented via video conference from Syracuse University. Dr. Yinger outlined the costing-out process for education to include the following three steps:

- Step 1: Determine the cost of meeting State standards in a typical school district;
- Step 2: Determine the extra cost associated with attracting high-quality teachers to certain districts; and
- Step 3: Determine the extra cost associated with educating students with disadvantages.

Dr. Yinger then provided an overview of the three principle methods for costing out education expenses including the successful schools approach, the professional judgment panel approach, and the cost function approach. The successful school approach aims to identify and select the lowest cost school district from among those districts that achieve the state standards. The expenditures of the selected school district are then set as the benchmark for how much funding is required to meet the state standards. The

professional judgment panel approach convenes a panel of expert educators who collaborate to identify what programs and resources are required in order for a school district to meet the state standards. From these findings, researchers calculate how much funding is required to provide the identified programs and resources. The cost function approach utilizes a statistical analysis to determine the relationship between expenditures and outcomes based upon certain factors, such as district and student characteristics. From this analysis, the resources and funding needed to enable a district to meet State standards are identified.

According to Dr. Yinger, each of the three principle methods for costing out yields similar estimations when applied to Step 1 of the costing-out process. Dr. Yinger reviewed the difficulties in determining teacher wages for Step 2, which is due in part to the lack of useful data for making such estimations. He also noted the limitations of applying the successful schools and professional judgment panel approaches to Step 3 of the costing-out process. Dr. Yinger indicated that, in his opinion, the cost function approach is best suited for costing out and he recommended its use in New Jersey's current efforts to reform school funding.

Following his presentation, Dr. Yinger received numerous questions from committee members. Dr. Yinger was asked about the advisability of developing a school funding formula with a methodology that integrates the best aspects of the cost function, successful schools, and professional judgment panel approaches. Dr. Yinger replied that a costing-out exercise that compares and reconciles the results obtained from applications of the professional judgment panel and the cost function approaches could be useful. Dr. Yinger cautioned that he does not recommend relying heavily on the successful schools approach. He further commented that New Jersey's current funding system, which in Dr. Yinger's opinion is based on the successful schools model, does not properly account for the difficulties in attracting high quality teachers to work in the poorest districts. Dr. Yinger also stated that the successful schools model does not properly account for expenditures associated with the special needs of students with disadvantages.

Cost Drivers

Dr. Jay G. Chambers, Senior Research Fellow/Managing Director of the Education Finance Business Development Group in the Education Program at the American Institutes for Research, joined the meeting from Palo Alto, California, via video conference. Dr. Chambers provided the Joint Committee with a review of how educational costs are impacted by factors such as price, need, and scale. According to Dr. Chambers, price is most impacted by the cost of recruiting and employing qualified teachers. He then discussed how need is impacted by the enrollment levels of at-risk students (or students in poverty), English-language learners, and students with disabilities. He offered the following examples to support that assertion: at-risk students may need smaller classes, extended-day and extended-year programs, and preschool programs; English language learners need teachers who are qualified and bilingual and may also need extended-day and extended-year programs; and students with disabilities may need smaller class sizes and a variety of supplemental services.

Dr. Chambers also provided the Joint Committee with an overview of the successful schools, professional judgment panel, cost function, and evidence-based approaches to costing out education expenditures. The evidence-based approach synthesizes the results reported in relevant scholarly literature, such as those studies which identify the inputs necessary to achieve specific education outcomes like student test scores. In this discussion, Dr. Chambers outlined some of the limitations of each approach. Dr. Chambers noted that the cost function approach often requires more and better data than is currently available. Moreover, this approach tends to equate program spending with a single student outcome (such as student test scores) while disregarding other desirable outcomes (such as outcomes in creative thinking and problem solving, civic thinking, social skills, physical and emotional health, or the arts). In regards to the successful schools approach, Dr. Yinger noted that the approach is limited by the relatively small number of school districts in a state that actually achieve state standards. This problem is further compounded by the fact that most of these successful school districts tend to be among the wealthiest in the state and that these districts have student populations and

student needs that differ considerably from those of other districts, and especially the poorest districts, in the state. As to the professional judgment panel approach, Dr. Chambers stated that some critics of this approach say that self-interested panel members have an opportunity to exert their influence on the costing-out process to promote specific programs in which they may be involved or in which they strongly believe. Criticism of the evidence-based approach centers on the co-existence of scholarly literature that addresses the same topic but which reports varying, and sometimes contrasting, findings. In response to a question about legal challenges to the professional judgment panel approach, Dr. Chambers explained that he is most familiar with New York State, where the professional judgment panel approach has been upheld by the courts.

Accountability, Monitoring and Transparency

September 26, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Donna Arons, Special Assistant to the Commissioner, New Jersey Department of Education
- Katherine Attwood, Director of the Office of Fiscal Policy and Planning, New Jersey Department of Education
- Jessica G. deKoninck, Director, Legislative Services, New Jersey Department of Education

New Jersey Quality Single Accountability Continuum (NJ QSAC)

Donna Arons, Special Assistant to the New Jersey Commissioner of Education, reviewed the goals of the “New Jersey Quality Single Accountability Continuum,” (NJ QSAC), which is the State law that provides the structural framework for the evaluation and monitoring of public school districts. Ms. Arons reported the major goals of NJ QSAC include: promoting collaboration between the Department of Education and local school districts; providing targeted assistance to school districts; improving identification of problems through enhanced monitoring; and establishing a single accountability system that minimizes districts' duplication of effort in complying with multiple laws.

NJ QSAC establishes a process for evaluating and monitoring districts in each of the five established areas of district functioning which include: instruction and program, personnel, fiscal management, operations, and governance. The law outlines improvement activities for any district found to be lacking in one or more areas of district functioning. NJ QSAC also provides for full and partial State intervention, depending on how many areas of district functioning are not meeting NJ QSAC performance indicators. According to Ms. Arons, the Department of Education has been working with legislators to propose amendments to NJ QSAC and hopes to begin program implementation in January 2007.

Fiscal Accountability

Katherine Attwood, Director of the Office of Fiscal Policy and Planning at the New Jersey Department of Education, then continued the discussion of NJ QSAC with specific details of the law's fiscal management component. She also discussed measures the Department has in place to promote transparency in school district operations. Her testimony included the following information:

- NJ QSAC provides the Department with greater information on the fiscal management, instructional issues, operational concerns, and other issues of a school district;
- New Jersey requires each school district to conduct an annual audit; and
- The "School District Fiscal Accountability Act," P.L.2006, c.15 (C.18A:7A-54 et seq.), enables the Commissioner of Education to appoint a State monitor in a school district when its annual financial audit from the previous year fails to meet prescribed audit standards. The law also requires a forensic audit by the State Auditor of any school district that ends the year in a general fund deficit and is eligible for a State monitor to be appointed.

Department Recommendations

Jessica G. deKoninck, Director of Legislative Services at the New Jersey Department of Education, presented the following recommendations on behalf of the Department for the consideration of the Joint Committee and the Legislature.

- Retain and enhance most of the existing accountability provisions currently included within CEIFA;
- Provide the Commissioner of Education with emergency powers, under limited circumstances, that would allow her to order an immediate NJ QSAC evaluation, veto board minutes or portions of board minutes, and appoint a fiscal or other monitor, as appropriate;

- Enact legislation which incorporates the recommendations of the SCI report to require boards of education to provide greater public access to information on employment compensation of certain school administrators and require the district's annual audit to include test measures for State and federal income tax compliance;
- Enact legislation that revises various provisions of NJ QSAC;
- Enact legislation that eliminates various mandates imposed on public school districts;
- Introduce measures that would restrict a board of education from renewing the contract of a superintendent or business administrator who has not received a performance evaluation and increase training for school board members; and
- Give consideration to prohibiting the buy-out of superintendent contracts under certain circumstances.

Following the presentation, Ms. deKoninck, Ms. Arons, and Ms. Atwood received a number of questions from members of the Joint Committee. During this time, some committee members voiced concerns about the problems currently being experienced in the Camden School District. The Department of Education was urged to communicate to the Legislature if any new or amended laws are needed by the Department in order for it to be able to take quick and effective action in the district.

Another policy area discussed during this meeting was the reported need for a law permitting the decertification of a school administrator whose performance has been deemed to be unacceptable. Members of the Joint Committee and the representatives of the Department of Education present at the meeting shared the concern that a school administrator who is terminated from one school district due to unacceptable performance may be rehired by another school district in the State. Both parties expressed an interest in collaborating to remedy this issue.

Some members of the Joint Committee expressed concern and frustration with the Department of Education for its delay in implementing NJ QSAC. Reasons for the

implementation delay were discussed. During this discussion, it was confirmed that, in the interim period before NJ QSAC is fully implemented, other laws and regulatory provisions are in place that would allow the Commissioner of Education to intervene in a school district, if such action is necessary to protect the educational well-being of the district's students.

Special Education

October 3, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Judge Richard F. Wells, Administrative Law Judge, Office of Administrative Law
- Dr. Thomas Parrish, Managing Director, American Institutes for Research
- The Joint Committee also heard from a panel of invited special education advocates and service providers who were asked to provide testimony on the delivery of high quality special education programs and services in a cost-effective manner.

Role of the Office of Administrative Law in Special Education Cases

Judge Richard F. Wells, an Administrative Law Judge, provided testimony to the Joint Committee that outlined the role of the Office of Administrative Law (OAL) in adjudicating special education cases. The OAL is entrusted with deciding disputes under the federal law governing special education, the “Individuals with Disabilities Education Act” (IDEA). In almost all cases, the administrative law judge (ALJ) will conference the case prior to trial. Many cases settle at this point and a formal hearing is not pursued. Those cases which do proceed to a formal hearing are heard in a courtroom setting where witnesses give sworn testimony, expert testimony is usually presented, documents are received as evidence, and the proceedings and outcome are deemed confidential. OAL decisions may be appealed to either the New Jersey Superior Court or the United States District Court.

Judge Wells presented the following data on the number of special education cases filed in the OAL and their outcomes.

- The number of special education filings in the OAL annually exceeds 600. About 20% of the filed cases result in a hearing and decision; the remainder are resolved through settlement and withdrawal.
- Between 2001 and September 29, 2006, the Office of Administrative Law decided 517 special education cases. Of these 517 cases: parents prevailed 27% of the time; the school district prevailed 63% of the time; and the result was mixed 10% of the time.

Judge Wells also provided the Joint Committee with an overview of the “Individuals with Disabilities Education Act” and an update on recent developments in special education law.

Following his presentation, Judge Wells received numerous questions from members of the Joint Committee. During these discussions, Judge Wells explained that under federal law cost is not a criteria for consideration when reviewing the adequacy and appropriateness of special education services. Instead, the relevant inquiry is whether a school district is providing a student with a free, appropriate public education in the least restrictive environment such that it confers a meaningful education benefit. However, Judge Wells did note that as long as a placement provides free appropriate public education, the notion that parents are entitled to receive any possible educational setting for their child that they desire, regardless of the cost, is inconsistent with the federal law.

The Costing Out of Special Education Services

Dr. Thomas Parrish, Managing Director of the American Institutes for Research, testified on some of the major issues in special education including rising enrollments, variations in how states fund special education, and the need for special education placements to be made in the least restrictive environment. Dr. Parrish also provided testimony on the results of a 2003 study that he conducted on New Jersey's special education spending. The study found that the total average spending per special education student in the State was approximately 40% greater than the national average. Dr. Parrish also discussed what he believes is a major flaw of the State's funding system. He found that substantial

misunderstanding and disagreement exists among school district staff about the eligibility standards for the special education funding tiers, which determine the per pupil payment received by a district for a student's special education services based on the severity of that student's disability. As a result of this misunderstanding, some students are being placed in the wrong tier and are being funded at inaccurate levels.

According to Dr. Parrish, New Jersey is among the states with the highest percentage of students in separate schools for special education students. Specifically, Dr. Parrish reported that 8.6% of New Jersey special education students are enrolled in public or private separate facilities, while the national average for similar placements is just 3.1%. Dr. Parrish noted that this form of placement is both the most costly and most restrictive form of special education placements.

Panel Recommendations for Special Education Cost Savings

The Joint Committee also heard from a panel of invited special education advocates and service providers who were asked to provide testimony on the delivery of high quality special education programs and services in a cost-effective manner which included:

- Cathy Montcrief, *New Jersey School Boards Association*;
- Toni J. Gotthilf, *New Jersey Association of School Administrators*;
- Diana Autin, *Statewide Parent Advocacy Network*;
- Mark J. Finkelstein, *Middlesex Regional Educational Services Commission*; and
- Gerald M. Thiers, *ASAH (Association of Schools and Agencies for the Handicapped)*.

Some of the recommendations of individual panel members, or groups of panel members, included:

- Reduce out-of-district placements of students with special education needs;
- Review private school tuition rates;
- Reduce costs in the areas of special education, transportation, and litigation;

- Ensure that special education referrals are being appropriately and adequately determined. Reduce referral rates through the use of pre-emptive services that aid struggling students before they need special education services; and
- Seek the cost savings available through the development and expansion of new and existing county-level service programs.

Department of Education Costing-Out Initiative

October 24, 2006 Meeting of the Joint Legislative Committee on
Public School Funding Reform

- Lucille E. Davy, New Jersey Commissioner of Education
- Dr. John Augenblick, President of Augenblick, Palaich and Associates, Inc.
- Allen Dupree, Manager of Policy and Research, Office of School Funding, Department of Education

Background on DOE Initiative

Representatives of the Department of Education (DOE) addressed the Joint Committee on the efforts of the DOE to develop a new school funding formula. Commissioner Lucille E. Davy began the presentation by providing some background on those efforts. Commissioner Davy indicated that the Department had initiated its work several years ago after the State's current school funding law (CEIFA) had been deemed unconstitutional by the New Jersey Supreme Court. In 2002, the Department entered into a contract with the education consulting firm of Augenblick, Palaich and Associates, Inc., to provide technical assistance to the Department. According to the Commissioner, there were two primary objectives to the Department's work. The first was to develop a reasonable cost of education; and the second was to find a reasonable division of those costs between the State and local school districts. The Department's presentation would address the first phase of that work, identifying the cost of providing quality educational services to all children in New Jersey. In identifying the cost the Department used two methods – the successful schools approach and the professional judgment panel approach.

Role of the Consultant in the Costing-Out Process

Dr. John Augenblick, president of Augenblick, Palaich and Associates, Inc., explained that his role was to provide assistance to DOE. The Department wished to gather and

analyze the data itself, but wanted technical advice on doing the work and assistance in understanding the information gathered.

Dr. Augenblick indicated that he worked with the Department to facilitate its understanding of the successful schools approach and its use in the development of a base cost – that is the cost of serving students with no special needs. Dr. Augenblick explained that he also facilitated the meetings of the professional judgment panels, advised DOE in calculating the costs of the necessary resources identified by the PJP panels, and created formulas to calculate a foundation amount for all districts and weights for special needs students.

Dr. Augenblick explained that there were five steps in the implementation of the PJP process:

- Identifying student outcome goals (core curriculum content standards, annual yearly progress under NCLB, and State graduation requirements);
- Defining prototype or hypothetical districts - districts that reflect the actual characteristics of districts in New Jersey. Six hypothetical districts were created – two K-8 and four K-12, defined primarily in terms of size. One of the issues to understand was how the base cost might change depending upon the size of the district. It was at this point that the issue of the costs associated with low-income students, students of limited English proficiency (LEP), and special education students were considered. Varying percentages of low-income and LEP students were established based upon the size of the hypothetical districts, as the resources needed to serve those students could differ as the numbers of such students increases. In regard to special education students, the issue of low, moderate, and high cost services was considered and what resources were needed to bring students to proficiency;
- Convening panels of educators to define the resources required to meet the outcome goals. The first panels were composed of DOE staff members with prior school district experience (approximately six to eight staff persons per panel),

- who were asked to determine what resources students with no special needs would require, and then what additional resources would be required for students with special needs. Additional panels were set up to review the work of the first panels. These panels had approximately 40 members, including superintendents, teachers, school business officials, special education personnel, etc. Finally, a third panel of eight persons was convened to review the work of the prior panels;
- Reporting to DOE on the services and programs that the panels had identified as required to meet outcome goals, so that DOE could cost out those resources. Based on the information provided by the panels, DOE created six base per pupil costs that reflect the prototype districts; and
 - Following DOE's costing-out process, the information was given to Dr. Augenblick for the creation of a set of equations or base cost formulas to determine how those costs vary depending upon the size of the individual district. DOE also costed out the resources required to serve students with special needs and Dr. Augenblick translated the cost numbers into formulas or special need weights to calculate the cost of providing the resources in each school district in the State. The weights reflect the cost of serving students with special needs relative to the base cost. The weight is then applied to the actual count of students in the district with that special need.

DOE Costing-Out Methodology

Allen Dupree, Manager of Policy and Research, Office of School Funding, Department of Education, addressed the Joint Committee on the process used by DOE to cost out the services identified by the professional judgment panels. Mr. Dupree indicated that school districts basically utilize two types of resources – personnel and nonpersonnel – and that the costing-out process is somewhat different for each. In regard to personnel, school districts employ certificated and non-certificated personnel. In the case of certificated employees, DOE annually collects salary data which the Department used to calculate the median salary for individual positions. In response to supplemental analysis conducted by Dr. Augenblick using the school staffing survey done by the National Center for Education Statistics and comparing New Jersey teacher salaries to average salaries in

surrounding states, the New Jersey median salary for certificated staff was adjusted by 1.5%.

In regard to non-certificated staff, DOE used information provided by the federal Bureau of Labor Statistics released in its biannual Occupational Employment and Wage Estimate which provides median salary information for a wide range of positions at the state level.

For benefit costs, DOE's costing-out process used a benefit rate equal to 20% of salaries. Mr. Dupree commented that while this figure may seem somewhat low compared to other industries, in the public education sector many benefits are actually paid by the State, such as post-retirement medical benefits, teachers pensions, and the employer's share of Social Security taxes.

In regard to nonpersonnel resources such as materials and supplies, professional development, etc., the professional judgment panels had specified school district needs in terms of cost per pupil (ie. \$300 per pupil for instructional materials).

Mr. Dupree discussed some additional cost adjustments which were not directly considered by the professional judgment panels. While the panelists reviewed costs associated with K-8 and K-12 prototype districts, New Jersey has districts with a grade configuration of grades 7-12 and 9-12. DOE used information from the costs associated with elementary schools, middle schools, and high school schools operating separately with the prototype K-12 districts, and then compared those costs to the overall base cost for the K-12 prototype to determine the additional cost adjustment needed for the two grade spans that serve only the higher grades.

Mr. Dupree discussed the cost analysis conducted to determine the additional cost of county vocational school districts. This analysis compared the expenditure data in general education in the county vocational school districts to that of a high school district, and that differential was determined to be the additional cost.

Mr. Dupree provided the Joint Committee with the base cost amounts that had been calculated for the six prototype districts. He indicated that these figures were based on FY 2005 data and that DOE needed to do some additional analysis to update the figures using FY 2006 data. Mr. Dupree cautioned the Joint Committee that the base cost number does not include the additional costs for special education, at-risk, and limited English proficient students. Mr. Dupree also drew the Joint Committee's attention to an adjustment made to the calculated base cost for the two smallest K-8 prototypes (225 students and 495 students). The calculated base cost indicated that a very large percentage of the base cost for such districts went toward administrative costs (25%). To account for the fact that the State might not want to support such a high level of administrative spending, DOE did supplemental analysis to make the share of administrative costs similar to that observed for K-12 districts.

The final cost adjustment discussed by Mr. Dupree was the geographic cost of education index developed by Dr. Jay Chambers for the National Center for Education Statistics. This index adjusts for the different cost of providing educational services based on the area of the state. The index looks at various factors that impact the cost of hiring comparably skilled professional in different areas of the State. Two of the main factors would be housing costs and working environment.

Mr. Dupree concluded with a brief description of the Department's successful schools analysis and information on why the Department considers the professional judgment panel analysis to be preferable.

Questions

Members of the Joint Committee raised a number of questions:

- Why was the median rather than the average used in a number of the factors incorporated into the analysis? Mr. Dupree indicated that the median, as a figure, is much less prone to being skewed by outliers in one direction or another. The median is a more accurate predictor of costs.

- What is not included in the base costs calculated for the prototype districts? Mr. Dupree responded that the base per pupil cost does not include the additional cost of providing special education services and the cost of educating at-risk or limited English proficient students. Also, transportation costs, facilities costs, and debt service are not included.
- Would school districts be required to spend up to the base cost level? Commissioner Davy indicated that there has been no suggestion that districts be required to spend at this level.
- What is the impact of this process on the Abbott districts? Mr. Dupree indicated that the costs of the Abbott districts would be determined in the same manner as all other districts, based on the results of the professional judgment panels.
- Has the costing-out process using the professional judgment approach ever yielded a result that suggested less spending by districts? Mr. Augenblick responded that although the results vary from place to place, in general to bring students to the levels of proficiency required under NCLB, additional spending has been required.
- Would the costing-out analysis have arrived at different base costs if all of the work had been done by the educational consultant rather than by DOE maintaining control over the actual costing-out process? Dr. Augenblick responded that his firm offers each state with which it works the opportunity to maintain control, in light of the fact that the district has the data. In many cases the state chooses not to do so, but in light of Mr. Dupree's expertise, he has no question about the accuracy or legitimacy of the information.
- What was the comparison between the spending suggested through the results of the professional judgment panels and actual spending? Mr. Dupree responded that, on average, districts spend an amount very close to the professional judgment panel amount: the professional judgment panel averaged approximately 2% to maybe 5% higher.

Public Hearing in Collingswood, New Jersey

October 10, 2006

On October 10, 2006 the Joint Legislative Committee on Public School Funding Reform met at the Ballroom and Theater at Collingswood in Collingswood, New Jersey to receive testimony from 48 members of the public. During the hearing policy experts, stakeholders, community leaders, and private citizens stepped forward to voice their concerns and to discuss proposals to reform the funding of public schools. Despite divergent views, several main themes emerged, including:

School Funding Formula

There was general concern about what form any new school funding formula would take and whether it would establish a fair and equitable design for the distribution of State aid. There were suggestions that State school aid be divided and distributed evenly among all the students in the State, i.e. on a per pupil basis. Several people questioned at what level any new formula would be funded - suggesting that the State could continue to utilize the formula currently in place if it were adequately funded.

Regionalization/Shared Services/Consolidation

Members of the public commented that the excessive number of school districts (616) and the administrative costs associated with their duplicative services are the real driving force behind the State's high property taxes. Several people proposed that health coverage should be provided on a county-level basis. Even members of the public who were satisfied with their school district and preferred their children in small classroom environments acknowledged that there are currently too many school districts; however, they fear any implementation of a one-size-fits-all approach to consolidating/regionalizing school districts will be detrimental to the quality of education provided to their children.

Corporate Tax Credits

Several people testified in favor of strengthening public school and nonpublic school partnerships through corporate tax credits. Enabling students to enroll in nonpublic schools would help alleviate some of the overcrowding in certain urban public schools and help lower property taxes. Senate Bill No. 1332, sponsored by Senators Doria and Martin, and Assembly Bill No. 257, sponsored by Assemblywoman Cruz-Perez and Assemblymen Caraballo and Johnson, provide corporate tax credit for donations made to non-profit entities that provide scholarships for students in certain urban public school districts. Modeled on a program enacted in Pennsylvania, the bills' proponents indicated their belief that these bills would result in fair school funding for taxpayers, better accountability, cost efficiency, and a thorough and efficient education.

Seniors And Property Taxes

Many people expressed concerns regarding the impact the State's property taxes have on seniors living on fixed incomes. Members of the public recommended shifting some of the burden from seniors by reducing their tax rate. It was suggested that a formula could be designed which takes into consideration the time period in which seniors have lived in the State, how many (if any) children they had, and how far removed their children are from the public education system as variables to calculate their reduced property tax rate.

Increase Other Taxes

A general theme during the public hearing was that some of the burden of property taxes should be shifted to income taxes, sales taxes, and other revenue streams. Residents proposed: eliminating urban enterprise zones; allowing districts to tax developers on residential development, i.e. a "ground-breaking tax"; capping the annual tax payment based on an "affordability formula" that takes into consideration household income, liquid assets, and lets the unpaid amount accrue as a property lien; and giving communities a local option to adopt a two-rate property tax. Dedicating the sales tax to education gives taxpayers a "choice" on how much of a burden they will bear.

Abbott Districts

Although members of the public recognized the need to provide funding for the Abbott districts, many questioned if the amount of funding could be reduced. Reducing the amount of Abbott funding could provide substantial funding for other school districts and thus reduce property taxes. Some claimed that several of the original 31 Abbott districts now have a sufficient economic base to support their schools without additional State funding.

Limited Range of Property Taxes Dedicated to Education

A few members of the public testified that the State should implement a policy that no district should fund its schools by less than 15% or more than 85% through property taxes.

Public Hearing in Newark, New Jersey

October 17, 2006

On October 17, 2006 the Joint Legislative Committee on Public School Funding Reform met at The Atrium of the New Jersey Institute of Technology in Newark, New Jersey to receive testimony from 60 members of the public. During the hearing, policy experts, stakeholders, community leaders, and private citizens stepped forward to voice their concerns and to discuss proposals to reform the funding of public schools. Despite divergent views, several main themes emerged, including:

Corporate Tax Credits

A number of members of the public submitted testimony on Senate Bill No. 1332, sponsored by Senators Doria and Martin, and Assembly Bill No. 257, sponsored by Assemblywoman Cruz-Perez and Assemblymen Caraballo and Johnson, which would establish a pilot program in the Department of Treasury to provide tax credits for contributions to entities which provide tuition scholarships to children residing in Camden, Newark, Orange, and Trenton, or which fund innovative public school programs. Most testimony was in support of these bills and centered on the positive and often unique experiences of students enrolled in nonpublic schools. An opponent of these bills argued that this legislation, if enacted, would divert valuable funding dollars from public schools and property tax reduction efforts.

Abbott Schools

A number of members of the public spoke about what they believe to be the gross inequities in the amount of State aid provided to Abbott districts as compared to that provided to nonAbbott districts. These individuals expressed concerns regarding the unfairness of a system that imposes a tremendous property tax burden on the residents of nonAbbott districts while residents of Abbott districts may contribute as little as 3% towards the support of their school systems. In contrast, one witness presented the results

of a recent poll conducted by the Polling Institute at Monmouth University, which reported that the majority of New Jersey resident support the State's investment in poor city schools and oppose cutting this aid to reduce their property taxes.

Role of Private and Parochial Schools

Members of the public commented that the State should continue, if not expand, support of its private and parochial schools. These witnesses noted that future closings of these schools would further strain the public school system through increased enrollments. Moreover, they argued that many students enrolled in nonpublic schools are there because of special needs, and nonpublic schools serve a vital role in filling the service gaps within the public school system.

Parental Choice

Many parents of children with special education needs testified at the hearing, sometimes accompanied by their children. These parents spoke of their personal struggles in finding appropriate education settings for their children. In many cases, they also offered praise for the unique and specialized programs available at the private schools for the disabled in which their children are currently enrolled. These parents urged the Joint Committee to keep their children's interests in the forefront of their deliberations. They also urged the Joint Committee to ensure that their children's educational options, including nonpublic options, are not limited by future decisions of the Joint Committee and the Legislature.

V. Overview

New Jersey School Funding Laws

Since 1975, the State of New Jersey has enacted three distinct public school funding formulas as it sought to discharge its responsibility to ensure the constitutional guarantee of a thorough and efficient system of free public schools for all of the children. The duty is embodied under Article VIII, Section IV, Paragraph 1 of the New Jersey Constitution. These statutes have included the “Public School Education Act of 1975,” P.L.1975, c.212; the “Quality Education Act of 1990,” P.L.1990, c.52; and the “Comprehensive Educational Improvement and Financing Act of 1996,” P.L.1996, c.138.

Each of these statutes sought to define the components of a thorough and efficient public school education and established formulas to calculate the State and local shares required to support that education. Each also sought to address constitutional issues that had been raised on the State’s immediately prior system of funding its public schools. Following is a brief description of these formulas and the issues raised on the effects of their implementation.

Chapter 212

In September of 1975, the Legislature enacted the “Public School Education Act of 1975,” P.L.1975, c.212 (chapter 212). Chapter 212 defined the overall goal of a thorough and efficient education as one which “provides to all children in New Jersey, regardless of socioeconomic status or geographic location, the educational opportunity which will prepare them to function politically, economically and socially in a democratic society.”

Chapter 212 provided for the establishment of educational goals at both the State and local levels, and a system of accountability to determine if school districts were meeting those goals. Such accountability was to be ensured through a system of school district monitoring, requirements for testing in basic skills, and development of a corrective action plan when necessary to ensure progress toward the achievement of goals and

objectives. It established a guaranteed tax base formula designed to equalize the capacity of school districts to raise money for education but left them free to determine how much of that capacity the district would utilize. The State provided equalization aid support for a district's operating budget by using a formula that provided greater State aid support for those districts with lower equalized property wealth per pupil.

The enactment of chapter 212 was the Legislature's effort to address the concerns of the New Jersey Supreme Court in its 1973 Robinson I decision which invalidated the State's prior method of financing public schools and ordered the Legislature to design a new system. In Robinson I the Court found that:

- the State must assure the delivery of the constitutionally required educational programs and facilities if any school district could not provide sufficient educational opportunity;
- the constitutional guarantee requires "equal educational opportunity" for all children which "must be understood to embrace that educational opportunity which is needed in the contemporary setting to equip a child for his role as a citizen and as a competitor in the labor market";
- a significant connection exists between the sums expended in a school district and the quality of educational opportunity experienced by students in that district; and
- the prior school funding system had resulted in significant disparities in per pupil expenditures between school districts.

Judicial Response to Chapter 212

Following the 1975 passage of chapter 212, the Supreme Court in its Robinson V decision (1976) ruled that chapter 212 was in compliance with the constitution's thorough and efficient clause if fully funded. The Court noted that for the first time it had before it "a plan intended to meet all aspects of a thorough and efficient education." The Court noted that in Robinson I it could only focus on the issue of per pupil spending levels between districts because of the limitations of the data before it. However, in considering

the constitutionality of chapter 212, the Court stated that it was examining a legislative proposal that at once seeks to:

- define the constitutional promise of a thorough and efficient education;
- identify the components of such an education;
- establish a procedural mechanism for its implementation; and
- afford the financial means for its fulfillment.

Despite the Court's initial finding of chapter 212's compliance if fully-funded, in June of 1990 the statute was ruled unconstitutional as applied to the students in the State's poorest 28 urban school districts (Abbott II). In that decision the Court found that the funding system of chapter 212 had failed to provide both a minimum substantive education to students in the poorer urban districts as well as the educational programs necessary to provide those students with the ability to compete with their peers from the affluent suburban districts or to function effectively in the same society. The Court contrasted the chronic disparities in expenditures between the poorer and richer districts. The Court concluded that to have a constitutionally adequate educational system in the poorer urban districts, the State's public school funding formula must:

- ensure that the per pupil expenditures in the poorer urban districts were substantially equal to the per pupil expenditures in the property rich districts and that such funding could not depend on the budgeting and taxing decisions of local school districts, but must be guaranteed and mandated by the State; and
- be sufficient to provide for the special educational needs of students in these districts to address disadvantages associated with poverty.

QEA

In June of 1990, the Legislature enacted the "Quality Education Act of 1990," P.L.1990, c.52 (QEA). QEA established a foundation formula system of school funding which sought to ensure that each student's education was supported by similar educational resources, regardless of the fiscal capacity of the district. The formula generated an

annual foundation aid entitlement for each district that was dependent only upon the district's relative wealth and student enrollment. Provisions to address the needs of the poorer urban districts included: the creation of the category of special needs district; a special needs district weight to provide additional foundation aid to push these districts to regular education parity with the I & J districts, the wealthiest school districts in the State, by the 1995-96 school year; an equity spending cap which authorized increases in special needs district budgets in excess of the budget increases permitted in other districts; and at-risk aid, a new aid program initiated to address the special needs and disadvantages of low-income students.

Judicial Response to QEA

In June of 1994, the Supreme Court found QEA unconstitutional (Abbott III). The Court held that the achievement of parity depended fundamentally on the discretionary action of the executive and legislative branches to increase the special needs weight in the maximum foundation budget calculation required for parity. Thus, the statute did not comply with the mandate of Abbott II that the required level of funding for the special needs districts could not be dependent on the ability of local school districts to tax and must be guaranteed and mandated by the State.

The Court also found that QEA did not adequately address the special educational needs of students in the special needs districts. Although at-risk aid was provided for such purpose, there had been no study conducted of the programs and services required by such students and the amount of at-risk funding was not based on any study of actual costs associated with providing services to these students.

The Court was also concerned about the lack of supervision for the additional funding provided to the special needs districts.

CEIFA

In December of 1996, the Legislature enacted the "Comprehensive Educational Improvement and Financing Act of 1996," P.L.1996, c.138 (CEIFA). CEIFA directs the

State Board of Education to review and update the core curriculum content standards every five years (In May of 1996, the State Board of Education had adopted the core curriculum content standards in seven content areas). The core curriculum content standards define what a student needs to know and be able to do at different points in his or her educational experience. Through these standards, CEIFA sought to define the substance of a thorough education.

CEIFA directs the Commissioner of Education to develop efficiency standards which define the types of programs, services, activities, and materials necessary to achieve a thorough and efficient education. The efficiency standards are to be reviewed biennially and revised as appropriate. Based on the thoroughness and efficiency standards, the Governor, after consultation with the Commissioner, recommends to the Legislature a per pupil T & E amount – the amount that is required to provide a thorough and efficient regular education for each student. CEIFA then weights this amount for middle school, high school, and kindergarten pupils effectively establishing different per pupil T & E amounts for the various grade levels. The formula generates an annual core curriculum standards aid entitlement dependent on the district's student enrollment and relative wealth.

In an attempt to address the issue of municipal overburden, CEIFA establishes the category of supplemental core curriculum standards aid. Districts which have a low-income concentration rate of 40% or greater and an equalized school tax rate which exceeds the Statewide average equalized school tax by more than 10% are eligible for this aid category.

To address the special educational needs of low-income students, CEIFA established the categories of early childhood program aid and demonstrably effective program aid. Early childhood program aid is provided to school districts with a concentration of 20% or more of low-income students for the purpose of providing full-day kindergarten and preschool classes and other early childhood programs and services. Demonstrably effective program aid is generated by individual schools, with a concentration of low-

income students of 20% or more, for the purpose of providing instructional, school governance, and health and social service programs to students enrolled in the generating schools.

Judicial Response to CEIFA

In May of 1997, the Supreme Court issued its findings on CEIFA (Abbott IV) holding that the core curriculum content standards were consistent with the education clause of the Constitution. However, the Court found CEIFA unconstitutional as applied to the Abbott districts because the statute failed to guarantee sufficient funds to enable students in those districts to achieve the content standards. The funding provisions in the statute purported to achieve the efficiency component of the constitutionally mandated thorough and efficient education. The Court held that the efficiency standards that formed the basis for the statute's funding provisions were derived from a model district that had few, if any, characteristics of any of the State's successful districts.

The Court also held that although CEIFA purported to address the special educational needs of the Abbott districts, CEIFA did not provide for the remediation that would be necessary to overcome the constitutional deprivation that had previously been identified by the Court. CEIFA attempted to provide for the deprivation through two programs: demonstrably effective program aid and early childhood program aid. The Court found fault with the fact that the amount of aid provided under these programs was not based on any actual study of the needs of these students or the costs of supplying the necessary programs to address those needs.

The Court mandated an interim remedy – increased funding to assure parity in per pupil expenditures for regular education between each Abbott district and the average per pupil regular education expenditure of the district factor group I & J districts by the beginning of the 1997-98 school year.

In subsequent Abbott district rulings, the Supreme Court required: the adoption of a whole school reform model; the implementation of full-day kindergarten and half-day

preschool programs for three- and four-year olds; the implementation of a variety of supplemental programs; and approval by the Commissioner of Education of additional Abbott aid upon the demonstration of need for additional programs.

Conclusion

It is in the context of the public school funding history of the past thirty years that the Joint Committee on Public School Funding Reform undertook its review of school finance in New Jersey and sought to formulate recommendations on how best to provide an equitable level of educational opportunity to all public school children in the State while maximizing efficiencies in the delivery of that education. This report outlines the efforts and deliberations of the Joint Committee and the recommendations on an equitable and efficient system of funding public schools which resulted from those efforts.

FY 2007 State Aid Summary

Following is a chart which summarizes the various components of State Aid provided either directly or indirectly to New Jersey's school districts to support the provision of a thorough and efficient education through the FY 2007 Annual Appropriations Act. Total assistance is \$10.3 billion – one of every three dollars raised by State government.

Summary of FY 2007 State Aid for Local School Districts
Amounts in Thousands

	<u>FY 2007 Appropriated</u>
DIRECT SCHOOL AID	
Formula/Supplemental Programs	\$7,152,200
<p>This category includes formula aid programs such as Core Curriculum Standards Aid, the several Stabilizations Aid distributions, Consolidated Aid, and Special Education Aid, as well as Education Opportunity Aid.</p>	
Abbott Preschool Expansion	\$243,200
Nonpublic School Aid	\$101,600
Other Aid	<u>\$142,270</u>
Subtotal Direct School Aid	\$7,639,270
DIRECT STATE PAYMENTS FOR EDUCATION	
Teachers' Pension and Annuity Fund	\$693,800
<p>The State funds the employers' contributions to the State-administered retirement systems on behalf of local school districts.</p>	
Post Retirement Medical Benefits	\$721,400
<p>The State funds the full annual cost of retirees' medical benefits for retirees on behalf of local school districts.</p>	
Debt Service on Pension Obligation Bonds	\$95,100
<p>These debt service payments repay the portion of Pension Obligation Bonds issued to fund State contributions to the State-administered retirement systems on behalf of local school districts.</p>	

Teachers' Social Security Assistance	\$691,800
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The State funds the full annual cost of employers' Social Security contributions on behalf of local school districts.

Subtotal Direct State Payments for Education	\$2,202,100
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SCHOOL BUILDING AID

School Construction Debt Service	\$364,800
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Debt Service Aid	\$116,800
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Subtotal School Building Aid	<u>\$481,600</u>
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Total State Aid for Local School Districts	<u><u>\$10,322,970</u></u>
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VI. Recommendations

Development of a New School Funding Formula

RECOMMENDATION 1: STATE AID FOR EVERY SCHOOL DISTRICT SHOULD BE BASED ON THE CHARACTERISTICS OF THE STUDENT POPULATION AND THE INDIVIDUAL DISTRICT'S ABILITY TO PAY

- **DISCUSSION**

There is a fairly pervasive belief among the stakeholders in the education system – including not just those who work in the system, but those who rely upon the system to adequately address the educational needs of students and those that fund the system through their tax dollars – that the current funding framework is unfair and inadequate. There is general concern that: the overall level of aid is inadequate to ensure provision of a thorough and efficient education for all of the State's students; the T&E amount underestimates the resources needed to ensure students meet the core curriculum content standards; and the gap in State support between the Abbott and nonAbbott districts has grown considerably in the wake of the State's response to the various Abbott decisions coupled with the State's fiscal difficulties.

Additionally, the current school funding formula – CEIFA – having been deemed unconstitutional as applied to the Abbott districts, yet still the prevailing statutory design, continues to foster protracted negotiations, litigation and unpredictable funding for all districts, including the Abbott districts. The perpetuation of the perceived bifurcated system in which the Abbott districts and their students receive sufficient funding and the nonAbbott districts and their students do not, has only served to increase litigation (for example, the “Bacon” court case which is currently pending before the State Board of Education) and attempts to receive an Abbott-like designation (e.g. Abbott Rim districts) in order to increase State funding.

In order to address these concerns and to meet the State's constitutional responsibility to provide a thorough and efficient education to all students, education funding must be student-based, not geographically directed. The State must ensure that all children, irrespective of their address, have the financial support to achieve success when measured by the core curriculum content standards and the standards of a society that demands excellence of its youth. This necessitates the elimination of the Abbott designation.

Our State cannot grow and prosper if it fails to cultivate a highly educated, well-trained workforce. Businesses, particularly those well-positioned in the high-tech, global marketplace, will migrate to access an adequate worker pool. New Jersey must continue to position itself as that destination. In order to achieve this, we must build upon our existing high-quality educational system.

At the same time, we must ensure that the property taxpayers of the State are not overburdened. A new school funding formula must realistically determine the ability of the State's communities to shoulder a share of the cost of public education.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the school funding formula provide State aid for every school district based on the characteristics of the student population and the individual district's ability to pay.

RECOMMENDATION 2: AID CALCULATIONS SHOULD BE SIMPLIFIED TO ENSURE TRANSPARENCY, THEREBY ELIMINATING THE NEED FOR MULTIPLE ADDITIONAL AID CATEGORIES

- **DISCUSSION**

In the time between passage of each school aid formula and the next, various laws were implemented and aid categories created to address specific funding issues in various districts and to target additional aid to a limited number of districts. These have included: density aid, Abbott-Bordered District Aid, and stabilization aids II and III, to name a few. The addition of these categories unnecessarily complicated school district financing. The new financing structure should streamline funding with limited additional aid categories that apply to all districts (see section on “additional aid categories” later in this report).

Streamlining the process will not only provide more stability and predictability for school districts, but will also provide the public with a more readily understandable system for funding public schools. Public review and diligence relative to school finance is key to ensuring efficient use of tax dollars whether they are generated locally or from other levels of government. The less complex the structure of finance, the greater the likelihood of strong taxpayer involvement in the review process.

- **RECOMMENDED ACTION**

The Joint Committee recommends that aid calculations be simplified to ensure transparency, thereby eliminating the need for multiple additional aid categories.

RECOMMENDATION 3: A NEW SCHOOL AID FORMULA SHOULD BE DEVELOPED BASED UPON THE NATIONALLY-RECOGNIZED PROFESSIONAL JUDGMENT PANELS (PJP) MODEL FOR DETERMINING THE RESOURCES NECESSARY TO MEET EDUCATIONAL STANDARDS

- **DISCUSSION**

There are various models which have been used by states to determine the cost of providing an education that will allow students to meet a determined set of standards and outcomes.

The New Jersey Department of Education employed the services of Augenblick, Palaich and Associates, Inc. to assist in its development of a model for determining the cost of education. Two methodologies were used in the process – professional judgment panels (PJPs) and successful school districts (SSDs). PJPs have been used in Colorado, Indiana, Kansas, Maryland, Missouri, New York and Wyoming. SSDs have been used in Colorado, Illinois, Kansas, Maryland, Missouri, New York and Ohio.

Professional Judgment Panels (PJPs)

The PJP method of determining the cost of education involves gathering a wide-range of individuals with expertise in teaching and education administration to develop prototype school districts. The panels develop the cadre of specific resources that would be needed for each of the prototype districts to educate children assuming the students do not have any special needs (e.g. none of the children are at-risk, have limited English proficiency or have been classified as in need of special education). The identification of resources is very detailed including not only the appropriate number of teachers, administrators and support staff (including librarians, counselors, nurses, social workers, etc.), but also supplies and materials, equipment, security needs, etc.

For New Jersey's specific PJP process, the Department utilized a three-layer model. The first layer were panels of New Jersey Department of Education staff, all of whom had experience working in a school district. The work of these panels was then referred to larger panels comprised of members of the educational community including

superintendents, teachers, school business officials, special education personnel, etc. The revised products were then forwarded for review to a third panel which was also composed of educational personnel.

To guide the work of the PJPs the Department of Education, in consultation with its outside expert, developed six prototype districts of varying sizes, two of which were K-8 districts and four of which were K-12 districts. These six were developed based on configurations of school districts across New Jersey. Once the required resources were determined by the PJPs for the six districts absent students with special needs, the PJPs altered the models to assume various levels of special need students. The PJPs specified additional resources that would be needed to meet the educational needs of these populations.

Successful School Districts (SSDs)

The SSD approach to determine the resources necessary to meet the educational needs of students is much less driven by the expertise of those involved in the educational system and more by an analysis of existing schools' outcomes and spending.

The SSD model identifies criteria by which a school district would be judged "successful" in educating its students. Once those districts are identified, existing expenditure data is analyzed, resulting in a per pupil amount spent by those districts to educate students without special needs. The median amount spent by these districts is then determined to be the cost of providing a thorough and efficient education in a successful school.

Choosing a Model

There are relative benefits and limitations to both the PJP and SSD models.

The PJP model allows for the development of not only an efficient spending level for school districts, but a model for how resources can be allocated to meet educational needs. The PJP also allows for development of spending levels that account for different

district configurations and various levels of student need. Finally, the process allows for the participation of a broad spectrum of those involved in the educational system with actual experience in producing student achievement.

The PJP model is limited in that there is some room for subjectivity. There is not one universally accepted standard that defines the inputs recommended for school districts of different configurations. Therefore, different panels may recommend different combinations of resources.

The SSD model does provide for an objective determination of the cost of meeting educational standards. Actual expenditure data for the successful schools is readily available and able to be mathematically analyzed. Additionally, since it is a function of existing data sets, it is easier to implement.

The SSD model is limited in that it is much less reliable for determining the additional resources necessary to meet the educational services for students with special needs. This approach also implicitly determines that all school districts should be able to achieve the same results with the same amount of funding regardless of variations in circumstance that exists across the State. Finally, it assumes that successful districts are efficient districts, spending what is necessary to achieve strong academic performance and nothing more. It cannot be determined whether the successful districts could have achieved the same student outcomes while spending less money.

In other states that employed both the PJP model and the SSD model, there was greater variance of results in the costing-out process than there was in New Jersey. Since the two methods produced substantially similar results in New Jersey, the PJP model is being selected primarily due to its ability to identify the services required for students with special needs, its greater flexibility in accounting for variation among school districts, and its use of stakeholders to develop the resource models.

- **RECOMMENDED ACTION**

The Joint Committee recommends that a new school aid formula be developed based upon the nationally-recognized professional judgment panels (PJP) model.

RECOMMENDATION 4: THE FORMULA SHOULD BE BASED ON “COSTING-OUT” CALCULATIONS DEVELOPED THROUGH THE PJP MODEL TO DETERMINE THE BASE PER PUPIL COST OF A THOROUGH AND EFFICIENT EDUCATION, AS WELL AS THE ADDITIONAL WEIGHTS FOR SPECIAL EDUCATION, AT-RISK, AND LIMITED ENGLISH PROFICIENCY STUDENTS. THIS SHOULD ALSO INCLUDE USE OF THE GEOGRAPHIC COST OF EDUCATION INDEX TO ACCURATELY REFLECT DIFFERENCES IN THE COST-OF-LIVING THROUGHOUT THE STATE

- **DISCUSSION**

Using the analysis of the PJPs, the Department of Education determined the cost of providing the resources identified by the PJPs as being necessary to provide a thorough and efficient education to both students with and without special needs. Base per pupil costs were determined for each of the six prototype districts.

In determining base per pupil costs, the Department separated the needed resources into four component parts – certificated personnel, non-certificated personnel, benefits and non-personnel.

The Department of Education annually collects salary data from the State’s school districts for certificated personnel. Using this data, the Department was able to calculate median salaries for individual positions. This data was used in conjunction with data from a national survey of school staffing undertaken by the National Center for Education Statistics.

For non-certificated personnel – positions for which the Department does not collect salary data – the Department of Education relied on data from the Bureau of Labor Statistics’ biannual Occupational Employment and Wage Estimate. This report contains median State level salary information for a broad range of positions.

For the cost of benefits provided by school districts, the Department assumed a rate of 20% of salary. While this is relatively low compared to the cost of benefits for other government workers, it is important to remember that a large share of the cost of benefits for education personnel is already borne by the State and not paid for in district. The

State provides for the cost of teachers' pensions, post-retirement medical benefits and the employer's share of Social Security taxes.

For non-personnel resources including items such as materials and supplies and professional development, the PJPs made their resource determination in dollar terms. For example, the PJPs set a resource need for instructional materials at \$300 per pupil. These costs were used.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the formula be based on "costing-out" calculations developed through the PJP model to determine the base per pupil cost of a thorough and efficient education, as well as the additional weights for special education, at-risk, and limited English proficiency students. This should also include use of the geographic cost of education index to accurately reflect differences in the cost-of-living throughout the State. The Joint Committee recognizes that the "costing out" calculations are dynamic and therefore recommends that the Department provide at a minimum biennial updates to these numbers.

While the Joint Committee recommends the use of the PJP model and "costing out" calculations, it also acknowledges that there is a need for greater public understanding of the process and methods the Department of Education used to support its findings. To that end, the Joint Committee requests that the Department prepare a detailed report that describes the professional judgment panel process in more detail, the results of the professional judgment panels, and the costing-out process, including the calculations that were performed to arrive at the additional per pupil weights for special education, at-risk, and limited English proficient students. This report should be shared at one or more public hearings convened by the Department.

RECOMMENDATION 5: A DISTRICT'S SHARE OF STATE EDUCATION FUNDING SHOULD BE BASED ON UP-TO-DATE MEASURES OF A DISTRICT'S ABILITY TO PAY. THE FORMULA FOR CALCULATING THE ABILITY TO PAY SHOULD BE BASED EQUALLY ON A DISTRICT'S RELATIVE PROPERTY WEALTH AND INCOME. PROPERTY WEALTH SHOULD BE CALCULATED BY CONSIDERING THE EQUALIZED PROPERTY VALUATION PER CAPITA RELATIVE TO THE STATE MEDIAN. A DISTRICT'S INCOME SHOULD BE CALCULATED BASED UPON INCOME PER CAPITA RELATIVE TO THE STATE MEDIAN

- **DISCUSSION**

The current school funding formula (CEIFA) uses both property wealth and income within communities to determine the State versus local share of educational funding for the school district. Since the actual CEIFA formula and its calculations have not been used in at least five funding cycles, the data calculations have become dated. Use of more current data will allow the State to base support on a community's realistic ability to pay.

Additionally, changes in the way in which property wealth and income are calculated are being recommended to address shortcomings in the current statutory formula which artificially inflate the apparent wealth of some communities. Under the current statutory framework, both aggregate property wealth and aggregate income within a district is divided by the number of public school students to determine a community's ability to pay. For districts with relatively large populations of senior citizens or other households without school-aged children and districts with relatively large populations of non public school students, this measure distorts the district's wealth. Calculating both measures per capita will more accurately reflect the wealth of the total community and therefore more accurately reflect the ability of the community to support public education.

- **RECOMMENDED ACTION**

The Joint Committee recommends that a district's share of State education funding should be based on up-to-date measures of a district's ability to pay. The formula for calculating the ability to pay should be based equally on a district's relative property wealth and income.

RECOMMENDATION 6: THE STATE SHOULD PROVIDE A HOLD HARMLESS PROVISION

- **DISCUSSION**

It is inevitable when developing any distribution of State resources based on a formula that there would be “winners” and “losers.” It is important, therefore, to ensure that the educational needs of students are not compromised and that property taxpayers do not find themselves suddenly and dramatically impacted by these changes. Precipitous withdrawal of State support from any school district, generally, and lower-wealth districts, specifically, could have a detrimental affect on the quality of education for the students in those districts.

- **RECOMMENDED ACTION**

The Joint Committee recommends the provision of hold harmless State aid to prevent problems associated with any significant loss in State aid.

RECOMMENDATION 7: A MINIMUM AMOUNT OF STATE AID SHOULD BE PROVIDED TO EACH SCHOOL DISTRICT

- **DISCUSSION**

In the context of a formula which provides the resources to meet the educational needs of students in all districts, particularly the lower- and middle-wealth districts, the provision of minimum aid can serve a vital public policy purpose. Providing even a minimum level of support ensures that the State will not lose sight of activities in these districts. The fact that a district has sufficient resources to meet its needs does not guarantee that those resources will be used in an efficient and effective manner. As an aid partner in these districts, the State would be obligated to apply accountability standards just as aggressively in these districts as it does in those in which State dollars are more substantial.

Additionally, while the aid may be a small portion of the dollars raised and expended by these districts, it is nonetheless funding that would otherwise have to be collected from property taxpayers. It should provide a modest incentive to those districts to be more diligent in ensuring efficient and effective use of dollars.

The Joint Committee is aware that minimum aid was deemed unconstitutional under the former Chapter 212 school funding formula. However, the previous ruling on minimum aid was rendered in the context of a school funding formula that failed to provide sufficient resources to educate students in the lowest-wealth districts in the State. In the absence of sufficient funding to educate students in financially struggling districts, the introduction of minimum aid for the wealthiest districts only served to exacerbate the resource gap between the two. As noted above, the Joint Committee is recommending a formula that does provide sufficient resources to meet the educational needs of students in all districts.

- **RECOMMENDED ACTION**

The Joint Committee recommends that a minimum amount of State aid be provided to each school district.

RECOMMENDATION 8: THE DEPARTMENT'S RECOMMENDATIONS REGARDING THE APPORTIONMENT OF COSTS IN REGIONAL DISTRICTS SHOULD BE ADOPTED

- **DISCUSSION**

One of the charges of the Joint Committee was to review the disincentives to regionalization that may exist in the current funding process. A recurring theme in the expert testimony was the excess costs associated with small, inefficient districts. Unfortunately, the existing regionalization cost apportionment causes most districts that would otherwise seek to regionalize to reject this option. In a few regionalized districts, the apportionment method leads to a situation in which constituent members of regional school districts are paying a per pupil cost that is a multiple of the actual cost of educating the students in that district.

To address this inequity and remove the incentive that currently exists for these jurisdictions to separate from the regional districts and the disincentive to some districts to enter into regional districts, the Department of Education has recommended changing the calculation of district share. Under the revisions, State aid and local property tax contributions would be calculated separately for each constituent municipality in a regional district. No jurisdiction in a regional school district would pay a tax levy per pupil which exceeds the actual per pupil expenditures of the regional school district.

While some may be concerned that this change would artificially cap the burden of some taxpayers who have a greater ability to pay under the measures employed, it is believed that the policy and educational benefits of having regional school districts outweigh this concern.

- **RECOMMENDED ACTION**

The Joint Committee recommends the adoption of the Department of Education's recommendations on the apportionment of costs in regional school districts.

Additional Aid Categories

RECOMMENDATION 9: CONTINUE THE CURRENT FUNDING METHOD FOR ADULT AND POSTSECONDARY EDUCATION AID, COUNTY VOCATIONAL SCHOOL AID, AND TRANSPORTATION AID, BUT UPDATE COST FACTORS TO REFLECT INFLATION

- **DISCUSSION**

These aid categories are currently awarded as separate categorical aid programs. The PJP process did not include these expenditures as part of the base budget. Therefore, the Joint Committee recommends continuation of the current funding method.

Adult and post-secondary education aid and county vocational school aid are awarded on a per pupil basis under the current funding formula although the formula has not been run since the 2001-2002 school year. For the 2001-2002 school year, adult education aid was \$1443 per pupil and county vocational school post-secondary education aid was \$1985 per pupil. County vocational school aid was \$1883 per county vocational school district pupil in the 2001-2002 school year.

CEIFA establishes a base aid formula to calculate State aid for pupil transportation services. The formula is based on the number of eligible public and nonpublic school pupils transported, the average home to school mileage, and four cost coefficients which are established in the biennial report.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the current funding method for adult and postsecondary education aid, and county vocational school aid be maintained and that the cost factors be updated to reflect inflationary changes.

The Joint Committee further recommends retaining the current transportation formula but updating the cost coefficients to reflect inflationary changes.

Accountability and Monitoring

RECOMMENDATION 10: TO ENSURE INCREASED SCHOOL DISTRICT ACCOUNTABILITY, THE COMMISSIONER OF EDUCATION SHOULD CONDUCT AN EVALUATION OF THE DEPARTMENT AND IMPLEMENT A REORGANIZATION PLAN AND THE AUTHORITY OF THE COMMISSIONER SHOULD BE CLARIFIED AND STRENGTHENED

- **DISCUSSION**

During the course of its deliberations, the Joint Committee heard testimony regarding the need to ensure that all school districts are in compliance with State statutory and regulatory requirements and that State funds provided to local districts are expended properly. Despite the importance of these tasks, the Joint Committee is concerned about the Department's capacity to fulfill these responsibilities and the ability of the Commissioner to act expeditiously and decisively when warranted. It would appear that the deficiencies, which seriously undermine the Department's ability to hold local districts accountable and conduct the type of oversight which taxpayers rightfully expect, are attributable to both a lack of resources and, with respect to the Commissioner's powers, lengthy and time consuming procedural requirements that delay remedial action.

Improved accountability and oversight efforts by the Department are likely to require additional personnel. The Joint Committee recommends that the Commissioner of Education conduct a top to bottom evaluation of the Department and implement a reorganization plan that would begin to address these deficiencies.

Further, the Joint Committee recommends that the authority of the Commissioner be clarified and strengthened, consistent with subsequent recommendations, in order give the Commissioner the tools required to be effective in fulfilling her responsibilities. It is essential that the Commissioner of Education have the authority to be both decisive and firm. Remedial action in non-performing districts should not be delayed due to a lack of clarity or authority in the law.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the Commissioner of Education conduct an evaluation of the Department and implement a reorganization plan and that the authority of the Commissioner be clarified and strengthened, both actions directed at giving the Commissioner the tools required to be effective in fulfilling her responsibilities to serve both the children and taxpayers of New Jersey.

RECOMMENDATION 11: CONTINUE AND EXPAND THE AUTHORITY DELEGATED TO THE COMMISSIONER UNDER THE SCHOOL DISTRICT ACCOUNTABILITY PROVISIONS OF CEIFA

- **DISCUSSION**

Under CEIFA, when the Commissioner determines through the results of Statewide assessments (at least three consecutive years of failing test scores) or during the monitoring process (NJ QSAC) that a district, or one or more schools within the district, is failing to achieve the core curriculum content standards, the Commissioner may:

- direct the restructuring of curriculum or programs;
- direct staff retraining or reassignment;
- conduct a comprehensive budget evaluation;
- redirect expenditures;
- enforce spending at the full per pupil T & E amount; and
- review the terms of future collective bargaining agreements.

The Commissioner also has broad authority at the time of her annual review of proposed school district budgets, to direct additional expenditures in specific accounts and for specific purposes, to make budgetary reallocations and programmatic adjustments, and to take such other measures as she deems necessary to ensure implementation of the core curriculum content standards.

The Joint Committee recommends that rather than limiting the Commissioner's authority to intervene only after there are three years of failing test scores, the Commissioner should be given the discretion to act after only one year. This change will allow the Commissioner to address problems which may exist within the district with greater exigency and before the deficiencies are too pervasive and more difficult to address.

The Joint Committee also recommends that in addition to failing test scores, the Commissioner be able to act whenever she determines through implementation of the "No Child Left Behind Act of 2001" or through review of the school district's annual

audit that a school district, or one or more schools within the district, is failing to achieve the core curriculum content standards, or failing to comply with the provisions of law related to the operation of school districts. Expanding the circumstances and the grounds upon which the Commissioner may take action will again enhance school district accountability and ensure that the Commissioner may address problems immediately.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the accountability authority granted to the Commissioner of Education under the State's current school funding law, CEIFA, be expanded and retained in any new school funding law adopted by the Legislature and that the circumstances that trigger the Commissioner's actions also be expanded.

RECOMMENDATION 12: AMEND THE NEW JERSEY QUALITY SINGLE ACCOUNTABILITY CONTINUUM ACT (NJ QSAC) TO EXPAND THE AUTHORITY OF THE COMMISSIONER TO CONDUCT IMMEDIATE COMPREHENSIVE REVIEWS AND TO CLARIFY OVERSIGHT AUTHORITIES

- **DISCUSSION**

Under the New Jersey Quality Single Accountability Continuum (NJ QSAC) school districts must report annually on progress in complying with the quality performance indicators (QPIs) in the 5 key components of school district effectiveness (instruction and program, personnel, fiscal management, operations, and governance). Based on the district's satisfaction of the indicators, the Commissioner will place the district on a performance continuum that will determine the type and level of oversight. A district may be determined to be a high performing district, a moderate performing district, or be placed under partial or full State intervention. The actions and interventions that are currently authorized include the following:

In the case of a district that satisfies 50-79% of the QPIs, an improvement plan must be developed; and

In the case of a district that satisfies less than 50% of the QPIs in four or fewer of the five components of district effectiveness, the Commissioner must authorize an in-depth evaluation and based on the evaluation, the district must develop an improvement plan. In accordance with that plan, the Commissioner must provide technical assistance to the district and also assure that the district's budget provides the necessary resources to implement the plan. The improvement plan may include the appointment by the Commissioner of highly skilled professionals (HSPs) to provide technical assistance. The State Board of Education may also direct the district to enter partial State intervention. For a district placed under partial State intervention:

- If the position of superintendent is vacant, the State may appoint one;
- In addition to HSPs appointed for technical assistance, the Commissioner may appoint HSPs to provide direct oversight regarding QPIs with which the district has failed to comply; and

- The State may appoint up to 3 additional nonvoting members to the board of education.

In the case of a district that satisfies less than 50% of the QPIs in each of the five components of district effectiveness, the Commissioner must authorize an in-depth evaluation and based on the evaluation, the district must develop an improvement plan. In accordance with that plan, the Commissioner must provide technical assistance and assure that the district's budget provides the necessary resources to implement the plan. The improvement plan may include the appointment by the Commissioner of highly skilled professionals (HSPs) to provide technical assistance. The State Board of Education may also direct the district to enter full State intervention. For a district placed under full State intervention:

- The State may either appoint a State district superintendent or choose to retain the person who holds the position of superintendent;
- In addition to HSPs appointed for technical assistance, the Commissioner may appoint HSPs to provide direct oversight regarding QPIs with which the district has failed to comply; and
- The State may appoint up to 3 additional nonvoting members to the board of education.

The Joint Committee recommends that the NJ QSAC statute be amended to provide that the report required to be submitted by a school district on its compliance with the quality performance indicators be submitted every three years as opposed to the current annual requirement. However, in the interim, the Commissioner should be authorized to direct an immediate, comprehensive review of the district if conditions are found that significantly and negatively impact the educational programs and operations of the district.

NJ QSAC should also be amended to clarify the powers and responsibilities of the professionals who provide direct oversight in a district placed under partial or full State intervention. In addition to overseeing the operations of the district in the areas of direct

oversight and ensuring the development and implementation of the district improvement plan as provided under current law, the professionals should also have the authority to oversee district staffing, including the ability to hire, promote, and terminate employees; override a chief school administrator's action and a vote by the board of education regarding any matter under direct oversight; attend all meetings of the board of education; and obligate district funds for matters relating to the area of direct oversight.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the State's monitoring law, the New Jersey Quality Single Accountability Continuum Act (NJ QSAC), be amended to authorize the Commissioner to conduct an immediate, comprehensive review of a school district if conditions are found that significantly and negatively impact the programs and operations of the district. The NJ QSAC statute should also be revised to clarify the powers and authorities of the highly skilled professionals providing direct oversight in school districts under partial or full State intervention.

RECOMMENDATION 13: AMEND THE SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT TO EXPAND THE CIRCUMSTANCES UNDER WHICH THE COMMISSIONER CAN APPOINT A STATE MONITOR FOR A SCHOOL DISTRICT

- **DISCUSSION**

Under the current provisions of the “School District Fiscal Accountability Act,” the Commissioner has the authority to appoint a State monitor and additional staff to provide direct oversight of a board of education’s business operations and personnel matters if the district receives an adverse or disclaimer of opinion by its independent auditor in the annual audit, or if any two or more of the following apply:

- the district ends the fiscal year with a deficit balance;
- the district receives a qualified opinion by its independent auditor;
- the district receives audit findings identified as material weaknesses in internal controls;
- the district fails to develop and implement a plan acceptable to the Commissioner to address a potential or actual deficit balance; or
- the district fails to implement a plan from the prior year which causes findings from the independent auditor to be repeated.

The State monitor is to:

- oversee the fiscal management and expenditures of district funds;
- oversee the operation and management of district facilities, including any redistricting or restructuring of schools;
- ensure the development and implementation of a plan to address the circumstances that led to the appointment of a State monitor;
- oversee all district staffing, including the ability to hire, promote, and terminate employees;
- have the authority to override a superintendent’s action and a vote by the board of education on any of the above matters;
- attend all board of education meetings, including closed sessions; and

- meet with the board on a quarterly basis to discuss the past actions which led to the appointment of the State monitor and to provide education and training to address deficiencies in board actions.

The statute also provides that the Office of the State Auditor is to conduct a forensic audit of the fiscal operations of any district that has a year-end general fund deficit and also meets one of the above criteria.

The Joint Committee recommends that the Commissioner also be authorized to appoint a State monitor when she finds evidence that a district is spending State education funds for purposes that are not aligned with the objectives and strategies for efficiently achieving the core curriculum content standards.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the authority of the Commissioner to appoint a State monitor be expanded to ensure the efficient and effective use of State funds.

RECOMMENDATION 14: PLACE THE ABBOTT DISTRICT EFFICIENCY STANDARDS IN PERMANENT STATUTE AND APPLY THEM TO ALL SCHOOL DISTRICTS. GRANT THE COMMISSIONER THE AUTHORITY TO WITHHOLD A PORTION OF ANY DISTRICT'S STATE AID FOR FAILURE TO COMPLY

- **DISCUSSION**

The FY 2007 Appropriations Act includes footnote language (page B-50 of the Appropriations Handbook) that provides that as a condition of receiving Education Opportunity Aid, an Abbott district must:

- examine all available group options for every insurance policy held by the district, and participate in the most cost effective plans;
- take steps to maximize the district's participation in the federal Universal Service Program and the ACT telecommunications program offered through the New Jersey Association of School Business Administrators;
- participate in the ACES program offered through the New Jersey School Boards Association unless the district can demonstrate that it receives the services at a lesser cost;
- take steps to maximize the district's participation in the Special Education Medicaid Initiative Program; and
- refinance all outstanding debt for which a 3% net present value savings threshold is achievable.

An Abbott district that fails to meet any of these requirements may have payment of Education Opportunity Aid withheld.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the language included in the FY 2007 Appropriations Act that imposes efficiency standards on Abbott school districts be enacted as a permanent statute that is applicable to all school districts.

RECOMMENDATION 15: ADOPT VARIOUS RECOMMENDATIONS OF THE SCI REPORT RELATED TO PUBLIC DISCLOSURE AND OVERSIGHT, AS WELL AS OTHER PUBLIC DISCLOSURE AND OVERSIGHT PROVISIONS

- **DISCUSSION**

In March of 2006, the State Commission on Investigation released a report entitled: “Taxpayers Beware What You Don’t Know Can Cost You.” It represented the culmination of “an inquiry into questionable and hidden compensation for public school administrators.”

The inquiry was fueled by the Commission’s ongoing efforts to identify waste and abuse at all levels of government. The findings and recommendations of the Commission focused on five areas:

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

For the purposes of the work of the Joint Legislative Committee on Public School Funding Reform, we have focused on the portions of the report dealing with public disclosure and oversight.

The SCI found that:

- “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 board 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 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.”

In terms of tax compliance, the SCI found that:

- Of the 33 administrators in the sample who were provided leased or district owned vehicles, only 3 received IRS Form 1099 reporting the amount and none reported the amount on Form W-2.
- Of the 92 administrators who received annuities or trusts, none of the amounts were reported to the IRS on the W-2 form.
- Many other potentially taxable reimbursements were not disclosed to the IRS including TPAF pension contributions, supplemental life insurance, long term health insurance, disability and medical expenses not paid by health insurance.
- Other reimbursements not disclosed to the IRS included tuition, moving expenses, chauffeurs, professional dues, cable television, cell phones, bonuses, professional dues and other expenses.
- Numerous individuals were also afforded the ability to spread certain compensation due at separation over as many as six years. These payments consisted of unused leave time and would typically be taxable at the time of separation.

- **RECOMMENDED ACTION**

The Joint Committee recommends that various recommendations of the SCI report be adopted, as well as other public disclosure and oversight provisions, including, but not limited to:

- Require the annual public budgets of school districts to include a detailed statement of all contract terms including compensation and benefits and any provision for benefits after separation from the district;

- Require posting of annual budgets and contract terms on school district websites and require plain language explanations of them;
- Require adequate public notice of any plan to renegotiate or amend an administrator's contract;
- Require certification by district business administrators that all tax reporting documents are properly filed and annual financial audits include a review to ensure the accuracy of tax filings;
- Require the approval of the Commissioner of Education for all superintendent buy-outs;
- Prohibit a school district from renewing the contract of a superintendent or business administrator who has not received a performance evaluation;
- Give the Commissioner of Education the authority to recommend to the State Board of Examiners the decertification of any school administrator whose performance has been deemed unacceptable by a school district; and
- Impose travel restrictions for all school board members similar to those contained in the Abbott regulations.

RECOMMENDATION 16: CURRENT SCHOOL BOARD TRAINING REQUIREMENTS SHOULD BE EXPANDED TO COVER RE-ELECTED AND RE-APPOINTED SCHOOL BOARD MEMBERS. IN ADDITION, THE SCOPE OF THE TRAINING SHOULD BE EXPANDED TO INCLUDE TRAINING IN THE FIVE KEY AREAS OF SCHOOL DISTRICT EFFECTIVENESS: INSTRUCTION AND PROGRAM, PERSONNEL, FISCAL MANAGEMENT, OPERATIONS, AND GOVERNANCE

- **DISCUSSION**

Currently, school board members are only required to receive training when initially elected or appointed to a board. This leaves a training gap any time new procedures or processes are introduced into the system. By requiring periodic training of all school board members, the State can better ensure that members are up-to-date on all policies and procedures. In addition, expanding training to include the five key areas of school district effectiveness (as identified in NJ QSAC), the State can ensure that school board members are well versed in these areas which are crucial to accountability provisions related to school district performance.

- **RECOMMENDED ACTION**

Current school board training requirements should be expanded to cover re-elected and re-appointed school board members. In addition, the scope of the training should be expanded to include training in the five key areas of school district effectiveness: instruction and program, personnel, fiscal management, operations, and governance.

RECOMMENDATION 17: INDIVIDUAL SCHOOLS WHICH MEET ESTABLISHED BENCHMARKS FOR IMPROVEMENT OF OUTCOMES AS DETERMINED BY THE DEPARTMENT OF EDUCATION SHOULD BE REWARDED THROUGH THE USE OF NOMINAL ONE-TIME GRANTS. THE USE OF THE FUNDING SHOULD BE THE SUBJECT OF A VOTE OF THE TEACHERS IN THE SCHOOL SO REWARDED, BUT WOULD BE LIMITED TO USE ON NON-RECURRING COSTS

- **DISCUSSION**

Improving educational outcomes is obviously an integral part of any educational system. While the incentive of a nominal grant is unlikely to impel a massive drive toward excellence, it would be a gesture of recognition from the State to the people within schools that produce results.

- **RECOMMENDED ACTION**

Individual schools which meet established benchmarks for improvement of outcomes as determined by the Department of Education should be rewarded through the use of nominal one-time grants. The use of the funding should be the subject of a vote of the teachers in the school so rewarded, but would be limited to use on non-recurring costs.

Special Education

RECOMMENDATION 18: INCREASE PRE-IDENTIFICATION SERVICES

- **DISCUSSION**

Special education is one of the biggest cost drivers in education funding. Both the State and local school districts face considerable increases every year for the costs associated with providing these services. This problem is compounded by the lack of federal aid. When Congress passed the “Individuals with Disabilities Education Act” (IDEA) it made a commitment to fund 40% of the cost. In fact, the federal government currently funds less than 20% of the cost.

The costs continue to rise as the number of special education students increases along with the specialized services they require. The number of pupils classified for special education services jumped 29.5% from 1997 to 2003. The proportion of total State enrollment that is classified is also steadily increasing.

Nationally, there is a belief that too many students are classified as a result of poor instruction, especially in the area of reading. In fact, the “No Child Left Behind Act of 2001” seeks to address the issue through improved general education reading instruction.

Historically, New Jersey has had a high rate of special education identification (New Jersey is currently the 3rd highest State at 10.94%, with 12 states clustered around the same percentage). This high rate of classification combined with the high rate of private placements leads to a tremendous burden on the State and on taxpayers.

To ensure that students are not mistakenly classified, the Joint Committee recommends that districts be required to conduct an annual review and analysis to identify patterns of referral for special education. This review would include: the number of special education referrals;

the reason for those referrals; and the effectiveness of general education programs, services, interventions and school-wide initiatives provided to students prior to referral for special education. Analysis would be conducted to determine whether systemic improvements to general education programs and services are needed to reduce any inappropriate referrals for special education.

- **RECOMMENDED ACTION**

The Joint Committee recommends enactment of legislation to facilitate more efficient and effective general education pre-identification services to reduce the rate of special education classification.

RECOMMENDATION 19: PROMOTE INCLUSION OF SPECIAL EDUCATION STUDENTS IN LOCAL SCHOOL DISTRICT PROGRAMS THROUGH PROPOSED CHANGES TO THE SCHOOL CONSTRUCTION LAW WHICH WOULD EXPAND CAPACITY IN LOCAL DISTRICTS

- **DISCUSSION**

One of the biggest contributors to the cost of special education is the high number of students in separate public and private programs. New Jersey is consistently the state with the highest percentage of students in separate placements. Although the national average is 3%, New Jersey's average is 8.9% - almost three times the national average. The number of separate placements is not only costly, but it is in violation of the federal "Individuals with Disabilities Education Act" (IDEA) which requires special education students to be educated in the least restrictive environment. In fact, a law suit was filed recently against the State for this very reason.

School districts cite the lack of capacity to accommodate these students as one of the reasons for the high number of out-of-district placements. Therefore, the Joint Committee recommends actions that will increase district capacity and begin to reverse the trend of sending disabled students to separate placements.

Specifically, the Joint Committee recommends that the "Educational Facilities Construction and Financing Act," P.L.2000, c.72, be amended to:

- require that all new construction of general education public schools be reviewed in terms of the number of students with disabilities that are served out of district and ensure new schools are approved only when they provide for the return of students with disabilities where appropriate; and
- require a preliminary program approval as part of any application for a building serving solely students with disabilities. The Department of Education, through the Office of Special Education, would have to verify the need for the program based on a demonstration by the applicant of the existence of sufficient numbers of students whose needs cannot be met within typical public schools or other existing placement options. No construction of new separate buildings solely for students with disabilities would be planned without this prior approval.

These requirements would ensure that building capacity be directed whenever possible to more cost effective in-district facilities and reverse the practice of placing students in costly separate facilities solely on the basis of the lack of available space.

- **RECOMMENDED ACTION**

The Joint Committee recommends enactment of amendments to the “Educational Facilities Construction and Financing Act” that will assist local districts in providing suitable facilities for special education students.

RECOMMENDATION 20: PROMOTE GREATER COORDINATION OF SPECIAL EDUCATION SERVICES AVAILABLE IN LOCAL DISTRICTS AT THE COUNTY LEVEL

- **DISCUSSION**

As noted above, New Jersey has a consistently higher percentage of students in separate placements than most other states. The national average is 3% while New Jersey's average is 8.9% - almost three times the national average. The number of separate placements is not only costly, but it is in violation of the federal "Individuals with Disabilities Education Act" (IDEA), which requires special education to be provided in the least restrictive environment. In fact, a lawsuit was filed recently against the State for this very reason.

In addition to a lack of physical facilities to accommodate special education students, another factor which contributes to the large number of special placements is the high degree of parental demand. Parents who are seeking the best possible education for their children sometimes conclude that the programs available in local school districts are not adequate to meet their needs. Frequently, the decision making-process which surrounds the dispute between the parent and the school district is contentious as well as expensive. The Joint Committee concludes that the office of county superintendent should play a larger and more meaningful role in providing better access to special education services and the development of shared special education programs among local districts, as appropriate. The Joint Committee finds this recommendation to be consistent with the forthcoming recommendation of the Joint Committee on Government Consolidation and Shared Services which will provide for the appointment of an executive county superintendent.

Consequently, the Joint Committee recommends that the authority and staff in the county office be expanded to:

- coordinate with the Department of Education to maintain a real time Statewide and district-wide data base that tracks the type and capacity of programs being implemented by each district as well as the number of students enrolled in each program to identify program availability and needs;

- coordinate with the Department of Education to maintain a Statewide and district-wide list of all students served in separate out-of-district programs;
 - coordinate with the Department of Education to maintain a Statewide and district-wide list of all separate schools with any pertinent information including audits and tuition;
 - serve as referral source for districts that have students for whom they do not have appropriate programs. Districts would contact the county and the county would provide them other in-district options where available;
 - conduct regional planning and identification of program needs for the development of in-district programs;
 - serve as a liaison to facilitate shared special education services within the county, including, but not limited to, direct services (e.g. specialized evaluations, therapists, nursing services, counseling services), personnel development and technical assistance;
 - work with districts to develop needed in-district programs and services including training from facilitators with expertise in inclusive education, positive behavior supports, transition to adult life, and parent professional collaboration;
 - work with districts to provide assistance in financial planning for resource realignment and reallocation to direct resources into the classroom; and
 - report regularly to the Department of Education on the progress of achieving the goal of increasing the number of students with disabilities educated in appropriate programs with nondisabled students.
- **RECOMMENDED ACTION**

The Joint Committee recommends that the county superintendents be directed to expand program capacity and access to special education services in an effort to address the high rate of separate, out-of-district placements.

RECOMMENDATION 21: REQUIRE THE COMMISSIONER OF EDUCATION TO ESTABLISH A CONSISTENT TUITION STRUCTURE FOR OUT-OF-DISTRICT PLACEMENTS AND AN ADVISORY GROUP TO REVIEW AND MAKE RECOMMENDATIONS

- **DISCUSSION**

Currently, the Department of Education has limited statutory authority to govern tuition rates for students with disabilities in separate placements and there is no consistent system to set rates and ensure consistent accountability. These factors contribute to inequities and inconsistent allowable tuition costs across the various systems which can contribute to the high cost of these placements.

The Joint Committee recommends adoption of a policy that would require the Department of Education, through the Commissioner, to establish a consistent tuition structure for all separate placements. This should include, but not be limited to, establishing consistent tuition requirements for allowable instructional and administrative spending, certification of staff, and the amount of funds available to address emergencies or to generate as profit. Although the Commissioner would be responsible for finalizing the tuition structure, an advisory group would be established to review and comment on the recommendations of the Department. The new structure would be intended to ensure consistency, promote efficiency, and reduce reliance on the requirement to specify particular allowable or non-allowable expenditures. To the greatest extent possible, the new structure should tie allowable expenditures to expenditures that would be allowable and approvable by the sending district. The Commissioner with assistance of the advisory group should also identify and make recommendations for statutory amendments to further reduce the number and high costs of these placements, including, but not limited to, review of the current statutorily required actual-cost system and ability to operate some separate entities on a for-profit basis.

- **RECOMMENDED ACTION**

The Joint Committee recommends enactment of legislation that would require the Commissioner of Education to establish a consistent tuition structure for out-of-district placements for students with disabilities and to establish an advisory group to review and comment on the new structure and make recommendations for statutory changes.

RECOMMENDATION 22: REDUCE THE USE OF DUE PROCESS HEARINGS AND LITIGATION TO RESOLVE SPECIAL EDUCATION DISPUTES THROUGH INCREASED COORDINATION WITH THE CENTER FOR NEGOTIATION AND CONFLICT RESOLUTION (CNCR)

- **DISCUSSION**

Acrimonious due process hearings are costly for both the districts and the parents. School districts claim that they send students to a separate placement due, in large part, to the demands of the parents. School districts assert that they cannot win a due process claim brought by a parent in court and it is therefore more cost effective to capitulate to the parents' demands and send the student to a separate placement. Although an analysis of court data does not substantiate the districts' claims, there is evidence that most districts settle before going to court because they feel they cannot win. The Joint Committee believes that access to dispute resolution resources may provide a remedy to address this costly and contentious problem. Therefore, the Joint Committee recommends that the Commission on Higher Education require the CNCR to take a more proactive role as a resource for both parents and districts in special education disputes. The center would be required to:

- conduct outreach specifically in school districts and through non-profit advocacy groups to advertise available services;
- research current and developing trends in dispute resolution;
- design and implement pre-service training in the area of effective communication and dispute resolution for education and related services personnel;
- develop training materials and provide technical assistance to parents and school districts with respect to collaboration, problem-solving, and effective communication for improved IEP meetings;
- pilot and promote dispute resolution techniques;
- maintain data on effective early resolution strategies; and
- disseminate information regarding effective early resolution techniques.

This would guarantee the CNCR serves as an easily accessible, centralized resource to help ease the burden of dispute resolution for both districts and parents.

- **RECOMMENDED ACTION**

The Joint Committee recommends increased coordination with the Center for Negotiation and Conflict Resolution (CNCR) as a mechanism to reduce due process hearings and litigation in special education disputes.

RECOMMENDATION 23: CONTINUE FUNDING OF EXTRAORDINARY SPECIAL EDUCATION AID

- **DISCUSSION**

In addition to the categorical State aid for special education, under the current funding formula additional State aid is provided as extraordinary special education aid to districts when the cost of providing education for an individual classified pupil exceeds \$40,000. While the average cost per individual classified pupil whose costs are in excess of \$40,000 has increased only by about 3%, the number of such pupils has grown dramatically since the 1997-98 school year. State extraordinary special education aid has not kept pace with the growth in costs, even with yearly increased appropriations. In FY 2007, \$52 million was appropriated, but this was only 29% of the actual cost to fully fund the program.

The \$40,000 threshold has not been adjusted to keep pace with inflation since the current funding formula was adopted in 1996. Because of the heavy financial burden associated with certain special education students, the Joint Committee recommends continuing extraordinary special education aid and raising the threshold through an annual adjustment commensurate with the CPI.

- **RECOMMENDED ACTION**

The Joint Committee recommends the continuation of extraordinary special education State aid.

Budget Controls

RECOMMENDATION 24: INCLUDE A REVENUE CAP IN THE FUNDING FORMULA TO BE ADJUSTED ANNUALLY BY THE CPI AND CHANGES IN ENROLLMENT

- **DISCUSSION**

States have used a variety of methods to control the taxing and spending of local school districts. Some have constitutional limits on property taxes; some set statutory limits on property tax rates, growth in property tax rates or property tax revenue, or restrictions on school district budgets or year-to-year increases in budgets; some states put absolute restrictions on the extent to which school districts may spend above foundation program levels, regardless of local willingness to impose higher taxes; and some have more esoteric approaches including restrictions on increases in property values or the portion of any increase that can be taxed, permitting voter recall of school boards if expenditure increases exceed specified levels, or exempting property from taxation.

Both of the two most recent school funding formulas – QEA and CEIFA - contained spending controls. The budget cap in the current formula was modified in 2004 to impose tighter controls. The cap allows a school budget to increase by 2.5% or the CPI, whichever is greater, with exceptions for enrollment, costs associated with opening a new facility, special education costs in excess of \$40,000, certain capital outlay expenditures, and expenditures for pupil transportation. There is also a “cap within a cap” for administrative expenses. Districts are still, however, permitted to petition the voters to exceed the cap through a second ballot finance question with certain restrictions.

The Joint Committee recognizes the difficulties inherent in spending limitations imposed on local districts by the State. Any new funding formula must, however, include a mechanism to control spending and, as a result, the school tax levy. These controls are necessary for several reasons. First, to fulfill our dictate to provide meaningful property tax relief, a funding formula that includes significant additional State funding must ensure that these

funds are used, in part, to reduce property taxes and not solely to increase the size of the school district budget. Second, spending controls are necessary to prevent disparity in tax rates and revenues across similar school districts. Finally, spending controls are a means of ensuring accountability.

Although the existing cap law was tightened in 2004 with the expectation that school tax levies would be reduced or stabilized, that was not the result. This fact has led the Joint Committee to the conclusion that the current cap has not been effective in controlling property taxes and that revisions to the current cap are required.

The Joint Committee recommends a revenue cap based on the CPI plus an adjustment for enrollment. The Joint Committee also recommends that the vote on a school district budget that does not exceed the cap be eliminated.

The Joint Committee recognizes that there may be situations that require spending beyond that permitted by the cap. For that reason, the Joint Committee recommends continuing the current practice of allowing a school district to seek voter approval of spending in excess of the cap, provided that 20% of the eligible voters participate in the election and 60% of those participating authorize the additional spending. The result of the vote on this additional spending could not be appealed or overturned. In addition, any excess spending would only be permitted for educational needs.

Finally, to ensure that every district has the resources to provide a thorough and efficient education to all students, the Joint Committee recommends that any district that is spending below its PJP budget allowance and is meeting less than 80% of the quality performance indicators in the student performance component of the New Jersey Quality Single Accountability Continuum (QSAC) be allowed to apply to the Commissioner for an exception to the cap for any expenses related to the implementation or expansion of a program directed at correcting the deficiencies. In no situation would the adjustment allow a district to exceed the district's PJP budget, nor would any adjustment be allowed unless the

Commissioner certifies that the existing expenditures are appropriate and necessary for the district to provide a thorough and efficient education.

The Joint Committee further recommends that this cap be coupled with a requirement that class size not exceed a reasonable amount in order to ensure that a district does not increase class size to reduce costs.

Because teacher contracts continue to rise at a higher rate than the cap allowance, the Joint Committee weighed the inclusion of a cap within the cap specifically for teacher salaries and benefits. This proposal was intended to alleviate the pressure on districts to reduce other necessary costs to compensate for increases in teacher salaries that exceed the CPI. There is a very real concern that items such as teacher/student ratios or building maintenance will suffer to offset the salary increases.

The proposal is not included in the Joint Committee's recommendations largely because of a number of logistical concerns including allowance for existing contracts, incentive pay for attainment of an advanced degree or employment in a hard-to-staff area, the interplay with step increases, the possibility of senior teachers taking the full allowance, and concern for other contract negotiations provisions such as instructional time per teacher.

The Joint Committee considered keeping the existing cap within a cap for administrative costs but ultimately rejected the idea after discussion with the Department. Data shows that districts have evaded the administrative cap successfully by reclassifying expenses. The cap on administrative expenses has not had the intended result of reducing administrative staff and salaries.

The Joint Committee recognizes that there will be interplay between the school revenue cap proposal and any property tax caps that may be recommended by the Joint Committee on Constitutional Reform and Citizens Property Tax Constitutional Convention. These proposals must be coordinated.

The Joint Committee also recognizes the valid concerns raised by school districts about the difficulty of spending below the cap without more flexibility for health benefits spending. The Joint Committee believes that some of the proposed reforms recommended by the Joint Legislative Committee on Public Employee Benefits Reform will provide this flexibility.

- **RECOMMENDED ACTION**

The Joint Committee recommends including a revenue cap in the school funding formula to be adjusted annually by the CPI and changes in enrollment.

School Board Elections

RECOMMENDATION 25: MOVE THE SCHOOL BOARD MEMBER ELECTIONS TO NOVEMBER. KEEP SCHOOL BUDGET ELECTIONS IN APRIL BUT ELIMINATE THE BUDGET VOTE IF THE DISTRICT'S BUDGET IS UNDER THE PREDETERMINED CAP

- **DISCUSSION**

New Jersey school districts currently hold budget and school board member elections in April, despite the fact that no other elections are held at this time. This anomaly creates an inefficient system that results in unnecessary expense and low voter turnout. In fact the majority of states conduct school elections in November to maximize efficiency.

In 2006, 549 school districts held elections on proposed base budgets. The proposed school budgets were approved in 54.4% of the districts compared to 70.7% in 2005.

Fifty-seven districts had “second-ballot finance” questions. These additional questions typically seek voter authorization for specified expenditures that would bring the district’s base budget above the State-imposed spending growth limit, or budget cap (4.01% before adjustments for enrollment and other factors). The 57 school districts proposed a total of 72 second-ballot financing questions. Renovations, hazardous-route busing and maintaining classroom teaching staff were the subject of numerous proposals. Voters approved 24 of the 72 questions, or 33%. In 2005, voters approved 41.8% of the second questions.

If voters reject either the base budget or a second-ballot finance question, the budget is sent to the municipal governing body for review. The municipality may leave the budget intact or make any cuts it finds appropriate. If the municipality’s cuts to a defeated base budget would prevent the school district from providing an adequate education or would undermine the district’s economic stability, State law allows a school board to file an appeal with the Commissioner of Education. However, any cuts the municipality makes to a defeated second-ballot finance question are final, and the school board cannot appeal to the State.

In 2006, 553 school districts conducted school board member elections with 1,607 seats up for election and 2,263 school board candidates. The ratio of candidates to available school board seats is 1.41 to 1. The average length of service for New Jersey local school board members is 6.7 years.

The New Jersey Election Law Enforcement Commission produced a report on how much money school board members spend on their campaigns. The report found that while school board candidate races came nowhere near the spending levels seen in municipal government races (\$750,000 and \$16 million respectively), there has been a larger percentage increase in the amounts spent on school races.

Voter turnout for school elections has hovered around 15% in the last 10 years with a high of 18% in 1996 and a low of 12.5% in 2000. 2005 saw a turnout of 13.2%. Because of the historically low turnout, many argue that these elections are not truly representative of the majority of the community and that the process should be changed.

Last year, 57 districts proposed budgets which exceeded the cap. The Joint Committee concludes that eliminating the budget vote for districts that fall under the cap will serve as a disincentive to school boards to propose budgets that exceed spending beyond that permitted by the cap and impose a higher degree of fiscal discipline on school boards. The Joint Committee further believes that the elimination of the mandatory budget votes will, over time, further reduce the number of school boards that propose budgets that exceed the cap.

The Joint Committee does recognize that certain unavoidable circumstances will arise that require a district to exceed the cap and therefore recommends keeping the school budget election for that limited purpose. In those circumstances, the Joint Committee recommends continuing the April date for the limited number of school budget elections that might be held. Because the school districts operate on a different fiscal year than the State and municipalities, moving the budget election would create a number of problems

related to striking the municipal tax rate, preparation of tax bills and employees' contracts. However, the Joint Committee purposefully recommends a higher threshold requirement for voter turnout and approval of the excess spending. This requirement is intended to ensure that the spending controls are effective.

The Joint Committee does, however, recommend moving the school board member elections to November. School board member elections do not pose the same logistical problems involved in moving budget elections. The Joint Committee concluded that this change would have both participation and cost benefits. It would ensure that a larger number of citizens would participate in the election. November school board elections would also reduce the taxpayer costs associated with conducting the separate elections. The Joint Committee recognizes that opponents of this change feel that moving the school board election would cause the elections to become more political. However, the Joint Committee concluded that this fear is unfounded. Moreover, the Joint Committee recommends that the ballot reflect the school board members' nonpartisan status.

- **RECOMMENDED ACTION**

The Joint Committee recommends the enactment of legislation that would move the school board member elections to November but retain the April date for school budget elections only for those districts that are seeking to spend in excess of the cap.

State Mandates

RECOMMENDATION 26: ELIMINATE UNNECESSARY STATE MANDATES

- **DISCUSSION**

Local school district administrators have consistently claimed they would be able to reduce costs if burdensome State mandates were eliminated. In response, Governor McGreevey established the Education Mandate Review Study Commission in 2003 to review the necessity of the State's education mandates. The Commission issued a final report with a recommendation to eliminate five mandates. Specifically, the report recommended eliminating:

- the position of treasurer or custodian of school moneys and transferring the duties of the office to the secretary of the school board;
- the requirement for issuing specific reports to the Director of the Division of Local Government Services in those instances in which a board of education has determined not to take advantage of a State contract for the purchase of an item;
- the transcript requirement for the annual public hearing for violence and vandalism;
- the requirement that a school district hold its annual hearing on violence and vandalism during the third week in October; and
- the requirement that school districts conduct exercises or instruction to commemorate Flag Day, Arbor Day, and Commodore Barry Day.

The report also recommended revising the threshold for the affidavit requirement on purchases by school districts from \$150 to an amount equal to 15% or more of the bid threshold.

The Mandate Commission found that there was no longer a need for the position of treasurer of school moneys, a position that originally served as a check on the school board secretary. This position predates the adoption of Generally Accepted Accounting

Principles (GAAP), which established uniform safeguards. It is estimated that the Statewide savings in eliminating the position could be as much as \$3.6 million.

The Commission's report recommends eliminating specific reporting requirements to the Director of the Division of Local Government Services in those instances where a board of education has determined not to take advantage of a State contract for the purchase of an item because the board can purchase that item at a price which is at least 10% below the State contract price.

Implementation of the recommendations would eliminate the burdensome requirement that a transcript be produced for the annual public hearing on violence and vandalism. The cost of a transcript can run from several hundred dollars to several thousand. Meeting minutes accurately verify that a hearing took place, identify the names of the speakers, and capture discussion at the hearing without this additional expense.

The report recommends elimination of required exercises or instruction to commemorate Flag Day, Arbor Day and Commodore Barry Day. School districts would also be relieved of their duty to hold exercises on the last school day preceding various patriotic holidays. Districts would be free to choose to include such instruction as appropriate to overall curriculum.

The report also recommends changing the threshold regarding the affidavit requirement on school district purchases. The threshold would increase from \$150 to an amount equal to 15% or more of the bid threshold, which is the amount at which a school district is required under current law to solicit quotations prior to entering into contracts.

- **RECOMMENDED ACTION**

The Joint Committee recommends the elimination of unnecessary State mandates.

Early Childhood Education

RECOMMENDATION 27: PROVIDE STATE SUPPORT FOR HIGH-QUALITY PRESCHOOL FOR ALL CHILDREN IN A & B DISTRICT FACTOR GROUP (DFG) SCHOOL DISTRICTS AND FOR CHILDREN WHO QUALIFY FOR FREE AND REDUCED PRICE MEALS IN ALL OTHER DISTRICTS

- **DISCUSSION**

Presently, the State supports early childhood education through a variety of programs and resources.

As a result of a series of landmark rulings by the New Jersey State Supreme Court beginning with the 1998 Abbott v. Burke V decision, New Jersey's 31 Abbott school districts are required to operate "high-quality, well-planned" preschool and kindergarten programs. Furthermore, the State is required to fully fund the effort and prioritize the construction of preschool facilities. The foundation for the preschool rulings was laid in 1990 with the Abbott II decision, where the Court found that "many poor children start school with an approximately two-year disadvantage compared to many suburban youngsters."

The Court ordered the State to provide high-quality preschool in Abbott districts to improve children's academic and social skills. All 3- and 4-year olds in Abbott districts are eligible for the program and transportation at no charge. The State provides the financial support for six hours of educational preschool every day. Through additional financial support from the Department of Human Services, programs may provide extended-day services for up to four additional hours per day. This "wrap-around" component is also available during the summer and on holidays. Each school district is responsible for ensuring its programs meet State educational and child care standards. Districts may provide early childhood services through the public schools or via contracts with private providers or Head Start programs.

In Abbott VIII (2002) the Court directed the State to coordinate more effectively with Head Start programs. Head Start programs, which are federally funded, must adhere to U.S. Department of Education standards. The federal Head Start preschool requirements regarding teacher certification, class size, and day length are less stringent than New Jersey's Abbott guidelines. Consequently, it has been challenging to transition Head Start children into Abbott preschool programs.

The State funds district preschool programs in a variety of ways. Abbott Preschool Expansion Aid was established in 2001 for the purpose of funding the projected expansion of preschool programs in Abbott districts. Payments of Expansion Aid are based on documented growth in preschool programs' enrollment, attendance, and/or necessary expenditures. Expansion Aid has increased from \$95.5 million in FY 2003 to \$243 million for FY 2007.

The State supports preschool education in other districts through Early Childhood Program Aid (ECPA). This funding tool provides resources to offer half-day high-quality preschool primarily to 4-year-olds in districts in which 20 to 40% of the children qualify for free or reduced lunch. These districts must provide half-day preschool to all eligible children. ECPA funding began at about \$287.5 million in FY 1998, rose gradually until FY 2002, and then stabilized at about \$330.6 million.

In 2005, the Early Launch to Learning Initiative (ELLI) began serving children in nonAbbott districts as part of a State effort to offer high-quality preschool for all children by 2010. ELLI programs must meet teacher credential requirements, use tested curricula, and include special education, low-income, and middle- or upper-income students. A district's relative level of State support is based on the number of low-income children. Districts that provide preschool through other funding sources are eligible to apply for funding to expand the program to all income-eligible students in the district, or lengthen a half-day program to full-day. ELLI was originally funded at \$15 million, but its appropriation was cut to \$4 million in FY 2006 and \$3 million in FY 2007 to reflect actual expenditures.

In both its reach and results, New Jersey's preschool program is succeeding in low-income districts. A study completed in 2005 by the National Institute for Early Education Research at Rutgers University showed that the Abbott Preschool Program positively impacts preschoolers' academic development. Research found that attending Abbott preschool programs at age four leads to "statistically significant and meaningful impacts on children's language, literacy, and math development." Specifically, the Abbott preschool program increased growth in receptive vocabulary – a key indicator of cognitive development – by 26% (a 10% average increase in scores), growth in math skills by 24% (also a 10% average increase), and growth in print (i.e. letter and word) awareness by 61% (a 28% average increase). The study's authors asserted that it would be reasonable to expect the results of the desired and typical two-year Abbott preschool attendance to be even more impressive. (Cynthia Lamy, W. Steven Barnett, and Kwanghee Jung, "The Effects of New Jersey's Abbott Preschool Program on Young Children's School Readiness", p. 3.)

The Joint Committee contends that the expansion of New Jersey's high-quality preschool program will have considerable long-term benefits for all New Jersey children, regardless of income. Studies of children who attended high-quality preschools show that investing in these programs reaps a myriad of benefits: alleviating the need for special and remedial education, boosting overall academic achievement, increasing incomes and employment rate (and consequently taxes paid), lowering the frequency of welfare receipt, and making criminal activities less likely.

The Joint Committee also supports the Governor and Department of Education's effort to expeditiously resolve the Head Start policy conflict with the New Jersey Supreme Court preschool ruling. Capturing available federal revenue to support New Jersey's preschool programs and expansion is a high priority of the Joint Committee.

Because the Joint Committee contends that the long-term social benefits of high-quality preschool programs, when converted into monetary values, far outweigh the costs, the

Joint Committee recommends this expansion of pre-school funding to all A & B districts and low-income students in all other districts. Access to high-quality preschool will provide these children with essential tools for improving outcomes.

Finally, in order to ensure that preschool capacity that may be developed in the non-A & B, nonAbbott districts is fully utilized, the Joint Committee would recommend permitting these districts to charge tuition on either a sliding scale or flat rate basis for students who are not eligible for State-funded pre-school. The Joint Committee also would encourage districts to look toward cooperative agreements.

- **RECOMMENDED ACTION**

The Joint Committee recommends that the State provide support for high-quality preschool for all children in A & B district factor group (DFG) school districts and for children who qualify for free and reduced price meals in all districts.

RECOMMENDATION 28: PROVIDE STATE SUPPORT FOR FULL-DAY KINDERGARTEN PROGRAMS IN NONABBOTT DISTRICTS

- **DISCUSSION**

The Supreme Court through the Abbott decisions requires the State to provide full-day kindergarten in all Abbott districts, while nonAbbott districts may provide either part- or full-day programs. Abbott kindergarten funding is included in Education Opportunity Aid (EOA). EOA is a categorical allocation that provides supplementary funds for grade K-12 education in Abbott districts. NonAbbott districts are able to use ECPA funds to support full-day kindergarten and improve a variety of services for children up to grade three. Those districts receiving ECPA funds are statutorily required to provide for full-day kindergarten.

As noted in the pre-school recommendation, data shows that early childhood education is vital to later educational success. Therefore, the Joint Committee believes funding existing full-day kindergarten programs will serve as an incentive for all districts to operate full-day programs and eventually every child will have access to full-day kindergarten.

As with pre-school, the Joint Committee believes support of full-day kindergarten will have considerable long-term benefits not only for New Jersey's children, but for the entire State. A competent, productive, workforce is essential to the continued economic viability of our State. Therefore, the Joint Committee recommends State support for full-day kindergarten.

- **RECOMMENDED ACTION**

The Joint Committee recommends support for full-day kindergarten programs in nonAbbott districts.

VII. Appendices

Appendix 1. Assembly Concurrent Resolution No. 3 of 2006

A CONCURRENT RESOLUTION supplementing the Joint Rules of the Senate and the General Assembly to establish four joint legislative committees to make recommendations to both Houses of the Legislature regarding proposals to bring about property tax reform and to provide for the jurisdiction and procedures thereof.

WHEREAS, The most fundamental obligation of a government is to protect the welfare and well-being of its citizens; and

WHEREAS, Under the New Jersey Constitution, this responsibility is vested in the Legislature and the Governor; and

WHEREAS, This State's high property taxes are a matter of great concern to the people of New Jersey who view the current system as regressive, inequitable, burdensome, and a threat to the financial security of individuals and communities; and

WHEREAS, There is a need for the Legislature to address this situation by devising, and acting upon, means to bring about property tax reform based upon a fairer distribution of tax burdens and the adoption of efficiencies; and

WHEREAS, This process should be initiated by the creation of joint legislative committees that review and formulate proposals concerning school funding, government consolidation and shared services, public employee benefits, and constitutional reform and property tax constitutional convention; now, therefore

BE IT RESOLVED by the General Assembly of the State of New Jersey (the Senate concurring):

The following Joint Rules are adopted:

1. There are created four joint legislative committees. Each committee shall consist of six members, three of whom shall be members of the Senate appointed by the President, and three of whom shall be members of the General Assembly appointed by the Speaker. No more than two members of a committee appointed by the President of the Senate or the Speaker of the General Assembly shall be members of the same political party. A member may be removed from a committee for cause by the appointing officer, except that if any member is so removed, the appointing officer shall forthwith appoint another member in the same manner that the original appointment was made. The President and the Speaker shall each designate one appointee to a committee as co-chairperson of that committee.

2. Each committee shall meet at the call of its Co-Chairpersons. The committees may review the functions, duties, operations and programs of agencies of the State and its political subdivisions relevant to the areas of review as set forth herein, as well as the relevant governing statutes, regulations, ordinances, resolutions, opinions, and orders. As part of that review, the committees may consider pending and proposed bills and resolutions, as well as relevant reports and testimony. The deliberations of the committees shall conclude with a report, that shall be transmitted to the Senate and the General Assembly, which shall include proposals for constitutional amendments and legislation to bring about property tax reform. The report shall be transmitted no later than November 15, 2006 unless an extension is approved jointly by the President of the Senate and the Speaker of the General Assembly.

3. a. There is created the Joint Legislative Committee on Public School Funding Reform. It shall be the duty of the committee to review and formulate proposals that address the manner in which government provides for the maintenance and support of a system of free public schools for the instruction of the children of this State. The committee may consider proposals to: provide State support based on student needs rather than geographic location; eliminate disincentives to the regionalization of school districts; control school district spending, particularly administrative spending; and improve the effectiveness of the current law limiting increases in school district spending; as well as such other proposals as the committee deems appropriate.

b. There is created the Joint Legislative Committee on Government Consolidation and Shared Services. It shall be the duty of the committee to review and formulate proposals that address the sharing of services and regionalization of functions at all levels of government, as well as such other proposals as the committee deems appropriate. As a basis for these deliberations, the committee shall use the CORE agenda proposed by the Speaker of the General Assembly. In addition, the committee shall consider proposals to consolidate or eliminate State agency functions and State agencies or commissions.

c. There is created the Joint Legislative Committee on Public Employee Benefits Reform. It shall be the duty of the committee to review and formulate proposals that address abuses of the system of benefits provided to public employees, including all branches of State government and all local government entities, and to control the costs of the State and its political subdivisions for public employee retirement, health care and other benefits, as well as such other proposals as the committee deems appropriate. As a basis for its deliberations, the committee shall use the recommendations of the Benefits Review Task Force contained in its December 1, 2005 report, as well as other relevant reports.

d. There is created the Joint Legislative Committee on Constitutional Reform and Citizens Property Tax Constitutional Convention. It shall be the duty of the committee to review and formulate proposals that address property tax reform through amendments to the Constitution of the State of New Jersey, as well as such other proposals as the committee deems appropriate. The committee shall also determine whether amendments to the State Constitution should be recommended to the Legislature for submission directly to the voters or whether such amendments should be referred to a citizens property tax constitutional convention to be convened for the purpose of reforming the system of property taxation.

4. Each joint legislative committee shall organize as soon as possible after the appointment of its members.

5. Four members of a joint legislative committee shall constitute a quorum for the transaction of any business. Official committee action shall be by a majority vote of the members serving on the committee.

6. The joint legislative committees shall be entitled to call to their assistance and avail themselves of the services of such employees of any State, county or municipal department, board, bureau, commission, agency or authority as they may deem necessary or desirable, and as may be available for their purposes.

7. Any member or members of a joint legislative committee who do not concur with the report of the committee may issue a minority statement, that shall be included in the transmitted report of the committee.

8. All public meetings shall be recorded and transcribed, and, when feasible, audio and video of public meetings shall be broadcast on the State Legislature's website. All meetings at which official committee action is taken shall be open to the public. The chairpersons of a joint legislative committee shall notify the Office of Legislative Services, for posting and distribution to the public, of the time, place and agenda of each meeting of the committee. The notice shall be distributed to the public at least five days prior to the meeting, except in the case of an emergency, or except when the presiding officers, acting jointly, waive the notice requirement.

9. To the extent that the jurisdiction or recommendations of Joint Committees may overlap or conflict, the Co-Chairpersons of those committees shall consult with each other to coordinate and resolve differences.

10. This concurrent resolution shall take effect immediately.

STATEMENT

This concurrent resolution would establish four joint legislative committees to review and formulate proposals that address property tax reform for the people of this State. The committees are the Joint Legislative Committee on Public School Funding Reform, the Joint Legislative Committee on Government Consolidation and Shared Services, the Joint Legislative Committee on Public Employee Benefits Reform, and the Joint Legislative Committee on Constitutional Reform and Citizens Property Tax Constitutional Convention. The committees will review and formulate proposals within their respective subject areas as set forth in this resolution, and make recommendations to both Houses of the Legislature.

Appendix 2. Summary of Binder Materials

1. Basic Issues in Education Funding

A. School Finance: A Primer

Prepared by John Augenblick of Augenblick, Van de Water & Associates, and Mary Fulton and Chris Pipho of the Education Commission of the States, April 1991. A guide to the structural components of, alternative approaches to, and policy questions about state school finance systems.

B. Educational Adequacy: Building an Adequate School Finance System

Prepared by the Education Partners Project, National Conference of State Legislatures, July 1998.

This report is intended to encourage and assist state policymakers who are challenged to craft statewide school finance systems that meet the constitutional requirements of their respective jurisdictions and that also build public support for public school investments that are rational and effective.

C. Principles of a Sound State School Finance System

Prepared by the Education Partners Project, National Conference of State Legislatures, July 1996.

This booklet is designed to give policymakers broad principles for the design of state school funding systems.

D. Policy Brief – State Education Funding Formulas & Grade Weighting

Prepared by the Education Commission of the States, May 2005.

Brief descriptions of the different ways that the 50 states and the District of Columbia allocate education funding: foundation/base formula; modified foundation/base formula; teacher allocation; dollar funding per student; and other systems.

E. A Costing Out Primer

Prepared by the National Access Network, Teacher's College, Columbia University, 2006.

Describes the concept and history of costing out (which determines the amount of money actually needed to make available all of the educational services required to provide every child an opportunity to meet the applicable state education standards) and offers an overview of the four methodologies used for this purpose.

F. Determining the Cost of a Basic or Core Education

Prepared by the Education Commission of the States, April 1999.

Describes state activity in Illinois, Maine, Massachusetts, Minnesota, Mississippi, New Hampshire, New Jersey, Ohio, Tennessee, and Wyoming on “what does an adequate education cost?”

G. State Notes – Examples of State Approaches to Special Education Finance

Prepared by the Education Commission of the States, October 2003.

Provides examples of different ways states have incorporated the higher cost of educating a special education student into their financing formulas; highlights the approach taken in seven states – Iowa, New Hampshire, New York, North Carolina, South Carolina, Texas, and Missouri.

2. New Jersey Funding

A. “Comprehensive Educational Improvement and Financing Act of 1996” (CEIFA)

P.L.1996, c.138 (C.18A:7F-1 et al.)

A copy of the current State law on school funding.

B. Brief Explanation of CEIFA

Prepared by the Office of Legislative Services.

C. Background Paper: State School Aid and Educational Outcomes for Abbott Districts

Prepared by the Office of Legislative Services, 2003.

Provides a description of some of the significant factors involved in the provision of State school aid to Abbott districts, the purposes for which the aid has been provided and a table describing the scores of Abbott district students and students in the District Factor Groups “I” and “J” districts on the Elementary School Proficiency Assessment (ESPA).

D. Background Paper: Special Education: State and Federal Requirements and Aid

Prepared by the Office of Legislative Services, 2004.

Provides a brief history of the development of the State legislative and regulatory framework under which special education aid was initially provided and a brief overview of the federal regulatory framework which now preempts state law. The backgrounder also provides a detailed description and analysis of State and federal aid covering the 8 years since State special education aid was first calculated under CEIFA.

E. Funding Education Under the Quality Education Act of 1990

Prepared by the New Jersey Department of Education, Division of Finance, June 1991.

Booklet prepared to increase understanding of the QEA enacted in July 1990, with amendments in March 1991.

F. Draft Report of the CEIFA Ability-to-Pay Subcommittee

Prepared by the CEIFA Ability-to-Pay Subcommittee, September 1999.

This group was brought together by Governor Whitman and the legislative leadership to study the impact of CEIFA on local school communities. The Department of Education provided the subcommittee with a report comparing the equalized property tax paid in each public school district, for its base T & E budget, to the median income in each of the communities served by the districts. Based on the report, the subcommittee found that the CEIFA formula does not adequately measure a district’s ability to pay and compensate districts fairly through the application of State aid. Includes 9 recommendations.

G. Report and Recommendations of the Commissioner's Summer Work Group –
Special Education

Prepared by the Summer Work Group, September 10, 1999.

This group was brought together by Governor Whitman and the legislative leadership to study the impact of CEIFA on local school communities. The report discusses issues related to CEIFA and its approach to funding special education. Ten findings and recommendations are included.

H. Report of the Stabilization Aid Committee to the Commissioner of Education

Prepared by the Stabilization Aid Committee, September 8, 1999.

This group was brought together by Governor Whitman and the legislative leadership to study the impact of CEIFA on local school communities. The report discusses stabilization aid under CEIFA which was to provide a gradual reduction in State aid in order to move districts from enrollment and wealth figures that were several years old to current data. Stabilization aid was designed to be phased out over the first few years of CEIFA. Includes a recommendation on State school aid entitlement for districts.

I. CEIFA Transportation Study Group Final Report – Executive Summary

Prepared by the CEIFA Transportation Study Group, September 10, 1999.

This group was brought together by Governor Whitman and the legislative leadership to study the impact of CEIFA on local school communities. The report discusses CEIFA transportation aid formula and possible changes to that calculation; the school transportation efficiency plan contained within CEIFA; the busing of children for safety reasons who live less than remote from their school; nonpublic school transportation issues; retirement of school vehicles; subscription busing; and the renewal of transportation contracts. Includes six recommendations.

J. A School Funding Proposal of the Education Task Force

Prepared by the Education Task Force, March 21, 1994.

This task force was appointed by Governor Whitman. This proposal provides for a permanent funding formula. The cornerstone of the general school aid program would consist of a two-tiered formula which would include a moderate foundation program and a guaranteed tax base approach to support limited local leeway spending. The aid formula additionally addressed: pension/FICA issues; special needs districts; spending caps; categorical aid programs; and annual total aid increases.

K. Beginning Discussions on School Funding Reform

Prepared by various education interest groups, March 27, 2006.

Contributors include the New Jersey School Boards Association, New Jersey Education Association, New Jersey Principals and Supervisors Association, New Jersey Association of School Business Officials, New Jersey Association of School Administrators, New Jersey Parent Teachers Association, Garden State Coalition of Schools, and the Education Law Center.

Explains why a new funding formula is needed, suggests some principles for a fair and equitable formula, and recommends a process that might be used to develop a new school funding formula.

L. Final Report of the Assembly Task Force on the Funding of Education

Prepared by the Assembly Task Force on the Funding of Education, July 16, 1996.

Task force was required to develop recommendations as to how the State could fulfill its constitutional mandate of a thorough and efficient education in the most economical and equitable fashion possible, but rather than reinvent the wheel the task force chose to accept the Commissioner of Education's proposal (the precursor to CEIFA) as the basis of its analysis and make recommendations to that proposal.

M. Financing New Jersey Public Schools

Prepared by the Education Funding Review Commission, July 1994.

The Education Funding Review Commission was established pursuant to the "Public School Reform Act of 1992," P.L.1993, c.7, to examine the issue of school finance and to make recommendations for the reform of school funding.

The controversy surrounding the QEA was the initial catalyst for the creation of the commission, but the suspension of certain provisions of that law following the 1992-1993 school year meant that the commission was confronted with the task of crafting a new funding statute. The report includes general recommendations on: the type of formula; various specific aid categories; budget caps; timing of pupil counts; grade weighting; wealth measure; regional adjustments; phase-in of parity aid; required local effort; elimination of the budget vote for a budget which does not exceed the district's foundation level; teachers' pension and social security.

N. Report of New Jersey Legislative Task Force on Special Education

Prepared by the New Jersey Legislative Task Force on Special Education, December 22, 1995.

Issues associated with the funding and the delivery of services for special education. Contains an analysis of factual information concerning the existing status of special education in NJ and 62 specific recommendations for the improvement of the system.

O. Final Report of the New Jersey State and Local Expenditure and Revenue Policy (SLERP) Commission – Executive Summary

Prepared by the SLERP Commission, 1988.

The SLERP Commission was established by P.L.1984, c.213, to conduct a systematic and comprehensive review of the State and local tax structure, the structure of State and local expenditures, and mandated spending formulas.

Report finds that significant improvements in educational performance will not occur until we reduce spending disparities among school districts. Recommendations include: reducing disparities among districts and improving student performance; improving the quality of physical facilities; enhancing the attractiveness of teaching as a profession; addressing the need for early childhood education; and a change to current year funding in the equalization aid program and increased compensatory and debt service aid.

P. School Funding Bills Introduced in the 2006-2007 Legislative Session
Prepared by the Office of Legislative Services, July 2006.

3. Litigation

A. Background Paper: New Jersey Supreme Court Abbott Decisions

Prepared by the Office of Legislative Services, 2006.

Provides a brief overview of each of the Supreme Court's Abbott decisions, from Abbott I decided in 1985 to an order issued by the court on May 22, 2006.

B. Education Finance Litigation: History, Issues, and Current Status

Prepared by the National Conference of State Legislatures, 2006.

Primer on the history of school finance litigation on the federal level and on the state level.

C. State Notes - School Funding Adequacy Cases

Prepared by the Education Commission of the States, February 2005.

Chart providing information on the 50 states on: whether adequacy suits have been filed; the name of the most recent case; final court decision; and whether adequacy studies were initiated.

D. Litigation Overview

Prepared by the National Access Network, Teacher's College, Columbia University, 2006.

Provides brief national historical background on lawsuits challenging state methods of funding public schools.

4. Regionalization and Shared Services

A. Background Paper: Regional School Districts: Apportionment of Costs in the Constituent Municipalities.

Prepared by the Office of Legislative Services, 2005.

B. Finding Opportunities for Improvement: Ideas on Regionalization and Shared Services

Prepared by the Regionalization Consortium and the Commission on Business Efficiency of the Public Schools, December 1995.

Provides recommendations in the areas of regionalization and shared education and support services.

C. Findings and Recommendations of the Assembly Task Force of School District Regionalization

Prepared by the Assembly Task Force of School District Regionalization, February 25, 1999.

Explores issues such as: apportionment of costs; incentives and disincentives for regionalization; the financial impact of State aid on regionalization; and costs savings to taxpayers. Includes 27 recommendations.

5. Education Statistics

A. Public Education Finances 2003

Prepared by the United States Census Bureau, March 2005.

Contains financial statistics relating to public elementary-secondary education and includes national and state financial aggregates and displays data for each public school system with an enrollment of 10,000 or more.

B. Vital Education Statistics 2004-2005

Prepared by the New Jersey Department of Education, 2006.

Includes: local district and school organization data, charter schools, and selected program enrollments; student enrollments Statewide; student dropouts and dropout rates; high school graduate data; certificated staff data; non-certificated support staff data by position; and school count, enrollment, and program data for identified nonpublic schools.

C. Finance Snapshots

Prepared by Education Week, "Quality Counts." Vol. 24, Issue 17, p. 62-73.

Provides information on the 50 states regarding their school finance formula.

6. Miscellaneous

A. "Property Tax Solutions."

Prepared by Monmouth University Polling Institute. July 23, 2006.

Results of a recent poll asking New Jersey residents how willing they were to accept a mix of 11 potential mechanisms for lowering property taxes.

B. "Runaway Pay."

Prepared by The Record. July 2006.

Results of a recent poll commissioned by The Record to assess both public opinion on government-worker compensation and voters' knowledge of what people in the public sector make.

Appendix 3. Individuals And Organizations Who Testified Before The Joint Committee

August 10, 2006

- Dr. Ted Settle, Principal Research Analyst, New Jersey Office of Legislative Services

August 22, 2006

- Molly A. Hunter, Director, National Access Network at Teachers College, Columbia University
- Michael Griffith, Education Finance Consultant, National Conference of State Legislatures

August 29, 2006

- Katherine Attwood, Director, Office of Fiscal Policy and Planning, New Jersey Department of Education
- Stanley M. Sanger, Superintendent, Union City School District
- Dr. Robert Previti, Superintendent, Brigantine School District

September 5, 2006

- David G. Sciarra, Education Law Center
- Betsy Ginsburg, Garden State Coalition of Schools
- Judith B. Peoples, Joint Council of County Special Services School Districts
- Barry J. Galasso, New Jersey Association of School Administrators
- Richard R. Dorow, New Jersey Association of School Business Officials
- Jessani Gordon, New Jersey Charter Public Schools Association
- Judy Savage, New Jersey Council of County Vocational-Technical Schools
- Joyce Powell, New Jersey Education Association
- Debra J. Bradley, New Jersey Principals and Supervisors Association
- Michael A. Vrancik, New Jersey School Boards Association

September 12, 2006

- Mary Fulton, Policy Analyst, Education Commission of the States
- Barbara Gantwerk, Acting Assistant Commissioner, Division of Student Services, New Jersey Department of Education
- Raymond J. Brosel, Jr., Superintendent, Voorhees Township Public School District

September 19, 2006

- Dr. John Yinger, Trustee Professor of Public Administration and Economics and Director of the Education Finance and Accountability Program, Center for Policy Research at the Maxwell School, Syracuse University
- Dr. Jay G. Chambers, Senior Research Fellow/Managing Director, Education Finance Business Development Group in the Education Program, American Institutes for Research

September 26, 2006

- Donna Arons, Special Assistant to the Commissioner, New Jersey Department of Education
- Katherine Attwood, Director of the Office of Fiscal Policy and Planning, New Jersey Department of Education
- Jessica G. deKoninck, Director, Legislative Services, New Jersey Department of Education

October 3, 2006

- Judge Richard F. Wells, Administrative Law Judge, Office of Administrative Law
- Dr. Thomas Parrish, Managing Director, American Institutes for Research

- Cathy Montcrief, New Jersey School Boards Association
- Toni J. Gotthilf, New Jersey Association of School Administrators
- Diana Autin, Statewide Parent Advocacy Network
- Mark J. Finkelstein, Middlesex Regional Educational Services Commission
- Gerald M. Thiers, ASAH (Association of Schools and Agencies for the Handicapped)

October 10, 2006 (Public Hearing)

- Robert T. McDermott, Monsignor, Diocese of Camden, Representing New Jersey Catholic Conference and Pastor, St. Joseph Pro-Cathedral
- Dennis Nettleton, Business Administrator, Board of Education, Ewing Township
- Jonathan Savage, President, Board of Education, Ewing Township
- Thomas V. Yarnall Jr., Representing South Jersey Citizens for Property Tax Reform
- Lisa Winter, Member, Board of Education, Bernards Township
- Jonathan A. Marshall, Private Citizen
- Stuart Chaifetz, Representing Special Education Alliance
- B. Thomas Byrne Jr., Private Citizen
- Anne Hainsworth, Representing Gloucester City Coalition for Education, and Member, Board of Education, Gloucester City
- Dolores Szymanski, Superintendent, Burlington County Institute of Technology
- Joyce Powell, President, New Jersey Education Association, and Chairperson, Special Education Review Commission
- Toni Hopkins, Vice President, Executive Board, Garden State Coalition of Schools
- Lynne Strickland, Executive Director, Garden State Coalition of Schools
- Mary Ellen Procaccini, Director, New Jersey Network of Catholic School Families
- Mary Moyer, President, New Jersey Association of School Librarians
- John J. Szabo, Ed.D., Superintendent, Washington Township Public Schools

- Rohn Hein, Representing, New Jersey Regional Coalition
- Jan P. Kristbergs, President, New Jersey Association of Lifelong Learning, and President, Ocean County Community Education Advisory Council, and Adult School Principal/Student Services Supervisor Southern Regional School District
- Reverend Carl Browne Jr., Director, Christian Education, Saint Mark Lutheran Church
- Bill Love, Private Citizen
- Edward Harrington Heyburn, Member, East Windsor Nonpublic School Transportation Task Force
- Joshua Berry, Chairman, South Jersey Citizens for Property Tax Reform
- Joe McConaghy, Private Citizen
- Frank Ward, Former Mayor, Audubon
- Edward Dodson, Private Citizen
- Gulab Gidwani, Private Citizen
- Raymond J. Shipella, Private Citizen
- John Scanlon, Private Citizen
- George Denich, Private Citizen
- Greg Smith, President, Buena Regional Education Association
- Margaret Jackson, Vice President, Camden County Retired Educators Association
- Alfred H. Beaver IV, President, Kingsway Education Association
- Salvatore Emburgia, President, Vineland Education Association
- Trudy Lockspeiser, President, Voorhees Township Education Association
- Anthony Piccone, Private Citizen
- Nick Naum, Private Citizen
- John Welsh, Private Citizen
- Arthur Ball, Vice Chairperson, Special Education Review Commission
- William England, Founder, Special Education Leadership Council
- Ilise L. Feitshans, Esq., Private Citizen
- Gregory A. Bruno, Representing South Jersey Citizens for Property Tax Reform
- Vic Bellace, Private Citizen

- Joanne McKeown, Private Citizen
- Charles Lehman, President, Board of Education, Borough of Oaklyn
- Rich Wolf, Private Citizen
- Warren Strumpfer, Private Citizen
- John Kendall, President, Camden County School Board Association, and Member Board of Education Haddon Township
- Daniel Freehling, Private Citizen

October 17, 2006 (Public Hearing)

- Frank Mikorski, Member, South Plainfield Senior Men's Forum
- Edgar M. da Cunha, Auxiliary Bishop of Newark, Office of the Regional Bishop for Essex County, Archdiocese of Newark
- Mary T. McElroy, Representing New Jersey Network of Catholic School Families, and New Jersey Catholic Conference
- Jim O'Neill, Superintendent, Chatham School District
- Jessani Gordon, Executive Director, New Jersey Charter Public Schools Association
- Monica Gallaro, Student, Union County Vocational Adult High School
- Ronald Santos, Graduate, Union County Vocational Adult High School
- Esther Fletcher, Councilwoman, River Edge
- Pamela Giacchi, Private Citizen
- Elisabeth Ginsburg, President, Board of Education, Glen Ridge Public Schools, and Board Member, Garden State Coalition of Schools
- Dana Rone, Council Member, Newark Central Ward Council
- Jerry Cantrell, President, Silver Brigade of Morris County
- John C. Alfieri Jr., Private Citizen
- Jeff Erven, Private Citizen
- Halina Erven, Private Citizen
- Bonnie Weeks, Private Citizen
- Nicholas Weeks, Private Citizen

- Alfred J. Annunziata, Superintendent and Principal, Hope Township School District
- Jacqui Greadington, President, East Orange Education Association
- Reverend Reginald T. Jackson, Executive Director, The Black Ministers' Council of New Jersey
- Cecilia Zalkind, Executive Director, Association for Children of New Jersey
- Paul V. Tyahla, Vice President, Government Affairs and Communications, Commerce and Industry Association of New Jersey
- Paula S. Lieb, Esq., President and CEO, New Jersey Coalition for Inclusive Education, Inc.
- Tamerla Lawrence, Private Citizen
- Susan Carlsson, Member, Board of Education, Bernards Township
- Elisa Luciano, Private Citizen
- Deborah J. Grefe, Elementary Principal, Fernbrook School, Randolph Township Schools
- Christine Fano, Private Citizen
- Jonathan Hodges, Member, Paterson Board of Education
- Frank Gargiulo, Superintendent, Hudson County Schools of Technology
- Thomas F. Killeen, Ed.D., Assistant Principal, Hudson County Schools of Technology
- Jorge G. Hansel, Private Citizen
- Junius W. Williams, Director, Abbott Leadership Institute
- Kathleen Witcher, President, Irvington NAACP
- Ruth Lowenkron, Esq., Representing Education Law Center, and New Jersey Special Education Practitioners
- Carolann Garafola, Mayor, Township of Warren, and Principal, Horizon High School
- Mary Louise Malyska, Ph.D., Superintendent of Schools, Watchung Borough
- Anna Taliaferro, President, New Jersey Association of Parent Coordinators

- Donna Jackson, Private Citizen
- Evelyn I. Rodas, Private Citizen
- Caroline Knauss, Chairperson, School Finance Committee, New Jersey Education Association
- Michael Cohan, Chair, New Jersey Professional Teaching Standards Board, and Coordinator Staff Development, Union Township School District
- Peter McKeegan, Private Citizen
- Rex F. Shaw, Ed.D., Director, Teaneck Community Charter School
- Richard Snyder, Executive Director, Dollar\$ & Sense
- Diane DeMarzo, Private Citizen
- Robin Sims, Representing Epilepsy Foundation, and Parent Advocate Autism Center
- University of Medicine and Dentistry of New Jersey, and Vice President VOR
- Susie S. Douglas, Private Citizen
- Nanette Harrington, Private Citizen
- Ronald Lee, Chief Financial Officer, and School Business Administrator, Newark Public Schools
- Linda Ferrara, Private Citizen
- Wilhelmina Holder, Private Citizen
- Kevin J. Brothers, Ph.D., Executive Director, Somerset Hills Learning Institute
- Nancy J. Byrne, President, Parents Association of the Midland School
- Emerson Simmons, Private Citizen
- Deborah Schmalz, Private Citizen
- Annette Allston, President, Newark Teachers' Association
- Adela Maria Bolet, Private Citizen
- Cheryl O'Brien, Principal, Thomas A. Edison Intermediate School
- Nina Rivera, Private Citizen

October 24, 2006

- Lucille E. Davy, New Jersey Commissioner of Education
- Dr. John Augenblick, President of Augenblick, Palaich and Associates, Inc.
- Allen Dupree, Manager of Policy and Research, Office of School Funding,
Department of Education