ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2003 - 2004 BUDGET

DEPARTMENT OF EDUCATION

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
APRIL 2003
This report was prepared by the Education Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Theodore C. Settle.

Questions or comments may be directed to the OLS Education Section (609 984-6843) or the Legislative Budget and Finance Office (609 292-8030).
**Fiscal Summary ($000)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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**Personnel Summary - Positions By Funding Source**

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<tr>
<th></th>
<th>Actual FY 2002</th>
<th>Revised FY 2003</th>
<th>Funded FY 2004</th>
<th>Percent Change 2003-04</th>
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<td>489</td>
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<td>Federal</td>
<td>249</td>
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<td>957</td>
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<td>952</td>
<td>10.4%</td>
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FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

**Introduction**

The Department of Education is responsible for the governance of the public schools, the system under which instruction will be provided to over 1.45 million students in FY 2004. The department's responsibilities include allocating $6.8 billion in State school aid to local districts in FY 2004, exclusive of pension and social security costs paid by the State on behalf of teaching staff members. Under the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), the Department of Education is responsible for the development of a framework of educational guidelines, the Core Curriculum Content Standards, that define what constitutes a thorough and efficient education. Using these guidelines and the funding provisions of CEIFA, the department is responsible for calculating each year the amount that each district is required to spend to provide a thorough and efficient education for the students in its district (the district's T and E
Introduction (cont'd)

budget), and to calculate the amount of aid the State will provide to each district and distribute that aid, calculate the amount of the T and E budget that has to be raised by a local tax levy, and oversee local district operations including a review and audit of local district budgets.

Key Points

- The total recommended FY 2004 budget for the department (excluding federal and other funds) is $8.162 billion, an increase of $376.5 million (4.7 percent) over the FY 2003 adjusted appropriation of $7.794 billion. Direct and indirect State aid to local districts totals $8.1 billion, comprising $6.2 billion in formula aid, $703 million in other school aid, and $1.2 billion in local school employees' pension and benefits payments. The department's operating budget is $59 million.

- As in FY 2003, and with certain exceptions noted below, the department did not calculate the proposed aid amounts for school districts by using the aid formulas found in CEIFA. The recommended FY 2004 budget provides that each school district will receive the same amount of State aid in FY 2004 as it did in FY 2003 in the following aid categories: Core Curriculum Standards Aid; Supplemental Core Curriculum Standards Aid; Early Childhood Program Aid; Demonstrably Effective Program Aid; Instructional Supplement Aid; Stabilization Aid; Stabilization Aid 2; Stabilization Aid 3; Large and Efficient District Aid; Aid for Districts with High Senior Citizen Populations; Regionalization Incentive Aid; Bilingual Education Aid; Special Education Aid; County Vocational Program Aid; Transportation Aid; and Aid for Enrollment Adjustments. In addition, each school district will receive Consolidated Aid as described below.

- The recommended FY 2004 budget provides a new category of aid, Consolidated Aid. Consolidated Aid recommended for FY 2004 totals $148.5 million. This aid category is funded by combining $87.6 million in FY 2003 appropriations for three discontinued or reduced aid programs and adding $64 million. The three aid programs include: Distance Learning Network Aid ($59.2 million in FY 2003); Rewards and Recognition ($9.96 million in FY 2003); and the non-county vocational school component of the Adult and Postsecondary Education Grants ($18.4 million in FY 2003). The $64 million in added funding consists of an additional amount of $50 million for non-Abbott districts and $14 million for Abbott districts and provides a total aid amount of $151 million. Of this total, approximately $2.78 million will fund the FY 2004 recommended increase in School Choice Aid and, as indicated above, $148.5 million will be distributed as Consolidated Aid.

- Consolidated Aid (see budget language, page D-120), will be distributed to each school district at the greater of $109.72 per pupil, using the department's projection of the district's October 2003 resident enrollment (School Year 2003-04), or the aid each district received in FY 2003 in Distance Learning Network Aid, Rewards and Recognition and Adult and Postsecondary Aid. However, districts in District Factor Group "I" or "J" are to receive Consolidated Aid in an amount which equals the sum of the FY 2003 aid amounts for Distance Learning Network Aid, Adult and Postsecondary Education Grants and Rewards and Recognition. Students enrolled in adult and postsecondary education programs are not included in a district's resident enrollment, so districts with a large Adult and Postsecondary Education Grant amount in FY 2003 will not likely have an aid increase under Consolidated Aid.

- As authorized by FY 2003 budget language, the Governor has announced his intent to
withhold the last State aid payment, June 22, 2003, of about $296 million. Recommended FY 2004 budget language, page D-137, appropriates from FY 2004 school aid appropriations the amount necessary to satisfy the June 22, 2003 State aid payment which will be made July 7, 2003 (the date cited in March 31, 2003 memorandum from the department to Chief School Administrators).

- Recommended FY 2004 budget language authorizes the State to again withhold the final State school aid payment next year (June 2004). Recommended FY 2004 State school aid appropriations are insufficient to fund both the final FY 2003 aid payment and the full amount of FY 2004 school aid entitlements, indicating that the June 2004 final school aid payment will be shifted to the following year's State budget. A new budget item, "Growth Savings--Payment Change" represents a $5 million FY 2004 school aid savings, one-twentieth of the $100 million increase in school aid, that would result from this year’s school aid payment shift.

- The recommended FY 2004 appropriation for Additional Abbott v. Burke State Aid is $401.8 million. Budget language on page D-120 requires this aid to first be used to fully fund the State's obligation for Abbott v. Burke Parity Aid and approved early childhood operational plans in Abbott districts. The department projects that $193 million is needed for Abbott v. Burke Parity Aid in addition to the $512.7 million recommended in the FY 2004 line item for Abbott v. Burke Parity Aid. The reallocation from Additional Abbott v. Burke State Aid to Abbott v. Burke Parity Aid will leave about $209 million for approved early childhood operational plans in the Abbott districts and to maintain court ordered supplemental programs funded under Additional Abbott v. Burke State aid. For FY 2002, the expenditure in this aid category was $367.6 million, and for FY 2003 the adjusted appropriation is $365.5 million.

- FY 2004 budget language requires Abbott districts, as a condition of receiving Additional Abbott v. Burke State Aid, to have a general fund tax levy that is not less than the prior year's general fund tax levy increased by such amounts as the commissioner determines would not result in a combined municipal, county and school tax levy that substantially exceeds the State average combined tax levy for 2002. For FY 2003, language required only that Abbott districts have a general fund tax levy that was not less than the prior year's general fund tax levy.

- The recommended FY 2004 appropriation for Payments for Institutionalized Children -- Unknown District of Residence is $17.2 million, an increase of $3.6 million over the FY 2003 adjusted appropriation.

- The recommended FY 2004 appropriation for Charter School Aid is $9 million, a decrease of $5.4 million (37.2 percent) from the FY 2003 adjusted appropriation of $14.5 million. The amount estimated by the department for Charter School Aid for FY 2003 was greater than that actually needed ($3.4 million placed in reserve). Also, for FY 2004 each resident district’s program budget per pupil amount will be recalculated by the department as required under the law. The per pupil program budget amount in FY 2003 was kept at the FY 2002 level.

- Non-public school aid recommended in the FY 2004 budget totals $95.3 million, a decrease of $5.6 million from the FY 2003 adjusted appropriation of $100.9 million.
Key Points (cont’d)

Nonpublic Auxiliary Services Aid is reduced by $4.2 million and the recommended per pupil amount for the Nonpublic Technology Initiative Aid is $30, compared with $40 in FY 2003.

- The FY 2004 budget restores $2 million in funding for Teacher Quality Mentoring.

- The recommended FY 2004 budget provides $510.4 million for local school district retirees' post-retirement medical benefits. No funding is recommended for FY 2004 State aid for the employers' contribution (estimated to be $481.9 million) to the Teachers Pension and Annuity Fund on behalf of local school districts. However, the administration intends to partially fund these costs through the use of $96 million in Benefit Enhancement Fund reserves, and to delay payment on the remainder.

- The recommended FY 2004 appropriation for Facilities Planning and School Building Aid is $242.2 million, an increase of $84.8 million (53.9 percent) over the FY 2003 adjusted appropriation of $157.4 million.

Due to a decline in the cost of obligations incurred prior to the enactment of the "Educational Facilities Construction and Financing Act", the recommended FY 2004 appropriation for School Building Aid Debt Service and School Building Aid is $130.7 million, a decrease of $11.7 million (8.2 percent) from the FY 2003 adjusted appropriation of $142.4 million.

The recommended FY 2004 appropriation for the School Construction and Renovation Fund is $111.5 million. This aid is to fund school facilities construction under the "Educational Facilities Construction and Financing Act."

- Federal funds are estimated to total $792.1 million in FY 2004, an increase of $53.6 million (7.3 percent) over the FY 2003 estimate of $738.5 million.

Federal funds for special education are estimated to total $285.3 million, an increase of $28.3 million (11 percent) over the FY 2003 estimated total of $257 million.

Federal funds for Title I are estimated to total $309.4 million, an increase of $20.9 million (7.3 percent) over the FY 2003 estimated total of $288.4 million.

- The estimated public school resident enrollment for FY 2004 is 1.45 million, an increase of approximately 31,000 (2.2 percent) over the revised FY 2003 public school resident enrollment of 1.42 million.

- The estimated FY 2004 average per pupil support (per local budgets, and State aid including core curriculum standards aid, debt service, transportation aid, all categorical aid, and pension/Social Security contributions) is $13,413, an increase of $516 (4 percent) over the revised FY 2003 average per pupil support of $12,897.

The average local share of the estimated FY 2004 average per pupil support is $7,391, an increase of $360 (5.1 percent) over the revised FY 2003 average local share amount of $7,031.
Key Points (cont’d)

The average State share of the estimated FY 2004 average per pupil support is $5,580, an increase of $142 (2.6 percent) over the revised FY 2003 average State share amount of $5,438.

The average percent local share of the estimated FY 2004 average per pupil support increases to 55.1 percent compared to the revised FY 2003 average percent share of 54.5 percent.

The average percent State share of the estimated FY 2004 average per pupil support decreases to 41.6 percent, compared to the revised FY 2003 average percent State share of 42.2 percent.

Background Paper

- State School Aid and Educational Outcomes for Abbott Districts p. 55-79
Program Description and Overview

Department of Education Operations

The recommended FY 2004 appropriation for the Department of Education operations is $59.1 million. In addition to this amount from the General Fund, budget language, page D-119, provides that "the commissioner may deduct from the State aid of any 'Abbott district' the expenses required to manage, control and supervise the implementation of that State aid." Pursuant to regulations, N.J. A.C. 6A:24-1.4(m), "As provided in the annual Appropriations Act, there shall be a deduction from State aid of the expenses required to manage, control and supervise the implementation of that State aid. Such expenses may include, but shall not be limited to, the cost of SRI Teams assigned to the district and such consultants, developers, investigators or experts as may be required for this purpose. The board shall budget for this purpose an amount equal to two percent of the district's Abbott v. Burke Parity Remedy funding. Such deduction shall support expenses required to manage, control and implement the effective and efficient expenditure of State aid, including implementation of the educational reforms directed by the Court. Pursuant to the above language, an additional $14 million is available to the department in FY 2004 for its operations, with this additional amount specifically for its supervision of the Abbott districts.

The revision of the overview for the Department of Education included in the FY 2004 recommended budget, reflects a major initiative of the Commissioner of Education in FY 2003, that included both a change in the mission and the reorganization of the department. The Department’s primary and immediate objective is to realize the goal that every child will read at or above grade level by the end of third grade. As part of the reorganization of the department and in an effort to move certain operations of the department closer to district operations, the State was divided into three regions: South, North and Central, with an assistant commissioner in charge of each region. The county superintendents were placed under the assistant commissioner of their region. In addition, a new assistant commissioner position was created, the Assistant Commissioner for Abbott Implementation (see organization chart, page 17).

A continuing major task for the Commissioner of Education in FY 2004 and each year thereafter is compliance with the new federal law, "No Child Left Behind Act of 2001." Under the federal law, there are certain key implementation deadlines.

- By the fall of 2002, states and districts were required to issue report cards to the public which, in part, provide information on achievement in math and reading/language arts, on both an aggregated basis and disaggregated by race/ethnicity, disability, socioeconomic level, gender, migrant status, and limited English proficiency.

Other requirements under the federal law include:

- the adoption of a single statewide accountability system (using the 2001-02 school year as the base year) for defining "adequate yearly progress" for all public school students (charter school students are included) based on academic indicators -- reading/language arts and math. While a date by which such a system has to be implemented is not specified, the State is required to use the 2001-02 school year as the base year and issue report cards beginning in the fall of 2002 (see discussion point 6, page 50 of this document);

- test students in grades 3 through 8 annually in reading or language arts and mathematics beginning in 2005-06 and, beginning in 2007-08, test students in science at least once during each of the following grade spans -- 3-5, 6-9 and 10-12 (see discussion point 7, page 50 of this document);
by the year 2002-03, State plans must demonstrate that school districts will provide an annual assessment of the English proficiency (oral, reading and writing skills) of all limited English proficient students;

- develop a plan to identify and address the schools and districts which are "under-performing." The time line for implementation of this plan is related to the implementation of the annual yearly progress measures. Once implemented, a school that is identified as not meeting annual yearly progress measures for two consecutive years must be identified as "needing improvement." Technical assistance is to be provided to these schools and school choice options must be provided to students in these schools. Additional and more severe consequences are faced by any school that fails to meet annual yearly progress for four consecutive years and again for five consecutive years (see discussion point 6, page 50 of this budget analysis); and

- participation, beginning in the 2002-03 school year, in the National Assessment of Educational Progress testing every other year in grades 4 and 8 for reading and mathematics.

- To date, the department is either on or slightly ahead of schedule with respect to implementing the requirements of the federal law.

A major program responsibility of the Department of Education is to develop and recommend appropriation amounts for State aid to school districts and to determine how the appropriated amounts are to be allocated. Under the "Comprehensive Educational Improvement and Financing Act of 1996," P.L.1996, c. 138 (C.18A:7F-1 et seq.), provision is made for an ongoing review of the core curriculum content standards. It is through conformance with these standards, that CEIFA envisions the offering of an educational content in the school which will "ensure that all children are provided the educational opportunity needed to equip them for the role of citizen and labor market competitor in the contemporary setting."

As part of this review, the Commissioner of Education is to develop and establish efficiency standards which define the types of programs, services, activities, and materials necessary to achieve a thorough and efficient education. CEIFA requires the Governor, after consultation with the commissioner, to recommend to the Legislature through the issuance of the biennial Report on the Cost of Providing a Thorough and Efficient Education (Biennial Report) certain per pupil amounts to be used in calculating the costs of providing a thorough and efficient education in all districts in the State. Based on these per pupil amounts and an amount initially set in CEIFA for Core Curriculum Standards Aid, adjusted each year in accordance with annual percent changes in enrollment as projected by the Department of Education, and the CPI, the department develops and recommends to the Legislature appropriations which are required to provide aid to and for the school districts. The March 2002 Biennial Report which is effective for the FY 2004 budget states: "We continue to hear concerns regarding the adequacy and fairness of CEIFA. To address these concerns, the department has begun a deliberate and collaborative process of meeting with a cross section of stakeholders to explore options for revising the current funding system. It is our plan to have a final proposal completed in time for fiscal 2004-05. In the meantime, work is progressing on interim solutions for fiscal 2004 to address some of the more urgent concerns. Because of the need to complete this report to meet the statutory requirement, none of those ideas is incorporated in these recommendations. Rather, in recognition of the almost universal desire to make fundamental changes to the CEIFA funding system in the near future, we suggest only inflationary changes to the current CEIFA cost factors. Consequently, all of the recommended changes reflect use of the current CPI to increase the 2001-02 cost factors, except the T&E amount. In this case, the CPI was used to increase the cost factor included in districts' FY 2003 budgets." (p. 2) However,
Program Description and Overview (Cont’d)

the recommended increases in the CEIFA cost factors established in the March 2002 biennial report for the 2003-04 school year are not included in the recommended FY 2004 budget. Pursuant to language in the Governor’s recommended FY 2004 budget, with certain exceptions to be noted in this report, each district will receive no less than the cash State aid the district received in FY 2003 and FY 2002.

Education Funding

In FY 2004, the total recommended appropriation from all sources for the Department of Education is $8.984 billion. This includes $8.162 billion in State funds -- $5.371 billion from the Property Tax Relief Fund, $2.791 billion from the General Fund -- plus $792 million from federal funds and $29.6 million from "other funds." The total recommended FY 2004 appropriation from State funds of $8.162 billion represents an increase of $367.5 million (4.7 percent) over the FY 2003 adjusted appropriation of $7.794 billion.

The principal source of revenue for department funding and for aid to school districts is the Property Tax Relief Fund, which is the Fund into which receipts from the Gross Income Tax are deposited. Deposits into this Fund may be used only for property tax relief. The other major source of funds for State aid to school districts is the General Fund. Depending on the recommended total appropriation needed for funding thorough and efficient education and categorical and special aid programs and the receipts from the Gross Income Tax, appropriations from the General Fund change (see Figure 1). As can be seen from Figure 1, between FY 1998 and FY 2001 appropriations to provide State aid for education were increasingly derived from Gross Income Tax revenues. However, in FY 2002 and continuing with the revenue estimate for FY 2004, lower revenues from the Gross Income Tax have meant that greater reliance had to be placed on the General Fund to provide State aid for education.

State Aid To Or On Behalf Of Local Districts

Under CEIFA, the Department of Education is responsible for recommending (through the annual budget) how the revenues available are to be distributed to school districts to achieve a

![Figure 1: Education Revenue Sources](image-url)
Program Description and Overview (cont’d)

thorough and efficient education. Figure 2 charts the major categories of State aid to or on behalf of local districts from State funds that in FY 2004 total $8.019 billion. A summary of each of these categories follows.

![Figure 2: Major Categories of State Aid](chart)

**School Aid Based on District Wealth**

The greatest amount of State aid distributed to local districts is based on a district’s relative wealth (equalized property value and aggregate income) and its resident enrollment – **Core Curriculum Standards Aid**. The recommended FY 2004 appropriation for Core Curriculum Standards Aid (CCSA) is $3.1 billion. The calculation of a district’s CCSA is determined first by calculating the total amount available for CCSA. Then based on a district’s wealth relative to all other districts in the State and the district’s resident enrollment, a calculation is made to determine each district’s CCSA entitlement, if any. A relative measure of the wealth of the districts in the State is found in the District Factor Group categories (DFG), with DFG "A" being the lowest wealth districts and DFG "J" the highest wealth districts. In FY 2004, the Governor’s budget recommends that CCSA be distributed using the same district wealth factors used in both FY 2002 and FY 2003 (See Figure 3, Core Curriculum Standards Aid by District Factor Group).
Another wealth-based program is **Supplemental Core Curriculum Standards Aid (SCCSA)**. SCCSA is given to those districts with a high concentration of low-income pupils and a minimum equalized tax rate that exceeds by at least 10 percent the minimum equalized tax rate for the State as a whole. The FY 2004 recommended SCCSA appropriation is $251.8 million which provides assistance to communities to stabilize the tax impact of significant changes in enrollment and wealth (see figure 4, Supplemental Core Curriculum Standards Aid, also by District Factor Group).
Program Description and Overview (Cont'd)

The other wealth-based aid provided to districts is debt service aid. The recommended FY 2004 debt service aid is $242.2 million. Under the "Educational Facilities Construction and Financing Act," P.L.2000, c.72, debt service aid for districts was restructured as follows:

Prior issuance of debt. Local district debt issued for projects approved prior to July 18, 2000 (the effective date of P.L.2000, c.72), will continue to have debt service aid calculated as in past fiscal years, in the same proportion that Core Curriculum Standards Aid is to a district's T and E budget (regular education); for FY 2004 this amount is $130.7 million.

Projects approved after July 18, 2000. For final eligible costs of school facilities projects approved by the commissioner after July 18, 2000, a school district may choose to receive a one-time up-front grant for the project or debt service aid. The minimum amount of aid provided for up-front grants will be 40 percent of the final eligible costs and, for debt service aid, 40 percent of principal and interest costs on school district bonds issued to finance final eligible costs. For FY 2004 this amount is $111.5 million, which is the appropriation to the School Construction and Renovation Fund.

Categorical Aid

The biennial Report on the Cost of Providing a Thorough and Efficient Education issued in March of each even numbered year, in addition to recommending the T and E amounts required for a thorough and efficient education, also recommends the per pupil amounts required to support the costs of categorical and other special aid programs. The per pupil amounts recommended in this report are considered approved for two successive years beginning one year from the subsequent July 1, unless the Legislature adopts a concurrent resolution stating that it is not in agreement with all or any part of the report. As indicated earlier, the per pupil cost factors recommended in the Biennial Report for school year 2003-2004 are not implemented in the Governor's FY 2004 budget. Aid amounts recommended for FY 2004 remain the same as for FY 2002, except for the new line item Consolidated Aid. The recommended FY 2004 appropriation of $148.53 million for Consolidated Aid results from the discontinuance of the Distance Learning Network Aid and Rewards and Recognition Aid and the non-county vocational portion of the Adult and Postsecondary Education Grants and approximately $61 million of the $100 million in new State aid. A summary of the total State aid amounts provided to the districts for some of the categorical aid items is provided in Table 1.

Table 1: Categorical State Aid, FY 2000 to FY 2004
Program Description and Overview (Cont’d)

(Millions of Dollars)

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<th>FY 2001</th>
<th>FY 2002</th>
<th>FY 2003</th>
<th>FY 2004</th>
<th>Percent Change 00-04</th>
<th>Percent Change 03-04</th>
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<td>$9.96</td>
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<td>Consldated</td>
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**Teachers’ Pension and Annuity Assistance Aid**

The State pays, on behalf of local school districts, the full employer's share of Social Security taxes and pension contributions for members of the Teachers' Pension and Annuity Fund (TPAF). The State also pays the cost of post-retirement medical benefits for teaching staff and certain other district employees who retire with at least 25 years of service. The recommended FY 2004 appropriation for Teachers' Pension and Annuity Assistance is $1,208 million, an increase of $203.8 million (20.3 percent) over the FY 2003 adjusted appropriation of $1,004 million. As shown in Figure 5, two components make up the major portion of this State aid to school districts, Social Security taxes and post-retirement medical benefits. An additional $481.9 million for payment of the State’s normal pension contribution was certified by the TPAF actuary as needed in FY 2004; however, the State is paying only about 20 percent ($96.4 million) of that amount which is being funded out of TPAF assets rather than the State budget for FY 2004.
Program Description and Overview (Cont’d)

two additional programs provide aid to districts with high concentrations of low-income pupils. Early Childhood Program Aid (ECPA) is provided to all school districts meeting certain low-income pupil concentration rates for the purpose of providing full-day kindergarten, preschool classes and other early childhood programs and services for all the pupils in the district. The aid is calculated on a per pupil basis in accordance with the amounts set in the Biennial Report. Districts which have a low-income pupil concentration equal to or greater than 20 percent and less than 40 percent of modified enrollment receive aid in FY 2004 in the amount of $506 per district pupil based on projected enrollment for the 2001-2002 school year. Districts which have a low-income pupil concentration equal to or greater than 40 percent receive aid in FY 2004 in the amount of $817 per district pupil based on projected enrollment for the 2001-2002 school year (the last year for which the department calculated this aid).

Demonstrably Effective Program Aid (DEPA) is allocated for the purpose of providing instruction, school governance, and health and social service programs to students in the schools which qualify within a district. Schools qualify for this aid by having a low-income pupil concentration equal to or greater than 20 percent and less than 40 percent of the school’s modified enrollment or by having a low-income pupil concentration equal to or greater than 40 percent of the school’s modified enrollment. Districts with a school or schools in the first category, are recommended to receive aid in FY 2004 in the amount of $327 per pupil in the qualifying school or schools based on projected school enrollments for the 2001-2002 school year (the last year for which the department calculated this aid); districts with a school or schools in the second category, are recommended to receive aid in FY 2004 in the amount of $463 per pupil in the school or schools which qualify based on projected school enrollments for the 2001-2002 school year (the
Program Description and Overview (Cont’d)

last year for which the department calculated this aid).

![Figure 6](image)

Figure 6

ECPA and DEPA for Abbott and Other Districts

FY 2004

Early Childhood Program Aid and Demonstrably Effective Program Aid are important components of the State’s efforts to achieve reform in all districts having low-income pupil concentrations, especially the Abbott districts. Figure 6 shows the recommended FY 2004 appropriation for Early Childhood Program Aid and Demonstrably Effective Program Aid by Abbott and other districts. Information provided by the Department of Education shows that for FY 2004, $330.6 million is allocated to districts for Early Childhood Program Aid, of which $231.9 million (70.1 percent) is allocated to Abbott districts and $97.7 million (29.9 percent) is allocated to the other districts (department totals add up to $329.6 million). For FY 2004, $199.5 million is allocated to districts for Demonstrably Effective Program Aid, of which $121.6 million (61 percent) is allocated to Abbott districts and $77.5 million (39 percent) is allocated to the other districts (department totals add up to $199.1 million). These aid amounts have not changed since FY 2002.

Court Ordered State Aid

Abbott v. Burke Parity Aid is distributed to the Abbott districts as a result of Abbott IV in which the New Jersey Supreme Court required that additional State aid be provided to the Abbott districts to increase the per pupil regular education expenditure in each of those districts to the level of the average per pupil regular education expenditure of the District Factor Groups I and J districts, the 119 highest wealth districts in the State. In Abbott V, the court also provided for Additional Abbott v. Burke State Aid, requiring that half-day preschool programs for three- and four-year olds and full-day kindergarten be implemented in the Abbott districts, along with other ancillary programs, the purpose of which is to address the special educational needs of children coming from low-income and urban neighborhoods. The Court directed the commissioner, upon receipt of demonstrated need from the district, to make efforts to secure and provide the necessary funding.
The recommended FY 2004 budget continues a line item for Abbott districts that was new in FY 2003, Abbott Preschool Expansion Aid, and funds it at the same level as in FY 2003, $142.4 million. In Abbott VI, the Court required that the department, along with the Abbott districts, be more aggressive in seeking out children of pre-school age to be enrolled in the Abbott preschool programs. Total court-ordered aid for Abbott districts in FY 2004 equals $1,056.9 million. See Background paper, pages 55-79 of this report, for a history of Abbott district funding under CEIFA.

**Stabilization Aid**

Under CEIFA a provision is also made for Stabilization Aid. In recognition of the fact that the adoption of a new school aid formula in 1997-1998 as well as annual fluctuations in school district wealth and enrollment would result in some districts receiving less State aid compared with the prior year than needed to continue to plan and function effectively, and that some districts might receive a greater increase in State aid compared to the prior year than that for which the district could effectively plan and budget, provisions of CEIFA permitted the department to calculate aid to provide relative stabilization in the amount of State aid a district receives from one year to the next. In addition, the Legislature has acted each year to provide additional Stabilization Aid. The categories and totals of Stabilization Aid for FY 2004 are found in Table 2.

Table 2: Stabilization Aid

15
### Program Description and Overview (Cont’d)

<table>
<thead>
<tr>
<th>Stabilization Aid Categories</th>
<th>FY 2004 Recommended Appropriation</th>
<th>Dollar Change FY 03 to FY 04</th>
<th>Percent Change FY 03 to FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stabilization Aid</td>
<td>$111.6</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Large Efficient District Aid</td>
<td>$5.3</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Regionalization Incentive Aid</td>
<td>$18.3</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Aid for Districts with High Senior Citizen Populations</td>
<td>$1.2</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Stabilization Aid 2</td>
<td>$2.5</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Stabilization Aid 3</td>
<td>$11.4</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$150.3</strong></td>
<td><strong>$0</strong></td>
<td><strong>0.0%</strong></td>
</tr>
</tbody>
</table>

In FY 2003, by continuing Stabilization Aid 3 in the amount of $11.4 million, along with Stabilization Aid and Stabilization Aid 2, no district received less cash aid in FY 2003 than it received in FY 2002. Under Stabilization Aid 3, 136 districts received up to 2 percent more in State aid in FY 2002 than was originally announced in the State aid figures released by the department on January 24, 2001. As already indicated, this aid is continued in the FY 2004 recommended budget.
### AGENCY FUNDING BY SOURCE OF FUNDS ($000)

<table>
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<tr>
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<tbody>
<tr>
<td><strong>General Fund</strong></td>
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<td></td>
</tr>
<tr>
<td>Direct State Services</td>
<td>$58,439</td>
<td>$63,155</td>
<td>$59,077</td>
<td>1.1%</td>
<td>(6.5)%</td>
</tr>
<tr>
<td>Grants-In-Aid</td>
<td>4,055</td>
<td>4,415</td>
<td>2,623</td>
<td>(35.3)%</td>
<td>(40.6)%</td>
</tr>
<tr>
<td>State Aid</td>
<td>892,201</td>
<td>2,700,422</td>
<td>2,729,266</td>
<td>205.9%</td>
<td>1.1%</td>
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<tr>
<td>Capital Construction</td>
<td>1,610</td>
<td>400</td>
<td>0</td>
<td>(100.0)%</td>
<td>(100.0)%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$956,305</strong></td>
<td><strong>$2,768,392</strong></td>
<td><strong>$2,790,966</strong></td>
<td><strong>191.8%</strong></td>
<td><strong>0.8%</strong></td>
</tr>
</tbody>
</table>

| **Property Tax Relief Fund** |                  |                      |                |                        |                        |
| Direct State Services | $3,855           | 0                    | 0              | (100.0)%               | 0.0%                   |
| Grants-In-Aid       | 0                | 0                    | 0              | 0.0%                   | 0.0%                   |
| State Aid           | 6,241,876        | 5,026,111            | 5,371,092      | (14.0)%                | 6.9%                   |
| **Sub-Total**       | **$6,245,731**   | **$5,026,111**       | **$5,371,092** | **(14.0)%**            | **6.9%**               |

| **Casino Revenue Fund** |                  |                      |                |                        |                        |
| Direct State Services | $0               | $0                   | $0             | 0.0%                   | 0.0%                   |
| Grants-In-Aid       | 0                | 0                    | 0              | 0.0%                   | 0.0%                   |
| State Aid           | 6,241,876        | 5,026,111            | 5,371,092      | (14.0)%                | 6.9%                   |
| **Sub-Total**       | **$6,245,731**   | **$5,026,111**       | **$5,371,092** | **(14.0)%**            | **6.9%**               |

| **Property Tax Relief Fund** |                  |                      |                |                        |                        |
| Direct State Services | $3,855           | 0                    | 0              | (100.0)%               | 0.0%                   |
| Grants-In-Aid       | 0                | 0                    | 0              | 0.0%                   | 0.0%                   |
| State Aid           | 6,241,876        | 5,026,111            | 5,371,092      | (14.0)%                | 6.9%                   |
| **Sub-Total**       | **$6,245,731**   | **$5,026,111**       | **$5,371,092** | **(14.0)%**            | **6.9%**               |

| **State Total**     | **$7,202,036**   | **$7,794,503**       | **$8,162,058** | **13.3%**              | **4.7%**               |

| **Federal Funds**   | $571,918         | $738,534             | $792,182       | 38.5%                  | 7.3%                   |
| **Other Funds**     | $25,600          | $28,685              | $29,629        | 15.7%                  | 3.3%                   |
| **Grand Total**     | **$7,799,554**   | **$8,561,722**       | **$8,983,869** | **15.2%**              | **4.9%**               |

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

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<tr>
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</thead>
<tbody>
<tr>
<td>State</td>
<td>549</td>
<td>489</td>
<td>539</td>
<td>(1.8)%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Federal</td>
<td>249</td>
<td>228</td>
<td>251</td>
<td>0.8%</td>
<td>10.1%</td>
</tr>
<tr>
<td>All Other</td>
<td>159</td>
<td>145</td>
<td>162</td>
<td>1.9%</td>
<td>11.7%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td><strong>957</strong></td>
<td><strong>862</strong></td>
<td><strong>952</strong></td>
<td><strong>(0.5)%</strong></td>
<td><strong>10.4%</strong></td>
</tr>
</tbody>
</table>

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

### AFFIRMATIVE ACTION DATA

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total Minority Percent</td>
<td>21.0%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>
## Significant Changes/New Programs ($000)

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</thead>
<tbody>
<tr>
<td><strong>State Aid:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rewards and Recognition</td>
<td>$9,957</td>
<td>$0</td>
<td>($9,957)</td>
<td>(100.0)%</td>
<td>D-116</td>
</tr>
<tr>
<td>Distance Learning Network Aid</td>
<td>$59,162</td>
<td>$0</td>
<td>($59,162)</td>
<td>(100.0)%</td>
<td>D-117</td>
</tr>
<tr>
<td>Adult and Postsecondary Education Grants</td>
<td>$28,721</td>
<td>$10,322</td>
<td>($18,399)</td>
<td>(64.1)%</td>
<td>D-118</td>
</tr>
<tr>
<td><strong>Total - Aid Categories</strong></td>
<td>$97,840</td>
<td>$10,322</td>
<td>($87,518)</td>
<td>(89.5)%</td>
<td>D-120</td>
</tr>
<tr>
<td><strong>Consolidated Aid</strong></td>
<td>$0</td>
<td>$148,526</td>
<td>$148,526</td>
<td>—</td>
<td>D-117</td>
</tr>
<tr>
<td><strong>School Choice Aid</strong></td>
<td>$3,755</td>
<td>$6,537</td>
<td>$2,782</td>
<td>74.1%</td>
<td>D-131</td>
</tr>
</tbody>
</table>

Consolidated Aid is a new line item in the FY 2004 recommended budget. The funds for this new line item come from the discontinuance of Rewards and Recognition and Distance Learning Network Aid and a reduction in funding for the non-county vocational school portion of the Adult and Postsecondary Education Grants. These reductions total $87.5 million. However, the recommended FY 2004 budget includes an overall increase in direct State aid of $100 million. Of this amount, $50 million is for non-Abbott school districts and $50 million is for Abbott school districts. The $50 million increase for non-Abbott districts is part of the amount recommended for Consolidated Aid. In addition, $14 million of the $50 million increase for Abbott districts is also part of Consolidated Aid. This totals $151.5 million. Of this total, $148.5 million will be allocated as Consolidated Aid and $2.8 million will be used to fund the increase in School Choice Aid.

Consolidated Aid (see budget language, page D-120 and pages 35-36 of this report) will be distributed to each school district at the greater of $109.72 per pupil, using the department’s projection of the district’s October 2003 resident enrollment (School Year 2003-04), or the aid each district received in FY 2003 in Distance Learning Network Aid, Rewards and Recognition and the non-county vocational school component of Adult and Postsecondary Aid. However, districts in District Factor Group "I" or "J" are to receive Consolidated Aid in an amount which equals the sum of the FY 2003 aid amounts for Distance Learning Network Aid, the non-county vocational school component of Adult and Postsecondary Education Grants and Rewards and Recognition. Students enrolled in adult and postsecondary education programs are not included in a district’s resident enrollment, so districts with a large Adult and Postsecondary Education Grant amount in FY 2003 will not likely have an aid increase under Consolidated Aid.

The increase in School Choice Aid reflects an increase in the number of students enrolled in school choice programs as well as a decision by the department to project the October 2003 choice student enrollment based on the rate of enrollment growth of the choice district and to include estimates of growth that may occur in choice student enrollments during the course of the 2003-2004 school year (see budget language on page D-133 and also see page 40 in this report).
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<tr>
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<tbody>
<tr>
<td><strong>Nonpublic School Aid:</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Nonpublic Textbook Aid</td>
<td>$11,413</td>
<td>$11,652</td>
<td>$239</td>
<td>2.1%</td>
<td>D-117</td>
</tr>
<tr>
<td>Nonpublic Handicapped Aid</td>
<td>$27,163</td>
<td>$27,536</td>
<td>$373</td>
<td>1.4%</td>
<td>D-117</td>
</tr>
<tr>
<td>Nonpublic Auxiliary Services Aid</td>
<td>$36,736</td>
<td>$32,506</td>
<td>($4,230)</td>
<td>(11.5)%</td>
<td>D-117</td>
</tr>
<tr>
<td>Nonpublic Auxiliary/Handicapped Transportation Aid</td>
<td>$3,578</td>
<td>$3,436</td>
<td>($142)</td>
<td>(4.0)%</td>
<td>D-117</td>
</tr>
<tr>
<td>Nonpublic Nursing Services Aid</td>
<td>$13,891</td>
<td>$13,954</td>
<td>$63</td>
<td>0.5%</td>
<td>D-117</td>
</tr>
<tr>
<td>Nonpublic Technology Initiative</td>
<td>$8,118</td>
<td>$6,192</td>
<td>($1,926)</td>
<td>(23.7)%</td>
<td>D-117</td>
</tr>
<tr>
<td>Total Nonpublic Aid</td>
<td>$100,899</td>
<td>$95,276</td>
<td>($5,623)</td>
<td>(5.6)%</td>
<td>D-116</td>
</tr>
</tbody>
</table>

Nonpublic School Aid recommended for FY 2004 is $95.3 million, a decrease of $5.6 million (5.6 percent) from the FY 2003 adjusted appropriation of $100.9 million. Nonpublic School Aid provides assistance to boards of education in public school districts to reimburse these districts for expenses they are required to incur on behalf of students who are enrolled in grades K-12 in a nonpublic school within the district in the following categories: textbook aid; auxiliary services aid; handicapped aid; auxiliary/handicapped transportation aid; nursing services aid; and technology initiative aid. The decrease in the recommended FY 2004 appropriation is primarily due to a decrease in the recommended FY 2004 appropriation for Nonpublic Auxiliary Services Aid and a decrease in the recommended FY 2004 appropriation for Nonpublic Technology Initiative Aid which is attributable to a decrease in the per pupil amount from $40 to $30.

<table>
<thead>
<tr>
<th>Special Aid:</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Englewood Implementation Aid</td>
<td>$1,000</td>
<td>$0</td>
<td>($1,000)</td>
<td>(100.0)%</td>
<td>D-118</td>
</tr>
<tr>
<td>Magnet School Start-Up Aid</td>
<td>$1,000</td>
<td>$0</td>
<td>($1,000)</td>
<td>(100.0)%</td>
<td>D-118</td>
</tr>
<tr>
<td>District Reorganization Initiatives</td>
<td>$2,000</td>
<td>$0</td>
<td>($2,000)</td>
<td>(100.0)%</td>
<td>D-118</td>
</tr>
</tbody>
</table>

No appropriation is recommended for the above items in the FY 2004. The funds for Englewood Implementation Aid and Magnet School Start-Up Aid were provided to assist in the start-up and implementation costs associated with the establishment of academy programs at Dwight Morrow High School in the Englewood School District to meet the State's responsibility to address the issue...
Significant Changes/New Programs ($000) (cont’d)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Department of Education FY 2003-2004</td>
<td></td>
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</tr>
<tr>
<td>Of racial imbalance at the high school. The appropriation for Englewood Implementation Aid was to depend upon the school district’s receipt of an equal amount of funding from a Bergen County government entity. Of the $2 million for District Reorganization Initiatives, $1.75 million has been expended by the State and $250,000 transferred out of the account.</td>
<td></td>
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<tr>
<td>State Aid:</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Payments for Institutionalized Children--Unknown District of Residence</td>
<td>$13,610</td>
<td>$17,217</td>
<td>$3,607</td>
<td>26.5%</td>
<td>D-117</td>
</tr>
<tr>
<td>The recommended FY 2004 appropriation for Payments for Institutionalized Children--Unknown District of Residence is $17.2 million, an increase of $3.6 million (26.5 percent) over the FY 2003 adjusted appropriation of $13.6 million. The increase in State aid reflects an increase in the number of institutionalized children with an unknown district of residence and a decision by the department to lessen the deficit it has carried forward in this account.</td>
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<tr>
<td>State Aid:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Teacher Quality Monitoring</td>
<td>$0</td>
<td>$2,000</td>
<td>$2,000</td>
<td>—</td>
<td>D-118</td>
</tr>
<tr>
<td>Teacher Quality Mentoring began as a pilot program in FY 2001. Funds from this program are provided to school districts for use as stipends for experienced teachers serving as mentors of first year teachers. The recommended FY 2004 appropriations for Teacher Quality Monitoring is $2 million. No funds were appropriated in FY 2003; however, $5.8 million was spent in FY 2002.</td>
<td></td>
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<tr>
<td>State Aid:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Growth Savings -- Payment Change</td>
<td>$0</td>
<td>($5,000)</td>
<td>($5,000)</td>
<td>—</td>
<td>D-118</td>
</tr>
<tr>
<td>Growth Savings -- Payment Change is technically a deduction calculation in the FY 2004 budget. It represents the amount of savings for the State that results from delaying the June 22, 2003, school aid payment to July 3, 2003 and making that payment at the lower FY 2003 State aid level. The savings for the State is one-twentieth of the $100 million FY 2004 increase in school aid ($5 million) that will result from this school aid payment shift.</td>
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</tr>
<tr>
<td>Capital Construction:</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Marie Katzenbach School for the Deaf</td>
<td>$400</td>
<td>$0</td>
<td>($400)</td>
<td>(100.0)%</td>
<td>D-122</td>
</tr>
<tr>
<td>Marie Katzenbach School received funding for bathroom renovations and a project contingency fund in FY 2003. No capital funding is recommended in FY 2004.</td>
<td></td>
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<tr>
<td>Direct State Services:</td>
<td></td>
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</tbody>
</table>
Significant Changes/New Programs ($000) (Cont’d)

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</thead>
<tbody>
<tr>
<td>Statewide Assessment Program</td>
<td>$16,188</td>
<td>$13,225</td>
<td>($2,963)</td>
<td>(18.3)%</td>
<td>D-130</td>
</tr>
</tbody>
</table>

The recommended FY 2004 appropriation for the Statewide Assessment Program is $13.2 million, a decrease of approximately $3 million (18.4 percent) from the FY 2003 adjusted appropriation of $16.2 million. The decrease is due largely to a hold put on the further development of the Statewide assessments in core curriculum content areas other than language arts/literacy and math in order to meet the federal requirements under the "No Child Left Behind Act of 2001" (NCLB). NCLB requires the State to develop assessments for grades 3 through 8 for language arts/literacy and math. The department has received permission from the US Department of Education to substitute the NJ ASK4 assessment, developed by Educational Testing Service (ETS), for the elementary school performance assessment (ESPA) and to use the NJ ASK3, also developed by ETS, for assessments to be administered in May of 2003. The department’s estimated FY 2003 revenue from the federal government for assistance in the development of Statewide assessments for grades 3-8 to meet the requirements of NCLB is $8.9 million and for FY 2004 is $9.3 million.

Grants-in-Aid:

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</thead>
<tbody>
<tr>
<td>Liberty Science Center - School Visits</td>
<td>$250</td>
<td>$0</td>
<td>($250)</td>
<td>(100.0)%</td>
<td>D-130</td>
</tr>
</tbody>
</table>

The FY 2004 recommended appropriation eliminates subsidized funding for school visits to the Liberty Science Center.

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</thead>
<tbody>
<tr>
<td>Governor’s Literacy Initiative (Grants-in-Aid)</td>
<td>$1,000</td>
<td>$0</td>
<td>($1,000)</td>
<td>(100.0)%</td>
<td>D-130</td>
</tr>
<tr>
<td>Governor’s Literacy Initiative (Direct State Services)</td>
<td>$9,000</td>
<td>$9,000</td>
<td>$0</td>
<td>0.0%</td>
<td>D-130</td>
</tr>
<tr>
<td>Total – Governor’s Literacy Initiative</td>
<td>$10,000</td>
<td>$9,000</td>
<td>($1,000)</td>
<td>(10.0)%</td>
<td>D-130</td>
</tr>
</tbody>
</table>

The FY 2004 recommended appropriation for the Governor’s Literacy Program is $9 million, a decrease of $1 million (10 percent) from the FY 2003 adjusted appropriation. The purpose of the program is to insure that every student will be able to read at or above grade level by the third grade. In FY 2003, 30 teachers were trained as reading coaches and have been working with 78 school districts and close to 840 teachers on a weekly basis. Recommended FY 2004 budget language provides that $300,000 of the FY 2004 recommended appropriation of $9 million for the Governor’s Literacy Initiative may be transferred to the Commission for the Blind and Visually Impaired for increased Braille lessons for blind children. In FY 2003, $250,000 was allocated from the appropriation for the Governor’s Literacy Initiative as a grant for the Learning Through Listening Program at the New Jersey Unit of the Recording for the Blind and Dyslexic.

State Aid:
### Significant Changes/New Programs ($000) (cont'd)

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</thead>
<tbody>
<tr>
<td>Charter School Aid</td>
<td>$14,500</td>
<td>$9,000</td>
<td>($5,500)</td>
<td>(37.9)%</td>
<td>D-131</td>
</tr>
<tr>
<td>Charter Schools --</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Council on Local Mandates Decision</td>
<td>$5,600</td>
<td>$5,300</td>
<td>($300)</td>
<td>(5.4)%</td>
<td>D-131</td>
</tr>
<tr>
<td>Total -- Charter Schools</td>
<td>$20,100</td>
<td>$14,300</td>
<td>($5,800)</td>
<td>(28.9)%</td>
<td>D-131</td>
</tr>
</tbody>
</table>

State aid for charter schools is used for: (1) the payment of State aid to any charter school which operates a full-day kindergarten program in an Abbott district (pursuant to P.L.1999, c.385 this aid category was to end after the 2000-2001 school year but was continued in FY 2002 through budget language and is recommended for continuation in FY 2004); and (2) the payment of State aid as required under P.L.1995, c.426 on behalf of charter school students who come from a resident district in which 90 percent of the maximum T & E amount is less than 90 percent of the program budget per pupil amount (the resident district is only responsible for paying the lesser amount and the State pays the difference). The FY 2004 recommended appropriation for Charter School Aid is $14.3 million, a decrease of $5.8 million (28.9 percent) from the FY 2003 adjusted appropriation. The FY 2003 adjusted appropriation represented an increase from the FY 2002 appropriation of $8.5 million. This was the amount the department estimated in the FY 2003 budget that it would need to fund budget language which required the State to pay the difference between the resident district's actual required 2002-2003 charter school payment and the estimated payment used in completing the school district's 2001-2002 budget. The amount estimated by the department for Charter School Aid for FY 2003 was greater than that actually needed ($3.4 million has been placed in reserve). Also, for FY 2004 each resident district's program budget per pupil amount will be recalculated by the department as required under the law which will impact upon the amount of State required under the program.

#### State Aid:

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</thead>
<tbody>
<tr>
<td>School Building Aid Debt Service (PTRF)</td>
<td>$4,532</td>
<td>$1,599</td>
<td>($2,933)</td>
<td>(64.7)%</td>
<td>D-131</td>
</tr>
<tr>
<td>School Building Aid</td>
<td>$137,858</td>
<td>$129,101</td>
<td>($8,757)</td>
<td>(6.4)%</td>
<td>D-131</td>
</tr>
<tr>
<td>School Construction and Renovation Fund</td>
<td>$15,017</td>
<td>$111,528</td>
<td>$96,511</td>
<td>642.7%</td>
<td>D-131</td>
</tr>
<tr>
<td>Total -- Facilities Planning and School Building Aid</td>
<td>$157,407</td>
<td>$242,228</td>
<td>$84,821</td>
<td>53.9%</td>
<td>D-131</td>
</tr>
</tbody>
</table>

The overall FY 2004 recommended appropriation for Facilities Planning and School Building Aid is $242.2 million, an increase of $84.8 million (53.9 percent) over the FY 2003 adjusted appropriation.

School Building Aid will subsidize debt service costs on district debt issued for school facilities projects, approved prior to July 18, 2000, the effective date of the "Educational Facilities
Construction and Financing Act," other than retroactive debt service funding provided under that law and except as noted below. Similar budget language is recommended in FY 2004. The FY 2004 recommended appropriation of $129.1 million, a decrease of $8.8 million (6.4 percent) from the FY 2003 adjusted appropriation of $137.9 million, reflects a decrease in debt service obligations.

The recommended FY 2004 appropriation for School Building Aid - Debt Service is $1.6 million, a decrease of $2.9 million from the adjusted FY 2003 appropriation. This reduction reflects a decrease in debt service obligations due to the scheduled retirement of a portion of the debt of the three remaining school building aid programs enacted by the Legislature pursuant to P.L.1968, c.177, P.L.1971, c.10 and P.L.1978, c.74. It is anticipated that, based on the payment schedules for the bonds, the appropriation for this aid program will decrease annually until the bonds have been fully paid.

Appropriations for the School Construction and Renovation Fund have been moved to the Department of Education from the Department of the Treasury. The recommended appropriation for FY 2004 for the School Construction and Renovation Fund is $111.5 million, an increase of $96.5 million over the FY 2003 adjusted appropriation of $15 million. However, this comparison is misleading because in FY 2003, more than $36 million in School Construction and Renovation Fund costs were charged directly to the New Jersey Economic Development Authority (EDA) and to investment gains of the Fund for the Support of the Free Public Schools. The FY 2004 appropriation will be used for State debt service payments on the $1 billion of EDA bonds issued to date.

**State Aid:**

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<tbody>
<tr>
<td>TPAF-Post Retirement Medical</td>
<td>$302,605</td>
<td>$442,658</td>
<td>$140,053</td>
<td>46.3%</td>
<td>D-131</td>
</tr>
<tr>
<td>Post Retirement Medical Other Than TPAF</td>
<td>$48,348</td>
<td>$67,737</td>
<td>$19,389</td>
<td>40.1%</td>
<td>D-131</td>
</tr>
<tr>
<td>Total Post Retirement Medical</td>
<td>$350,953</td>
<td>$510,395</td>
<td>$159,442</td>
<td>45.4%</td>
<td>D-131</td>
</tr>
<tr>
<td>Social Security</td>
<td>$576,550</td>
<td>$611,143</td>
<td>$34,593</td>
<td>6.0%</td>
<td>D-131</td>
</tr>
<tr>
<td>Minimum Pension for Pre-1955 Retirees</td>
<td>$1</td>
<td>$1</td>
<td>$0</td>
<td>0.0%</td>
<td>D-131</td>
</tr>
<tr>
<td>Debt Service on Pension Obligation Bonds</td>
<td>$76,899</td>
<td>$86,704</td>
<td>$9,805</td>
<td>12.8%</td>
<td>D-132</td>
</tr>
<tr>
<td>Total, Teachers' Pension and Annuity Assistance</td>
<td>$1,004,403</td>
<td>$1,208,243</td>
<td>$203,840</td>
<td>20.3%</td>
<td>D-131</td>
</tr>
</tbody>
</table>
## Significant Changes/New Programs ($000)

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<tbody>
<tr>
<td>Department of Education FY 2003-2004</td>
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</tbody>
</table>

The recommended FY 2004 appropriation for Teachers’ Pension and Annuity Assistance is $1,208.2 million, an increase of $203.8 (20.3 percent) over the FY 2003 adjusted appropriation. The largest part of this increase is due to the FY 2004 recommended appropriation for Post Retirement Medical Benefits, both TPAF and non-TPAF of $510.4 million, an increase of $159.5 million (percent) over the FY 2003 adjusted appropriation of $351 million. The actual increase in medical payments is less -- $110.8 million or 27.7 percent -- because in FY 2003, approximately $48.6 million was drawn down from the Post Retirement Medical Fund in addition to the State appropriation. It should also be noted that of the $481.9 million due to be paid by to the TPAF for normal and accrued liability costs in FY 2004, approximately 20 percent or $96 million is being paid directly from excess actuarial assets in the Benefits Enhancement Fund created by P.L.2001, c.133, while the rest of the payment is postponed. Therefore, there is no budgeted appropriation for TPAF pensions costs in FY 2004.

### Teacher Preparation

- **Direct State Services**
  - Teacher Preparation
    - Recomm. FY 2004: $500
    - Dollar Change: $500
    - Percent Change: —
    - Budget Page: D-130

- **Grants-in-Aid**
  - Teacher Preparation
    - Recomm. FY 2004: $350
    - Dollar Change: $350
    - Percent Change: —
    - Budget Page: D-130

- **Total, Teacher Preparation**
  - Recomm. FY 2004: $850
  - Dollar Change: $850
  - Percent Change: —
  - Budget Page: D-130

The FY 2004 recommended appropriation for Teacher Preparation is $850,000. This is a new item in the budget. The grants-in-aid portion is to assist teachers in obtaining national certification through the National Board for Professional Teaching Standards (NBPTS) Certification Program.

### Direct State Services

#### Student Registration and Record System

- Recomm. FY 2004: $1,500
- Dollar Change: $1,500
- Percent Change: —
- Budget Page: D-136

This is a new budget item in FY 2004. The recommended appropriation for Student Registration and Record System is to fund a system for tracking the annual yearly progress of pupils, schools, and districts. This system is to enable the department to provide information required under the federal "No Child Left Behind Act of 2001."

### Federal Aid

#### Title I - Accountability Grant

- Recomm. FY 2004: $6,000
- Dollar Change: $0
- Percent Change: 0.0%
- Budget Page: C-23

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25
### Significant Changes/New Programs ($000) (Cont’d)

<table>
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<tbody>
<tr>
<td>Title I - Administration Program Improvement</td>
<td>$5,200</td>
<td>$0</td>
<td>($5,200)</td>
<td>(100.0)%</td>
<td>C-23</td>
</tr>
<tr>
<td>Title I - Comprehensive School Reform</td>
<td>$7,419</td>
<td>$7,808</td>
<td>$389</td>
<td>5.2%</td>
<td>C-23</td>
</tr>
<tr>
<td>Title I - LEA Disadvantaged (Federal)</td>
<td>$248,368</td>
<td>$272,000</td>
<td>$23,632</td>
<td>9.5%</td>
<td>C-23</td>
</tr>
<tr>
<td>Title I - Part D. Neglected and Delinquent</td>
<td>$3,011</td>
<td>$3,089</td>
<td>$78</td>
<td>2.6%</td>
<td>C-23</td>
</tr>
<tr>
<td>Title I - Reading First State Grant</td>
<td>$18,427</td>
<td>$20,473</td>
<td>$2,046</td>
<td>11.1%</td>
<td>C-23</td>
</tr>
<tr>
<td>IDEA--Handicapped</td>
<td>$245,021</td>
<td>$272,588</td>
<td>$27,567</td>
<td>11.3%</td>
<td>C-23</td>
</tr>
<tr>
<td>IDEA--Preschool Incentive Grants</td>
<td>$11,621</td>
<td>$12,257</td>
<td>$636</td>
<td>5.5%</td>
<td>C-23</td>
</tr>
<tr>
<td>Total Title 1 LEA Disadvantaged and IDEA programs</td>
<td>$545,067</td>
<td>$594,215</td>
<td>$49,148</td>
<td>9.0%</td>
<td>C-23</td>
</tr>
</tbody>
</table>

Federal aid for the two largest federal programs, Title I and IDEA, for FY 2004 is estimated to be $594.2 million, an increase of $49.1 million (9 percent) over the estimated FY 2003 total of $543.1 million. Title I funds are now part of the federal No Child Left Behind Act of 2001. The IDEA funds are federal aid for special education.
Language Provisions

**2003 Appropriations Handbook**  
*p. B-41*

Receipts from nonpublic schools handicapped and auxiliary recoveries are appropriated for the payment of additional aid in accordance with section 17 of P.L.1977, c.192 (C.18A:46A-14) and section 14 of P.L.1977, c.193 (C.18A:46-19.8).

**2004 Budget Recommendations**  
*p. D-119*

Same language.

**Explanation**

The language refers to section 17 of P.L.1977 c.172 (C.18A:46A-4) and section 14 of P.L.1977, c.193 (C.18A:46-19.8) which provide, in part, that "In the event the expenditures incurred by the district are less than the amount of State aid received, the district shall refund the unexpended State aid after completion of the school year. The refunds shall be paid no later than December 1. In any year, a district may submit a request for additional aid pursuant to P.L.1977, c.193 (C.18A:46-19.1 et al.). If the request is approved and funds are available from refunds of the prior year, payment shall be made in the current school year." This language anticipates such refunds and makes them available for use for payment of additional aid as provided in these sections. Revenues anticipated for FY 2003 were $5 million; the adjusted revenue for FY 2003 is $11 million; and revenues anticipated for FY 2004 are $5 million.

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**2003 Appropriations Handbook**  
*p. B-41*

Nonpublic Technology Initiative aid shall be paid to school districts and allocated for nonpublic school pupils at the rate of [\$40] per pupil in a manner that is consistent with the provisions of the federal and State constitutions.

**2004 Budget Recommendations**  
*p. D-119*

Nonpublic Technology Initiative aid shall be paid to school districts and allocated for nonpublic school pupils at the rate of [\$30] per pupil in a manner that is consistent with the provisions of the federal and State constitutions.

**Explanation**

This language reduces from $40 to $30 the per pupil amount of Nonpublic Technology Initiative aid, and will reduce the recommended appropriation for the program by $1.9 million, from $8.1 million in FY 2003 to $6.2 million in FY 2004. Nonpublic Technology Initiative aid was set at $40 per pupil through budget language in the FY 2000 appropriations act and has been maintained at that level in each fiscal year.
Language Provisions (Cont'd)

2003 Appropriations Handbook

p. B-41

The amount appropriated hereinabove for Magnet School Start-Up Aid shall be paid to a school district for which the New Jersey Supreme Court determined in Board of Education of the Borough of Englewood Cliffs v. Board of Education of the City of Englewood, 170 N.J. 323 (2002) that the Commissioner of Education and the State Board of Education have the ultimate responsibility to take appropriate action to address the deterioration of racial balance at the high school.

Explanation
The amount appropriated for Magnet School Start-Up Aid, $1 million, was added by the Legislature in the FY 2003 appropriations act. The funds were provided to assist in the start-up costs associated with the establishment of academy programs at Dwight Morrow High School in the Englewood School District to meet the State's responsibility to address the issue of racial imbalance at the high school.

2004 Budget Recommendations

No comparable language.

Implementation Aid shall be paid to the Englewood City School District for the school renewal program and career academies, provided however, that the district shall demonstrate that it will receive an equal amount in matching appropriation from a government entity or entities in Bergen County, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation
The language which accompanied a $1 million appropriation for Englewood Implementation Aid, was added by the Legislature in the FY 2003 appropriations act. The funds were provided as State support for costs associated with the establishment of academy programs at Dwight Morrow High School in the Englewood School District to meet the State's responsibility to address the issue of racial imbalance at the high school. The appropriation was contingent upon the school district's receipt of an equal amount of funding from a Bergen County government entity.
Language Provisions (cont'd)

2003 Appropriations Handbook

The Commissioner of Education shall not authorize the disbursement of funds to any "Abbott district" until the commissioner is satisfied that all educational expenditures in the district will be spent effectively and efficiently in order to enable those students to achieve the core curriculum content standards. The commissioner shall be authorized to take any necessary action to fulfill this responsibility, including but not limited to, the adoption of regulations [pursuant to P.L.1968, c.410 (C.52:14B-1 et seq.),] related to the receipt and/or expenditure of State aid by the "Abbott districts" and the programs, services and positions supported thereby. The commissioner may deduct from the State aid of any "Abbott district" the expenses required to manage, control and supervise the implementation of that State aid. In order to expeditiously fulfill the responsibilities of the commissioner under Abbott [order], determinations by the commissioner hereunder shall be considered to be final agency action and appeal of that action shall be directly to the Appellate Division of the Superior Court. The unexpended balance as of June 30, 2002, in the Abbott v. Burke Parity Remedy account is appropriated for the same purpose and with the same conditions as are applied to the fiscal year 2003 appropriation for this purpose.

2004 Budget Recommendations

The Commissioner of Education shall not authorize the disbursement of funds to any "Abbott district" until the commissioner is satisfied that all educational expenditures in the district will be spent effectively and efficiently in order to enable those students to achieve the core curriculum content standards. The commissioner shall be authorized to take any necessary action to fulfill this responsibility, including but not limited to, the adoption of regulations related to the receipt and/or expenditure of State aid by the “Abbott districts” and the programs, services and positions supported thereby. Notwithstanding any provision of P.L. 1968, c.410 (C.52:14B–1 et seq.), any such regulations adopted by the commissioner shall be deemed adopted immediately upon filing with the Office of Administrative Law. The commissioner may deduct from the State aid of any “Abbott district” the expenses required to manage, control and supervise the implementation of that State aid. In order to expeditiously fulfill the responsibilities of the commissioner under Abbott v. Burke, determinations by the commissioner hereunder shall be considered to be final agency action and appeal of that action shall be directly to the Appellate Division of the Superior Court. The unexpended balance as of June 30, 2003, in the Abbott v. Burke Parity Remedy account is appropriated for the same purpose and with the same conditions as are applied to the fiscal year 2004 appropriation for this purpose.

Explanation

FY 2004 budget language overrides the procedures established in the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), for the adoption of regulations. These procedures include public hearings after the regulations are first published in the New Jersey Register. The language would provide that: regulations relating to the receipt or expenditure, or both, of Abbott v. Burke Parity Aid would be promulgated by the commissioner rather than the State Board of Education; and that these regulations would be considered adopted immediately upon filing with the Office of Administrative Law. Language similar to this was included in the FY 1999 appropriations act and was also enacted into law as P.L.1999, c.142 (C.18A:7F-35); however, that law provided that its provisions would expire June 30, 2000.
Notwithstanding any other law to the contrary, State aid for each “Abbott district” whose per pupil regular education expenditure for [2002-2003] under P.L.1996, c.138 is below the estimated per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2002-2003] shall be increased. The amount of increase shall be appropriated as Abbott v. Burke Parity Remedy aid and shall be determined as follows: funds shall be allocated in the amount of the difference between each “Abbott district’s” per pupil regular education expenditure for [2002-2003] and the actual per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2001-2002] indexed by the actual percentage increase in the per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2001-2002] over the per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2000-2001]. In calculating the per pupil regular education expenditure of each “Abbott district” for [2002-2003], regular education expenditure shall equal the sum of the general fund tax levy for [2001-2002], Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P.L.1996, c.138 (C.18A:7F-10); enrollments shall initially be those resident enrollments for preschool through grade 12 contained on the Application for State School Aid for [2002-2003] indexed by the district’s enrollment growth rate used to determine the estimated enrollments of October [2002]; enrollments shall be calculated at their full-time equivalent and reduced by preschool and one half of full-day kindergarten enrollments. State aid shall be adjusted upon receipt of resident enrollment for the “Abbott district” for [2003–2004], regular education expenditure shall equal the sum of the general fund tax levy for 2002–2003, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P.L.1996, c.138 (C.18A:7F-10); enrollments shall initially be those resident enrollments for preschool through grade 12 contained on the Application for State School Aid for 2003–2004 indexed by the district’s enrollment growth rate used to determine the estimated enrollments of October 2003; enrollments shall be calculated at their full–time equivalent and reduced by preschool and one half of full–day kindergarten enrollments. State aid shall be
## Language Provisions (cont’d)  

### 2003 Appropriations Handbook

districts” as of October 15, [2002] as reflected on the Application for State School Aid for [2003-2004]. State aid shall also be adjusted based on the actual per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2002-2003]. State aid shall also be adjusted based on the actual per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2002-2003]. In calculating the actual per pupil average regular education expenditure of districts in district factor groups “I” and “J” for [2002-2003], regular education expenditure shall equal the sum of the general fund tax levy for [2002-2003], Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P.L. 1996, c.138 (C.18A:7F-10); enrollments shall be the resident enrollment for preschool through grade twelve as of October 15, [2002] as reflected on the Application for State School Aid for [2003-2004]; enrollments shall be calculated at their full-time equivalent and reduced by preschool and one half of full-day kindergarten enrollments in districts receiving Early Childhood Program Aid.

### 2004 Budget Recommendations

for the “Abbott districts” as of October 15, 2003 as reflected on the Application for State School Aid for 2004–2005. State aid shall also be adjusted based on the actual per pupil average regular education expenditure of districts in district factor groups “I” and “J” for 2003–2004. In calculating the actual per pupil average regular education expenditure of districts in district factor groups “I” and “J” for 2003–2004, regular education expenditure shall equal the sum of the general fund tax levy for 2003–2004, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P. L. 1996, c.138 (C.18A:7F–10); enrollments shall be the resident enrollment for preschool through grade twelve as of October 15, 2003 as reflected on the Application for State School Aid for 2004–2005; enrollments shall be calculated at their full-time equivalent and reduced by preschool and one half of full-day kindergarten enrollments in districts receiving Early Childhood Program Aid.

### Explanation

The change in language for FY 2004 reflects the fact that funds from the Additional Abbott v. Burke State Aid line item will be appropriated and added to the amount of funds appropriated under Abbott v. Burke Parity aid in order to fully fund Abbott district parity in the 2003-2004 school year. The amount of Additional Abbott v. Burke State Aid necessary to fund parity is $193 million. Therefore, the total amount for Abbott v. Burke Parity Aid is $705.7 million. This will reduce the amount available to fund Additional Abbott v. Burke State Aid in FY 2004 from $401.8 million to $208.8 million. This language, in combination with the next two language provisions, reflects a considerable change in the approach the department will take to fund supplemental Abbott programs. In a recent court filing, the department has requested greater flexibility in making determinations on the supplemental programs that are put in place in the Abbott districts, including how they are funded.
Notwithstanding any other law to the contrary, as a condition of receiving Abbott v. Burke Parity Remedy aid, an “Abbott district” shall raise a general fund tax levy which shall be no less than the general fund tax levy of the prior year. The commissioner, in his review of applications for discretionary Additional Abbott v. Burke State Aid, determines would not result in a combined municipal, county and school tax levy that substantially exceeds the State average combined tax levy for 2002.

Explanation

The recommended FY 2004 budget language when compared with the FY 2003 budget language, provides the commissioner with the authority, in connection with his review of applications for Additional Abbott v. Burke State Aid, to require Abbott districts to increase their general fund tax levy by an amount which would not result in a combined municipal, county and school tax levy that substantially exceeds the State average combined tax levy for 2002. The language does not provide the Legislature with a definition of "substantial," nor is it clear what is meant by "State average combined tax levy for 2002." This language marks the first time the word "discretionary" is used with respect to applications for Additional Abbott v. Burke State Aid (see also discussion on pages 33-34 of this report). As noted below (see pages 33-34 of this report), the proposed FY 2004 budget language distinguishes between an amount from Additional Abbott v. Burke State Aid which will be used to fully fund the State's obligation for Abbott v. Burke Parity Aid and approved early childhood operational plans, and an amount which will be used to provide "discretionary" funding to Abbott districts to maintain the programs, services and positions from the prior year that the commissioner determines are essential to the provision of a thorough and efficient education in those districts.
Language Provisions (cont'd)

2003 Appropriations Handbook
The amount appropriated hereinabove for Additional Abbott v. Burke State Aid will provide additional resources to “Abbott districts” [and will be distributed by district in an amount that shall not exceed the amount necessary for the district to maintain spending for its K-12 programs at the level authorized and expended by each district in 2001-2002.] Before the Commissioner of Education establishes the [final district] award, he shall [first review the budgets and any other financial statements, including the annual audit filed pursuant to N.J.S.18A:23-1, of each "Abbott district" that has requested Additional Abbott v. Burke State Aid.] Any district that fails to submit the required documentation or fails to submit its annual audit by November 15, 2002 may have its State aid withheld upon the commissioner’s request to the Director of the Division of Budget and Accounting. In [establishing the final award amount,] the commissioner shall consider all of the district’s available resources and any appropriate reallocations, including, but not limited to, a reallocation of the district’s undesignated general fund balances in excess of two percent.

2004 Budget Recommendations
The amount appropriated hereinabove for Additional Abbott v. Burke State Aid will provide additional resources to “Abbott districts” to meet the State’s obligation to fully fund parity and the approved early childhood operational plans. The remaining funds appropriated will be used for the award of discretionary funding to Abbott districts to maintain the programs, services and positions from the prior year that the commissioner determines are essential to the provision of a thorough and efficient education in those districts. Before the Commissioner of Education establishes the discretionary award, he shall determine whether some or all of the additional funds sought can be achieved by reallocating non-instructional expenditures, increasing the local property tax levy or achieving economies and efficiencies in the delivery of services and programs. If the commissioner determines that the district does have available such reallocations, increases to the local property tax levy or achievement of economies and efficiencies, the commissioner shall direct that the district undertake those steps and use those funds to support, in part or in full, the requested programs and services. The discretionary award shall be adjusted based on the annual audit filed pursuant to N.J.S. 18A:23--1, and other financial statements and information, of each “Abbott district” that has requested Additional Abbott v. Burke State Aid. Any district that fails to submit the required documentation or fails to submit its annual audit by November 15, 2003 may have its State aid withheld upon the commissioner’s request to the Director of the Division of Budget and Accounting. In making any adjustment to the discretionary award, the commissioner shall consider all of the district’s available resources and any appropriate reallocations, including, but not limited to, a reallocation of the district’s undesignated general fund balances in excess of two percent.

Explanation
The recommended FY 2004 budget language concerning Additional Abbott v. Burke State Aid
Language Provisions (cont’d)

indicates that it will first be used to fully fund the State's obligations with respect to Abbott v. Burke Parity Aid (Abbott districts' parity with the "I" and "J" districts) and approved early childhood operational plans. The remaining amount will be used to provide discretionary funding to Abbott districts to maintain the programs, services and positions from the 2002-2003 school year that the commissioner determines are essential to the provision of a thorough and efficient education in those districts. The new language requires the commissioner, before establishing an Abbott district's discretionary award, to determine whether some or all of the additional funds sought can be achieved by reallocating non-instructional expenditures, increasing the local property tax levy or achieving economies and efficiencies in the delivery of services and programs. If the commissioner determines that such reallocations, increases to the local property tax levy or achievement of economies and efficiencies are possible, the commissioner shall direct that the district undertake those steps and use those funds to support, in part or in full, the requested programs and services. Again the term "discretionary" rather than court-ordered aid is used to describe awards under Additional Abbott v. Burke State Aid. Again, the language reflects the recent filing before the New Jersey Supreme Court to request that the commissioner have greater flexibility in determining the necessity for and the nature of Abbot district supplemental programs.

2003 Appropriations Handbook

The amount appropriated herein above as Abbott Preschool Expansion Aid is for the purpose of funding the increase in the approved budgeted costs from 2001-2002 to [2002-2003] for the projected expansion of preschool programs in “Abbott districts.” Payments of Abbott Preschool Expansion Aid shall be based on documented expansion of the preschool program. Upon the Commissioner of Education’s request, “Abbott districts” will be required to provide such supporting documentation as deemed necessary to verify that the actual expansion in the preschool program has occurred in the 2002-2003 fiscal year. Such documentation may include enrollment and attendance data that may be subject to an audit. Appropriate adjustments to a district’s Abbott Preschool Expansion Aid amount may be made by the commissioner based on actual need.

2004 Budget Recommendations

The amount appropriated hereinabove as Abbott Preschool Expansion Aid is for the purpose of funding the increase in the approved budgeted costs from 2001–2002 to 2003–2004 for the projected expansion of preschool programs in “Abbott districts.” Payments of Abbott Preschool Expansion Aid shall be based on documented expansion of the preschool program. Upon the Commissioner of Education’s request, “Abbott districts” will be required to provide such supporting documentation as deemed necessary to verify that the actual expansion in the preschool program has occurred in the 2003–2004 fiscal year. Such documentation may include expenditure, enrollment and attendance data that may be subject to an audit. Appropriate adjustments to a district’s Abbott Preschool Expansion Aid amount may be made by the commissioner based on actual need.

Explanation

Recommended FY 2004 budget language adds expenditures to the documentation that an
Abbott district is to provide to the Commissioner of Education upon request for the purposes of verifying that the actual expansion of the preschool program has occurred in the 2003-2004 fiscal year. As of April 7, 2003, only $58.0 million of the $142.4 million appropriated for FY 2003 Abbott Preschool Expansion Aid has been expended, with another $38.6 million pre-encumbered. It is anticipated that at least $45.8 million of this year's appropriation will be lapsed or transferred for other purposes.

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**Explanation**

Consolidated Aid is a new aid category in the recommended FY 2004 budget. The recommended FY 2004 appropriation is $148.5 million. This aid category is funded through the combination of funds used to finance three aid programs in FY 2003, and the allocation of $64 million in new funding in FY 2004. The three FY 2003 aid programs include: Distance Learning Network Aid ($59.2 million in FY 2003), Rewards and Recognition ($9.96 million in FY 2003) and the non-county vocational school component of the Adult and Postsecondary Education Grants ($18.4 million in FY 2003); for a combined total of $87.56 million. An additional amount of $50 million for non-Abbott districts and $14 million for Abbott districts is included in this aid category for a total amount of $151 million. Of this total, approximately $2.78 million will fund the FY 2004 recommended increase in School Choice Aid and, as indicated above, $148.5 million will be distributed as Consolidated Aid. Consolidated Aid is distributed to a school district based on the


Language Provisions (cont’d)

department’s projection of the district’s October 2003 resident enrollment (School Year 2003-04). This enrollment projection is multiplied by $109.72 to determine a district’s Consolidated Aid. A district whose calculated Consolidated Aid amount is less than the amount of State aid the district received in FY 2003 for Distance Learning Network Aid, Rewards and Recognition and Adult and the non-county vocational school component of Postsecondary Education Grants, will receive that same amount of Consolidated Aid as it received in FY 2003 for those three categories of aid. Districts in District Factor Group "I" or "J" are to receive as Consolidated Aid an amount which equals the sum of the FY 2003 aid amounts for the above three programs. Districts, other than county vocational schools, which may have experienced projected enrollment growth for school year 2003-2004 but which received funding in FY 2003 for adult education programs are likely to receive no aid increase in FY 2004 due to the fact that adult students are not counted in resident enrollment which is used to calculate Consolidated Aid. Also, as indicated above, no "I" or "J" district will receive an aid increase in FY 2004.

2003 Appropriations Handbook

No comparable language.

2004 Budget Recommendations

For the purposes of calculating Consolidated Aid, the amount that would have been allocated as additional school aid in 2002–2003 based on the impact of the withdrawal of a constituent member from a limited purpose regional school district effective July 1, 2003 shall be allocated as Consolidated Aid and the 2002–2003 amounts allocated as Distance Learning Network Aid and Rewards and Recognition aid will also be calculated as though the withdrawal had occurred in the prior year.

Explanation

In school year 2003-2004 the withdrawal of North Haledon from the limited purpose Manchester Regional School District becomes effective. This language is for the purposes of calculating Consolidated Aid for the North Haledon School District and the Manchester Regional School District.
Language Provisions (cont’d)

**2003 Appropriations Handbook**

From the amount appropriated hereinabove for the Governor’s Literacy Initiative, the sum of [$250,000] may be transferred to the Learning Through Listening Program at the New Jersey Recording for the Blind and Dyslexic for increased Braille lessons for blind children, subject to the approval of the Director of the Division of Budget and Accounting.

**2004 Budget Recommendations**

From the amount appropriated hereinabove for the Governor’s Literacy Initiative, the sum of $300,000 may be transferred to the Commission for the Blind and Visually Impaired for increased Braille lessons for blind children, subject to the approval of the Director of the Division of Budget and Accounting.

**Explanation**

Recommended FY 2004 budget language provides for the transfer of $300,000 to the Commission for the Blind and Visually Impaired from the recommended FY 2004 appropriation for the Governor’s Literacy Initiative of $9 million. This represents an increase of $50,000 (20 percent) over the $250,000 permitted to be transferred as a grant to the Learning Through Listening Program at the New Jersey Recording for the Blind and Dyslexic in FY 2003.

**2003 Appropriations Handbook**

The amount appropriated hereinabove for the Teacher Recruitment program shall be expended for the [second-year] incentives for teachers deemed eligible for this program in fiscal [2002] in accordance with provisions established by the Department of Education, and who continue to teach preschool in a district defined as an "Abbott district" under section 3 of P.L.1996, c.138 (C.18A:7F-3), or for a community provider under contract with an "Abbott district" to provide preschool programs to 3 and 4 year old children. Incentives will be provided to eligible teachers to have a portion of their outstanding student loan indebtedness canceled and/or to receive tuition reimbursement for graduate studies at any of New Jersey’s four-year colleges and universities. The total value of the incentives for High Achiever recipients is up to $3,333 and up to $2,167 for Regular Incentive recipients. In order to maintain eligibility in the program, the school districts in which the

**2004 Budget Recommendations**

The amount appropriated hereinabove for the Teacher Recruitment program shall be expended for the third–year incentives for teachers deemed eligible for this program in fiscal 2003 in accordance with provisions established by the Department of Education, and who continue to teach preschool in a district defined as an “Abbott district” under section 3 of P.L. 1996, c. 138 (C.18A:7F–3), or for a community provider under contract with an “Abbott district” to provide preschool programs to 3 and 4 year old children. Incentives will be provided to eligible teachers to have a portion of their outstanding student loan indebtedness canceled and/or to receive tuition reimbursement for graduate studies at any of New Jersey’s four–year colleges and universities. The total value of the incentives for High Achiever recipients is up to $3,333 and up to $2,167 for Regular Incentive recipients. In order to maintain eligibility in the program, the school districts in which the
Language Provisions (Cont’d)

2003 Appropriations Handbook

Teachers are working or in which they are employed by a community provider under contract with the district must maintain a participation agreement with the department and the district must provide, in a manner specified by the department, information regarding the teachers qualified for incentives working in said district and certifications of completion of a full year of teaching service. Incentives may only be paid upon satisfactory completion of a full year of teaching service and will be contingent upon the teacher’s completion of all applicable professional development requirements and other conditions of employment, such as satisfactory evaluations by supervisors and submission of documentation as may be required by the department.

2004 Budget Recommendations

Teachers are working or in which they are employed by a community provider under contract with the district must maintain a participation agreement with the department and the district must provide, in a manner specified by the department, information regarding the teachers qualified for incentives working in said district and certifications of completion of a full year of teaching service. Incentives may only be paid upon satisfactory completion of a full year of teaching service and will be contingent upon the teacher’s completion of all applicable professional development requirements and other conditions of employment, such as satisfactory evaluations by supervisors and submission of documentation as may be required by the department.

Explanation

The proposed FY 2004 budget language continues for a third year the incentive program for Teacher Recruitment. This program provides incentives (tuition reimbursement for graduate studies) for teachers deemed eligible for this program in fiscal 2002 in accordance with provisions established by the Department of Education, and who continue to teach in an Abbott district. The proposed FY 2004 appropriation is $619,000, a decrease of $249,000 (28.7 percent) from the FY 2003 adjusted appropriation. This decrease is due to the number of teachers (54 high achievers and 16 regular achievers) dropping out of the Teacher Recruitment Program. The recommended FY 2004 appropriation will fund incentives for 199 teachers still in the program.
Notwithstanding the provisions of section 9 of P.L.2000, c.72 (C.18A:7G-9), for the purpose of calculating a district’s State debt service aid, “DAP x 1.15” shall not be less than 40%. Notwithstanding the provisions of section 10 of P.L.2000, c.72 (C.18A:7G-10), for the purposes of calculating aid, CCSAID will be equal to the district’s core curriculum standards aid calculated pursuant to section 15 of P.L.1996, c.138 (C.18A:7F-15) for fiscal 2002 and TEBUD shall be equal to the district’s T&E budget calculated pursuant to subsection d. of section 13 of P.L.1996, c.138 (C.18A:7F-13) for fiscal 2002.

**Explanation**

Recommended FY 2004 budget language permits the use of a district’s core curriculum standards aid and T&E budget calculated for FY 2002 in determining aid under section 10 of the "Educational Facilities Construction and Financing Act." Section 10 provides districts with debt service aid for school facilities projects approved prior to the effective date of that act. A district’s State share is calculated by dividing a district’s core curriculum standards aid for the school year by its T&E budget for the same year. Pursuant to the recommended budget language on page D-137 districts are receiving the same amount of core curriculum standards aid in FY 2004 as they did in FY 2003 and in FY 2002 and core curriculum standards will not be recalculated for FY 2004. Consequently, under this budget language, the State share for debt service purposes will be the FY 2002 State share as opposed to a State share calculated for FY 2004 as required under the school construction law.
Language Provisions (Cont’d)

2003 Appropriations Handbook

Notwithstanding the provisions of P.L.1999, c.413 (C.18A:36B-1 et seq.), for purposes of the calculation of 2002-2003 choice aid, the projected enrollment of choice students shall be the [total] of the actual choice students reported in the October 15, 2001 Application for State School Aid and the new choice students as reported on the Notice of Intent to Enroll forms for the 2002-2003 School Year.

2004 Budget Recommendations

Notwithstanding the provisions of P.L. 1999, c.413 (C.18A:36B--1 et seq.), for purposes of the calculation of 2003-2004 choice aid, the projected enrollment of choice students shall be the sum of the actual choice students reported in the October 15, 2002 Application for State School Aid inflated by the choice district’s growth rate and the new choice students as reported on the Notice of Intent to Enroll forms and the estimated second cycle enrollment for the 2003--2004 School Year.

Explanation

Recommended FY 2004 budget language would provide increased aid for school choice districts by increasing the actual number of choice students reported on the district’s October 15, 2002 Application for State School Aid by the choice district’s growth rate, and by including the estimated second cycle enrollment of choice students for the 2003-2004 school year. The choice aid recommended in the FY 2004 budget is $6.5 million, an increase of $2.7 million (71.1 percent) over the FY 2003 adjusted appropriation of $3.8 million. The total number of choice students in FY 2003 is 451. The total number projected for FY 2004 is 716, an increase of 315 students (69.8 percent). This language provides school choice districts with an aid increase based on a projected enrollment increase in choice students instead of freezing enrollments at the FY 2002 level as for other districts.

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2003 Appropriations Handbook

p. B-48

Notwithstanding the provisions of section 12 of P.L.1995, c.426 (C.18A:36A-12) and any other provision to the contrary, [the program budget per pupil shall be the same as the 2001-2002 program budget per pupil and] if necessary the State shall pay on behalf of a resident district an amount not to exceed the difference between the district’s [2002-2003] total actual charter school payment and the estimated appropriations used in completing the school district’s [2001-2002] budget as stated in the [2001-2002] Potential Charter School Aid notification letter.

2004 Budget Recommendations

p. D-133

Notwithstanding the provisions of section 12 of P.L.1995, c.426 (C.18A:36A--12) and any other provision to the contrary, if necessary, the State shall pay on behalf of a resident district an amount not to exceed the difference between the district’s 2003--2004 total actual charter school payment and the estimated appropriations used in completing the school district’s 2002--2003 budget as stated in the 2002--2003 Potential Charter School Aid notification letter.

Explanation
Language Provisions (cont'd)

A local school district which is the district of residence for a charter school pupil is required to pay directly to the charter school for each pupil from its district an amount equal to the lower of either 90 percent of the program budget per pupil amount or 90 percent of the maximum T & E amount. If 90 percent of the program budget per pupil amount for a specific grade level is greater than 90 percent of the maximum T & E amount, the State is required to pay the difference between the two amounts. The new budget language provides that for FY 2004, the State will also pay, if necessary, on behalf of a resident district to a charter school, the difference between the district’s 2003-2004 total actual charter school payment and the estimated appropriation used in completing the school district's budget as stated in the 2002-2003 Potential Charter School Aid notification letter. Since some districts will receive additional State aid under Consolidated Aid and also raised additional local levy for FY 2003, the department will calculate a district's program budget per pupil amount and not keep it at the FY 2002 level, as was done through FY 2003 budget language.

2003 Appropriations Handbook
p. B-48

Notwithstanding the provisions of section 2 of P.L.1981, c.57 (C.18A:39-1a) and any other law or provision to the contrary the maximum amount of nonpublic school transportation costs per pupil provided for in N.J.S.18A:39-1 shall equal $710.

2004 Budget Recommendations
p. D-133

Same language.

Explanation

This language freezes nonpublic per pupil transportation aid at last year's level. P.L.2001, c.447, enacted on January 10, 2002, provides that for the 2002-2003 school year the maximum amount of nonpublic school transportation cost per pupil will equal $735 and in subsequent school years this amount would be increased in proportion to the increase in State transportation aid per pupil or the CPI, whichever is greater. The maximum nonpublic school transportation cost per pupil is the amount within which a school district is obligated to provide transportation services to an eligible nonpublic school pupil. If transportation cannot be provided within that amount, then the parent or guardian of the pupil would receive an aid-in-lieu of transportation payment of $735. However, under the recommended FY 2004 budget language, the aid-in-lieu of payment would remain at the FY 2001-2002 level, $710. Based on an estimate that the contracts for transporting 75 percent of nonpublic pupils are at the maximum cost and therefore would be scheduled to increase by the $25 as provided in P.L.2001, c.437, and that an increase from $710 to $735 for the aid in-lieu of payment for those not transported will not occur, the savings to the State through this language is $2.1 million. In addition, P.L.2001, c.437 required the State to increase the maximum transportation cost per pupil in each subsequent year as described above (which would begin in FY 2004), and the calculated savings does not include the additional amount that would result if the State had increased the $735 by the CPI change.
Language Provisions (Cont'd)

2003 Appropriations Handbook

Added by P.L.2002, c.48

For any school district receiving amounts from the amount appropriated hereinabove for Pupil Transportation, and notwithstanding the provisions of N.J.S.18A:39-1 to the contrary, if the school district is located in a county of the third class or a county of the second class with a population of less than 235,000, according to the 1990 federal decennial census, transportation shall be provided to school pupils residing in this school district in going to and from any remote school other than a public school, not operated for profit in whole or in part, located within the State not more than 30 miles from the residence of the pupil.

Explanation

The language referenced above was included in the FY 2003 appropriations act by amendment, P.L.2002, c.48. It provides that a school district located in a county of the third class or a county of the second class with a population of less than 235,000 would be required to provide transportation to nonpublic school pupils if the nonpublic school was located not more than 30 miles from the pupil's residence. Under existing law, the nonpublic school may not be located more than 20 miles from the pupil's residence. Nonpublic school pupils in the following counties are being provided transportation under this budget language in FY 2003: Cumberland, Gloucester, Hunterdon, Salem, Sussex and Warren. The FY 2002 appropriations act included similar language and appropriated an additional amount of approximately $1.6 million to fund the additional costs associated with the language. Since school districts were being held harmless in the amount of Transportation Aid they were to receive in FY 2003 compared with the aid received in FY 2002 the funds were available for this purpose. The FY 2004 recommended budget also contains language providing districts with the same amount of Transportation Aid the district received in FY 2003, but does not include language which requires transportation for nonpublic school pupils in the above counties attending a school not more than 30 miles from their residence.

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2003 Appropriations Handbook

p. B-48

2004 Budget Recommendations

p. D-133
Same language.

Explanation
Language Provisions (cont'd)

P.L.2001, c.65, enacted on April 19, 2001, provides, in part, that in those instances in which a public school district uses a cooperative transportation services agency to provide transportation services to nonpublic school pupils and the administrative fee charged by the agency results in the cost to the district exceeding the maximum amount of nonpublic school transportation costs per pupil ($710 for FY 2004 under separate budget language), the school district may apply to the Commissioner of Education for reimbursement of the costs which exceed that maximum amount. Under the Governor's FY 2004 recommended language, districts will not be reimbursed for administrative fees paid to cooperative transportation service agencies. The effect of this budget language combined with the language which limits the aid-in-lieu of payment to $710 instead of the statutory $735, effectively means that fewer nonpublic pupils will receive transportation services. Rather, the parent or guardian of those pupils will receive an aid-in-lieu of payment of $710 and either the parent or guardian or the nonpublic school will have to arrange for transportation for those nonpublic school pupils. The costs from FY 2002 that would have been reimbursed in FY 2003 under P.L.2001, c.65 were $68,491.

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2003 Appropriations Handbook
p. B-179 (Dept. of Treasury)

The unexpended balance as of June 30, 2002, in the School Construction and Renovation Fund account is appropriated for the same purpose.

2004 Budget Recommendations
p. D-133 (Dept. of Education)

The unexpended balance as of June 30, 2003, in the School Construction and Renovation Fund account is appropriated for the same purpose.

Explanation

The School Construction and Renovation Fund account has been transferred to the Department of Education, so the recommended FY 2004 budget language is now included in the Department of Education's budget. The language continues to appropriate any year-end unexpended balances in the School Construction and Renovation Fund.
Language Provisions (cont'd)

2003 Appropriations Handbook

In addition to the sum hereinabove appropriated to make payments under the contracts authorized pursuant to section 18 of P.L. 2000, c.72 (C.18A:7G-18), there are hereby appropriated such other sums as the Director of the Division of Budget and Accounting shall determine are required to pay all amounts due from the State pursuant to such contracts.

2004 Budget Recommendations

Same language.

Explanation

The School Construction and Renovation Fund has been transferred to the Department of Education. Section 18 of the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-18), provides that the State Treasurer and the Economic Development Authority (EDA) are authorized to enter into contracts for the payment of debt service on EDA bonds issued to finance school facilities projects. Section 17 provides that "in each fiscal year the State Treasurer shall pay from the General Fund to the authority, in accordance with a contract between the State Treasurer and the authority as authorized pursuant to section 18 of this act, an amount equal to the debt service amount due to be paid in the State fiscal year on the bonds or refunding bonds of the authority issued or incurred pursuant to section 14 of this act and any additional costs authorized pursuant to that section; provided that all such payments from the General Fund shall be subject to and dependent upon appropriations being made from time to time by the Legislature for those purposes, and provided further that all payments shall be used only to pay for the costs of school facilities projects and the costs of financing those projects." This language authorizes additional appropriations, if necessary, for debt service payments in accordance with those contracts between the EDA and the State Treasurer. To date, there have been two issuances of bonds in the amount of $500 million each.

2003 Appropriations Handbook

p. B-179 (Dept. of Treasury)

Of the amount hereinabove for School Construction and Renovation, an amount equal to the [anticipated] earnings of investments of the School Fund shall first be charged to such Fund [and earnings in excess of those anticipated are appropriated for the same purpose and charged to such Fund].

2004 Budget Recommendations

p. D-133 (Dept. of Education)

Of the amount hereinabove for the School Construction and Renovation Fund, an amount equal to the total earnings of investments of the School Fund shall first be charged to such Fund.

Explanation
Language Provisions (cont’d)

This language appears under the Department of Education rather than the Department of Treasury since the account has been moved to that department. As shown on page C-14 of the recommended FY 2004 budget, there are no anticipated revenues for this fund for FY 2004. In FY 2003, approximately $28 million of accumulated earnings of the Fund for the Support of the Free Public Schools were used to offset the State’s required appropriation to the School Construction and Renovation Fund.

2003 Appropriations Handbook

No comparable language.

2004 Budget Recommendations

Such additional sums as may be required for Teachers’ Pension and Annuity Fund -- Post Retirement Medical and Post Retirement Medical Other Than TPAF are appropriated, as the Director of the Division of Budget and Accounting shall determine.

Explanation

Post retirement medical benefits are on a pay-as-you go basis. The recommended FY 2004 appropriation for Teachers’ Pension and Annuity Fund -- Post Retirement Medical and Post Retirement Medical Other than TPAF is $510.4 million. The budget language provides that, if costs are greater than estimated for FY 2004, additional sums as may be required are appropriated and may be activated by administrative decree. Currently, legislation is required to enact a supplemental appropriation for post-retirement medical benefits.

2003 Appropriations Handbook

Of the amount appropriated hereinabove for the Department of Education, such sums as the Director of the Division of Budget and Accounting shall determine from the schedule included in the Governor’s Budget [Recommendation Document dated March 26, 2002,] first shall be charged to the State Lottery Fund.

2004 Budget Recommendations

Of the amount appropriated hereinabove from the General Fund for the Department of Education, such sums as the Director of the Division of Budget and Accounting shall determine from the schedule included in the Governor’s Budget first shall be charged to the State Lottery Fund.

Explanation

This is a technical correction, reflecting the fact that net State Lottery Fund proceeds are deposited
Language Provisions (Cont’d)

in the General Fund. A designated amount of these lottery proceeds is used for education purposes.

2003 Appropriations Handbook

Notwithstanding any other law or regulation to the contrary, each district shall receive no less of a total State aid amount payable for the 2002-2003 school year than the sum of the district’s total State aid amount payable for the 2001-2002 school year for the following aid categories: Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Early Childhood Program Aid, Instructional Supplement Aid, Demonstrably Effective Program Aid, Rewards and Recognition, Stabilization Aid, Stabilization Aid [II], Stabilization Aid [III], Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Distance Learning Network Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, and Aid for Enrollment Adjustments.

2004 Budget Recommendations

Notwithstanding any other law or regulation to the contrary, each district shall receive no less of a total State aid amount payable for the 2003-2004 school year than the sum of the district’s total State aid amount payable for the 2002-2003 school year for the following aid categories: Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Early Childhood Program Aid, Instructional Supplement Aid, Demonstrably Effective Program Aid, Rewards and Recognition, Stabilization Aid, Stabilization Aid [II], Stabilization Aid [III], Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Distance Learning Network Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, School Choice, and Aid for Enrollment Adjustments, taking into consideration the June 2003 payment made in July 2003.

Explanation

The recommended FY 2004 budget language assures that the amount of cash State aid payable for the 2003-2004 school year to each district will be no less than the sum of the district’s total cash State aid amount payable for the 2002-2003 school year, including School Choice Aid. This hold harmless language also clarifies that the 2002-2003 cash State aid base includes the final FY 2003 June payment which will be delayed to July of 2003 under separate budget language.
Language Provisions (cont'd)

2003 Appropriations Handbook

Notwithstanding the provisions of section 8 of P.L.1996, c.138 (C.18A:7F-8), five percent of the total payments to local districts for Abbott v. Burke Parity Remedy aid, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Special Education, Transportation, Early Childhood programs, Demonstrably Effective programs, Instructional Supplement, Bilingual, County Vocational Education program, [Distance Learning Network], and other aid pursuant to P.L.1996, c.138, as provided by the Department of Education to the local school districts for the 2002-2003 school year in the 2002-03 General Fund and Special Revenue Fund State Aid Payments Schedule, shall be paid on the 8th and 22nd of each month from September through June, with the last school aid payment being subject to the approval of the State Treasurer.

2004 Budget Recommendations

Notwithstanding the provisions of section 8 of P.L.1996, c.138 (C.18A:7F-8), five percent of the total payments to local districts for Abbott v. Burke Parity Remedy Aid, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Special Education, Transportation, Early Childhood programs, Demonstrably Effective programs, Instructional Supplement, Bilingual, County Vocational Educational program, other aid pursuant to P.L.1996, c.138, and Consolidated Aid, as provided by the Department of Education to the local school districts for the 2003--2004 school year in the 2003--04 General Fund and Special Revenue Fund State Aid Payments Schedule, shall be paid on the 8th and 22nd of each month from September through June, with the last school aid payment being subject to the approval of the State Treasurer.

Explanation

Recommended FY 2004 budget language continues the change in dates for monthly State aid payments to school districts first adopted in the FY 2003 appropriations act. This pushed payments from the 1st and 15th to the 8th and 22nd of each month, September through June. The language also provides, as does the FY 2003 appropriations act, that the last school aid payment in FY 2004 is subject to the approval of the State Treasurer. Based on FY 2004 appropriation levels, this is an indication that the June 22, 2004 school aid payment will be pushed back to July, 2004, which falls into State fiscal year 2005. Other changes reflect the elimination of Distance Learning Network Aid and the addition of Consolidated Aid reflecting the decision by the department to take three FY 2003 State aid items and consolidate them into Consolidated Aid for FY 2004.
Language Provisions (Cont’d)

This language would authorize the use of FY 2004 school aid appropriations to make the final June FY 2003 school aid payment, thereby freeing up almost $300 million in FY 2003 State aid funding for other purposes. Recommended school district State aid for FY 2004 is to increase by $100 million. Since one of the 20 State aid payments in FY 2004 is at the lower level of State aid payments in FY 2003, 1/20 of the that $100 million increase in State aid will not actually be paid to the districts in FY 2004. This provides the State with $5 million in savings, as shown on p. D-118, Growth Savings -- Payment Change.

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Notwithstanding the provisions of any law to the contrary, there shall not be required of a former constituent district of a grade 9 through 12 limited purpose regional school district which dissolved on June 30, 1997, any reimbursement or withholding of State aid as reimbursement of State aid provided in the 1998-99 school year to reduce the school tax increase of that former constituent district.

Explanation

The Clark School District received Stabilization Aid in the amount of $940,000 in FY 1999 to offset costs incurred as a result of the dissolution of the regional school district of which it was a constituent district. Budget language contained in the FY 2000 appropriations act required repayment over a three-year period and one payment was made in the 2000-2001 school year. Since the requirement to repay the aid was in the form of adopted budget language, not statute, and the State is not requiring further repayment, no budget language is needed for FY 2004.
Discussion Points

1. In budget language, page D-137, the department proposes to delay the June 22, 2003 State aid payment to school districts, appropriates the amount of that payment from the FY 2004 budget and authorizes the Treasurer to make that payment in July (now understood to be July 3, 2003 pursuant to the State Treasurer’s comments at a Joint Budget Oversight Committee meeting).

   • Question: Which school districts (please provide a list), if any, has the department determined, will not have sufficient surplus to meet their June contractual obligations prior to receiving the June payment in July? What plans does the department have for assisting these districts or any other district that may have to borrow funds?

2. Pursuant to P.L.2001, c.356, the department is to calculate extraordinary special education aid for costs incurred by school districts in the school years 2002-03 through 2004-05 by using a formula which differentiates costs for an individual student over $40,000 and up to $60,000; costs over $60,000 and up to $80,000; and costs over $80,000, and multiplies those costs by varying percentages to arrive at the total extraordinary special education aid per student to which a district is entitled. Even prior to FY 2003, the total costs over $40,000 per student for all districts was in excess of the $15 million appropriated for this aid. The recommended FY 2004 appropriation for Extraordinary Special Education Costs Aid is the same amount as in FY 2002 and FY 2003, $15 million.

   • Question: For the school year 2002-2003, please provide for each district and pupil in that district whose special education costs are greater than $40,000, the total special education cost of that pupil, the provider of the special education services, the calculation of the aid to which the district is entitled under P.L.2001, c.356, and the amount of aid the district will receive under the budget language on page D-137 which provides the commissioner with the authority to apportion the amount appropriated for any State aid item which is not sufficient to fully fund the cost of that item.

3. Last year, at this time, the commissioner indicated that an extensive review of the funding formula, including facilities funding, for charter schools would be conducted as soon as the Department of Education’s reorganization was complete and the new charter school program management was in place.

   • Question: Please provide a report on the results of the department’s review of the funding formula, including facilities funding, for charter schools.

4. The department received $3 million in State FY 2003 as the first installment of a three-year $11 million federal grant under the Public Charter Schools Grant Program.

   • Question: Please provide information on how these funds are being used and will be used and the names of any charter schools which have received a grant under this program.

5. There are three State-operated school districts: Jersey City, Newark, and Paterson.

   • Question: Please provide an update on the status of each of these districts and each district’s progress toward the return to local control.
Discussion Points (Cont'd)

6. As required by the federal "No Child Left Behind Act of 2001" (NCLB), the department identified schools in need of improvement using scores from the elementary school performance assessment (ESPA) and the grade eight performance assessment (GEPA) administered in 1999, and then evaluated these schools using scores from the ESPA and GEPA administered in 2000 and 2001 to determine annual yearly progress. Since the report was initially developed, test scores for the ESPA and GEPA tests administered in 2002 have become available. Further, the department has received a memo from the federal Department of Education requiring that the State close out its old accountability system and, using Spring 2002 assessment results, set benchmarks for the new accountability system's starting point for determining annual yearly progress going forward. As part of closing out the old system, the department was required to review those schools for adequate yearly progress that were previously identified as schools in need of improvement. Preliminary starting points (pass rates for schools) were identified by the federal government for New Jersey as follows: for the ESPA Language Arts/Literacy, 68.6; for ESPA Math, 53.1; for the GEPA Language Arts/Literacy, 58.1; and for the GEPA Math, 39.4. While the preliminary scores identified above are from the ESPA and GEPA, beginning this Spring, a new test, ASK4, will be administered to students in 4th grade.

- Question: Please provide the benchmarks set by the department for Statewide tests for use over the next three years to determine a school's adequate yearly progress. Since the benchmarks will be set using ESPA scores, how will valid comparisons be made with a different assessment, ASK4, to evaluate each school's annual yearly progress? For those schools previously identified as in need of improvement, please provide the results of your review of their adequate yearly progress in response to the memo from the federal Department of Education. For any schools which have not improved as required, what plans does the department have for providing supplemental educational services?

7. The recommended FY 2004 appropriation for Statewide Assessments is $13.2 million, a decrease of $3 million (18.4 percent) from the adjusted FY 2003 appropriation of $16.2 million. Beginning this spring, new Statewide assessments for grades 3 and 4 will be administered, ASK3 and ASK4. Under the NCLB, annual Statewide assessments for reading and math in grades 3-8 are to be in place by the 2005-2006 school year. This will require the development of new tests for grades 5-7 and an ASK8 version of GEPA.

- Is the FY 2004 recommended appropriation the amount the department estimates it will cost to develop and administer the ASK3 and ASK4 assessments? What is the department's schedule for the development of the other Statewide assessments? What estimates does the department have for the cost of developing the new assessments needed by the 2005-2006 school year? What is the annual cost of administering these assessments, once developed? What is the dollar amount of funding the State is receiving from the federal government for the development and administration of these tests?

8. In July of 2000, the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-1 et al.), was signed into law. That law, which established procedures for the approval and financing of new school facilities projects, provides that Abbott district school facilities projects and projects for Level II districts and districts with a district aid percentage of 55 percent or greater are required to be constructed by the New Jersey Economic Development Authority (EDA). All other school districts may construct school facilities projects on their own or may opt to use the services of the EDA.
Discussion Points (Cont’d)

• Question: Since April of 2002 (when you provided this data last year), how many school facilities projects have been approved in Abbott districts and non-Abbott districts respectively? How many school construction projects have begun actual construction in the Abbott districts and non-Abbott districts respectively? Please provide this information by district, including dates and costs, on school facilities projects indicating the status of the application in the approval process and whether actual construction has begun.

• Question: Please describe how the establishment of the New Jersey Schools Construction Corporation (a subsidiary of the EDA) has facilitated the Abbott district construction process. What is the number of Abbott district school facilities projects for which construction has actually been initiated since the establishment of the corporation?

• Question: Please update the report on the completion status of the Abbott district health and safety projects.

9. The FY 2004 budget recommends an appropriation of $142.4 million for Abbott Preschool Expansion Aid. This is the same amount as the FY 2003 adjusted appropriation. Budget language for FY 2003 and also for FY 2004 requires Abbott districts to document the expansion of their preschool programs in order to receive payment under this line item.

• Question: For each Abbott district, indicate the payment received to date for FY 2003 Abbott Preschool Expansion Aid and the total amount expected to be paid to each district in FY 2003. For each Abbott district, indicate the payment expected for FY 2004, including -- and identified as such -- a payment delayed from FY 2003, if any, for Abbott Preschool Expansion Aid. For each Abbott district, show the actual growth (numbers) in the number of preschool pupils in school year 2002-03 from school year 2001-02 and the expected preschool enrollment in school year 2003-04. (For the immediately preceding request, show the data by type of facility -- district school or licensed child care center within each district). What percent of the total number of three- and four-year olds residing in the Abbott districts are expected to enroll in the 2003-2004 school year (please provide this information by district)?

• Question: Please provide the number of certified and non-certified persons, together with types of certification and years of experience teaching in preschool programs in the Abbott districts and child care centers under contract with the Abbott districts, broken down by district, schools within a district and child care centers under contract with a district, and classroom within a school or child care center. (Essentially, please update your tables 5-B, 5-C and 5-D from last year’s response to discussion questions -- please provide numbers as well as percents.)

10. A recent State Auditor’s report found that "the City of Vineland Board of Education has been requesting funding through its annual operational plans without properly assessing needs and circumstances of the providers" (Department of Human Services licensed day-care centers). In part, the State Auditor attributed this to the failure of the Division of Early Childhood Education in the Department of Education to provide timely and sufficient guidance in the preparation of the operational plan. Instead, the auditor found that “the DOE allowed the district to negotiate a per pupil amount of $4,590 with providers for the education component. The district paid each of the 12 community providers the same rate during the school year 2001-02, totaling $3.6 million. Because of this funding process, seven providers were paid approximately $215,000 more than their budgeted cost of delivering the service.” The report continues, "The 2002-03 operational plan
Discussion Points (Cont’d)

requested funding for community providers at a rate of $6,900 per student. Providers' budgets ranged from $5,213 to $9,310 for the education component. Again, the district did not assess providers' financial needs prior to requesting funding. The district is currently in the process of performing the required needs assessments and negotiating with providers based on the amount of approved funding from the DOE.

• Question: While the State auditor's report was specific to the City of Vineland Board of Education, it also raises questions with respect to Abbott district contracting procedures Statewide. Please provide for FY 2003 and FY 2004, for each Abbott district and each community provider within the district, the community provider's name, its enrollment or projected enrollment of three- and four-year olds and the per pupil education charge or proposed charge. Please also indicate which of the community providers has undertaken or is scheduled to undertake facilities construction, how the cost of that construction is being or will be paid and the extent to which such construction has been or will be subject to the provisions of the "Educational Facilities Construction and Financing Act" (EFCFA).

• Question: Please indicate for each Abbott district whether the district has required in its contract with community providers that the provider maintain a financial management system that is in compliance with Generally Accepted Accounting Principles (GAAP) and has inspected budgets submitted to it from its providers for such compliance. Please indicate for each district whether the district required its community providers to "clearly delineate district funds, Department of Human Services funds, and other sources of revenue" with respect to expenditures of the community provider for the services it provides the three- and four year olds.

11. Budget language, page D-119, provides, "[t]he commissioner may deduct from the State aid of any Abbott district the expenses required to manage, control and supervise the implementation of that State aid." In the most recent report on Abbott district early childhood programs (Pleasantville Board of Education), the State Auditor found that "[t]he district was not adequately monitoring the providers' performances and comparing provider performances with the scope of services specified in the contracts. Provider budgets and expenditures were not reviewed to ensure compliance with contract terms and other requirements regarding the expenditure of funds." In addition, upon examination of the six community providers' evidence that employees of the providers had undergone a Criminal History Record Information (CHRI) background check as required by the Abbott preschool contract and statute, the report found, "... the providers had no evidence of a CHRI for 24 of 70 employees, including one provider who had no evidence for 13 of 17 employees."

• Question: What dollar amount did the commissioner deduct from the State aid for Abbott districts in FY 2003? What dollar amount will the commissioner deduct from State aid for Abbott districts in FY 2004? How is the department organized to provide the necessary supervision of Abbott districts to ensure that the districts are carrying out their oversight responsibilities with respect to community providers of early childhood education?

12. Budget language, page D-120, provides that "as a condition of receiving Abbott v. Burke Parity Remedy Aid, an "Abbott district" shall raise a general fund tax levy which shall be no less than the general fund tax levy of the prior year increased by such amounts as the commissioner, in
Discussion Points (Cont'd)

his review of applications for discretionary Additional Abbott v. Burke State Aid, determines would not result in a combined municipal, county and school tax levy that substantially exceeds the State average combined tax levy for 2002.

- **Question:** What is the State average combined tax levy for 2002? For each Abbott district, provide its combined municipal, county and school tax levy and indicate by what amount it could be increased and not "substantially exceed the State average combined tax levy for 2002. Please also provide the impact such an increase would have on the average residential tax payer in these districts. How will the commissioner administer and implement this provision?

13. Under a series of Supreme Court orders, Abbott II through Abbott VIII, the court has directed the State to: provide parity funding for Abbott districts; require all Abbott districts to adopt some version of a proven, effective whole school reform model, with Success for All - Roots and Wings being the presumptive elementary school model; provide funding and resources necessary to provide a full-day kindergarten program for the Abbott districts; provide resources and funding to provide half-day pre-school programs for three- and four-year olds and supplemental programs targeted to overcoming the disadvantages that prevent students in the Abbott districts from achieving a thorough and efficient education. FY 2003 funding to implement these directives totals $1,020.6 billion, and would increase to $1,057 billion, ($35.4 million or 3.4 percent) in FY 2004. Recommended FY 2004 budget language states that the amount appropriated for Additional Abbott v. Burke State Aid will be used first to fully fund the State's obligation for parity aid and the approved early childhood operational plans, and that the remaining funds appropriated as Additional Abbott v. Burke State aid will be used "for the award of discretionary funding to Abbott districts to maintain the programs, services and positions from the prior year that the commissioner determines are essential to the provision of a thorough and efficient education in those districts."

The Supreme Court, in an order dated June 11, 2002, granted the department's request to establish the Abbott funding for supplemental programs in school year 2002-2003 at the 2001-2002 level. The districts were also afforded, for one year, the flexibility to: eliminate, reduce, or limit growth of certain whole school reform enhancements; eliminate positions and make decisions about retention of certain positions. The court also permitted the department to suspend for one year the regulatory requirement for middle schools and high schools to implement whole school reform models and the requirement of a formal evaluation of whole school reform. Recently the City of Trenton Board of Education has taken the Department of Education to court to appeal the refusal of the department to fund the cost of over 100 school district positions. It has been reported in recent newspaper articles that commenting on the department's position, Assistant Commissioner Gordon MacInnes stated that these positions, while court-ordered, were neither essential nor deserving of special Abbott aid.

- **Question:** Given that the one-year time period granted by the Supreme Court ends with the beginning of FY 2004, what are the department's plans with respect to the court orders under Abbott II through VIII?

- **Question:** Under the court order of June 11, 2002, please provide, for each Abbott district: the whole school reform enhancements that were eliminated, reduced or limited in growth, and the cost savings associated with each; positions that were eliminated with associated cost savings; and the cost savings associated with the suspension of the regulatory requirement to implement whole school reform in middle schools and high schools.
Discussion Points (Cont'd)

- **Question:** Part of the rationale for the one-year hold on Abbott funding for supplemental programs (Additional Abbott v. Burke State Aid) was to give the department an opportunity to review its policies, strategies and practices for implementing Whole School Reform in the Abbott districts with respect to the delivery of a thorough and efficient education to the pupils in the Abbott districts. What has the department learned from this year of evaluation? What policies and practices might the department continue? What new policies and practices will the department implement? What policies and practices will the department discontinue?

14. Under Abbott v. Burke, 164 N.J. 84 (May 2000), the court held that "[w]hen a district no longer possesses the requisite characteristics for Abbott district status, the Legislature, the State Board and the Commissioner may take appropriate action in respect of that district." Abbott VII at 90. The last time a study of district factor scores was completed was 1993 using census data from the 1990 decennial census. Data from the 2000 decennial census is now available to update the previous study. Also, a provision of the "Educational Facilities Construction and Financing Act" (EFCFA) required that by March 1, 2002, the commissioner was to recommend to the Legislature the criteria to be used in the designation of districts as Abbott districts.

- **Question:** Please provide information on the status of a new study to update the district factor scores using 2000 census data. If a study has been completed, please provide a copy of the study and its details. If not completed, please indicate a planned completion date. If completed, please indicate if the new study would change the status of existing Abbott districts with respect to their District Factor Group. Also, has the department undertaken or is the department planning to undertake, an evaluation of the "requisite characteristics for Abbott district status" or completed the report required under EFCFA establishing the criteria to be used in the designation of districts as Abbott districts? Please provide the results of any study responding to the requirement of EFCFA or responding to Abbott decision noted above, or both.
Including proposed State school aid for school year 2003-04, since school year 1997-98, the first school year for which State school aid was calculated under the “Comprehensive Educational Improvement and Financing Act of 1996” (CEIFA), other than that provided for debt service and facilities, the aid provided exclusively\(^1\) to the 30 Abbott districts, totals over $4.24 billion\(^2\). This background paper provides a description of some of the significant factors involved in the provision of this aid, 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). As will be described below, comparison on student outcomes was a critical part of the Supreme Court’s Abbott decisions.

### Background

This paper will focus on two of the factors which have been significant in the provision of aid to the Abbott districts: a decision by the Department of Education to develop a measure of the socioeconomic status of school districts after the department had initiated an Educational Assessment Program in the early 1970s; and a series of Supreme Court decisions, beginning with the Robinson \textit{v.} Cahill decisions in the 1970s and continuing in the 1980s to the present with the


\(^2\) In addition to the above mentioned aid categories, section 13 of CEIFA provides that an Abbott district’s T&E (thorough and efficient) budget is to be calculated using the maximum per pupil T & E amount.
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Abbott v. Burke decisions⁵. Those decisions represent the Court's interpretation of Article VIII, Section IV, paragraph 1 of the New Jersey Constitution which provides: "The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the State between the ages of five and eighteen years."

District Factor Groups

In 1975, the Department of Education, using 1970 census data, produced a measure of school district socioeconomic status called District Factor Groups (DFG, see Chart 1). According to a 1993 report⁶, this measure was developed to address at least the following three issues: 1) the relationship of education outcomes in the State of New Jersey to academic research, conducted in the late 1960s and early 1970s, which showed a strong relationship between socioeconomic status and educational outcomes; 2) the wide disparity across the State in Statewide test scores, affecting the ability of policy makers to make correct inferences about the effectiveness of educational inputs (State aid and school-based programs) without also considering the student, and all that the student brings, as an important input to the learning that produces educational outcomes; and 3) providing a way that the Department of Education could report outcome measures (Statewide test scores) so as to reduce the variation in test scores across school districts which is due to factors beyond local district control, and to permit comparisons between districts that are similar on those factors which are beyond the local district's control (socioeconomic factors). Chart 1 provides, in diagrammatic form, the understanding behind the development of the district factor measure. With great variation across the districts in the percent of students performing at a passing level, the department sought to explain this variation. This effort led to the development of the composite socioeconomic measure it labeled, District Factor Group. By making the line coming from students' input darker and wider, the diagram shows that student inputs were considered to have the greatest impact on the educational outcomes. There was a strong positive relationship between ranking on the DFG measure and the percent of students in districts passing Statewide assessments, a relationship which can still be found today.

The last time the DFG scores were calculated was in 1993, using 1990 Census data. The initial 1975 DFG measure included the following eight variables used to obtain measures of school districts: per capita family income level; two indices providing the average rank for district residents -- an index of occupation level (used the National Opinion Research Council’s occupational prestige scores and determined an average ranking for 11 categories of occupations with laborer, the lowest rank, and old and new professional, the highest rank) and an index of educational attainment (a ranking of categories such as completed 12th grade, completed 14 years of education, etc.); percent of residents below the poverty level; mobility -- the percentage of persons living in the same housing unit for at least the past 10 years; density (the average number of persons per household); urbanization (percent of district considered urban); and unemployment (percent of those in the workforce who received some unemployment compensation).

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These variables were combined using a statistical procedure called factor analysis\(^5\). Two underlying factors were found, with the first being interpreted as measuring socioeconomic status (SES). A factor score was generated for each school district and then the districts were ranked and the ranked districts evenly distributed into 10 groupings, the District Factor Groups, with DFG A being the grouping of districts with the lowest factor scores (lowest socioeconomic status) and DFG J being the grouping of districts with the highest factor scores (highest socioeconomic status).

Since it was first developed in 1975, this measure of socioeconomic status has been used in the grouping of districts to report the results of Statewide testing. Without exception, as one moves from DFG A to DFG J, there is a steady increase in the percent of students who are proficient on the Statewide tests, regardless of grade or subject. As will be discussed below, the fact that students in DFGs I and J, as a whole, always performed well on these Statewide tests became an important factor in the Supreme Court's decision concerning parity aid.

The last time the DFG was calculated (1993), two of the variables previously used were changed: the index of educational attainment -- used two variables, percentage of adult residents who have not completed high school and percentage who attended college; and the percent urban measure was replaced with a measure of population density. In addition, the number of DFG groupings was reduced from ten to eight, with no attempt as previously to have an equal number of districts in each group, but rather to base the grouping on the DFG scores.

Supreme Court Decisions

In 1985, after a lengthy review of its previous decisions in dealing with the issues regarding the provision of a thorough and efficient education, the New Jersey Supreme Court held\(^6\) that "the parties' claims should initially be presented to an administrative tribunal. But we also recognize the constitutional dimensions of plaintiffs' complaint, and direct the creation of an administrative record sufficient to guide the adjudication of the constitutional issues on any future appeal."\(^7\) The appropriate tribunal to consider "the evidence relevant to the parties' contentions and the facts at the heart of this controversy" (the constitutional challenge to the "Public School Education Act of 1975," P.L.1975, c.212 (C.18A:7A-1 et seq.), referred to as "chapter 212"), was an appropriate administrative agency. The Court ordered that "[a]s a contested matter, this case shall be transferred by the Commissioner [of Education] under N.J.A.C. 1:1-5.1 to be heard by the Office of Administrative Law (OAL)."\(^8\)

\(^5\)Factor analysis provides a way (statistically) to determine if any unobservable variable can be interpreted as underlying and explaining variation on several observable (measurable) variables. In this case, using different observable measures of socioeconomic status and seeing if, in combination, they provide a composite measure of socioeconomic status that can then be used to "score" school districts on that composite measure and use the resulting variation among districts to explain variations in school district outcome measures -- Statewide assessments.

\(^6\)Abbott v. Burke, 100 N.J., 269 (1985) (Abbott I)

\(^7\)Abbott I at 279

\(^8\)Abbott I at 302
The Court in Abbott I also:

- Discussed its understanding of the meaning of the constitution's guarantee of a thorough and efficient education. "The Court [in Robinson v. Cahill, 62 N.J. 473 (1973) (Robinson I)] explained that the constitutional guarantee of a thorough and efficient education 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 [or her] role as a citizen and as a competitor in the labor market...'. The Court further held that if any school district could not provide sufficient educational opportunity, the State must assure the delivery of constitutionally-required educational programs and facilities." Toward the end of its decision and with respect to the meaning of the constitution's guarantee, the Court stated: "Thus, in litigating the equal protection claim, it is anticipated that the parties will address issues that will overlap substantially with the questions raised by the claim based on the thorough and efficient clause. Both turn on proof that plaintiffs suffer educational inequities and that these inequities derive, in significant part, from the funding provisions of the 1975 Act. The claims may differ, however, in that the thorough and efficient education issues call for proofs that, after comparing the education received by children in property-poor districts to that offered in property-rich districts, it appears that the disadvantaged children will not be able to compete in, and contribute to, the society entered by the relatively advantaged children."  

- Discussed in more detail what can be considered at the school district level when seeking to understand if disparities exist with regard to school inputs and educational outcomes in assessing the plaintiffs' claim:
  a. Inputs
     (1) adequacy of instruction;  
     (2) breadth of program offerings;  
     (3) adequacy of programs and services for children with special education needs;  
     (4) qualification of school personnel;  
     (5) quality of physical facilities, materials and supplies;  
     (6) effectiveness of administration; and  
     (7) adequacy of monitoring and evaluation;  
  b. Outcomes
     (1) standardized tests; and  
     (2) drop-out rates.  

- Required that particular attention be given the claims regarding the existence of irremediable municipal overburden.

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9Abbott I at 280-281 (citations omitted)  
10Abbott I at 295-296  
11Abbott I at 284-285  
12Abbott I at 293
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Chart 2 diagrams the Court's understanding of the issues related to the variation in educational outcomes across school districts. Without denying the impact of differences in students' socioeconomic background and thus differences in students' input to the learning process, the Court also related disparities in school district wealth to disparities in school based programs and directed, on remand, that consideration be given to the impact of the seven areas listed on the chart on school based programs.

The Administrative Law Judge found that "evidence of sizable disparities in educational input, such as course offerings, teacher staffing, and per pupil expenditures, were related to disparities in school district wealth; that a constitutionally mandated thorough and efficient education was not being provided by the plaintiffs' districts, and others; that the inequality of educational opportunity Statewide itself constituted a denial of a thorough and efficient education; that the failure was systemic; and that chapter 212 and its funding were unconstitutional." 13

Based in part on the Administrative Law Judge's report following the hearings, in Abbott II,14 "a unanimous Supreme Court held that chapter 212 violated the thorough and efficient clause of the State constitution and was unconstitutional as applied to the 28 poorer urban school districts in the State." 15 The remedy devised by the Court in Abbott II was that chapter 212 had to be amended or new legislation passed that assured that the educational funding in the poorer urban districts was substantially equivalent to that of the property-rich districts.

Of considerable interest in the decision, is the Court's lengthy consideration of the District Factor Group measure. In its discussion of educational funding disparities initially, and then based on the identification of certain school districts in DFGs A and B and urban areas, the Court uses DFGs throughout the rest of its analysis to demonstrate that, for those districts, a system of thorough and efficient education did not exist. In this discussion and with respect to the origin of the DFG measure, the Court noted: "The possible significance of the origin of this SES comparison is worth noting. It was initiated to enable districts of a particular SES to measure their performance against others like them. The DOE [Department of Education] wanted to assist Trenton, for instance, in comparing its students' performance with those of Newark or Jersey City. Implicit is the conclusion that it would be pointless to make the comparison with Princeton or Cherry Hill. Without disputing the possible insight gained from such limited comparisons, we cannot avoid another side of this measurement. Such comparison, limited to districts with a similarly low SES, accepts the proposition that low SES districts should not be discouraged by their students' failure to perform at the level of high SES districts, or should not expect them to. The overall performance of their students should not be evaluated by measuring it against the performance of those in the affluent suburbs." 16


16Abbott II at 339
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The Court further explained its decision as follows: "We have decided this case on the premise that the children of poorer urban districts are as capable as all others; that their deficiencies stem from their socioeconomic status; and that through effective education and changes in that socioeconomic status, they can perform as well as others. Our constitutional mandate does not allow us to consign poorer children permanently to an inferior education on the theory that they cannot afford a better one or that they would not benefit from it."\(^{17}\)

Chart 3 shows how the Court thought changes in the educational outcomes of districts with students from low socioeconomic backgrounds could be effected. The focus was on creating greater parity in school based programs through a greater input of State aid. The Court stated that this funding had to create substantial equality between the special needs districts and the property-rich districts and was not to be subject to the discretionary actions of government at any level. The level of funding was also to be adequate to provide for the special educational needs of the poorer urban districts and address the students' extreme disadvantage.

In 1990, the "Quality Education Act of 1990" (QEA), P.L.1990, c.52 (C.18A:7D-1 et al.), established a foundation aid program for school districts and for the Abbott districts (then called Special Needs Districts, SNDs), a special needs weight of 1.05 to be used in the calculation of their foundation aid. Under the QEA, the Governor was given the authority to increase the weighting factor, if the Legislature did not disapprove, which would have the effect of increasing funding for the SNDs. This was a mechanism to provide greater equality in per pupil expenditures between the SNDs and wealthy districts (see Chart 4). This authority was never exercised by the Governor.

Chart 4 shows the State's response to Abbott II. Through the QEA, the State provided foundation aid for eligible districts and for the Abbott districts increased the amount of their foundation aid by the application of the 1.05 special needs weight. Additional aid (At-Risk aid) was provided to districts with low-income pupils, based on a per pupil amount times the number of low-income pupils.

In Abbott III,\(^{18}\) the Court held the QEA unconstitutional because of "the Act's failure to assure parity of regular education expenditures between the special needs districts and the more affluent districts."\(^{19}\) Under the QEA, parity in funding was subject to the discretion of the Governor and the Legislature (see Chart 5). Since the Court acknowledged that the State had made some progress toward achieving parity since Abbott II, the Court did not intervene further at this time. However, the Court did put the State on notice that "substantial equivalence of the special needs districts and wealthier districts in expenditures per pupil for regular education [was to be] achieved for school year 1997-1998 along with the provision for the special educational needs of students in those special needs districts."\(^{21}\) Chart 5 shows, in bold-faced type, the Court's holding that QEA is unconstitutional. Not only did QEA permit discretion in the establishment of the level of SND aid, according to the Court, it did not adequately address the special education needs of the students.

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\(^{17}\)Abbott II at 340


\(^{19}\)Abbott III at 447

\(^{21}\)Abbott III at 447
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of the Abbott districts.

In December of 1996, as a response to Abbott III, "The Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA)," P.L.1996, c.136 (C.18A:7F-1 et seq.), was enacted. Under CEIFA, core curriculum content standards were designated as defining what constitutes "thorough" under the constitutionally mandated thorough and efficient education. These content standards were to be implemented in all districts. The Statewide assessments (educational outcomes) were also revised to assess student proficiency in achieving the content standards at grades 4, 8 and 11. "The funding provisions in the statute purported to implement the efficiency component of the constitutionally mandated thorough and efficient education. The statute set forth a per pupil amount, the T & E amount, deemed necessary to achieve the content standards. Expenditures in excess of the prescribed T & E amount were deemed to be unnecessary to achieve a thorough and efficient education. The funding scheme of CEIFA was derived from a hypothetical school district that served as the model for all school districts."\(^{22}\)

Under CEIFA, State aid for districts has two basic components: wealth-based and categorical. Wealth based aid, primarily core curriculum standards aid, supports a district's T & E, or regular education budget (see Table 1 for an example of this calculation). The T & E budget for each district is calculated by using the per pupil T & E amount multiplied by a district's weighted enrollment. Under the model school, different weights are assigned to students at different grade levels -- the weights are associated with the relative costs of educating a student at that grade level with students in grades 1 through 5 given the weight of 1. The T & E flexible amount, plus or minus 5 percent of the per student T & E amount, is used to calculate a district's minimum and maximum T & E budget, the range within which the State considered a district could efficiently provide a thorough and efficient education. Under CEIFA an Abbott district's T & E budget is calculated only at the maximum T & E amount. As can be seen from Table 1, a district's budget year T & E budget provides for enrollment growth, shifts in the relative numbers of pupils in different grade levels and change in the cost of living as measured by the CPI, items D-1 through D-4. After subtracting a district's categorical aid, the comparison made ensures that all districts, except Abbott districts, receive State aid based on at least at the minimum T & E budget but not greater than the maximum T & E budget. A district's T & E budget is then used, in combination with two measures of district wealth, to calculate the core curriculum standards aid a district will receive, if any. Calculating an Abbott district's T & E budget at the maximum per pupil T & E amount ensured the maximum possible amount of core curriculum standards aid under the CEIFA formula.

In addition to core curriculum standards aid, CEIFA provides two forms of aid for which a district qualifies based on the percent of low-income students in the district's enrollment. These aid programs, Early Childhood Program Aid and Demonstrably Effective Program Aid, were intended to address some of the special needs of low-income students, including full-day kindergarten and preschool programs.\(^{23}\) (see Chart 6).

In Abbott IV, the Court found that while the standards were "facially adequate and consistent with the education clause," with respect to the amount of aid provided the Abbott

\(^{22}\)Background Paper: Abbott Decisions, p. 66

\(^{23}\)Abbott districts have received over 60 percent of the total aid each year in these two aid categories, in FY 2004 66.7 percent, $353.5 million of $530 million.
Background Paper: State School Aid and Educational Outcomes for Abbott Districts

districts, CEIFA was unconstitutional.\(^{24}\) According to the Court, CEIFA did not base its standards for the amount a district is to spend to provide a thorough and efficient education on either the districts which were, by the current output measures of Statewide assessments and high graduation rates, providing a thorough and efficient education, or on the characteristics of the special needs districts and the level of spending that would be required to enable these districts to conform to the standards set by the high achieving districts. The Court ordered, as interim relief, that the State increase funding for the 30 poorer urban districts so that they could spend an amount per-pupil that was equivalent to the average per-pupil expenditure for regular education in the DFG I & J districts.\(^{25}\) Abbott v. Burke Parity Aid first became a line item in the FY 1998 budget in an amount of $246 million (Chart 7).

In addition, the Court, finding that the State had still failed to conduct a study of the special educational needs of students in the Abbott districts, ordered that the "Superior Court, consistent with this opinion, shall direct the Commissioner to initiate a study and to prepare a report with specific findings and recommendations covering the special needs that must be addressed to assure a thorough and efficient education to the students in the SNDs. That report shall identify the additional needs of those students, specify the programs required to address those needs, determine the costs associated with each of the required programs, and set forth the Commissioner's plan for implementation of the needed programs. In addition, the Superior Court shall direct the Commissioner to consider the educational capital and facility needs of the SNDs and to determine what actions must be initiated and undertaken by the State to identify and meet those needs."\(^{26}\)

The study ordered in Abbott IV, was conducted by a Special Master appointed by Judge Michael Patrick King. Judge King subsequently conducted hearings and made recommendations that certain programs be implemented by the Abbott districts. In Abbott V,\(^{27}\) the Court required the development of a different strategy for approaching education in the Abbott districts. The department's response to this was the requirement that each school in an Abbott district adopt an approved model for whole school reform. The Court further required the implementation of full-day kindergarten and half-day pre-school programs for three- and four-year olds in all Abbott districts. In order for the districts to accomplish this, the Court required the State to provide additional funding, as demonstrated and needed. Additional Abbott v. Burke Aid became a line item in the budget for the first time in FY 2000.

In addition, the Supreme Court addressed the issue of inadequate, and in some cases, dangerous facilities, by requiring that the State investigate and eventually fund the cost of providing new facilities in the Abbott districts. In July of 2000, the "Educational Facilities Construction and Financing Act" was enacted, which required the State to fully fund the cost of new and remodeled facilities in the Abbott districts, and which provided at a minimum, State funding for 40% of the eligible costs for facilities in all other districts.

\(^{24}\) Abbott v. Burke, 149 N.J. 145 (1997)

\(^{25}\) Abbott IV at 197

\(^{26}\) Abbott IV at 199-200 (footnote omitted)

Two later Abbott decisions, Abbott VI and Abbott VIII, further clarified the Court’s orders regarding preschool programs. In Abbott VI, the Court required the State to provide greater direction through guidelines for the preschool programs by adopting standards that would relate instruction in the preschools to the core curriculum content standards and that would address concerns on the certification of persons teaching in preschools, especially those teaching in licensed child care centers providing preschool education under contract with the Abbott districts (both the obtaining of certification and the length of time within which this would be accomplished). In Abbott VIII, the Court required the Department of Education to work with the Abbott districts to be more aggressive in reaching out to their communities to make sure that the preschool programs were as inclusive as possible. In FY 2003, the appropriations act added a new line item in the Department of Education budget, Abbott Preschool Expansion Aid, with an appropriation of $142.4 million.

Chart 8 shows that efforts to reduce the disparity in educational outcomes between the students in the Abbott districts and the students in the DFG "I" and "J" districts by intervening at an early age and providing quality preschool education. By doing so, the expectation is that the children coming into full-day kindergarten in the Abbott districts are better equipped to begin the K-12 education that will provide them with a thorough and efficient education. In addition, by reorganizing each Abbott district school around a proven curriculum, such as Success for All – Roots and Wings (which has a very strong emphasis on literacy), the ongoing educational process within the K-12 schools can be strengthened. The chart shows that given the change to the students entering the schools and the restructuring of the schools themselves, the expectation is a reduction in the disparity of educational outcomes, in part measured by the Statewide assessments.

Financial Impact and Educational Outcomes

Throughout its decisions, the Court has constantly used the DFG "I" and "J" districts for comparison with the Abbott districts. Figures 2 and 3 provide some comparative data between these districts. Figure 2 provides a comparison of the Abbott and "I" and "J" districts on different measures for the school years 1997-98 to 2003-04. Enrollment has increased by 20 percent in the "I" and "J" districts while increasing by 5.4 percent in the Abbott districts. Wealth based State aid for the "I" and "J" districts has decreased by 11 percent while increasing by 49.5 percent for the Abbott districts. On the comparison often referred to in the Court decisions, the "property-rich" districts have maintained a 4 to 1 ratio in the equalized property value of their districts compared with the Abbott districts and are approaching the same ratio in their income which is also used as an indicator of the ability to pay for education. The disparity in the wealth of the Abbott districts compared with the "I" and "J" districts has remained constant over this period. The general fund levy per pupil measure shows that the "I" and "J" districts have increased the local amount raised per pupil over this period by 21.2 percent. The Abbott districts' local share per pupil has decreased by 1.7 percent over this same period. In response to the Court's concern with municipal overburden, the budget language adopted since Abbott v. Burke Parity Aid has been a line item in the budget, has limited an increase in the taxes raised in the Abbott districts. The measure of general fund levy per pupil shows the effect of this budget language -- the general fund levy per pupil in the Abbott districts has decreased over this period at the same time that their equalized

28Abbott v. Burke, 163 N.J. 95 (March 2000)

29Abbott v. Burke, 170 N.J. 537 (Feb. 2002)
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property value and aggregate income have increased. However, under recommended FY 2004 budget language (see p. D-120), if enacted in the appropriations act, the commissioner would have the authority to require certain Abbott districts to increase the amount of the general fund levy raised by the district in order to qualify for Additional Abbott v. Burke State Aid. The budget language on page D-120 is further clarified in regulations proposed by the commissioner under authority granted in the FY 2003 appropriations handbook (page B-41) authorizing the commissioner to adopt regulations related to Additional Abbott v. Burke State Aid30. These proposed regulations provide the possibility of requiring an Abbott district to increase its general fund tax levy if the district's combined equalized tax rate is less than 130 percent of the State average combined equalized tax rate.31 The Office of Administrative Law has indicated that the earliest these proposed regulations could be adopted is in the June 16, 2003 New Jersey Register. Since the regulations are proposed under the authority given the commissioner in the FY 2003 appropriations act, they would expire upon the adoption of the FY 2004 appropriations act. Consequently, there is recommended FY 2004 budget language that would continue the authority of the commission to promulgate regulations, but with the stipulation that the regulations would not go through the usual process for the adoption of regulations under the “Administrative Procedure Act,” P.L.1968, c.410. Rather, the regulations would be considered adopted when filed with the Office of Administrative Law.32

"We have decided this case on the premise that the children of poorer urban districts are as capable as all others; that their deficiencies stem from their socioeconomic status; and that through effective education and changes in that socioeconomic status, they can perform as well as others. Our constitutional mandate does not allow us to consign poorer children to an inferior education on the theory that they cannot afford a better one or that they would not benefit from it."33

Figure 3 shows the percent of elementary school students taking the ESPA who have scored proficient or advanced proficient for the assessment years 1999 to 2002. While the Court used the High School Proficiency Test in its comparisons between the Abbott and "I" and "J" districts, given

30This language provides, in part that “The commissioner shall be authorized to take any necessary action to fulfill this responsibility, including, but not limited to, the adoption of regulations pursuant to P.L.1968, c.410 (C.52:14B-1 et seq.), related to the receipt and/or expenditure of State aid by the 'Abbott districts' and the programs, services and positions supported thereby."

31The reference is in two places under Subchapter 6, "District Requests for Additional Supplemental Funding: 6A:10-6.1(b)(i) and 6A:10-6.1(d)(iii).

32Page D-119, "The commissioner shall be authorized to take any necessary action to fulfill this responsibility, including but not limited to, the adoption of regulations related to the receipt and/or expenditure of State aid by the 'Abbott districts' and the programs, services and positions supported thereby. Notwithstanding any provision of P.L.1968, c.410 (C.52:14B-1 et seq.), any such regulations adopted by the commissioner shall be deemed adopted immediately upon filing with the Office of Administrative Law."
the department's current emphasis on early childhood education and literacy, the ESPA comparisons are used in this paper. One difficulty in making comparisons on the language arts/literacy part of the ESPA, however, is that after the 2001 ESPA scores were initially reported, the department had the scores recalculated using a different cut-off point. As a result, the percent of students scoring proficient or advanced proficient on the language arts/literacy portion of the 2001 ESPA increased (note the considerable jump in average school proficiency on the language arts/literacy scores between the 2000 and 2001 ESPAs, from 35.5 to 62.8 in the Abbott districts and from 82.3 to 97.2 in the "I" and "J" districts). Comparison between the language arts/literacy scores for the 2001 and 2002 assessments indicates an improvement in the average for the schools in the Abbott districts as well as in the I & J districts. Comparisons across the Math assessment for all years also shows improvement in the Abbott districts, with the "I" and "J" districts maintaining consistently high proficiency levels. The standard for proficiency on the Statewide assessments set by the State Board of Education is that by July 1, 2000, 75 percent of the students in a school, with certain exceptions, are to be proficient or advanced proficient in all content areas of the ESPA. While the data indicate that students in the Abbott districts have narrowed the gap on the language arts/literacy assessment, from a gap of 49 points on the 1999 assessment to a gap of 26.6 points on the 2002 assessment, the gap on the math assessments remains considerably larger, 43 points. In addition, a comparison of the minimum scores between the Abbott district schools and the "I" and "J" schools shows that in the Abbott districts, at least one school has only 3.4 percent of its students proficient on the language arts/literacy portion and at least one school has only 7.1 percent of its students proficient on the math portion of the 2002 ESPA. In the "I" and "J" districts, all schools have met the State proficiency standard for the language arts/literacy portion of the ESPA, but at least one school (68.8 percent of students) has not met the State proficiency standard for the math portion of the ESPA.

Statewide assessments are currently in the process of revision. For the content areas of reading, math and science requirements are now being set by the federal government under the "No Child Left Behind Act of 2001" (NCLB). Beginning in the school year 2005-06, the State is to have in place Statewide assessments for annual administration to all students in grades 3 to 8, and is to have adopted standards for science. The State will administer a new Statewide assessment in grades 3 and 4 in May of 2003, NJ ASK 3 and NJ ASK 4. The NJ ASK 4 will have a number of items from the previous ESPAs which will enable a comparison across the assessments. These assessments are to be used as part of the measurement of annual yearly progress of schools in meeting the requirements of the federal law. New Jersey has set proficiency standards for the Statewide assessments, which will be in effect for two years. Under the federal law, the stakes associated with these annual Statewide assessments are high. Consequences, some of which have already been implemented, for schools listed as needing improvement, include: two consecutive years in the category of "needs improvement" - the identification of the school as such to the parents of the schools' students, provision of technical assistance from the State, and the offer to the parents to send their child/ren to another school in the district; three consecutive years in the category of "needs improvement" - the offer of instruction from a provider of supplemental services chosen by the parents; four consecutive years in the category of "needs improvement" - replacing school staff, implementing a new curriculum, decreasing management authority at the school level, appointing an outside expert to advise the school, extending the school day or year, or changing the school's internal organizational structure; five consecutive years in the category of "needs improvement".

34 The department's plans for meeting the federal schedule are found in N.J.A.C.6A:8-4.1.

35 For these standards see http://www.nj.gov/njded/grants/nclb/presentation.
Given the continued disparities in assessment scores shown in Figure 3, the State will face a challenge to be in compliance with the requirements of the NCLB between now and 2014.
Background Paper: State School Aid and Educational Outcomes for Abbott Districts

Chart 1: DOE District Factor Groups

Three purposes for district factor groups:
1. to relate educational outcomes to research in education;
2. to assist policy makers in interpreting the disparity in educational outcomes as deriving from the disparity in socioeconomic background of students, not a deficiency in school based programs; and
3. to provide a basis for comparison on educational outcomes between districts with students of similar socioeconomic backgrounds.
School based programs are considered the inputs provided by the districts in order to provide a thorough and efficient education. The Court in Abbott I directed the following inputs to be considered when looking for disparities between school districts in the State:

- adequacy of instruction
- breadth of program offering
- adequacy of programs and services for children with special education needs
- qualification of school personnel
- quality of physical facilities
- effectiveness of administration
- adequacy of monitoring and evaluation.
Chart 3: Abbott II (1990): Court's order regarding State Aid

Increase in State aid to the 30 special needs districts to offset disparity in school district wealth; assure that poorer urban districts' funding for regular education is substantially equal to that of property-rich districts; funding must be certain every year, not subject to budgeting and taxing decisions of local school boards; and level of funding adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantage.

Disparity in school district wealth

Greater Parity in School Based Programs

Schools -- organized into District Factor Groups

Educational Outcomes: Greater Parity in scores on Statewide Assessments and graduation rates

Student's Input: Reflects a student's socioeconomic background

*28 districts comprised the original list of special needs districts, two more were added by the Legislature in 1999 and received Abbott aid beginning in the 1999-2000 school year.
Chart 4: Quality Education Act of 1990

Court order in Abbott II, increase in State aid to the 30 special needs districts to offset disparity in school district wealth; assure that poorer urban districts' funding for regular education is substantially equal to that of property-rich districts; funding must be certain every year, not subject to budgeting and taxing decisions of local school boards; and level of funding adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantage.

State's response: Foundation Aid + 5% for Abbott districts, 5% can be changed by Legislature and Governor; at risk aid -- additional aid to districts for low-income pupils.

Disparity in school district wealth

Greater Parity in School Based Programs

Schools -- organized into District Factor Groups

Educational Outcomes: Greater Parity in scores on statewide assessments and graduation rates.

Student's Input: Reflects a student's socioeconomic background.
Chart 5: Court holds Quality Education Act of 1990 Unconstitutional

Increase in State aid to the 30 special needs districts to offset disparity in school district wealth: ensure that poorer urban districts' funding for regular education is substantially equal to that of property-rich districts; funding must be certain every year, not subject to budgeting and taxing decisions of local school boards; and provide a level of funding adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantage.

Abbott III, Court reasserted its previous holding: that funding must be certain every year, not subject to budgeting and taxing decisions of local school boards; and the need for a certain level of funding to address special needs.

QEA: Foundation Aid + 5% for Abbott districts, 5% can be changed by Legislature and Governor; at risk aid -- additional aid to districts for low-income pupils

Disparity in school district wealth

Greater Parity in School Based Programs

Schools -- organized into District Factor Groups

Educational Outcomes: Greater Parity in scores on Statewide Assessments and graduation rates

Student's Input: Reflects a student's socioeconomic background
Background Paper: State School Aid and Educational Outcomes for Abbott Districts

Table 1: Calculation of Core Curriculum Standards Aid under Current Weights Sample District, School Year 2000-2001

<table>
<thead>
<tr>
<th>Grade Category</th>
<th>'10/15/00</th>
<th>Weight</th>
<th>Wght Enrollment</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kindergarten</td>
<td>173</td>
<td>0.5</td>
<td>87</td>
<td>(A1)</td>
</tr>
<tr>
<td>Elem School Gr. 1-5</td>
<td>770</td>
<td>1</td>
<td>770</td>
<td>(A2)</td>
</tr>
<tr>
<td>Middle School Gr. 6-8</td>
<td>353</td>
<td>1.04</td>
<td>367</td>
<td>(A3)</td>
</tr>
<tr>
<td>High School Gr. 9-12</td>
<td>270</td>
<td>1.11</td>
<td>300</td>
<td>(A4)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1566</td>
<td></td>
<td>1523</td>
<td>(A)</td>
</tr>
</tbody>
</table>

Maximum T&E Budget Calculation*

<table>
<thead>
<tr>
<th>T&amp;E Amount</th>
<th>T&amp;E Flexible Amt</th>
<th>Wght Enrollment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,913</td>
<td>$396</td>
<td>1,523</td>
<td>$12,656,733</td>
</tr>
</tbody>
</table>

*T & E amount plus flexible amount times weighted enrollment

Minimum T&E Budget Calculation*

<table>
<thead>
<tr>
<th>T&amp;E Amount</th>
<th>T&amp;E Flexible Amt</th>
<th>Wght Enrollment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,913</td>
<td>$396</td>
<td>1,523</td>
<td>$11,451,330</td>
</tr>
</tbody>
</table>

*T & E amount minus T & E flexible amount times weighted enrollment.

Minimum T&E Budget Calculation: Abbott Districts#

<table>
<thead>
<tr>
<th>T&amp;E Amount</th>
<th>T&amp;E Flexible Amt</th>
<th>Wght Enrollment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,913</td>
<td>$396</td>
<td></td>
<td>(C2)</td>
</tr>
</tbody>
</table>

#calculation is the same as for the maximum T & E Budget calculation.
## Local Share Base Budget Calculation

<table>
<thead>
<tr>
<th>T&amp;E Amount</th>
<th>T&amp;E Flexible Amt</th>
<th>Wght Enrollment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,913</td>
<td>$396</td>
<td>1,523</td>
<td>$11,451,330</td>
</tr>
</tbody>
</table>

## T&E Budget Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-budget year net T&amp;E Budget</td>
<td>$11,428,382</td>
</tr>
<tr>
<td>Weighted Enrollment for pre-budget year</td>
<td>1,401</td>
</tr>
<tr>
<td>Item (D-1)/Item (D-2)</td>
<td>$8,159</td>
</tr>
<tr>
<td>Item (D-3) times weighted enrollment (A)</td>
<td>$12,429,022</td>
</tr>
<tr>
<td>Item (D-4) inflated by the CPI</td>
<td>$12,801,893</td>
</tr>
<tr>
<td>Special Education Aid</td>
<td>$920,014</td>
</tr>
<tr>
<td>Bilingual Education Aid</td>
<td>$10,350</td>
</tr>
<tr>
<td>County Vocational Aid</td>
<td>$0</td>
</tr>
<tr>
<td>Distance Learning Network Aid</td>
<td>$67,381</td>
</tr>
<tr>
<td>Transportation Aid</td>
<td>$703,611</td>
</tr>
<tr>
<td>Adult H.S. and Post-Secondary Voc. Aid</td>
<td>$0</td>
</tr>
<tr>
<td>Academic Achievement Reward</td>
<td>$18,270</td>
</tr>
<tr>
<td>Demonstrably Effective Program Aid</td>
<td>$0</td>
</tr>
<tr>
<td>Early Childhood Program Aid</td>
<td>$0</td>
</tr>
<tr>
<td>Instructional Supplement Aid</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Items (E) through (N)</td>
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<tr>
<td>Item (D) less Item (O)</td>
<td>$11,082,267</td>
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<tr>
<td>Greater of Items (C1), (C2) or (P)</td>
<td>$11,451,330</td>
</tr>
<tr>
<td>Lesser of Item (B) or Item (Q)</td>
<td>$11,451,330</td>
</tr>
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</table>
### Local Share Calculation

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<tr>
<th>Description</th>
<th>Value</th>
<th>Code</th>
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</thead>
<tbody>
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<td>Equalized Valuation (10/1/99)</td>
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</tr>
<tr>
<td>District Income</td>
<td>$158,791,512</td>
<td>'T'</td>
</tr>
<tr>
<td>Equalized Valuation x (property value multiplier/2)</td>
<td>$5,282,899</td>
<td>'U'</td>
</tr>
<tr>
<td>District Income x (income multiplier/2)</td>
<td>$3,848,656</td>
<td>'V'</td>
</tr>
<tr>
<td>Subtotal Items (U) and (V)</td>
<td>$9,131,555</td>
<td>'W'</td>
</tr>
<tr>
<td>Item (R) / Item (C3)</td>
<td>1</td>
<td>'X'</td>
</tr>
<tr>
<td>Local Share Item (W) times Item (X)</td>
<td>$9,131,555</td>
<td>'Y'</td>
</tr>
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### Core Curriculum Standards Aid Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;E Budget (Item (R))</td>
<td>$11,451,330</td>
<td>'DD'</td>
</tr>
<tr>
<td>Local Share (Item (Y))</td>
<td>$9,131,555</td>
<td>'EE'</td>
</tr>
<tr>
<td>Core Curriculum Standards Aid</td>
<td>$2,319,775</td>
<td></td>
</tr>
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</table>
Chart 6: Comprehensive Educational Improvement and Financing Act of 1996, Response to Abbott III

Requirements of the court in Abbott III: Increase in State aid to the 30 Abbott districts* to offset disparity in school district wealth; assure that poorer urban districts' funding for regular education is substantially equal to that of property-rich districts; funding must be certain every year, not subject to budgeting and taxing decisions of local school boards; and level of funding adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantage.

Core Curriculum Content Standards in Seven Curriculum Areas to be implemented by all districts

Disparity in school district wealth

Core Curriculum Standards Aid (see Table 1 and text for explanation); Demonstrably Effective Program Aid and Early Childhood Program Aid -- additional aid to districts and schools within districts for low-income pupils; different per pupil amounts for thresholds of 20% to 39% and greater than 40%

Greater Parity in School Based Programs

Schools organized into District Factor Groups

Student's Input: Reflects a student's socioeconomic background

Educational Outcomes: Greater Parity in scores on Statewide Assessments and graduation rates; new assessments based on core curriculum content standards -- regulations require each school to meet a standard of that 75% of regular education pupils score at proficient or above by 2000-01 and 85% by 2005-06;
Chart 7: Abbott IV, CEIFA unconstitutional with respect to Abbott districts—Abbott v. Burke Parity Aid*

Found to be unconstitutional. Increase in State aid to the 30 Abbott districts to offset disparity in school district wealth: assure that poorer urban districts' funding for regular education is substantially equal to that of property-rich districts; funding must be certain every year, not subject to budgeting and taxing decisions of local school boards; and level of funding adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantage.

Core Curriculum Content Standards in Seven Curriculum Areas to be implemented by all districts, found to be consistent with the thorough of thorough and efficient clause.

Disparity in school district wealth

CCSA calculated at the maximum for Abbott districts; Abbott v. Burke Parity Aid, provides for parity in the per pupil regular education expenditures of the Abbott districts and the average of the property rich districts = DFGs "I" and "J"; Early Childhood Program Aid and Demonstrably Effective Program Aid -- additional aid to districts for low-income pupils, different per pupil amounts for thresholds 20% to 39% and 40% and greater.

Greater Parity in School Based Programs

Schools -- organized into District Factor Groups

Educational Outcomes: Greater Parity in scores on Statewide Assessments and graduation rates: new assessments based on core curriculum content standards -- regulations require each school to meet a standard of 75% of regular education pupils score at proficient or above by 2000-01 and 85% by 2004-05;

Student's Input: Reflects a student's socioeconomic background

*In addition to requiring parity aid, the Court remanded the case to the Superior Court, Chancery Division to determine what judicial relief was necessary to address the need for supplemental programs and facilities improvements in Abbott districts.
In addition to the implementation of full-day kindergarten and half-day preschool (the State implemented full day preschools), the court held that the DOE had complied with its order to study the facilities needs of Abbott districts and ordered that the State proceed with planning for facilities, new and remodeled, for the Abbott districts and required that the State pay 100 percent of the eligible costs of these facilities. Facilities legislation was enacted in July of 2000 which included that the State would pay at 100% of the eligible costs of Abbott district facilities and at least 40% of the eligible costs of facilities in all other districts.
Figure 3: Elementary School Proficiency Assessment (ESPA), Schools in the Abbott and I & J Districts
Test Years 1999 to 2002, Average, Standard Deviation, Maximum and Minimum Scores*

<table>
<thead>
<tr>
<th>Districts</th>
<th>Measure</th>
<th>1999</th>
<th></th>
<th></th>
<th>2000</th>
<th></th>
<th></th>
<th>2001</th>
<th></th>
<th></th>
<th>2002</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AVG</td>
<td>LAL</td>
<td>Math</td>
<td>34.2</td>
<td>36.6</td>
<td>35.5</td>
<td>43.0</td>
<td>62.8</td>
<td>43.4</td>
<td>70.3</td>
<td>48.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>16.9</td>
<td>20.3</td>
<td>18.6</td>
<td>20.9</td>
<td>19.2</td>
<td>21.5</td>
<td>16.9</td>
<td>21.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MAX</td>
<td>91.5</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.1</td>
<td>100.0</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MIN</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4.3</td>
<td>11.8</td>
<td>2.5</td>
<td>6.9</td>
<td>7.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abbott</td>
<td>AVG</td>
<td>83.6</td>
<td>87.1</td>
<td>82.3</td>
<td>91.0</td>
<td>97.2</td>
<td>90.1</td>
<td>96.9</td>
<td>91.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>8.8</td>
<td>8.6</td>
<td>10.2</td>
<td>6.6</td>
<td>3.5</td>
<td>7.8</td>
<td>3.4</td>
<td>6.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MAX</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.1</td>
<td>100.0</td>
<td>100.0</td>
<td>100.1</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MIN</td>
<td>52.7</td>
<td>56.4</td>
<td>42.6</td>
<td>64.7</td>
<td>78.2</td>
<td>50.0</td>
<td>77.8</td>
<td>68.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The averages are computed for the schools in the Abbott and I & J districts using the total proficient in each school. While the Standard Deviation is a statistical measure usually used for estimating the spread around the average of a sample, it is used here to show the difference in spread of school proficiency scores comparing that spread in the Abbott districts with the spread in the I & J districts.

LAL = Language Arts/Literacy
LAL* = The Language Arts/Literacy portion of the 2001 ESPA was rescored so comparisons between earlier tests are not valid. Comparisons between the 2001 and 2002 LAL can be made. For the Math portion of the ESPA comparisons across all four years are valid.
Figure 2: Wealth Based State Aid and Resident Enrollment, Abbott and "I" and "J" Districts
School Years 1997-98 to 2003-04

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;I&quot; &amp; &quot;J&quot;</td>
<td>Oct Pupil Count</td>
<td>223,000</td>
<td>231,072</td>
<td>239,241</td>
<td>245,701</td>
<td>252,927</td>
<td>259,574</td>
<td>267,662</td>
</tr>
<tr>
<td></td>
<td>State Aid</td>
<td>$70,902,299</td>
<td>$64,504,708</td>
<td>$62,766,866</td>
<td>$64,556,267</td>
<td>$63,122,916</td>
<td>$63,122,916</td>
<td>$63,122,916</td>
</tr>
<tr>
<td></td>
<td>Income/pupil</td>
<td>$198,617</td>
<td>$202,751</td>
<td>$203,423,85</td>
<td>$217,207</td>
<td>$240,154</td>
<td>$278,151</td>
<td>40.1%</td>
</tr>
<tr>
<td></td>
<td>Eqval/pupil</td>
<td>$619,923</td>
<td>$619,904</td>
<td>$603,605</td>
<td>$683,185</td>
<td>$745,534</td>
<td>$804,239</td>
<td>29.9%</td>
</tr>
<tr>
<td></td>
<td>Levy/pupil</td>
<td>$7,961</td>
<td>$8,149</td>
<td>$8,389</td>
<td>$8,774</td>
<td>$9,156</td>
<td>$9,649</td>
<td>21.2%</td>
</tr>
<tr>
<td>Abbott</td>
<td>Oct Pupil Count</td>
<td>278,967</td>
<td>250,402</td>
<td>282,080</td>
<td>285,667</td>
<td>288,318</td>
<td>291,075</td>
<td>294,021</td>
</tr>
<tr>
<td></td>
<td>State Aid</td>
<td>$2,021,917,834</td>
<td>$2,121,934,064</td>
<td>$2,470,952,957</td>
<td>$2,879,209,348</td>
<td>$2,985,622,762</td>
<td>$3,021,832,762</td>
<td>49.5%</td>
</tr>
<tr>
<td></td>
<td>Income/pupil</td>
<td>$60,773</td>
<td>$56,304</td>
<td>$58,363</td>
<td>$62,518</td>
<td>$65,710</td>
<td>$69,787</td>
<td>14.8%</td>
</tr>
<tr>
<td></td>
<td>Eqval/pupil</td>
<td>$149,739</td>
<td>$150,668</td>
<td>$155,128</td>
<td>$162,968</td>
<td>$179,859</td>
<td>$197,173</td>
<td>31.7%</td>
</tr>
<tr>
<td></td>
<td>Levy/pupil</td>
<td>$1,972</td>
<td>$1,966</td>
<td>$1,974</td>
<td>$1,951</td>
<td>$1,942</td>
<td>$1,939</td>
<td>1.7%</td>
</tr>
<tr>
<td>Ratio Inc/pupil</td>
<td>3.27</td>
<td>3.60</td>
<td>3.49</td>
<td>3.47</td>
<td>3.65</td>
<td>3.99</td>
<td>22.0%</td>
<td></td>
</tr>
<tr>
<td>Ratio Eqval/pupil</td>
<td>4.14</td>
<td>4.11</td>
<td>3.89</td>
<td>4.19</td>
<td>4.15</td>
<td>4.08</td>
<td>-1.4%</td>
<td></td>
</tr>
</tbody>
</table>

Oct Pupil Count = resident enrollment as reported on the Application for State School Aid in October of the school year.
State Aid = includes core curriculum standards aid, supplemental core curriculum standards aid, early childhood program aid, demonstrably effective program aid and the court ordered Abbott aids.
Income/pupil = the total aggregate incomes of the districts divided by the total number of pupils from the October ASSA count.
Eqval/pupil = the total equalized property value of the districts divided by the total number of pupils from the October ASSA count.
Levy = the general fund levy which districts raise by taxes to fund the district budget under CEIFA.

*Pct Change for Income/pupil and Eqval/pupil shows the change between school years 1998-99 and 2003-04; Levy/Pupil shows the change between school years 1997-98 and 2002-03.
**Projected enrollment.
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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625

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