

**ANALYSIS OF THE NEW JERSEY BUDGET**

**DEPARTMENT  
OF EDUCATION**

**FISCAL YEAR**

**2005 - 2006**

# NEW JERSEY STATE LEGISLATURE

## SENATE BUDGET AND APPROPRIATIONS COMMITTEE

**Wayne R. Bryant** (D), 5th District (Parts of Camden and Gloucester), *Chairman*  
**Sharpe James** (D), 29th District (Parts of Essex and Union), *Vice-Chairman*  
**Martha W. Bark** (R), 8th District (Part of Burlington)  
**Anthony R. Bucco** (R), 25th District (Part of Morris)  
**Barbara Buono** (D), 18th District (Part of Middlesex)  
**Joseph Coniglio** (D), 38th District (Part of Bergen)  
**Joseph V. Doria, Jr.** (D), 31st District (Part of Hudson)  
**Walter J. Kavanaugh** (R), 16th District (Parts of Morris and Somerset)  
**Thomas H. Kean, Jr.** (R), 21st District (Parts of Essex, Morris, Somerset and Union)  
**Bernard F. Kenny, Jr.** (D), 33rd District (Part of Hudson)  
**Leonard Lance** (R), 23rd District (Warren and part of Hunterdon)  
**Robert E. Littell** (R), 24th District (Sussex and parts of Hunterdon and Morris)  
**Paul A. Sarlo** (D), 36th District (Parts of Bergen, Essex and Passaic)  
**Stephen M. Sweeney** (D), 3rd District (Salem and parts of Cumberland and Gloucester)  
**Shirley K. Turner** (D), 15th District (Part of Mercer)

## GENERAL ASSEMBLY BUDGET COMMITTEE

**Louis D. Greenwald** (D), 6th District (Part of Camden), *Chairman*  
**William D. Payne** (D), 29th District (Parts of Essex and Union), *Vice-Chairman*  
**Francis J. Blee** (R), 2nd District (Part of Atlantic)  
**Joseph Cryan** (D), 20th District (Part of Union)  
**Linda R. Greenstein** (D), 14th District (Parts of Mercer and Middlesex)  
**Joseph R. Malone III** (R), 30th District (Parts of Burlington, Mercer, Monmouth and Ocean)  
**Alison Littell McHose** (R), 24th District (Sussex and parts of Hunterdon and Morris)  
**Kevin J. O'Toole** (R), 40th District (Parts of Bergen, Essex and Passaic)  
**Joan M. Quigley** (D), 32nd District (Parts of Bergen and Hudson)  
**Joseph Vas** (D), 19th District (Part of Middlesex)  
**Bonnie Watson Coleman** (D), 15th District (Part of Mercer)

## OFFICE OF LEGISLATIVE SERVICES

**David J. Rosen**, *Legislative Budget and Finance Officer*  
**Frank W. Haines III**, *Assistant Legislative Budget and Finance Officer*

**Glenn E. Moore, III**, *Director, Central Staff*  
**Kathleen Fazzari**, *Section Chief, Education Section*

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).

# DEPARTMENT OF EDUCATION

Budget Pages..... B-5 to B-7; B-18; B-27 to B-30; B-42 to B-45; B-62 to B-63; B-67 to B-68; B-72 to B-75; C-10; C-17; C-23; C-29; C-31 to C-33; D-73 to D-102; H-12; H-48; H-74.

## Fiscal Summary (\$000)

	Expended FY 2004	Adjusted Appropriation FY 2005	Recommended FY 2006	Percent Change 2005-06
State Budgeted	\$8,289,068	\$9,079,593	\$9,385,567	3.4%
Federal Funds	766,519	824,040	846,117	2.7%
<u>Other</u>	<u>25,922</u>	<u>31,155</u>	<u>32,718</u>	<u>5.0%</u>
Grand Total	\$9,081,509	\$9,934,788	\$10,264,402	3.3%

## Personnel Summary - Positions By Funding Source

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2005-06
State	522	525	566	7.8%
Federal	237	231	279	20.8%
<u>Other</u>	<u>193</u>	<u>195</u>	<u>204</u>	<u>4.6%</u>
Total Positions	952	951	1,049	10.3%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 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 an estimated 1.46 million students in FY 2006. The department's responsibilities include allocating close to \$7.7 billion in State public school aid to local districts in FY 2006, exclusive of pension, post-retirement medical benefits, 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

## Introduction (Cont'd)

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 is required to provide a thorough and efficient education for the students in each district (the district's T and E budget), to determine 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 local tax levy, and oversee local district operations including a review and audit of local district budgets. With respect to the calculation of aid as required under CEIFA, the last time the CEIFA formula was used to calculate the amount of aid the State would provide to each district was for the 2001-02 school year. In FY 2006, as in FY 2003 through FY 2005, budget language is used to determine the amount of aid the State will provide for each local school district. In contrast with FY 2004 and FY 2005, no new line items of aid have been added to the department's budget to provide school districts with some increase in State aid based on changes in enrollment, if any. State aid for all districts, with the exception of Abbott districts and districts which received State aid under new line items added in FY 2005, is the same as the districts received in FY 2005. Six Abbott districts which did not receive supplemental funding in FY 2005 will receive an increase in aid under the parity language in the FY 2006 recommended budget and Abbott districts will receive increased Abbott Preschool Expansion Aid. Those districts which received additional aid under the Above Average Enrollment Growth or High Expectations for Learning Proficiency line items in FY 2005 will actually receive less State aid in FY 2006 due to the elimination of these line items (see pages 57 to 62 of this document for a list of these districts).

## Key Points

- ! The total recommended FY 2006 budget for the department (excluding federal and other funds) is \$9.386 billion, an increase of \$306 million (3.4 percent) over the FY 2005 adjusted appropriation of \$9.080 billion. State aid to local districts totals \$9.29 billion, comprising \$7.39 billion in direct aid to school districts, \$1.52 billion in local school employees' and retirees' pension and benefits payments, and \$388.2 million in Facilities Planning and School Building Aid. The department's operating budget is \$69.4 million.
- ! With the exception of a recommended increase in two Abbott district State aid line items, Education Opportunity Aid (\$49 million) and Abbott Preschool Expansion Aid (\$10 million), the FY 2006 budget recommends no other State aid increase. In fact with the recommendation that two line items added in FY 2005 not be funded, High Expectations for Learning Proficiency (\$17 million) and Above Average Enrollment Growth (\$12 million), the recommended FY 2006 State aid appropriation for districts other than Abbott districts decreases by \$29 million.
- ! The recommended FY 2006 budget provides that each school district will receive the same amount of State aid in FY 2006 as it did in FY 2005 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 Efficient District Aid; Aid for Districts with High Senior Citizen Populations; Regionalization Incentive Aid; Adult and Postsecondary Education Grants; Bilingual Education Aid; Special Education Aid; County Vocational Program Aid; Transportation Aid; School Choice Aid; Consolidated Aid; Additional Formula Aid; and Aid for Enrollment Adjustments.
- ! Recommended FY 2006 budget language (see page D-102 in the budget and page 44 in this

## Key Points (Cont'd)

document) again changes the dates for making school aid payments to the 8th and 22nd of each month, September through June, and provides that 5 percent of the total aid to be paid to each district will be paid on those dates with the last payment in June subject to the approval of the State Treasurer.

- ! Recommended FY 2006 budget language (see page D-102 in the budget and page 44 in this document) also includes in the FY 2006 appropriation, the sums necessary to make the delayed June 2005 payment in July of 2005. Since there is no change in State aid for most districts, the payment amount in July of 2005 will be the same as the payment amounts for the remainder of FY 2006.
- ! The recommended FY 2006 appropriation for Education Opportunity Aid is \$1.449 billion, an increase of \$49 million over adjusted FY 2005 Education Opportunity Aid of \$1.4 billion. The adjusted FY 2005 Education Opportunity Aid amount of \$1.4 billion includes a supplemental appropriation of \$102.1 million which has not yet occurred and the consolidation of FY 2005 Education Opportunity Aid (\$1,103.4 million) and Education Access Aid (\$195 million). Recommended budget language (see page D-85 of the budget and page 31 of this document) provides that Education Opportunity Aid be distributed to Abbott districts as follows: "each 'Abbott district's' initial allocation shall be the greater of the amount calculated in accordance with the provisions hereinabove for equalized spending [Abbott Parity Aid] or the district's 2004-2005 Education Opportunity Aid allocation, including any supplemental award." The initial Education Opportunity Aid amount for FY 2005 which was Abbott Parity Aid totaled \$907 million. Approximately \$500 million was provided as supplemental aid to Abbott districts in FY 2005.
- ! The recommended FY 2006 appropriation for Abbott Preschool Expansion Aid is \$192 million, an increase of \$10 million over the FY 2005 adjusted appropriation of \$182 million. Abbott Preschool Expansion Aid is provided to the Abbott districts to enable them to meet the Supreme Court's directive that the districts be aggressive in identifying and enrolling all children resident in the districts who are of preschool age, see , Abbott v. Burke 163 N.J. 95 (March 2000)(Abbott VI). A 2004 Appellate Court decision found that the State was not exclusively responsible for funding all aspects of the Abbott preschools, but rather the costs associated with expansion in enrollment that has occurred since the 2001-02 school year, see Millville Board of Education v. New Jersey Department of Education, 367 N.J. Super. 417 (App. Div. 2004). This case is currently on appeal with the New Jersey Supreme Court. Abbott preschool enrollment is projected to be 42,951 for the 2005-06 school year, an increase of 13,133 or 44 percent over school year 2001-02 and represents approximately 80 percent of the preschool population in Abbott districts.
- ! Nonpublic School Aid recommended for FY 2006 is \$100.1 million, a decrease of \$4 million (3.8 percent) from the FY 2005 adjusted appropriation of \$104.1 million. Nonpublic capital projects aid, funded in FY 2005 at \$3 million, and the Settlement Music School, funded in FY 2005 at \$1 million, are not recommended for funding in FY 2006.
- ! The recommended FY 2006 appropriation for Teachers' Pension and Annuity Assistance is \$1.523 billion, an increase of \$211 million (16.2 percent) over the FY 2005 adjusted appropriation of \$1.312 billion.

The recommended FY 2006 appropriation for Teachers' Pension and Annuity Fund - Post Retirement Medical is \$589 million, an increase of \$64 million (12.2 percent)

## Key Points (Cont'd)

over the FY 2005 adjusted appropriation of \$525 million.

The recommended FY 2006 appropriation for Teachers' Pension and Annuity Fund is \$94.5 million.

The recommended FY 2006 appropriation for Social Security Tax is \$655.8 million, an increase of \$31 million (5 percent) over the FY 2005 adjusted appropriation of \$624.8 million.

The recommended FY 2006 appropriation for Post Retirement Medical Other Than TPAF is \$96.3 million, an increase of \$14.3 million (17.4 percent) over the FY 2005 adjusted appropriation of \$82 million.

The recommended FY 2006 appropriation for Debt Service on Pension Obligation Bonds is \$86.9 million, an increase of \$7.1 million (9.0 percent) over the FY 2005 adjusted appropriation of \$79.8 million.

! The recommended FY 2006 appropriation for Facilities Planning and School Building Aid is \$388.2 million, an increase of \$82 million ( 26.8 percent) over the FY 2005 adjusted appropriation of \$306.2 million. The increase is due to a recommended FY 2006 appropriation of \$267.8 million for the School Construction and Renovation Fund, an increase of \$83.8 million (45.5 percent) over the FY 2005 adjusted appropriation of \$184 million. The School Construction and Renovation Fund appropriation is used for debt service on the bonds issued under the "Educational Facilities Construction and Financing Act" (see discussion point 18, on page 53 of this document).

! The recommended appropriation for the Statewide Assessment Program is \$23.2 million, an increase of \$7 million (43 percent) over the FY 2005 adjusted appropriation of \$16.2 million (see page 19 of this document). Related to this, the FY 2006 federal aid for Educational Programs and Assessments is expected to be \$97.2 million, a decrease of \$2.1 million (2.1 percent) from the FY 2005 adjusted appropriation of \$99.3 million.

! Federal funds are estimated to total \$846.1 million in FY 2006, an increase of \$22.1 million (2.7 percent) over the FY 2005 estimate of \$824 million.

Federal funds for special education are estimated to total \$339.3 million in FY 2006, an increase of \$14.6 million (4.5 percent) over the FY 2005 estimate of \$324.7 million.

! The estimated public school resident enrollment for FY 2006 is 1,458,354, an increase of 11,289 (1 percent) over the revised FY 2005 total of 1,447,065.

! The estimated FY 2006 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 \$14,184, an increase of \$458 (3.3 percent) over the revised FY 2005 average per pupil support of \$13,726.

The average local share of the estimated FY 2006 average per pupil support is \$7,374, an increase of \$297 (4.2 percent) over the revised FY 2005 average local share amount of \$7,077.

## Key Points (Cont'd)

The average State share of the estimated FY 2006 average per pupil support is \$6,291, an increase of \$158 (2.6 percent) over the revised FY 2005 average State share amount of \$6,133.

The average percent local share of the estimated FY 2006 average per pupil support is 52 percent, a increase of .05 percent over the revised FY 2005 average percent local share of 51.5 percent.

The average percent State share of the estimated FY 2006 average per pupil support is 44.3 percent, a decrease of .4 percent from the revised FY 2005 average percent State share of 44.7 percent.

## Background Papers

- ! Summary of School Facilities Projects as of February 28, 2005 p. 54-56
- ! Districts Which Received Above Average Enrollment Growth Aid or High Expectations For Learning Proficiency Aid, or Both, in FY 2005 p. 57-62
- ! Districts or Communities Which Received Early Launch To Learning Initiative Aid or NJ After 3 Grants p. 63-64
- ! Public School Districts and NonPublic Schools Which Received State Assistance Under the Property Tax Assistance and Community Development Grants p. 65-66
- ! Criteria For Abbott Designation: Existing and Proposed p. 67-88

## Program Description and Overview

### Department of Education Operations

The recommended FY 2006 appropriation for Department of Education operations is \$69.4 million. In addition to this amount from the General Fund, budget language, page D-85, provides that "Of the amount hereinabove appropriated for Education Opportunity Aid, an amount not to exceed \$14,686,000, shall be transferred to the Department of Education's operating budget, subject to the approval of the Director of the Division of Budget and Accounting, for the purpose of managing and supervising implementation of Abbott remedies. In addition, the unexpended balance at the end of the preceding fiscal year, in the Education Opportunity Aid account is appropriated for the same purpose and with the same conditions as are applied to the fiscal year 2005 appropriation for this purpose."

The Department of Education'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. The department has been reorganized in an effort to move certain operations of the department closer to district operations. The State has been divided into three regions: Southern, Northern and Central, with an assistant commissioner in charge of each region. The county superintendents are placed under the assistant commissioner of their region.

A continuing major task for the Commissioner of Education in FY 2006 and each year thereafter is compliance with the federal "No Child Left Behind Act of 2001" (NCLB). Under the federal law, there are certain key implementation deadlines (for an update on the State's compliance with the requirements of NCLB, see the responses to discussion point 1).

- ! 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. The New Jersey Report Card is available online at <http://education.state.nj.us/rc/> and provides the information required under the NCLB, including the disaggregated assessment scores where there are at least 20 students in the category.

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 (including charter school students) based on academic indicators -- reading/language arts and math and eventually science. A major component of this accountability system, the NJ Standards Measurement and Resource for Teaching -- NJ SMART -- is currently being field tested and is scheduled for full implementation by October of 2006 when the student-level data collection for this system will replace ten department reports currently used for data collection purposes (see discussion point 7, page 48 of this document and the department's response for an update on the status of NJ SMART).
- ! test students in grades 3 through 8 annually, and once in grade 9, 10 or 11 annually, in language arts/literacy and mathematics beginning in 2005-06. Beginning in 2007-08, test students in science annually at least once during each of the following grade spans -- 3-5, 6-9 and 10-12. The State currently administers Statewide assessments in language arts/literacy and mathematics in grades 3, 4, 8 and 11 (reports of the Statewide assessments are available on the NJ Report Card at the website cited above).

## Program Description and Overview (Cont'd)

As reported in the *State's Consolidated State Performance Report For State Formula Grant Programs under the Elementary And Secondary Education Act as amended by the No Child Left Behind Act of 2001*, "[T]he grade 3 test, the New Jersey Assessment of Skills and Knowledge (NJ ASK3) was first administered as a field test in 2003, and operationally in March 2004. The grade 4 (NJ ASK4) science assessment was field tested in 2004 and will be administered operationally for the first time in March 2005. Science is being field tested in the High School Proficiency Assessment (HSPA) and is expected to become operational no later than March 2007. . . . New Jersey's Alternate Proficiency Assessment (APA) is a portfolio assessment, serving students with severe disabilities. It was first implemented in 2002 and is now in its fourth year. . . . The NJDOE has pilot tested Spanish-language assessments in mathematics at the fourth grade level, and has included provision for Spanish language math and language arts testing in its plans for expanded testing under NCLB. The NJDOE is currently planning to issue in summer 2005 an RFP to implement standards-based assessments in language arts/literacy and mathematics in grades 5, 6, and 7 for initial implementation in spring 2006."

- ! by the year 2002-03, State plans were required to 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 adequate yearly progress measures. Once implemented, a school that is identified as not meeting adequate 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 adequate yearly progress for four consecutive years and again for five consecutive years (see discussion points 1 and 2, page 46 of this document); and
- ! participation, beginning in the 2002-03 school year and continuing every other year, in the National Assessment of Educational Progress testing in grades 4 and 8 for reading and mathematics (in the 2003 assessment, New Jersey students achieved the third-highest average scale score in fourth-grade reading (225) and fifth-highest scale score in fourth-grade math (239) in the nation, according to the NAEP results).

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.)(CEIFA), 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." The State Board of Education has adopted revised academic standards in six content areas: Math; Science; Language Arts/Literacy; Visual and Performing Arts; Comprehensive Health and Physical Education; and World Languages. In addition, the State Board of Education has adopted standards in two new content areas: Technology Literacy and Careers Education; and Consumer, Family and Life Skills.

As part of this review, the Commissioner of Education is to develop and establish efficiency

## Program Description and Overview (Cont'd)

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 under CEIFA was to have been 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." **To date: the March 2002 Biennial Report per pupil amounts have not been implemented; the Legislature has not received a proposal for revising the current funding system; and the March 2004 Biennial Report has not been sent to the Legislature. The FY 2006 recommended funding for school districts, with the exception of several Abbott districts, remains at the FY 2005 level and the per pupil funding amounts for the categorical aid programs remain at the 2001-02 school year level.**

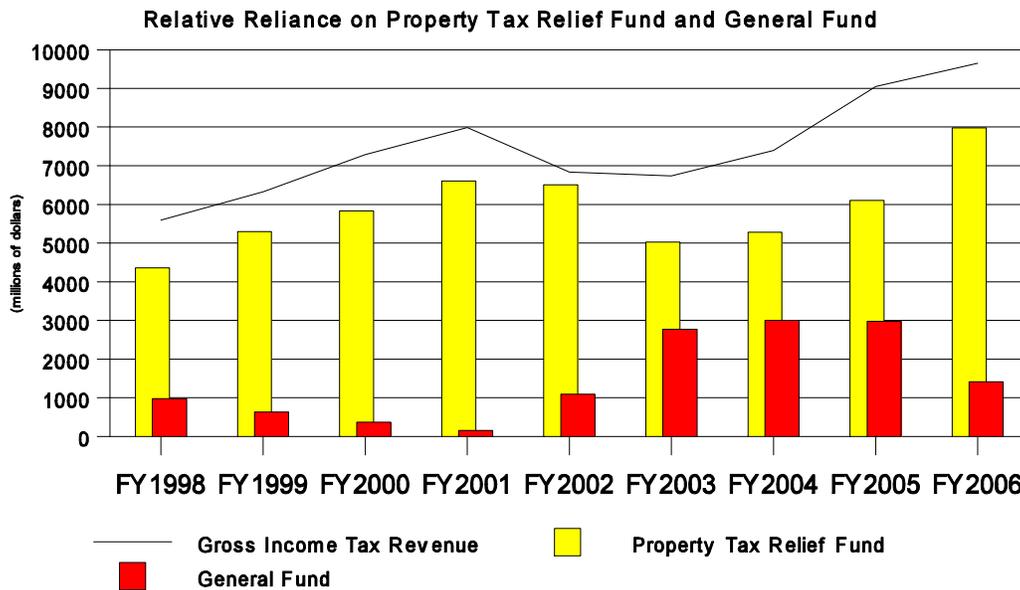
### Education Funding

In FY 2006, the total recommended appropriation from all sources for the Department of Education is \$10.3 billion. This includes \$9.4 billion in State funds -- \$7.98 billion from the Property Tax Relief Fund, \$1.41 billion from the General Fund -- plus \$846.1 million from federal funds and \$32.7 million from "other funds." The total recommended FY 2006 appropriation from State funds of \$9.4 billion represents an increase of \$306 million (3.4 percent) over the FY 2005 adjusted appropriation of \$9.08 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. For FY 2005 and FY 2006 revenue from the Gross Income Tax is estimated to increase and be greater than revenue from the Gross Income Tax in FY 2001. While the level of funding for education from the General Fund remained relatively constant for FY 2003 through FY 2005, it is estimated to decrease by approximately \$1.5 billion in FY 2006.

Program Description and Overview (Cont'd)

**Figure 1: Education Revenue Sources**



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 thorough and efficient education. Pages B-74 and B-75 of the recommended FY 2006 budget provide a listing of the major categories of State aid distributed to public school districts and non-public schools. The categories for public school districts include debt service and the payment of Social Security taxes, contributions to the Teachers' Pension and Annuity Fund, and payment for Post Retirement Medical Benefits.

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 2006 appropriation for Core Curriculum Standards Aid (CCSA) is \$3.1 billion. The Governor's budget recommends that CCSA be distributed using the district wealth factors used in FY 2002 rather than current data. 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.

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 2006 recommended SCCSA appropriation is \$251.8 million which provides assistance to communities to stabilize the tax impact of significant changes in enrollment and wealth;

## Program Description and Overview (Cont'd)

however the districts scheduled to receive this aid in FY 2006 are limited to those districts which qualified for this aid based on the calculations for the FY 2002 Appropriations Act.

The other wealth-based aid provided to districts is debt service aid. The recommended FY 2006 **debt service aid** is \$387.5 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 2006 this amount is \$119.7 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 2006 this amount is \$267.8 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 the 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 March 2002 Biennial Report have not been implemented. Aid amounts recommended for FY 2006 remain the same as for FY 2002, except for the line item **Consolidated Aid** first implemented in FY 2004 and the line item added in FY 2005, **Additional Formula Aid**. The recommended FY 2006 amount to be distributed as Consolidated Aid, \$148.53 million, is the same amount distributed in FY 2004 (a combination of the Consolidated Aid line item of \$130.1 million and \$18.4 million from the Adult and Postsecondary Education Grants line item). In FY 2005, Additional Formula Aid provided all public school districts, with certain exceptions, with at least a three percent increase in cash State aid. Pursuant to budget language (see page D-85 of the FY 2006 State budget and page 31 of this document), each Abbott district is recommended to receive as Education Opportunity Aid the greater of the amount calculated under the FY 2006 budget language for calculating parity aid or the district's 2004-2005 Education Opportunity Aid allocation, including any supplemental award. Under this language, only the six Abbott districts which did not receive a supplemental award in FY 2004-2005 will receive an increase in Education Opportunity Aid in FY 2006. In contrast with the prior four budget years, school choice districts are not recommended to receive an increase in School Choice Aid.

### Teachers' Pension and Annuity Assistance Aid

The State pays, on behalf of local school districts, the full employer's share of Social Security

**Program Description and Overview (Cont'd)**

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 2006 appropriation for Teachers' Pension and Annuity Assistance is \$1,522.6 million, an increase of \$211 million (16.1 percent) over the FY 2005 adjusted appropriation of \$1,311.5 million. The two largest budgeted components that comprise this State aid to school districts are Social Security taxes and post retirement medical benefits. The FY 2006 budget recommends an appropriation of \$94 million for the employer's pension cost contribution. The table below provides information on funding for the Teachers' Pension and Annuity Fund since FY 2002.

Teachers' Pension and Annuity Fund (\$000)						
	Expended Amount			Appropriated	Projected	
	FY2002	FY2003	FY2004	FY2005	FY2006	FY 2007
Normal Contribution	\$374,568	\$414,913	\$448,664	\$479,366	\$555,700	\$683,191
Accrued Liability	---	---	\$35,760	\$195,617	\$390,900	\$531,875
Actuarial Amount for Full Funding	\$374,568	\$414,913	\$484,424	\$674,983	\$946,600	\$1,215,066
Contributions= Offsets ( ) and Budget Appropriations						
Excess Assets <sup>1</sup>	(\$374,560)	(\$414,913)	---	---	---	---
BEF Offset <sup>2</sup>			(\$96,885)	(\$202,495)	(\$283,710)	--
Pension Appropriation	---	---	---	---	\$94,930	Unknown
Amount of Underfunding			(\$387,539)	(\$472,488)	(\$567,960)	Unknown

Data provided by the Department of the Treasury.

**Aid Programs for Districts with High Concentrations of Low-Income Pupils**

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

<sup>1</sup>Excess assets represent State contribution to TPAF using a portion of the excess actuarial value of the TPAF pension fund. As a result, no appropriation from the General Fund is required.

<sup>2</sup>BEF = Benefit Enhancement Fund established pursuant to N.J.S.18A:66-16 to provide for the enhanced benefits of TPAF retirees, now being used to offset required State TPAF normal contributions.

## Program Description and Overview (Cont'd)

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 2006 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 2006 in the amount of \$817 per **district** pupil based on projected enrollment for the 2001-2002 school year. The per pupil amounts were revised in the March 2002 Biennial Report but have not been implemented in the calculation of ECPA.

**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 enrollment or by having a low-income pupil concentration equal to or greater than 40 percent of the school's enrollment. Districts with a **school** or **schools** in the first category, are recommended to receive aid in FY 2006 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 2006 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 per pupil amounts were revised in the March 2002 Biennial Report but have not been implemented in the calculation of DEPA.

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. Information provided by the Department of Education shows that for FY 2006, \$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 2006, \$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

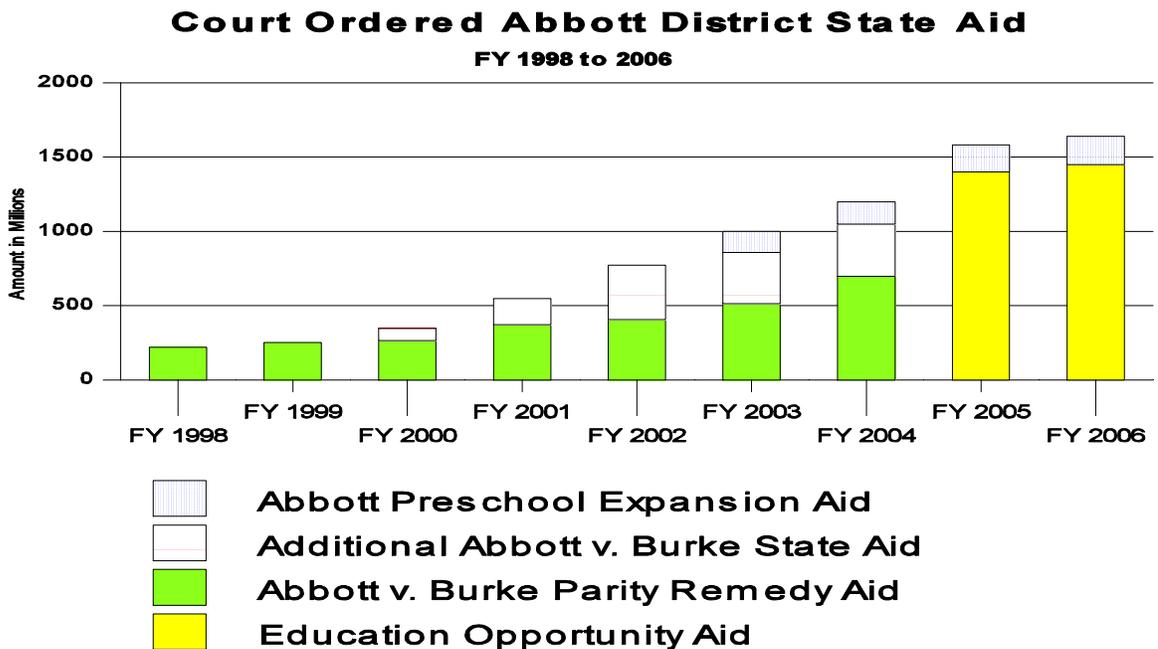
Education Opportunity Aid was a new line item in the FY 2005 budget. It combines and replaces **Abbott v. Burke Parity Remedy Aid** and **Additional Abbott v. Burke State Aid**. Part of this aid is distributed to the Abbott districts as a result of **Abbott IV** in which the New Jersey Supreme Court 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 an Abbott district, to make efforts to secure and provide the necessary funding. The recommended FY 2006 appropriation for Education Opportunity Aid is \$1,449.5 million, an increase of \$49 million over the FY 2005 adjusted appropriation. Budget language (see page D-85 of the FY 2006 budget and page 31 of this document), provides that each Abbott district's initial allocation of Education Opportunity Aid will be the greater of the amount calculated in accordance with the calculation of

### Program Description and Overview (Cont'd)

parity aid or the district's 2004-05 Education Opportunity Aid allocation, including any supplemental award. Only six Abbott districts will receive an Education Opportunity Aid increase pursuant to this language (see page 16 for a list of the districts and the amount of each district's increase). This represents the smallest percent increase in court-ordered aid for the Abbott districts since Abbott v. Burke Parity Aid was first allocated in FY 1998.

The recommended FY 2006 appropriation for the other court-ordered aid, **Abbott Preschool Expansion Aid**, is \$192.4 million, an increase of \$10 million over the FY 2005 adjusted appropriation of \$182.4 million. In Abbott VIII, 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. Abbott preschool enrollment for FY 2006 is projected to be 42,951. This represents an increase of over 13,000 pupils since FY 2003 when Abbott Preschool Expansion Aid was first included as a line item in the budget. Currently, Abbott Preschool Expansion Aid is used to fund the expansion of enrollment in the Abbott preschools (see page 17 of this document).

Total recommended FY 2006 court-ordered aid for Abbott districts is \$1,642 million. The table below provides the history of court-ordered funding since its inception in FY 1998. As noted above, FY 2005 was the first year in which Abbott v. Burke Parity Remedy Aid and Additional Abbott v. Burke State Aid were consolidated into one line item, Education Opportunity Aid.



## Program Description and Overview (Cont'd)

### Stabilization Aid

Under section 10 of CEIFA, 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. Stabilization Aid 2 was provided to ensure that no district would receive State aid in the budget year which represented a decrease greater than 2 percent of the State aid received in the prebudget year. Stabilization Aid 3, provided for the first time in FY 2002, held all districts harmless from a decrease in State aid in the budget year (FY 2002) compared with the prebudget year (FY 2001).

Other stabilization aids included in section 10 of CEIFA are: Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations and Regionalization Incentive Aid.

The recommended FY 2006 appropriation for all forms of stabilization aid is \$150.3 million, the same as in FY 2005.

## Fiscal and Personnel Summary

### AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2004	Adj. Approp. FY 2005	Recom. FY 2006	Percent Change	
				2004-06	2005-06
<b>General Fund</b>					
Direct State Services	\$56,855	\$63,206	\$69,374	22.0%	9.8%
Grants-In-Aid	8,860	25,544	18,879	113.1%	(26.1)%
State Aid	2,937,891	2,886,705	1,320,241	(55.1)%	(54.3)%
Capital Construction	324	0	1,050	224.1%	----
Debt Service	0	0	0	0.0%	0.0%
<b>Sub-Total</b>	<b>\$3,003,930</b>	<b>\$2,975,455</b>	<b>\$1,409,544</b>	<b>(53.1)%</b>	<b>(52.6)%</b>
<b>Property Tax Relief Fund</b>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	5,285,138	6,104,138	7,976,023	50.9%	30.7%
<b>Sub-Total</b>	<b>\$5,285,138</b>	<b>\$6,104,138</b>	<b>\$7,976,023</b>	<b>50.9%</b>	<b>30.7%</b>
<b>Casino Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Casino Control Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>State Total</b>	<b>\$8,289,068</b>	<b>\$9,079,593</b>	<b>\$9,385,567</b>	<b>13.2%</b>	<b>3.4%</b>
<b>Federal Funds</b>	<b>\$766,519</b>	<b>\$824,040</b>	<b>\$846,117</b>	<b>10.4%</b>	<b>2.7%</b>
<b>Other Funds</b>	<b>\$25,922</b>	<b>\$31,155</b>	<b>\$32,718</b>	<b>26.2%</b>	<b>5.0%</b>
<b>Grand Total</b>	<b>\$9,081,509</b>	<b>\$9,934,788</b>	<b>\$10,264,402</b>	<b>13.0%</b>	<b>3.3%</b>

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change	
				2004-06	2005-06
State	522	525	566	8.4%	7.8%
Federal	237	231	279	17.7%	20.8%
All Other	193	195	204	5.7%	4.6%
<b>Total Positions</b>	<b>952</b>	<b>951</b>	<b>1,049</b>	<b>10.2%</b>	<b>10.3%</b>

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

### AFFIRMATIVE ACTION DATA

Total Minority Percent	27.4%	28.1%	28.1%	----	----
------------------------	-------	-------	-------	------	------

## Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Education Opportunity Aid	\$1,400,466	\$1,449,495	\$49,029	3.5%	D-83

The FY 2006 recommended budget continues the line item, Education Opportunity Aid, which combined in FY 2005 the Abbott v. Burke Parity Remedy Aid and Additional Abbott v. Burke State Aid line items from previous budgets. The FY 2005 adjusted appropriation includes the FY 2005 line item, Education Access Aid (\$195 million), and also a FY 2005 supplemental appropriation of \$102 million which has not been acted on yet.

**Allocation of the increase in Education Opportunity Aid.** The table below shows the six Abbott districts which will receive an increase in Education Opportunity Aid in FY 2006. Pursuant to recommended budget language (see page D-85 in the FY 2006 budget and page 31 of this document), these six districts are the ones whose initial allocation of Education Opportunity Aid is based on the calculation of State aid required for parity in FY 2006 (these districts did not receive any supplemental Abbott aid in FY 2005). All other Abbott districts' initial allocation is based on the adjusted FY 2005 Education Opportunity Aid amount including any supplemental aid the district received in FY 2005. There is no proposed increase in State aid for these districts in FY 2006. As shown in the table below, the total increase in Education Opportunity Aid for the six districts receiving an increase is \$15.4 million. The balance of the \$49 million increase in Education Opportunity Aid, \$33.7 million, will be used for the incremental costs of opening new school facilities in the Abbott districts and grants allocated to Abbott districts to achieve other educational priorities established by the commissioner (see budget language, page D-85 in the FY 2006 budget and pages 32 and 33 of this document and discussion point 13, page 51 of this document).

Districts Receiving Increased Parity Aid	Education Opportunity Aid		Increase	
	FY 2005	FY 2006	\$ Amount	Percent
Garfield City	\$34,653	\$37,464	\$2,811	8.1%
Harrison Town	\$15,745	\$16,748	\$1,003	6.4%
Union City	\$124,584	\$130,008	\$5,424	4.4%
West New York Town	\$73,677	\$74,300	\$623	0.8%
Perth Amboy City	\$100,569	\$105,468	\$4,899	4.9%
Salem City	\$13,952	\$14,550	\$598	4.3%
<b>Total Parity Aid for Above Districts</b>	<b>\$363,180</b>	<b>\$378,538</b>	<b>\$15,358</b>	<b>4.2%</b>
<b>Balance, Education Opportunity Aid Increase</b>			<b>\$33,671</b>	

**Significant Changes/New Programs (\$000) (Cont'd)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
<b>Abbott Preschool Expansion Aid</b>	<b>\$182,000</b>	<b>\$192,000</b>	<b>\$10,000</b>	<b>5.5%</b>	<b>D-83</b>
<p>The recommended FY 2006 appropriation for Abbott Preschool Expansion Aid is \$192.4 million, an increase of \$10 million (5.5 percent) over the FY 2005 adjusted appropriation of 182.4 million. This aid is provided to Abbott districts under <u>Abbott V</u>, in which the Supreme Court ordered the State, along with the Abbott districts, to be more aggressive in identifying children of pre-school age to be enrolled in the Abbott preschool programs. Abbott Preschool Expansion Aid is to provide for the costs associated with the expansion of Abbott district preschool since the 2001-02 school year. Actual enrollment for the 2001-02 school year was 29,824. Enrollment for school year 2005-06 is projected at 42,951, which represents an increase of 13,127 or 44 percent over school year 2001-02 and also represents approximately 80 percent of the eligible preschool population in these districts. Salem City School District was designated as an Abbott district beginning in the 2004-2005 school year pursuant to P.L.2004, c.61. Pursuant to budget language (see page D-86 of the FY 2006 recommended budget and page 35 of this document), Salem City School District will be eligible for Abbott Preschool Expansion Aid in FY 2006, and the comparison of growth in preschool enrollment for purposes of determining Abbott Preschool Expansion Aid will be between preschool enrollment in the 2004-05 school year and projected preschool enrollment in the 2005-06 school year. Of the close to 43,000 preschool students in Abbott districts, 25,419 students (59 percent) are enrolled in programs operated by private providers under contract with Abbott districts.</p>					
<b>High Expectations for Learning Proficiency</b>	<b>\$17,000</b>	<b>\$0</b>	<b>(\$17,000)</b>	<b>(100.0)%</b>	<b>D-82</b>
<b>Above Average Enrollment Growth</b>	<b>\$12,000</b>	<b>\$0</b>	<b>(\$12,000)</b>	<b>(100.0)%</b>	<b>D-83</b>
<b>Early Launch To Learning Initiative</b>	<b>\$15,000</b>	<b>\$4,000</b>	<b>(\$11,000)</b>	<b>(73.3)%</b>	<b>D-83</b>
<b>Positive Achievement and Cost Effectiveness</b>	<b>\$2,500</b>	<b>\$0</b>	<b>(\$2,500)</b>	<b>(100.0)%</b>	<b>D-82</b>
<b>New Jersey After 3</b>	<b>\$15,000</b>	<b>\$7,500</b>	<b>(\$7,500)</b>	<b>(50.0)%</b>	<b>D-96</b>
<b>Total</b>	<b>\$61,500</b>	<b>\$11,500</b>	<b>(\$50,000)</b>	<b>(81.3)%</b>	

The Governor's FY 2006 recommended budget eliminates or reduces funding for programs initiated in FY 2005. High Expectations for Learning Proficiency had a recommended FY 2005 appropriation of \$5 million which the Legislature increased to \$17 million; Above Average Enrollment Growth had a recommended FY 2005 appropriation of \$5 million which the Legislature increased to \$12 million; and the Positive Achievement and Cost Effectiveness Program had a recommended appropriation of \$5 million which the Legislature reduced to \$2.5 million. This program was never implemented by the Department of Education. The Early Launch to Learning Initiative awarded grants to 27 public school districts in FY 2005 totaling \$2.04 million. The New Jersey After 3 Program awarded grants

## Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Englewood Implementation	\$4,000	\$0	(\$4,000)	(100.0)%	D-84
Nonpublic Capital Projects Aid	\$3,000	\$0	(\$3,000)	(100.0)%	D-83
North Bergen School District - Facilities Leasing	\$1,900	\$0	(\$1,900)	(100.0)%	D-83
School District of Trenton - Security	\$1,500	\$0	(\$1,500)	(100.0)%	D-83
Montclair Board of Education - Minority Student Achievement Network	\$1,000	\$0	(\$1,000)	(100.0)%	D-84
Settlement Music School	\$1,000	\$0	(\$1,000)	(100.0)%	D-83
Lawrence Township (Mercer) School District Extraordinary Aid	\$750	\$0	(\$750)	(100.0)%	D-83
Montclair Board of Education - Desegregation Aid	\$500	\$0	(\$500)	(100.0)%	D-84
EIRC - P20 Program	\$125	\$0	(\$125)	(100.0)%	D-83
Property Tax Assistance and Community Development Grants (40 districts)	\$7,762	\$0	(\$7,762)	(100.0)%	D-455
<b>Total Legislative Adds</b>	<b>\$21,537</b>	<b>\$0</b>	<b>(\$21,537)</b>	<b>(100.0)%</b>	

Special purpose funding items added by the Legislature in FY 2005, including special assistance provided to districts under the Property Tax Assistance and Community Development Grants in Interdepartmental Accounts, are not recommended for continuation in the Governor's proposed FY 2006 budget (see pages 65 and 66 of this document for a list of districts which received special assistance under the Property Tax Assistance and Community Development Grants Program).

## Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Payments for Institutionalized Children -- Unknown Residence	\$25,900	\$23,500	(\$2,400)	(9.3)%	D-83

The FY 2005 adjusted appropriation of \$25.9 million for Payments for Institutionalized Children -- Unknown District of Residence represents \$21.4 million appropriated in the FY 2005 Annual Appropriations Act plus a supplemental appropriation of \$4.5 million not yet approved. The recommended FY 2006 appropriation is \$23.5 million, a decrease of \$2.4 million (9.3 percent) from the adjusted FY 2005 appropriation of \$25.9 million.

Statewide Assessment Program	\$16,225	\$23,225	\$7,000	43.1%	D-95
------------------------------	----------	----------	---------	-------	------

The recommended FY 2006 appropriation of \$23.2 million for the Statewide Assessment Program represents a \$7 million increase (43.1 percent) over the adjusted FY 2005 appropriation of \$16.2 million appropriation and a \$10.8 million increase over the amount expended in FY 2004, \$12.4 million. The reason for this increase over the past two fiscal years is the requirement for increased standards-based Statewide assessments under the federal "No Child Left Behind Act of 2001" (NCLB). "Since the signing of the 'No Child Left Behind Act of 2001' in December of that year, the New Jersey Department of Education has implemented, in addition to its existing test programs at the benchmark grade levels of 4, 8, and 11, a new standards-based assessment in language arts literacy and mathematics in grade 3, a standards-based science assessment in grade 4, and an alternate proficiency assessment for students with severe cognitive disabilities. The grade 3 test, the New Jersey Assessment of Skills and Knowledge (NJ ASK3) was first administered as a field test in 2003, and operationally in March 2004. The grade 4 (NJ ASK4) science assessment was field tested in 2004 and will be administered operationally for the first time in March 2005. Science is being field tested in the High School Proficiency Assessment (HSPA) and is expected to become operational no later than March 2007. Like all New Jersey assessments, these assessments are aligned with New Jersey's Core Curriculum Content Standards (CCCS) and are developed with considerable input and participation by local district staff. Content committees, each composed of 12-16 mathematics, language arts, and science educators per grade level (3/4, 8, 11), review all test items used on the statewide assessments. All test items are field tested before being included on operational administrations. New Jersey's Alternate Proficiency Assessment (APA) is a portfolio assessment, serving students with severe disabilities. It was first implemented in 2002 and is now in its fourth year. It too is the product of intense collaboration between the Office of Evaluation and Assessment, the Office of Special Education Programs, the vendor, and field educators, including an APA Advisory Committee. The NJDOE has pilot tested Spanish-language assessments in mathematics at the fourth grade level, and has included provision for Spanish language math and language arts testing in its plans for expanded testing under NCLB (see below). The NJDOE is currently planning to issue in summer 2005 an RFP to implement standards-based assessments in language arts literacy and mathematics in grades 5, 6, 7, for initial implementation in spring 2006." *From the State's Consolidated State Performance Report For State Formula Grant Programs under the Elementary And Secondary Education Act as amended by the No Child Left Behind Act of 2001.* As noted in this report, an RFP to implement standards-

**Significant Changes/New Programs (\$000) (Cont'd)**

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
--------------------	---------------------------------	----------------------------	--------------------------	---------------------------	------------------------

based assessments in language arts literacy and mathematics in grades 5, 6, and 7 will be issued in the summer of 2005, with the plan for initial implementation of these new assessments in the Spring of 2006. The increase in appropriation for Statewide assessments is to provide for the development and implementation of these assessments. New Jersey does not expect any increase in federal aid for FY 2006 for the development and implementation of assessments in grades 5, 6, and 7 as required under NCLB.

**Social Promotion**

<b>Initiative</b>	<b>\$0</b>	<b>\$1,500</b>	<b>\$1,500</b>	<b>—</b>	<b>D-96</b>
-------------------	------------	----------------	----------------	----------	-------------

This Initiative will provide summer school programs and tutoring to students entering the fourth grade who, based on their performance in the NJ Ask 3 third grade Statewide assessment need assistance to attain proficiency in the grade four Statewide assessment. This is intended to assure that students advancing to grade 5 will do so as a result of demonstrated readiness and not as a 'social promotion.' Funds will be distributed through a competitive grant process.

**School Building Aid**

<b>Debt Service</b>	<b>\$955</b>	<b>\$775</b>	<b>(\$180)</b>	<b>(18.8)%</b>	<b>D-96</b>
---------------------	--------------	--------------	----------------	----------------	-------------

<b>School Building Aid</b>	<b>\$121,272</b>	<b>\$119,679</b>	<b>(\$1,593)</b>	<b>(1.3)%</b>	<b>D-96</b>
----------------------------	------------------	------------------	------------------	---------------	-------------

**School Construction and Renovation Fund**

	<b>\$183,991</b>	<b>\$267,780</b>	<b>\$83,789</b>	<b>45.5%</b>	<b>D-96</b>
--	------------------	------------------	-----------------	--------------	-------------

**Total Facilities Planning and School Building Aid**

	<b>\$306,218</b>	<b>\$388,234</b>	<b>\$82,016</b>	<b>26.8%</b>	<b>D-96</b>
--	------------------	------------------	-----------------	--------------	-------------

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 2006. The FY 2006 recommended appropriation reflects a decrease in these debt service obligations.

The reduction for School Building Aid-Debt Service is due to the 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.

The recommended appropriation for FY 2006 for the School Construction and Renovation Fund will be used for State debt service payments on the approximately \$2.4 billion of Economic Development Authority bonds issued to date.

The table below provides information on how the proceeds of bonds issued through August of 2004

**Significant Changes/New Programs (\$000) (Cont'd)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
--------------------	---------------------------------------	----------------------------------	--------------------------------	---------------------------------	------------------------------

have been expended as of February 28, 2005 (\$000).

	Abbott Districts	Vocational School Districts	All Other Districts	Unex- pended Proceeds	Total
2001 Series A through 2004 Series J Bonds	\$2,233,252	\$42,901	\$881,424	\$288,352	\$4,145,929

Teachers' Pension and Annuity Fund -- Post Retirement Medical	\$524,979	\$589,118	\$64,139	12.2%	D-96-97
Teachers' Pension and Annuity Fund	\$0	\$94,516	\$94,516	—	D-97
Social Security Tax	\$624,750	\$655,750	\$31,000	5.0%	D-97
Minimum Pension for Pre-1955 Retirees	\$1	\$1	\$0	0.0%	D-97
Post-Retirement Medical Other Than PTRF	\$82,012	\$96,317	\$14,305	17.4%	D-97
Debt Service on Pension Obligation Bonds	\$79,779	\$86,940	\$7,161	9.0%	D-97
<b>Total Teachers' Pension and Annuity Assistance</b>	<b>\$1,311,521</b>	<b>\$1,522,642</b>	<b>\$211,121</b>	<b>16.1%</b>	

The recommended FY 2006 appropriation for Teachers' Pension and Annuity Assistance is \$1,522.6 million, an increase of \$211.3 million (16.1 percent) over the FY 2005 adjusted appropriation of \$1,311.5 million. The recommendation that \$94 million be appropriated for the Teachers Pension and Annuity Fund is the first such recommended General or Property Tax Relief Fund appropriation since the FY 1997 budget. In addition, as can be seen from the breakdown of the total appropriation, the post-retirement medical costs for TPAF (increase of 12.2 percent) and for other than TPAF (increase of 17.4 percent) are the items of greatest percentage increase. Budget language, (see pages D-98 and D-99 and pages 39 and 40 of this document), provides for appropriation of any additional sums required for full funding of Post Retirement Medical Benefits ( TPAF and Other), contributions to the Teacher Pension and Annuity Fund, and payment of Social Security Tax on behalf of members of TPAF.

## Language Provisions

### 2005 Appropriations Handbook

### 2006 Budget Recommendations

#### p. B-42

The amount appropriated hereinabove for Nonpublic Capital Projects Aid shall be distributed by the Commissioner of Education as grants to nonpublic high schools for capital projects, including capital projects completed during the 2003-2004 school year. Grants shall be awarded in accordance with criteria established by the commissioner which shall include but not be limited to: that the nonpublic high school have a significant minority or low-income student enrollment, and that the capital project be used for a secular purpose. A grant shall be awarded upon submission of an application by the nonpublic school to the commissioner and the commissioner's approval of that application. The amount of a grant shall not exceed \$500,000.

No comparable language.

#### Explanation

In the FY 2005 annual budget, \$3 million was appropriated for Nonpublic Capital Projects Aid. No expenditures have been made from this account and the total amount appropriated has been reserved to protect against and to meet emergencies. This appropriation was added by the Legislature in FY 2005. The Governor's FY 2006 recommended budget does not include an appropriation for this line item.

### 2005 Appropriations Handbook

### 2006 Budget Recommendations

#### p. B-42

Of the amount hereinabove in the High School Equivalency account, such sums as are necessary may be transferred to an applicant State department.

No comparable language.

#### Explanation

According to footnote (b), page D-84 of the FY 2006 recommended budget, the FY 2005 appropriation for High School Equivalency (see page D-84, High School Equivalency line item) has been reallocated to the General Education Development -- GED line item (see page D-81, Direct State Services). These funds are available for reallocation after the transfer of adult education

## Language Provisions (Cont'd)

programs and funds to the Department of Labor and Workforce Development. Since funds are no longer needed or used for anything other than GED programs, the language is deleted.

---

### 2005 Appropriations Handbook

#### p. B-42

The amount hereinabove for Extraordinary Special Education Costs Aid shall be charged first to receipts of the supplemental fee established pursuant to section 2 of P.L.2003, c.113 (C.46:15-7.1) credited to the Extraordinary Aid Account.

### 2006 Budget Recommendations

#### p. D-85

The amount hereinabove appropriated for Extraordinary Special Education Costs Aid shall be charged first to receipts of the supplemental fee established pursuant to section 2 of P.L.2003, c.113 (C.46:15-7.1) credited to the Extraordinary Aid Account. Notwithstanding any provisions of that law to the contrary, the amount appropriated for Extraordinary Special Education Costs Aid from receipts deposited in the Extraordinary Aid account shall not exceed the amount appropriated hereinabove.

### Explanation

Section 2 of P.L. 2003, c.113 (C.46:15-7.1) added a supplemental fee to the Realty Transfer Fee and directed that the revenue from this supplemental fee be credited to an Extraordinary Aid account for the purposes of providing extraordinary special education costs aid and extraordinary aid to municipalities. As in FY 2005, the above language provides that the amount appropriated for Extraordinary Special Education Costs Aid be first charged to the receipts in the Extraordinary Aid account. The additional text recommended for FY 2006 overrides statutory provisions and stipulates that the funding level for Extraordinary Special Education Costs Aid is irrespective of the level of revenue in the account. Language identical in effect is recommended with respect to Extraordinary Aid for municipalities in the budget of the Department of Community Affairs. This reflects the possibility that FY 2006 Extraordinary Aid account revenues could exceed appropriations, recommended to total about \$83 million. FY 2005 Extraordinary Account revenues to date total \$79 million, and could total \$90 million in FY 2006 if current trends hold.

## Language Provisions (Cont'd)

### 2005 Appropriations Handbook

p. B-42

[Additional Formula Aid shall be provided to each "non-Abbott school district" in an amount that equals 3 percent of the total State aid amount payable for the 2003-2004 school year for the following aid categories: Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Early Childhood Aid, Instructional Supplement Aid, Demonstrably Effective Program Aid, Stabilization Aid, Stabilization Aid 2, Stabilization Aid 3, Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Adult and Post-Secondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, School Choice, Aid for Enrollment Adjustments, and Consolidated Aid.] Notwithstanding any other law or regulation to the contrary, the amount provided to each district as Consolidated Aid and Additional Formula Aid shall be included in the calculation of the spending growth limitation pursuant to section 5 of P.L.1996, c.138 (C.18A:7F-5).

### 2006 Budget Recommendations

p. D-85

Notwithstanding any other law or regulation to the contrary, the amount provided to each district from the amounts hereinabove appropriated for Consolidated Aid and Additional Formula Aid shall be included in the calculation of the spending growth limitation pursuant to section 5 of P.L.1996, c.138 (C.18A:7F 5).

### Explanation

The FY 2005 budget established the State aid category of Additional Formula Aid and distributed \$90 million of such aid to non-Abbott districts. Additional Formula Aid is continued and appropriated to school districts in the recommended budget language that provides that the State aid a district will receive in FY 2006 will be no less than the amount it received in FY 2005 for certain aid categories (see page D-102 of the FY 2006 recommended budget and page 44 of this document). This FY 2006 recommended budget language continues the FY 2005 language to provide that Consolidated Aid, first provided in FY 2004, and Additional Formula Aid are included in the calculation of a district's spending growth limitation.

**Language Provisions (Cont'd)**

2005 Appropriations Handbook

2006 Budget Recommendations

**p. B-42**

Notwithstanding any provision of law to the contrary, of the amount appropriated hereinabove for Additional Formula Aid (PTRF), \$1,000,000 shall be allocated to any "non-Abbott school district" that enrolled less than 50 percent of the district's resident school aged population as measured in the 2000 Decennial Census and whose local share calculated pursuant to section 14 of P.L.1996, c.138 (C.18A:7F:14) for fiscal 2002 is greater than 80 percent and whose low income concentration rate for fiscal 2002 exceeds 45 percent.

No comparable language.

Explanation

The above language provided an additional \$1 million in State aid to the Lakewood School District. Other recommended budget language freezes the amount of FY 2006 Additional Formula Aid at FY 2005 levels, thereby continuing to provide Lakewood this additional \$1 million in aid. Therefore this language does not need to be continued in FY 2006.



2005 Appropriations Handbook

2006 Budget Recommendations

**p. B-42**

Of the amount hereinabove for High Expectation for Learning Proficiency Aid, \$15,000,000 shall be distributed to school districts, other than those designated as "Abbott districts" as of June 21, 2004, that are not county-based or non-operating as determined by the commissioner, and that are either (a) in district factor group A or B and whose equalized valuation per pupil is less than \$380,000; (b) in district factor group A, B, CD or DE, and has a concentration of low income pupils that is greater than or equal to 14 percent and has an equalized valuation per pupil that is less than \$1,100,000 per pupil,

No comparable language

## Language Provisions (Cont'd)

### 2005 Appropriations Handbook

and either has a general fund tax levy per pupil that exceeds \$9,000 or a concentration of low income pupils that exceeds 30 percent; or (c) contiguous to a designated "Abbott school district", have at least one school with a concentration of low income pupils equal to or greater than 20 percent and have not received Early Childhood Program Aid in the 2003-04 school year. Each such district shall receive the same proportion of \$15,000,000 as its October 2003 resident enrollment bears to the total October 2003 resident enrollment of all such districts. As used hereinabove, "district factor group" shall be as determined by the commissioner using 2000 federal decennial census data; "equalized valuation per pupil" and "general fund tax levy per pupil" shall be as determined by the commissioner for the school year 2003-04; and "concentration of low income pupils" shall be as defined in section 3 of P.L.1996, c.138 (C.18A:7F-3), except that the ASSA data shall be as of October 2003. Any amount remaining in this account after distribution is made pursuant to these criteria shall be distributed by the commissioner to school districts meeting substantially similar circumstances.

### 2006 Budget Recommendations

#### Explanation

High Expectations for Learning Proficiency Aid was a new item in the FY 2005 recommended budget. The recommended appropriation was \$5 million but this amount was increased by the Legislature to \$17 million. The FY 2005 language outlined certain factors to be used as criteria in the distribution of the aid. Under the language 79 districts received aid. The Governor's FY 2006 recommended budget does not include an appropriation to continue High Expectations for Learning Proficiency Aid (see pages 57 to 62 of this document for a list of districts which received this aid and the dollar amount received).

**Language Provisions (Cont'd)**

2005 Appropriations Handbook

2006 Budget Recommendations

**p. B-42**

The amount appropriated hereinabove for Positive Achievement and Cost Effectiveness aid shall be distributed to school districts demonstrating high levels of academic achievement while incurring low education expenditures. Notwithstanding any provision of P.L.1968, c.410 (C.52:14B-1 et seq.), the Commissioner of Education shall be authorized to develop the criteria for distributing this aid and shall adopt regulations that shall be deemed adopted and effective immediately upon filing with the Office of Administrative Law. Upon receiving this award, districts will be expected to share information about their practices with the State and other districts.

No comparable language.

Explanation

Positive Achievement and Cost Effectiveness Aid was a new item in the FY 2005 budget. The aid category had a recommended FY 2005 appropriation of \$5 million which was reduced by the Legislature to \$2.5 million. The funds were distributed to school districts with high levels of academic achievement and low education expenditures. This program was not implemented by the Department of Education in FY 2005 and the Governor's FY 2006 recommended budget does not include an appropriation for its continuation.



2005 Appropriations Handbook

2006 Budget Recommendations

**p. B-43**

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.

**p. D-85**

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.

## Language Provisions (Cont'd)

### 2005 Appropriations Handbook

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. 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.

### 2006 Budget Recommendations

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. 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.

### Explanation

The FY 2005 and FY 2006 budget language establishes the authority for the Commissioner of Education to distribute funds to Abbott districts. The FY 2006 budget language continues (as in the FY 2004 and FY 2005 annual budgets) to override the procedures established in the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), for the adoption of regulations regarding the receipt and expenditure of funds for Abbott districts. These procedures include public hearings after the regulations are first published in the New Jersey Register. Under the proposed budget language, regulations relating to the receipt or expenditure, or both, of Abbott funds would be promulgated by the commissioner rather than the State Board of Education; and these regulations would be considered adopted immediately upon filing with the Office of Administrative Law.

### 2005 Appropriations Handbook

#### p. B-43

Of the amount appropriated hereinabove for Education Opportunity Aid, an amount not to exceed \$14,686,000, shall be transferred to the Department of Education's operating budget, subject to the approval of the Director of the Division of Budget and Accounting, for the purpose of managing and supervising implementation of Abbott remedies. In addition, the unexpended balance [as of June 30, 2004, in the *Abbott v. Burke* Parity Remedy] account is appropriated [to the

### 2006 Budget Recommendations

#### p. D-85

Of the amount hereinabove appropriated for Education Opportunity Aid, an amount not to exceed \$14,686,000, shall be transferred to the Department of Education's operating budget, subject to the approval of the Director of the Division of Budget and Accounting, for the purpose of managing and supervising implementation of Abbott remedies. In addition, the unexpended balance at the end of the preceding fiscal year, in the Education Opportunity Aid account is appropriated for

Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

Education Opportunity Aid account and shall also be transferred to the Department of Education's operating budget,] for the same purpose[, subject to the approval of the Director of the Division of Budget and Accounting].

the same purpose and with the same conditions as are applied to the fiscal year 2005 appropriation for this purpose.

Explanation

The FY 2005 and 2006 language authorizes the transfer of \$14.7 million in Education Opportunity Aid to the Department of Education to be used in managing and supervising the implementation of Abbott remedies. As of April 2005, \$7.26 million has been transferred into the Abbott Implementation account and \$1.54 million has been transferred into the Whole School Reform Administration account. Of this total (\$8.8 million), approximately \$5.8 million has been expended. The FY 2006 recommended change in language which refers to unexpended balance at the end of the preceding fiscal year, is technical in nature and accomplishes the same objective (the transfer of unexpended balances at the end of the fiscal year) as the FY 2005 language which references a specific date.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-43

p. D-85

The amount appropriated hereinabove for Education Opportunity Aid will provide resources to equalize spending between "I" and "J" districts and "Abbott districts," and provide aid to fund additional needs of "Abbott districts". Notwithstanding any other law to the contrary, Education Opportunity Aid shall be provided to each "Abbott district" whose per pupil regular education expenditure for [2004-2005] 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 [2004-2005]. The amount of aid 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 [2004-2005] and the actual

The amount hereinabove appropriated for Education Opportunity Aid will provide resources to equalize spending between "I" and "J" districts and "Abbott districts," and provide aid to fund additional needs of "Abbott districts". Notwithstanding any other law to the contrary, Education Opportunity Aid shall be provided to each "Abbott district" whose per pupil regular education expenditure for 2005-2006 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 2005-2006. The minimum amount of aid 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 2005-2006 and the actual per

## Language Provisions (Cont'd)

2005 Appropriations Handbook

per pupil average regular education expenditure of districts in district factor groups "I" and "J" for [2003-2004] indexed by the actual percentage increase in the per pupil average regular education expenditure of districts in district factor groups "I" and "J" for [2003-2004] over the per pupil average regular education expenditure of districts in district factor groups "I" and "J" for [2002-2003]. In calculating the per pupil regular education expenditure of each "Abbott district" for [2004-2005], 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 initially be those resident enrollments for preschool through grade 12 contained on the Application for State School Aid for [2004-2005] indexed by the district's enrollment growth rate used to determine the estimated enrollments of October [2004]; 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 districts" as of October [15, 2004] as reflected on the Application for State School Aid for [2005-2006]. 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 [2004-2005]. In calculating the actual per pupil average regular education expenditure of districts in district factor groups "I" and "J" for [2004-2005], regular education expenditure shall equal the sum of the general fund tax levy for [2004-2005], 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

2006 Budget Recommendations

pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2004-2005 indexed by the actual percentage increase in the per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2004-2005 over the per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2003-2004. In calculating the per pupil regular education expenditure of each "Abbott district" for 2005-006, regular education expenditure shall equal the sum of the general fund tax levy for 2004-2005, 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 2005-2006 indexed by the district's enrollment growth rate used to determine the estimated enrollments of October 2005; 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 districts" as of October 14, 2005 as reflected on the Application for State School Aid for 2006-2007. 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 2005-2006. In calculating the actual per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2005-2006, regular education expenditure shall equal the sum of the general fund tax levy for 2005-2006, 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 12 as of October 14, 2005 as reflected on the

Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

(C.18A:7F-10); enrollments shall be the resident enrollment for preschool through grade 12 as of October 15, [2004] as reflected on the Application for State School Aid for [2005-2006]; 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.

Application for State School Aid for 2006-2007; 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 FY 2006 recommended budget language updates the school year references and includes the word "minimum" to describe the amount of Education Opportunity Aid an Abbott district will receive based on this budget language. This is the budget language used to calculate the amount of parity aid an Abbott district will receive. The use of the word "minimum" reflects the recommendation in the FY 2006 budget that Abbott districts' initial allocation of Education Opportunity Aid will be the greater of the amount that results from the parity aid calculation for the 2005-2006 school year or the amount of FY 2005 Education Opportunity Aid, including any supplemental (discretionary) aid, an Abbott district received in FY 2005.



2005 Appropriations Handbook

2006 Budget Recommendations

No comparable language.

p. D-85

Of the amount hereinabove appropriated for Education Opportunity Aid, each "Abbott district's" initial allocation shall be the greater of the amount calculated in accordance with the provisions hereinabove for equalized spending or the district's 2004-2005 Education Opportunity Aid allocation, including any supplemental award.

Explanation

This recommended FY 2006 budget language provides that the amount of Education Opportunity Aid an Abbott district receives initially will be the greater of the amount the district would receive based on a calculation of parity aid for FY 2006 or the total Education Opportunity Aid the district received in FY 2005, including any supplemental award. The following Abbott districts' initial allocation of Education Opportunity Aid is based on the 2005-2006 parity aid calculation; they did not receive supplemental aid in the 2004-05 school year: Garfield City, Harrison Town, Union City,

## Language Provisions (Cont'd)

West New York, Perth Amboy City and Salem City (for greater detail see page 16 and discussion point 14, page 51 of this document). In FY 2005, each Abbott district's initial allocation of Education Opportunity Aid, as published in the department's statement of district aid in February of 2005, was based on the parity aid calculation. In addition to the parity aid calculation, FY 2005 budget language provided that "Education Opportunity Aid shall also be used for the award of supplemental funding to 'Abbott districts' for programs, services and positions that the Commissioner of Education determines are essential to the provision of a thorough and efficient education in those districts." The FY 2005 appropriated amount of Education Opportunity Aid was \$1.1 billion with another \$195 million appropriated as a separate line item, Education Access Aid. The \$195 million has been transferred into the Education Opportunity Aid account. In the FY 2006 recommended budget, an anticipated supplemental appropriation of \$102 million is included in the FY 2005 adjusted appropriation amount of \$1.4 billion for Education Opportunity Aid.

### 2005 Appropriations Handbook

#### p. B-43

The amount appropriated hereinabove for Education Opportunity Aid shall also be used for the [award of supplemental funding to "Abbott districts" for programs, services and positions that the Commissioner of Education determines are essential to the provision of a thorough and efficient education in those districts. Before the commissioner establishes the amount of the supplemental award, he shall determine whether some or all of the additional funds sought can be achieved by reallocating non-instructional expenditures or by achieving economies and efficiencies in the delivery of services and programs. If the commissioner determines that the district does have available such reallocations 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 supplemental 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 these discretionary funds.] Any district that fails to submit the required documentation or fails to submit its annual audit by November 15, 2004

### 2006 Budget Recommendations

#### p. D-85

The amount hereinabove appropriated for Education Opportunity Aid shall also be used for the following purposes: ensuring that every "Abbott district" is at parity; the incremental cost of opening new facilities as approved by the Commissioner of Education; and other education priorities as established by the commissioner, to be distributed in the form of grants. Awards for new facilities and approved grants are considered restricted and must be spent for the approved purpose and accounted for in a special revenue fund. Any "Abbott district" that fails to submit the required documentation or fails to submit its annual audit by November 15, 2005 may have its State aid withheld upon the commissioner's request to the Director of the Division of Budget and Accounting.

**Language Provisions (Cont'd)**

2005 Appropriations Handbook

2006 Budget Recommendations

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 supplemental 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 change in the language between FY 2005 and FY 2006 suggests that the department does not anticipate using Education Opportunity Aid to provide funding for Abbott district supplemental programs in FY 2006 above the amount received in FY 2005. The recommended FY 2006 appropriation for Education Opportunity Aid is \$1,449.5 million, an increase of \$49 million over the FY 2005 adjusted appropriation of \$1,400.5 million. As provided in the recommended budget language, Education Opportunity Aid will be used first to ensure the Abbott districts are at parity with the "I" and "J" districts. The increase in aid provided pursuant to the calculation for parity in FY 2006 is \$15.4 million. This leaves approximately \$30 million in Education Opportunity Aid to be distributed according to this budget language: to assist Abbott districts with the incremental cost of opening new facilities, as approved by the Commissioner of Education; and to achieve other education priorities as established by the commissioner, distributed to districts in the form of grants (see discussion point 13, page 51 of this document) .



2005 Appropriations Handbook

2006 Budget Recommendations

**p. B-44**

**p. D-86**

Notwithstanding any other law to the contrary, as a condition of receiving [discretionary] Education Opportunity Aid [(PTRF)], an "Abbott district" shall examine all available group options for every insurance policy held by the district, including any self-insurance plan administered by the New Jersey School Boards Association Insurance Group on behalf of districts, and shall participate in the most cost effective plans. As a further condition, all "Abbott districts" shall take steps to maximize the district's participation in the federal Universal Service Program (E-rate) and the

Notwithstanding any other law to the contrary, as a condition of receiving Education Opportunity Aid, an "Abbott district" shall examine all available group options for every insurance policy held by the district, including any self-insurance plan administered by the New Jersey School Boards Association Insurance Group on behalf of districts, and shall participate in the most cost effective plans. As a further condition, all "Abbott districts" shall take steps to maximize the district's participation in the federal Universal Service Program (E-rate) and the ACT

## Language Provisions (Cont'd)

### 2005 Appropriations Handbook

ACT telecommunications program offered through the New Jersey Association of School Business Administrators, shall participate in the ACES energy program offered through the New Jersey School Boards Association unless a district can demonstrate that it receives the goods or services at a cost less than or equal to the cost achieved by participants, and shall take appropriate steps to maximize the district's participation in the Special Education Medicaid Initiative (SEMI) program, with maximum participation defined by the Commissioner of Education and shall refinance all outstanding debt for which a three percent net present value savings threshold is achievable. An "Abbott district" that fails to meet any of these requirements may have [its award of discretionary Education Opportunity Aid (PTRF) reduced by the approximate amount of potential savings and/or increased federal funding as determined by the Commissioner of Education.] The commissioner is authorized to establish any additional condition on the disbursement of discretionary Education Opportunity Aid (PTRF) that the commissioner deems appropriate to ensure the effective and efficient spending in the "Abbott districts."

### 2006 Budget Recommendations

telecommunications program offered through the New Jersey Association of School Business Administrators, shall participate in the ACES energy program offered through the New Jersey School Boards Association unless a district can demonstrate that it receives the goods or services at a cost less than or equal to the cost achieved by participants, and shall take appropriate steps to maximize the district's participation in the Special Education Medicaid Initiative (SEMI) program, with maximum participation defined by the Commissioner of Education and shall refinance all outstanding debt for which a three percent net present value savings threshold is achievable. An "Abbott district" that fails to meet any of these requirements may have payment of Education Opportunity Aid withheld until such time as these requirements are met. The commissioner is authorized to establish any additional condition on the disbursement of Education Opportunity Aid that the commissioner deems appropriate to ensure effective and efficient spending in the "Abbott districts."

### Explanation

The FY 2005 and FY 2006 language requires Abbott districts, as a condition of receipt of Education Opportunity Aid, to examine all available group options for insurance, to participate in the most cost effective plans, and to maximize the district's participation in energy and telecommunication cost savings efforts. The FY 2005 budget language refers to "discretionary" Education Opportunity Aid and provided that an Abbott district that failed to meet the requirements of the budget language faced the possibility of having its award of discretionary Education Opportunity Aid (PTRF) reduced by the approximate amount of potential savings and/or increased federal funding as determined by the Commissioner of Education (see discussion point 10 on pages 49 and 50 of this document). The recommended FY 2006 budget language deletes the term "discretionary" and states that an Abbott district that fails to meet the requirements of the provisions of this budget language faces the possibility of having its Education Opportunity Aid payments withheld until such time as these requirements are met.

Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-44

p. D-86

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 **[2004-2005]** 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" shall be required to provide such supporting documentation as deemed necessary to verify that the actual expansion in the preschool program has occurred in the **[2004-2005]** 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.

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 2005-2006 for the projected expansion of preschool programs in "Abbott districts" with "Abbott" status in 2001-2002. For any district receiving "Abbott" status after 2001-2002, the increase in approved budgeted costs for the purpose of funding will be based on the year "Abbott" status was obtained. 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" shall be required to provide such supporting documentation as deemed necessary to verify that the actual expansion in the preschool program has occurred in the 2005-2006 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

The FY 2005 and FY 2006 language establishes the procedure for the calculation of Abbott Preschool Expansion Aid for the Abbott districts. This aid category finances the increase in costs associated with enrollment increases in preschool programs over the 2001-2002 school year enrollment. The new FY 2006 language reflects the fact that Salem City School District was added as an Abbott district pursuant to P.L.2004, c.61, effective for the 2004-05 school year. Salem City School District will be eligible for Abbott Preschool Expansion Aid for the first time in FY 2006. For purposes of determining Abbott Preschool Expansion Aid for Salem City School District, the increase in approved budgeted costs will be based on comparison between the preschool enrollment for the 2004-05 school year and the projected preschool enrollment for the 2005-06 school year. The estimated Abbott Preschool Expansion Aid for Salem City School District is \$119,331.



## Language Provisions (Cont'd)

2005 Appropriations Handbook

p. B-44

From the amount appropriated hereinabove for Early Launch to Learning Initiative, [such funds as are necessary] for the support of two staff persons to administer the program shall be transferred to the Office of Early Childhood Education in direct state services, subject to the approval of the Director of the Division of Budget and Accounting.

2006 Budget Recommendations

p. D-86

From the amount appropriated hereinabove for the Early Launch to Learning Initiative, an amount not to exceed \$325,000 shall be transferred to the Office of Early Childhood Education in direct state services for the support of two staff persons and related operational costs to administer the program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

FY 2006 recommended budget language specifies a maximum amount of \$325,000, for transfer to the Office of Early Childhood Education to support two staff persons and related operational costs to administer the Early Launch to Learning Initiative. The FY 2005 language provided for such amount as necessary. The amount that has been transferred as of April 2005 is \$330,000. The recommended FY 2006 appropriation for Early Launch to Learning Initiative is \$4 million, a reduction of \$11 million from the FY 2005 adjusted appropriation. Grants totaling \$2 million have been awarded to 27 school districts in FY 2005 (see table of districts receiving Early Launch to Learning Initiative grants and grant amounts, page 63 of this document).

2005 Appropriations Handbook

p. B-44

The amount hereinabove for Above Average Enrollment Growth Aid shall be distributed to school districts whose projected enrollment for the 2004-05 school year exceeds its enrollment for the 2003-04 school year by at least 3.5 percent, as determined by the commissioner. Each such school district shall receive an amount equal to \$765 multiplied by its projected increase in enrollment if its projected increase is less than 7.5 percent, and an amount equal to \$1,600 multiplied by its projected increase in enrollment if its projected increase is equal to or greater than 7.5 percent. Any amount remaining in this account after distribution is made pursuant to these criteria shall be distributed by the commissioner to school districts meeting substantially similar circumstances.

2006 Budget Recommendations

No comparable language.

**Language Provisions (Cont'd)**

Explanation

Above Average Enrollment Growth Aid was a new line item in the FY 2005 budget and the language established criteria for receipt of the aid and calculation of the aid amount. The Governor's FY 2006 recommended budget does not include an appropriation to continue this aid category. (see pages 57 to 62 for a list of districts receiving this aid in FY 2005).



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-44

<p>Of the amount appropriated hereinabove for County Special Services Restoration Aid, \$15,000 shall be distributed to each of the eight County Special Services Districts.</p>	<p>No comparable language.</p>
--	--------------------------------

Explanation

The FY 2005 language provided a grant of \$15,000 for each of the eight county special services school districts. The Governor's FY 2006 budget does not recommend an appropriation for this line item.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-49

<p>From the amount appropriated hereinabove for the Governor's Literacy Initiative, there is allocated \$300,000 for a grant for the Learning Through Listening program at the New Jersey Unit of the Recording for the Blind and Dyslexic.</p>	<p>No comparable language.</p>
---	--------------------------------

Explanation

The allocation of \$300,000 from the amount appropriated for the Governor's Literacy Initiative for a grant for the Learning Through Listening Program at the New Jersey Unit of the Recording for the Blind and Dyslexic was added by the Legislature in the FY 2005 annual appropriations act. The FY 2006 budget does not recommend similar language.



## Language Provisions (Cont'd)

### 2005 Appropriations Handbook

### 2006 Budget Recommendations

#### p. B-49

From the amount appropriated hereinabove for the Governor's Literacy Initiative, there is allocated \$150,000 for a grant for Literacy Volunteers.

No comparable language.

#### Explanation

The allocation of \$150,000 from the amount appropriated for the Governor's Literacy Initiative for a grant for Literacy Volunteers was added by the Legislature in the FY 2005 annual appropriations act. The FY 2006 budget does not recommend similar language.



### 2005 Appropriations Handbook

### 2006 Budget Recommendations

#### p. B-50

The amount appropriated hereinabove for the Teacher Recruitment program shall be expended for the fourth-year incentives for teachers deemed eligible for this program in fiscal 2004 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 Achiever recipients. In order to maintain eligibility in the program, the school districts in which the teachers are working or in which they are employed by a community provider under contract with the district must maintain a

No comparable language.

**Language Provisions (Cont'd)**

2005 Appropriations Handbook

2006 Budget Recommendations

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

School year 2004-05 is the last year of the Teacher Recruitment Program. This program was an initiative of the department which originated in FY 2002. Its purpose was to attract new teachers to teach in an Abbott district preschool or for a community provider under contract with an Abbott district to provide preschool programs to three and four-year olds. The first year recruitment incentive for eligible recipients consisted of a laptop computer and a cash award. The cash award for High Achiever recipients, defined as those teachers with a GPA of 3.0 or higher, was \$6,000. For Regular Incentive recipients, defined as those teachers with a GPA below 3.0, the cash award was \$3,500. In years two through four, non-cash incentives were provided to eligible teachers to have a portion of their outstanding student loan indebtedness canceled and/or to receive a tuition coupon for graduate studies at any of New Jersey's four-year colleges and universities. The total value of the non-cash incentives was \$10,000 for High Achiever recipients and \$6,500 for Regular Incentive recipients.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-51

p. D-98

Notwithstanding any provision of law to the contrary, in addition to the amount hereinabove appropriated for the Teachers' Pension and Annuity Fund [- Post Retirement Medical], there is hereby appropriated an amount as determined by the State Treasurer to fund the pension cost contribution by the State to the Teachers' Pension and Annuity Fund,

Notwithstanding any provision of law to the contrary, in addition to the amount hereinabove appropriated for the Teachers' Pension and Annuity Fund, there is hereby appropriated an amount as determined by the State Treasurer to fund the pension cost contribution by the State to the Teachers' Pension and Annuity Fund, payment for

**Language Provisions (Cont'd)**

2005 Appropriations Handbook

payment for which shall be credited against amounts on deposit in the benefit enhancement fund created pursuant to N.J.S.18A:66-16.

2006 Budget Recommendations

which shall be credited against amounts on deposit in the benefit enhancement fund created pursuant to N.J.S.18A:66-16.

Explanation

The language provides that an additional amount as determined by the State Treasurer may be appropriated to fund the pension cost contribution by the State to the Teachers' Pension and Annuity Fund. The change in language reflects the fact that the FY 2006 budget recommends an appropriation for the Teachers' Pension and Annuity Fund (TPAF) of \$94.5 million, the first such recommended General or Property Tax Relief Fund appropriation for TPAF since 1997. In the intervening years contributions have been made to TPAF as offsets based on either excess valuation of the TPAF or from the Benefit Enhancement Fund. (see the table on page 11 of this document for greater detail on the status of the Teachers' Pension and Annuity Fund and the amounts required for full funding, based on actuarial recommendations).



2005 Appropriations Handbook

p. B-51

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.

2006 Budget Recommendations

p. D-98

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

Explanation

The change in language reflects the decision to appropriate any additional sums necessary for the Post Retirement Medical Other Than TPAF and Teachers' Pension and Annuity Fund - Post Retirement Medical from two different funds, the General Fund (Post Retirement Medical Other Than TPAF) and the Property Tax Relief Fund (Teachers' Pension and Annuity Fund - Post Retirement Medical).



**Language Provisions (Cont'd)**

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-51

p. D-99

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.

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

Explanation

See above explanation.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-51

Notwithstanding the provisions of N.J.S.18A:66-18, amounts hereinabove appropriated in the Teachers Pension and Annuity Assistance program classification, exclusive of amounts appropriated for Social Security Tax, are subject to the condition that the rate for member contributions of State employees in the Teachers' Pension and Annuity Fund shall be 3% for the period of July 1, 2004 through December 31, 2004.

No comparable language.

Explanation

State employees in the Teachers' Pension and Annuity Fund had their contribution rate increased from 3 percent to 5 percent beginning January 1, 2004, in contrast to State employees who are members of the Public Employees Retirement System (PERS) whose contribution rate was not increased from 3 percent to 5 percent until July 1, 2004. This FY 2005 language reduced the contribution rate of the State employees in the TPAF system for a period of six months from July 1 to December 31, 2004 in order to provide a similar length of time for these employees at the lower contribution rate. The language is not needed in FY 2006 since the contribution rate for all State employees is now set at 5 percent.



## Language Provisions (Cont'd)

2005 Appropriations Handbook2006 Budget Recommendations

## p. B-51

Notwithstanding the provisions of P.L.1999, c.413 (C.18A:36B-1 et seq.), for purposes of the calculation of 2004-2005 choice aid, the projected enrollment of choice students shall be the sum of the actual choice students reported in the October 15, 2003 Application for State School Aid inflated by the choice district's growth rate and the new choice students accepted during the first application cycle and the estimated second cycle acceptances for the 2004-2005 school year.

No comparable language.

Explanation

The FY 2005 budget language established a procedure to calculate the increase in enrollment of choice students in the upcoming school year. The FY 2006 budget contains no recommended increase in the Interdistrict School Choice aid line item. Section 17 of the "Interdistrict Public School Choice Program Act of 1999," P.L.1999, c.413 (C.18A:36B-1 et seq.), provides that "sections 1 through 10 inclusive shall expire on June 30 following the fifth full year of the operation of the interdistrict public school choice program." The 2004-05 school year is the fifth year of the operation of the choice program. This program will expire at the end of this school year and while students currently enrolled in the program may continue in the choice school until graduation, no new students will be enrolled.

2005 Appropriations Handbook2006 Budget Recommendations

No comparable language

## p. D-98

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 \$771.

Explanation

Section 2 of P.L.1981, c.57 (C.18A:39-1a) requires the State to increase the amount of nonpublic school transportation costs per pupil each year in direct proportion to the increase in the State transportation aid per pupil in the year prior to the prebudget year compared to the amount for the prebudget year ( for FY 2006 compare the amount for FY 2004 to FY 2005) or by the CPI, whichever is greater. The maximum nonpublic school transportation costs per pupil is the ceiling within which

**Language Provisions (Cont'd)**

a school district is obligated to provide transportation services to an eligible nonpublic school pupil. If transportation cannot be provided within that ceiling, then the parent or guardian of the pupil would receive an aid in-lieu-of transportation payment in that amount. This FY 2006 recommended budget language would permit the State to keep the amount of nonpublic school transportation costs per pupil at the same level as in FY 2005, \$771, instead of increasing it by the amount of increase in the CPI (the State transportation aid per pupil for school districts has not increased since the FY 2002 budget). If the amount of the transportation costs per pupil were allowed to increase pursuant to section 2 of P.L.1981, c.57 (C.18A:39-1a), it would be \$791 per pupil for FY 2006 and the additional cost to the State is estimated to be \$2.2 million.



2005 Appropriations Handbook

2006 Budget Recommendations

p. D-102

No comparable language.

Of the amount appropriated hereinabove from the General Fund for the Department of Education, or otherwise available from federal sources, there are appropriated funds to establish a School Security Planning and Assurance Unit within the Department of Education, staffed to plan, coordinate, and conduct an on-going comprehensive security assessment and vulnerability reduction program for school sites statewide, in collaboration with schools and law enforcement, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This FY 2006 language authorizes the department to use its General Fund appropriation or federal funds to establish a School Security Planning and Assurance Unit to conduct, in collaboration with law enforcement, an on-going comprehensive security assessment of school sites statewide.



## Language Provisions (Cont'd)

2005 Appropriations Handbook

## p. B-54

Notwithstanding any other law or regulation to the contrary, each district shall receive no less of a total State aid amount payable for the 2004-2005 school year than the sum of the district's total State aid amount payable for the 2003-2004 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, Stabilization Aid, Stabilization Aid II, Stabilization Aid III, Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, School Choice, Consolidated Aid and Aid for Enrollment Adjustments, taking into consideration the June [2004] payment made in July [2004].

2006 Budget Recommendations

## p. D-102

Notwithstanding any other law or regulation to the contrary, each district shall receive no less of a total State aid amount payable for the 2005-2006 school year than the sum of the district's total State aid amount payable for the 2004-2005 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, Stabilization Aid, Stabilization Aid 2, Stabilization Aid 3, Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, School Choice, Consolidated Aid, Additional Formula Aid and Aid for Enrollment Adjustments, taking into consideration the June 2005 payment made in July 2005.

Explanation

The FY 2006 recommended budget language assures that the amount of cash State aid payable for the 2005-2006 school year to each district will be no less than the total cash State aid payable to the district in the 2004-2005 school year. The change in the language reflects the payment of Additional Formula Aid in FY 2005 that will be continued in FY 2006.

2005 Appropriations Handbook

## p. B-54

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 Education Opportunity Aid, Core Curriculum Standards Aid, Supplemental Core Curriculum

2006 Budget Recommendations

## p. D-102

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 Education Opportunity Aid, Core Curriculum Standards Aid, Supplemental Core Curriculum

**Language Provisions (Cont'd)**

2005 Appropriations Handbook

2006 Budget Recommendations

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, School Choice, Consolidated Aid and Additional Formula Aid, as provided by the Department of Education to the local school districts for the [2004-2005] school year in the [2004-05] 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.

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, School Choice, Consolidated Aid and Additional Formula Aid, as provided by the Department of Education to the local school districts for the 2005-2006 school year in the 2005-06 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

The recommended FY 2006 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 did the FY 2004 and FY 2005 Appropriations Acts, that the last school aid payment in FY 2006 is subject to the approval of the State Treasurer.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-54

p. D-102

From the amounts hereinabove, such sums as are required to satisfy delayed June 2004 school aid payments are appropriated and the State Treasurer is hereby authorized to make such payment in July 2004.

From the amounts hereinabove, such sums as are required to satisfy delayed June 2005 school aid payments are appropriated and the State Treasurer is hereby authorized to make such payment in July 2005.

Explanation

This language would authorize the use of FY 2006 school aid appropriations to make the final June FY 2005 school aid payment in July. School district State aid for FY 2006, except for certain Abbott districts, will not increase in FY 2006. For those districts receiving Above Average Enrollment Growth Aid, or High Expectations for Learning Proficiency Aid, or both, in FY 2005, their delayed June payment made in July of 2005 as authorized under this language will be greater than their State aid payments for the remainder of FY 2006. The amount appropriated as Growth Savings -- Payment Changes in FY 2006 is \$2.45 million. Five percent of \$2.45 million is \$49 million, the amount of State aid increase in Education Opportunity Aid.

## Discussion Points

1. Under the federal "No Child Left Behind Act of 2001" (NCLB), certain consequences are imposed on a school if its students fail to meet Adequate Yearly Progress (AYP) requirements based on the Statewide assessments and other criteria. These consequences start after two consecutive years of not meeting the AYP standards (at which time a school is identified as needing improvement) and increase in severity as the number of consecutive years of not meeting AYP standards increases up to five consecutive years.

**!** *Question:* Please provide an up-to-date list which includes all of the schools in the State by school district and county (please include school and district codes). For each school indicate where it stands with respect to meeting AYP for all Statewide assessments. For each school which is considered to be in "need of improvement," indicate the number of years for which the school has not met AYP and what steps the school district and the department have taken and are planning to take to address the school's situation and the requirements of NCLB. Provide similar information for each school district. Of special concern is any school for which a school district has to take corrective action. To what extent are the districts and the State prepared for the corrective actions required under NCLB? Has the State set any priorities with respect to the list of options from which a district is to choose to exercise corrective action? If so, please provide the prioritized list of options.

2. a. Under NCLB, the State has chosen to submit a consolidated application for federal aid. Under Title I funding, the State is required to set aside a certain proportion of the total amount of such funds for use with schools and school districts identified as in "need of improvement."

**!** *Question:* Please provide a listing of programs funded under the consolidated aid application and the amount of federal funds received for each program for each year since the department first received federal funding under NCLB. For each year in which the State has received federal funds under NCLB, please provide the dollar amount the State has set aside for assistance with schools and districts identified as in "need of improvement."

b. Under NCLB, a student in a school designated as in "need of improvement" for two consecutive years is provided the alternative of public school choice and, after three consecutive years, the offer to receive instruction from a supplemental services provider of the student's choice while continuing the school choice option.

**!** *Question:* For the 2004-05 school year, please provide: a list of the schools, by district, from which any student has selected to transfer to another school in the district to exercise the school choice option, the number of students eligible for this option, the number selecting this option and the cost of transportation to the district, if any, of implementing this option; a list of the schools, by district, whose students are being offered instruction from a supplemental services provider, the number of students selecting this option and the cost to the district of providing this option. For this latter option, please provide the amount the district received to provide services from supplemental service providers. Has the amount the district received under Title I been sufficient to provide this option to all the students selecting it? If not, please indicate the percentage of eligible students to whom instruction is being provided.

3. a. Under the "Educational Facilities Construction and Financing Act," each school district is

## Discussion Points (Cont'd)

required to "prepare and submit to the commissioner a long-range facilities plan that details the district's school facilities needs and the district's plan to address those needs for the ensuing five years." These plans were due by December of the year 2000 and are due again by October of 2005. No application for a school facilities project is to be approved without a district first submitting a long-range facilities plan. Under section 5 of the "Educational Facilities Construction and Financing Act," the procedure is set out for approval of school facilities projects. The section provides that the New Jersey Economic Development Authority (now the Schools Construction Corporation) is to construct and finance the school facilities projects of Abbott districts, level II districts, and districts with a district aid percentage equal to or greater than 55 percent. Any other district so desiring may have the Schools Construction Corporation undertake the construction of a school facilities project in its district.

**!** *Question:* Did all districts submit the December 2000 long-range facilities plan? If not, please identify those districts which did not. Have any projects which were not included in a district's long range facilities plan been approved for SCC financing? Please provide a list of districts, and the projects in those districts, for which the Schools Construction Corporation is undertaking the construction of the school facilities projects.

3. b. Under section 5 of the "Educational Facilities Construction and Financing Act"(EFCFA), each district seeking approval to initiate a school facilities project is required to apply to the commissioner for approval of the project. The commissioner is to calculate the preliminary eligible costs of each project. The preliminary eligible costs may change through school district appeals or through the recommendation of the Schools Construction Corporation. For a district whose district aid percentage is less than 55 percent and which has not elected to have the SCC undertake the construction of its school facilities project, the commissioner, after considering any appeal, makes the determination of the final eligible costs, which are the costs on which the district will receive State aid. For districts whose school facilities projects are required to be constructed by the SCC, under subsection j. of section 5 of EFCFA, "[T] the authority [SCC] shall not commence the acquisition or construction of a school facilities project unless the commissioner transmits to the authority a final project report and the district complies with the approval requirements for the local share, if any, pursuant to section 11 of this act. The final project report shall contain all of the information contained in the preliminary project report and, in addition, shall contain: the final eligible costs; the excess costs, if any; the total costs which equals the final eligible costs plus excess costs, if any; the State share; and the local share." Following the determination of the final eligible costs for a project which is required to be constructed by the authority [SCC] and the issuance of the project report by the commissioner, the district is responsible for the costs associated with changes made at the request of the district to the scope of the school facilities project. The authority [SCC] is responsible for the costs of construction which exceed the amount originally projected by the authority and approved for financing by the authority provided that the excess is the result of an underestimate of labor or material costs by the authority.

**!** *Question:* For each school facilities project approved to date of a district which is not required to have the SCC undertake the construction of its school facilities project, please provide the dollar amounts of the commissioner's preliminary eligible costs, final eligible costs and excess costs (please identify each school facilities project by school district and county). For each school facilities project approved to date for which the SCC is undertaking the construction, please provide the final project report required under subsection j. of section 5 of the "Educational Facilities Construction and Financing Act." Please provide information on the change orders, if any, that have been approved in regard to each one of these SCC construction projects, the costs associated with these change

## Discussion Points (Cont'd)

orders, and whose has paid for these costs.

4. Since the calculation of State aid for the 2001-02 school year, the department has not used the formulas in the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), but rather has set State aid amounts through budget language.

**!** *Question:* Please provide the amount of State aid each district would have received for each year since the 2001-02 school year, including the 2005-06 school year, if the CEIFA formulas had been used by the department for calculating State aid. Please provide this information under the fiscal year 2002 budget language which provided that a school district would receive State aid in an amount not less than the amount received in the prior budget year.

5. The Governor's Literacy Initiative is recommended to continue in FY 2006 with an appropriation of \$6.6 million. This will be the fourth year of its operation. In the department's response to discussion point 7 for the FY 2004-2005 recommended budget, the department provided a table which showed, for each reading coach and school (by district), the percent of students partially proficient on the 2002 ESPA and on the 2003 NJASK4 Language Arts assessment. The department also indicated that the 2004 NJASK4 assessment will be used to determine the impact of the Governor's Literacy Initiative program. A second table provided information on the reading coach assignments for the 2003-04 school year.

**!** *Question:* Please update the tables provided in response to discussion point 7 in FY 2005. In addition, please provide the dollar amount the department expects to expend on this program for FY 2004-2005 and how that has been allocated.

6. Discussion point 8 from FY 2005 asked the department to provide information on the Read First, New Jersey federal program. In response to that discussion point, the department provided three tables entitled: "Reading First Status: District and School Lists;" "NJ Reading First Schools: Assessment Data, 2002 ESPA;" and "NJ Reading First Schools: Assessment Data, NJ ASK4 2003." At that time, the data from the NJ ASK3 was not available.

**!** *Question:* Please update these three tables and include data from the NJ ASK3 assessment where available. Please indicate how much longer this federal program will be active in the districts listed in the first table. Also indicate how an evaluation of the impact of the program will be made.

7. In response to a question for FY 2005 concerning NJ SMART, the department indicated that the Student Registration System would be tested in 12 school districts and that students Statewide would be assigned a unique identifier beginning in October 2004. The department also indicated that a Request for Proposal for the Education Data Warehouse was currently in process. In addition, the department has indicated that NJ SMART would replace 10 major reports and three assessment coding processes with one student-level collection.

**!** *Question:* Please update the status of NJ SMART with regard to the development and implementation of the Student Registration System and the Education Data Warehouse. Please provide the department's plans to complete the transition to NJ SMART by the target date set earlier, October 15, 2006. In addition, please identify and provide information on the cost of all of the current data collection systems, indicating which current data collection systems will be replaced by NJ SMART, and which systems districts will still be

## Discussion Points (Cont'd)

required to use after full implementation of NJ SMART. Finally, please provide an estimate of the annual cost of NJ SMART when it is fully implemented and compare that cost with the current cost of the data collection processes NJ Smart will replace.

8. 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 classified 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. The number of applications for extraordinary special education aid has increased each year since the 1997-98 school year, when the number of students for which aid was received was 946. The number of applications for cost incurred by the districts in the 2003-04 school year was 7,212. The recommended FY 2006 appropriation for Extraordinary Special Education Costs Aid is the same amount as the adjusted FY 2004 and FY 2005 appropriation, \$52 million.

**!** *Question:* For the school year 2004-2005, 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-102 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.

9. Budget language, page D-102, provides that "Notwithstanding any other provision of law or this act to the contrary, monies directed to be paid to the Department of Education as a result of settlement of litigation by the Board of Public Utilities or to be paid to the Department of Education in connection with a stipulation of settlement in a merger approved by the Board of Public Utilities are appropriated for the purposes specified in the settlement agreement or stipulation, subject to the approval of the Director of the Division of Budget and Accounting."

**!** *Question:* Please provide information on any litigation settled by the Board of Public Utilities, if any, that resulted in monies directed to be paid to the Department of Education. Please provide the amount of each settlement and the purpose for which that amount was specified in the settlement agreement or stipulation.

10. Budget language, page D-86, provides that, "Notwithstanding any other law to the contrary, as a condition of receiving Education Opportunity Aid, an 'Abbott district' shall examine all available group options for every insurance policy held by the district, including any self-insurance plan administered by the New Jersey School Boards Association Insurance Group on behalf of districts, and shall participate in the most cost effective plans. As a further condition, all 'Abbott districts' shall take steps to maximize the district's participation in the federal Universal Service Program (E-rate) and the ACT telecommunications program offered through the New Jersey Association of School Business Administrators, shall participate in the ACES energy program offered through the New Jersey School Boards Association unless a district can demonstrate that it receives the goods or services at a cost less than or equal to the cost achieved by participants, and shall take appropriate steps to maximize the district's participation in the Special Education Medicaid Initiative (SEMI) program, with maximum participation defined by the Commissioner of Education and shall refinance all outstanding debt for which a three percent net present value savings threshold is achievable. An 'Abbott district' that fails to meet any of these requirements may have payment of Education Opportunity Aid withheld until

## Discussion Points (Cont'd)

such time as these requirements are met. The commissioner is authorized to establish any additional condition on the disbursement of Education Opportunity Aid that the commissioner deems appropriate to ensure effective and efficient spending in the 'Abbott districts.'" This language is similar to budget language adopted in the FY 2005 budget.

**!** **Question:** Please provide information by Abbott district on the results of each of these requirements, by requirement, during the 2004-05 school year. Have any funds been withheld as a result of this budget language? If so, please indicate each Abbott district from which funds were withheld and the dollar amount of the funds withheld.

11. The recommended FY 2006 budget, in contrast to previous years, has no recommended increase in State aid for school choice districts. Under the "Interdistrict Public School Choice Program Act of 1999," P.L.1999, c.413 (C.18A:36B-1 et seq.), 15 choice districts have been established. Section 17 of the act provides that "sections 1 through 10 inclusive shall expire on June 30 following the fifth full year of the operation of the interdistrict public school choice program." The 2004-05 school year is the fifth full year of the operation of the interdistrict public school choice program. Section 13 of the act provides that "any student enrolled in a designated school in a choice district upon the expiration of the choice program shall be entitled to remain enrolled in that school until graduation."

**!** **Question:** Does the department have any plans to seek legislation to continue the school choice program? Please provide the number of choice students per choice district and grade level of each student. Would the absence of a State law permitting interdistrict school choice prohibit interdistrict school choice as an option regarding State corrective action for a school district which has failed to make AYP under the "No Child left Behind Act of 2001" for four consecutive years?

12. Discussion point 5 for the FY 2005 budget analysis stated, in part, "Recently, newspaper reports of some of the audits (based on 2001-02 fiscal year data) indicate that serious irregularities have been found in the way State funds have been managed and spent by preschool providers under contract with the Abbott districts. Responses on the part of the providers appear to indicate that the requirements for a financial management system that provides 'timely, accurate, current and complete disclosure of all financial activities in accordance with GAAP' has not been clearly communicated to or rigorously enforced in relation to these providers." The department indicated in its response to this FY 2005 discussion point that it now requires district fiscal specialists to provide technical assistance and oversight on budget development and expenditures and quarterly budget reports. In addition, the department provides budget guidance that clearly delineates each type of allowable cost.

**!** **Question:** Please provide a complete list of the providers selected for audit according to the basis for the provider's selection since the last round of audits. For each preschool provider, please provide the following information: the school district for which it provides services; the number of children enrolled and the number of classes; the educational cost per child; and the administrative cost per child. For those providers selected for audit at random, if any, what conclusions does the department make concerning the use of a financial management system meeting the standards required by the department? Is there clear evidence of an operational budget that separates the costs according to funding source and that certain expenses, such as wrap around or summer services and the use of ECPA funds, are being reported in a manner consistent with the department's directions?

## Discussion Points (Cont'd)

- ! **Question:** Please provide follow-up information on any corrective actions taken with respect to the preschool providers listed in your response to last year's questions.

13. Budget language, page D-85, provides that "[T]he amount hereinabove appropriated for Education Opportunity Aid shall also be used for the following purposes: ensuring that every 'Abbott district' is at parity; the incremental cost of opening new facilities as approved by the Commissioner of Education; and other education priorities as established by the commissioner, to be distributed in the form of grants. Awards for new facilities and approved grants are considered restricted and must be spent for the approved purpose and accounted for in a special revenue fund. Any 'Abbott district' that fails to submit the required documentation or fails to submit its annual audit by November 15, 2005 may have its State aid withheld upon the commissioner's request to the Director of the Division of Budget and Accounting."

- ! **Question:** Please provide a list of the Abbott districts which are likely to be opening new facilities in FY 2006. Also, please provide the education priorities the commissioner has established that will be used to provide grants to the Abbott districts.

14. Budget language in the FY 2004-05 Appropriations Handbook, page B-42, and in the Governor's recommended FY 2005-06 budget, page D-85, provides for the calculation and adjustment of aid to equalize regular education spending between "Abbott" districts and the "I" and "J" districts.

- ! **Question:** For each Abbott district, please provide: the total amount of Education Opportunity Aid it will receive in the 2004-05 school year; the initial and adjusted parity aid calculations for the 2004-05 school year. Please include with the information for each Abbott district, the estimated per pupil regular education spending for the district for FY 2004-05, the adjusted per pupil regular education spending for FY 2004-05 and the estimated per pupil regular education spending for FY 2005-06. For each Abbott district, please provide the estimated aid amount that results from the calculation of parity pursuant to the recommended FY 2005-06 budget language concerning State aid to equalize spending between the Abbott district and the "I" and "J" districts. For the "I" and "J" districts, please provide: the estimated FY 2004-05 average per pupil regular education spending; the adjusted FY 2004-05 average per pupil regular education spending; and the estimated FY 2005-06 average per pupil regular education spending.

15. P.L. 2004, c.73, effective in July of 2004 (S-1701), required school districts, other than county vocational school districts, to reduce their budget surplus in the 2004-2005 school year to 3 percent or \$100,000, whichever is greater, and to 2 percent or \$100,000, whichever is greater, in the 2005-2006 and each subsequent school year. The reduction in surplus must be applied to reduce the district's the general fund tax levy required for the budget year.

- ! **Question:** Please provide a list of the school districts which reduced their surplus to 3 percent in the 2004-2005 school year and the dollar amount of the district's reduction. Please provide the same information for those districts which are required to reduce their surplus to 2 percent in the 2005-2006 school year. What steps has the department taken to ensure that the surplus is applied to reduce the amount of taxes required to support the district's budget?

16. Recommended FY 2006 budget language, page D-102, authorizes the State Treasurer to use funds appropriated in the budget to fund any June 2005 State aid payment that is delayed until July

## Discussion Points (Cont'd)

2005. P.L.2003, c.97, s.1 (C.18A:22-44.2) provides that in the event of a delayed June payment, school districts, under conditions set forth in that section, may borrow a sum not exceeding the amount of the delayed State school aid payment. In addition, this section of law provides that the State will pay on behalf of the district the approved interest on the promissory notes in an amount calculated from the date of borrowing through the date of actual payment of the delayed June school aid payment and other approved costs of issuance.

**!** *Question:* Please provide information on each district, if any, that may find it necessary to borrow funds as a result of any delay in the June 2005 State aid payment to July of 2005, the amount the district will need to borrow, and the potential cost to the State for interest and issuance costs. Please provide the same information on each district, if any, that found it necessary to borrow funds as a result of the delay in the June 2004 State aid payment to July of 2004. What impact will the reduction in surplus mandated under P.L. 2004, c.73 have on the need for school districts to borrow in the event of a delay in the June State aid payment.

17. Pursuant to section 12 of the "Charter School Program Act of 1995," P.L.1995, c.426 (C.18A:36A-12), funding for charter schools is directly related to the calculation of the program budget of the school district of residence of the pupils attending the charter school. As defined in that section, "'program budget' means the sum in the prebudget year inflated by the CPI rate published most recent to the budget calculation of core curriculum standards aid; supplemental core curriculum standards aid; stabilization aid, including supplemental stabilization aid and supplemental school tax reduction aid; designated general fund balance; miscellaneous local general fund revenue; and the district's general fund tax levy." Following the Council on Local Mandates decision, In the Matter of the Complaints Filed by the Highland Park Board of Education and the Borough of Highland Park, May 11, 2000, this section of law was amended and now requires: the school district of residence to pay directly to the charter school for each student enrolled in the charter school, an amount equal to the lower of either 90 percent of the program budget per pupil for the specific grade level in the district or 90 percent of the maximum T & E amount; and the State to pay directly to a charter school an amount per pupil for any student enrolled in a charter school in which 90 percent of the program budget per pupil for the specific grade level is greater than 90 percent of the maximum T & E amount. In addition, as originally enacted in section 12, the school district of residence is required to pay directly to the charter school any categorical aid and any federal funds attributable to the student. The intent of the law is to provide charter schools with funding at a per pupil amount which is 90 percent of the school district of residence's "program budget", and the categorical aids and federal aid attributable to the student. The department has not calculated any of the aids mentioned above since the 2001-02 school year. In addition, most Abbott districts have not increased their general fund tax levy since 1997-98 and pursuant to language in the annual budgets, the Abbott districts have been required to reduce their surplus to two percent. In school year 2003-04, the department provided school districts with Consolidated Aid and in order to fund this aid item used, in part, Distance Learning Network Aid, resulting in the charter schools not receiving this categorical aid in FY 2004. In school year 2004-05, the department provided school districts with Additional Formula Aid and this also was not included in the calculation of charter school aid.

**!** *Question:* Please provide the following information for each charter school for the 2004-05 school year and the projected information for the 2005-06 school year: the charter school enrollment by grade level from each school district of residence, the school district of residence's program budget amount per pupil for each specific grade level of charter school students enrolled and the maximum T & E amount; the per pupil amounts and total

## Discussion Points (Cont'd)

amounts paid to the charter school by the district and by the State pursuant to subsections b., c., and d. of section 12 of P.L.1995, c.426 (C.18A:36A-12). Additionally for those charter schools for which an Abbott district is the district of residence: the Abbott kindergarten State aid amount per pupil and total amount for full-day kindergarten; and the amount per pupil and total amount provided under the budget language found on page D-98 which requires the State to pay a per pupil amount equal to the difference between the T & E amount for a given grade level and the program budget per pupil amount if below the per pupil T & E amount; the per pupil amount and total amount paid for any categorical aid attributable to the charter school students; the total amount paid to the charter school pursuant to budget language, page B-51 of the FY 2004-05 Appropriations Handbook and page D-98 of the Governor's recommended FY 2005-06 budget, that requires the State to distribute \$40 for each student enrolled in the charter school; the total amount of federal aid paid to the district attributable to charter school students and paid to the charter school; and the total amount of parity aid the Abbott district receives attributable to students enrolled in a charter school whose district of residence is the Abbott district.

18. The FY 2006 budget recommends an appropriation of \$267.8 million for the School Construction and Renovation Fund, an increase of \$83.8 million (45.5 percent) over the FY 2005 adjusted appropriation of \$184 million. The latest Debt Service Schedule (Dated March 30, 2005) shows a total of \$198.6 million for total debt service in FY 2006 on Prior Bonds, the 2005 Series L Bonds and the 2005 Series M Bonds.

**!** *Question:* Please provide an explanation for the FY 2006 recommended appropriation of \$267.8 million for the School Construction and Renovation Fund.

## Background Paper: Summary of School Facilities Projects as of February 28, 2005

Budget Pages.... D-96 through D-98

In section 14 of the "Educational Facilities Construction and Financing Act" (EFCFA), P.L.2000, c.72 (C.18A:7G-14), the New Jersey Economic Development Authority is authorized to issue bonds, notes or other obligations in order to pay the State share of the costs of school facilities projects. This section establishes the following limits on the principal amount that the Authority is permitted to issue for the State share of school facilities projects: for county vocational school district school facilities projects, \$100 million; for Abbott district school facilities projects, \$6 billion; and for all other district school facilities projects, \$2.5 billion. The total amount is \$8.6 billion.

The table on the following page provides information on the status of school facilities construction projects. The information is divided into four separate sections.

- **Grant Projects, Local District Managed:** The top portion of the table provides information on the projects funded out of the \$2.5 billion in bonds that the Authority is authorized to issue for all district school facilities projects other than Abbott and county vocational school district projects. Project status is shown as pending, offered and executed. For these projects, the amounts are shown in five columns: total project cost, final eligible cost, State share, local share and amount paid to date (2/28/05). There are 2,352 grant-funded school facilities projects that districts are building themselves. Of this total, only 61 are in "pending" status. Most of the projects are in the "executed" status. The total commitment of State share for these projects is \$2,090,641,695.
- **Grant Projects, Schools Construction Corporation Managed:** The next section of the table describes non Abbott school facilities projects whose construction is being managed by the Schools Construction Corporation. There are 36 such school facilities projects whose current estimated cost totals \$213,748,756.
- **Total Grant Projects:** School facilities projects reported in the first two sections of the table (as described above) are those projects funded out of the \$2.5 billion in bonds issued for school facilities projects in districts other than Abbott or county vocational school districts. The combined total State share for these projects as of February 28, 2005 was \$2,304,388,756 or 92 percent of the total amount of bonds (\$2.5 billion) that the authority is authorized to issue for such projects.
- **County Vocational School District School Facilities Projects:** The next section of the table provides data on the county vocational school district school facilities projects. There were 68 county vocational school district school facilities projects as of February 28, 2005. The total State share for these 68 projects is \$96.3 million or 96 percent of the amount authorized for such projects (\$100 million).
- **Abbott District School Facilities Projects:** The next section of the table provides data on the Abbott district school facilities projects. There were 978 projects as of February 28, 2005, with a total current estimated cost of \$6.87 billion. Of these projects, 233 are in the "pending" status, with a current estimated cost of \$1.1 billion.

## Background Paper: Summary of School Facilities Projects as of February 28, 2005 (Cont'd)

- **Abbott District School Facilities Projects Managed by the Abbott District:** Section 13 of the "Educational Facilities Construction and Financing Act", provides the Authority with the discretion to authorize an Abbott district to undertake the acquisition, construction and all other appropriate actions necessary to complete the project if the total eligible costs are equal to or less than \$500,000. The next section of the table provides data on these projects. There are 160 grant funded projects in Abbott districts, the majority of which have contracts that are either offered or executed. The total final eligible cost which, according to the SCC for Abbott projects is also the State share, is \$47 million. When combined with the Abbott SCC managed projects' total State share, the total State share for all Abbott projects is \$6.9 billion.
- **Statewide Totals for Schools Construction Projects:** The bottom row of the table provides a Statewide summary as of February 28, 2005 of the school facilities projects. The total number of projects, including all categories, is 3,600. The total project cost for these projects, is currently calculated at \$14.2 billion. However, this total does not include some pending projects for which a final cost has not yet been calculated. The total final eligible cost on which State share is calculated, for those districts paying a local share, is \$12.4 billion. The total State share is \$9.3 billion. The total local share is \$4.9 billion. The total amount paid as of February 28, 2005 was \$2.8 billion.

(see next page for Table)

**Background Paper: Summary of School Facilities Projects as of February 28, 2005 (Cont'd)**

**Summary of School Facilities Construction Projects Under the "Educational Facilities Construction and Financing Act"**

Grant Projects		Projects	Total Project Cost	Final Eligible Cost	State Share	Local Share	Paid thru 2/28/05
Pending Total		61	\$120,583,390	\$102,400,840	\$41,108,394	\$79,281,996	\$0
Offered Total		450	\$1,258,651,753	\$976,692,766	\$408,204,199	\$851,706,215	\$2,820,319
Executed Total		1,841	\$5,430,935,328	\$3,910,139,315	\$1,641,329,102	\$3,789,818,265	\$811,695,917
<b>Total</b>		<b>2,352</b>	<b>\$6,810,170,471</b>	<b>\$4,989,232,921</b>	<b>\$2,090,641,695</b>	<b>\$4,720,806,476</b>	<b>814,516,236</b>
NonAbbott SCC Managed Projects		Projects			Current Estimated Cost		Paid thru 2/28/05
Pending Total		14			\$43,910,335		\$0
Design Bid Total		1			\$9,000,000		\$0
Design Total		9			\$54,754,965		\$2,236,071
Construction Total		11			\$103,528,456		\$63,237,133
Completed Total		1			\$2,553,000		\$2,829,522
<b>Total</b>		<b>36</b>			<b>\$213,746,756</b>		<b>\$68,302,726</b>
<b>Total Non Abbott, Non Vocational Schools</b>		<b>2,388</b>			<b>\$2,304,388,452</b>		<b>\$882,818,962</b>
Vocational School Facilities Projects		Projects	Total Project Cost	Final Eligible Cost	State Share	Local Share	Paid thru 2/28/05
Pending Total		2	\$3,326,357	\$647,684	\$309,074	\$3,017,283	\$0
Offered Total		10	\$33,079,669	\$29,814,060	\$13,909,324	\$19,170,345	\$0
Executed Total		56	\$215,339,919	\$201,757,771	\$82,091,154	\$132,447,531	\$42,359,740
<b>Total</b>		<b>68</b>	<b>\$251,745,945</b>	<b>\$232,219,515</b>	<b>\$96,309,552</b>	<b>\$154,635,159</b>	<b>\$42,359,740</b>
Abbott SCC Managed Projects		Projects			Current Estimate CCE		Paid to Date 2/28/05
Pending Total		233			\$1,052,807,245		\$42,745,707
Design Bid Total		41			\$521,368,147		\$1,861,540
Design Total		109			\$1,767,050,528		\$96,809,143
Construction Bid Total		38			\$647,080,045		\$106,595,710
Construction Total		250			\$2,466,067,350		\$1,213,670,618
Completed Total		307			\$419,822,118		\$383,047,273
<b>Total</b>		<b>978</b>			<b>\$6,874,195,434</b>		<b>\$1,844,729,990</b>
Grant Funded Abbott Projects		Projects	Total Project Cost	Final Eligible Cost	State Share	Local Share	Paid thru 2/28/05
Pending Total		32	\$17,228,457	\$17,228,457	\$17,228,457	\$0	\$13,145,915
Offered Total		8	\$343,376	\$343,376	\$343,376	\$0	\$0
Executed Total		126	\$30,550,799	\$29,420,785	\$29,420,785	\$1,130,014	\$21,697,365
<b>Totals</b>		<b>166</b>	<b>\$48,122,631</b>	<b>\$46,992,617</b>	<b>\$46,992,617</b>	<b>\$1,130,014</b>	<b>\$34,843,280</b>
<b>Totals for Abbott Projects</b>		<b>1,144</b>			<b>\$6,921,188,051</b>		<b>\$1,879,573,270</b>
<b>Statewide Totals</b>		<b>3,600</b>	<b>\$14,197,981,237</b>	<b>\$12,356,387,243</b>	<b>\$9,321,886,055</b>	<b>\$4,876,571,650</b>	<b>\$2,804,751,972</b>

## Background Paper: Districts Which Received Above Average Enrollment Growth Aid or High Expectations for Learning Proficiency Aid, or Both, in FY 2005

Budget Pages.... D-82, D-83

- Above Average Enrollment Growth Aid and High Expectations for Learning Proficiency Aid were provided to certain districts in FY 2005 through budget language. Similar aid is not included in the FY 2006 recommended budget.
- Above Average Enrollment Growth Aid: "The amount hereinabove for Above Average Enrollment Growth Aid shall be distributed to school districts whose projected enrollment for the 2004-05 school year exceeds its enrollment for the 2003-04 school year by at least 3.5 percent, as determined by the commissioner. Each such school district shall receive an amount equal to \$765 multiplied by its projected increase in enrollment if its projected increase is less than 7.5 percent, and an amount equal to \$1,600 multiplied by its projected increase in enrollment if its projected increase is equal to or greater than 7.5 percent. Any amount remaining in this account after distribution is made pursuant to these criteria shall be distributed by the commissioner to school districts meeting substantially similar circumstances."
- High Expectations for Learning Proficiency Aid: "Of the amount hereinabove for High Expectations for Learning Proficiency Aid, \$15,000,000 shall be distributed to school districts, other than those designated as 'Abbott districts' as of June 21, 2004, that are not county-based or non-operating as determined by the commissioner, and that are either (a) in district factor group A or B and whose equalized valuation per pupil is less than \$380,000; (b) in district factor group A, B, CD or DE, and has a concentration of low income pupils that is greater than or equal to 14 percent and has an equalized valuation per pupil that is less than \$1,100,000 per pupil, and either has a general fund tax levy per pupil that exceeds \$9,000 or a concentration of low income pupils that exceeds 30 percent; or (c) contiguous to a designated 'Abbott school district,' have at least one school with a concentration of low income pupils equal to or greater than 20 percent and have not received Early Childhood Program Aid in the 2003-04 school year. Each such district shall receive the same proportion of \$15,000,000 as its October 2003 resident enrollment bears to the total October 2003 resident enrollment of all such districts. As used hereinabove, 'district factor group' shall be as determined by the commissioner using 2000 federal decennial census data; 'equalized valuation per pupil' and 'general fund tax levy per pupil' shall be as determined by the commissioner for the school year 2003-04; and 'concentration of low income pupils' shall be as defined in section 3 of P.L.1996, c.138 (C.18A:7F-3), except that the ASSA data shall be as of October 2003. Any amount remaining in this account after distribution is made pursuant to these criteria shall be distributed by the commissioner to school districts meeting substantially similar circumstances."

**Background Paper: Districts Which Received Above Average Enrollment Growth Aid or High Expectations for Learning Proficiency Aid, or Both, in FY 2005 (Cont'd)**

**Districts Receiving Above Average Enrollment Growth Aid or High Expectations For Learning Proficiency Aid, or Both, by Legislative District**

Legislative District	School District	School Year 2004-05 Aid	
		Above Average Enrollment Growth	High Expectations For Learning Proficiency
1	ATLANTIC CO VOCATIONAL	\$26,010	
1	BUENA REGIONAL		\$166,753
1	MAINLAND REGIONAL	\$75,735	
1	CAPE MAY CO VOCATIONAL	\$17,595	
1	WILDWOOD CITY		\$61,527
1	WOODBINE BORO		\$24,476
1	MAURICE RIVER TWP		\$46,046
2	ATLANTIC CO VOCATIONAL	\$26,010	
2	CORBIN CITY	\$16,800	
2	EGG HARBOR CITY		\$40,753
2	EGG HARBOR TWP	\$290,700	\$538,863
2	GREATER EGG HARBOR REG	\$179,393	
2	MAINLAND REGIONAL	\$75,735	
2	MULLICA TWP		\$61,050
2	VENTNOR CITY		\$118,319
2	WEYMOUTH TWP		\$29,132
3	COMMERCIAL TWP		\$75,815
3	CUMBERLAND REGIONAL	\$43,223	\$104,628
3	DEERFIELD TWP		\$26,426
3	DOWNE TWP		\$19,262
3	FAIRFIELD TWP		\$43,300
3	LAWRENCE TWP		\$44,773
3	SHILOH BORO		\$4,219
3	UPPER DEERFIELD TWP		\$67,179
3	CLEARVIEW REGIONAL	\$94,860	
3	EAST GREENWICH TWP	\$22,950	
3	ELK TWP		\$28,654
3	GLOUCESTER CO VOCATIONAL	\$16,065	
3	HARRISON TWP	\$58,140	
3	KINGSWAY REGIONAL	\$176,000	
3	NATIONAL PARK BORO		\$21,809
3	PAULSBORO BORO		\$98,539
3	SOUTH HARRISON TWP	\$9,180	
3	SWEDESBORO-WOOLWICH	\$206,400	
3	PENNS GRV-CARNEY'S PT REG		\$169,579
3	PITTSGROVE TWP		\$136,109
3	QUINTON TWP		\$33,112
3	SALEM CITY		\$93,803
3	SALEM COUNTY VOCATIONAL	\$26,010	
4	CLEMENTON BORO		\$61,766
4	LINDENWOLD BORO		\$194,213
4	GLASSBORO		\$189,836
4	GLOUCESTER CO VOCATIONAL	\$16,065	

Note: some school districts, especially county vocational schools, are in more than one legislative district.

## Background Paper: Districts Which Received Above Average Enrollment Growth Aid or High Expectations for Learning Proficiency Aid, or Both, in FY 2005 (Cont'd)

### Districts Receiving Above Average Enrollment Growth Aid or High Expectations For Learning Proficiency Aid, or Both, by Legislative District

Legislative District	School District	School Year 2004-05 Aid	
		Above Average Enrollment Growth	High Expectations For Learning Proficiency
5	BELLMAWR BORO		\$79,914
5	BROOKLAWN BORO	\$41,600	\$27,461
5	LAWNSIDE BORO		\$36,296
5	RUNNEMEDE BORO		\$63,915
5	WOODLYNNE BORO		\$51,817
5	GLOUCESTER CO VOCATIONAL	\$16,065	
5	WESTVILLE BORO		\$26,346
5	WOODBURY CITY		\$118,677
6	CHESILHURST		\$20,934
6	COLLINGSWOOD BORO		\$145,023
6	PINE HILL BORO		\$145,819
6	TAVISTOCK	\$1,600	
7	BEVERLY CITY		\$32,793
7	BURLINGTON TWP	\$476,000	
7	MOUNT HOLLY TWP		\$87,476
7	RANOCAS VALLEY REGIONAL	\$93,330	
7	RIVERSIDE TWP		\$103,156
7	PENNSAUKEN TWP		\$475,027
8	HAINESPORT TWP	\$25,245	
8	LUMBERTON TWP	\$89,505	
8	MANSFIELD TWP	\$155,200	
8	MOORESTOWN TWP	\$150,705	
8	RANOCAS VALLEY REGIONAL	\$93,330	
9	ATLANTIC CO VOCATIONAL	\$26,010	
9	FOLSOM BORO	\$92,800	
9	HAMMONTON TOWN	\$133,493	\$218,052
9	CENTRAL REGIONAL	\$61,583	
9	LAKEHURST BORO		\$47,718
9	OCEAN COUNTY VOCATIONAL	\$48,195	
9	PINELANDS REGIONAL	\$60,053	
9	SOUTHERN REGIONAL	\$114,750	
9	STAFFORD TWP	\$86,445	
10	MONMOUTH CO VOCATIONAL	\$51,255	
10	MANTOLOKING	\$1,600	
10	OCEAN COUNTY VOCATIONAL	\$48,195	
10	SEASIDE HEIGHTS BORO		\$21,093
11	ALLENHURST	\$1,600	
11	BRIELLE BORO	\$37,485	
11	HENRY HUDSON REGIONAL		\$37,052
11	HIGHLANDS BORO		\$19,342
11	MONMOUTH CO VOCATIONAL	\$51,255	
11	RUMSON-FAIR HAVEN REG	\$33,278	
11	WALL TWP	\$118,193	\$344,291

Note: some school districts, especially county vocational schools, are in more than one legislative district.

## Background Paper: Districts Which Received Above Average Enrollment Growth Aid or High Expectations for Learning Proficiency Aid, or Both, in FY 2005 (Cont'd)

### Districts Receiving Above Average Enrollment Growth Aid or High Expectations For Learning Proficiency Aid, or Both, by Legislative District

Legislative District	School District	School Year 2004-05 Aid	
		Above Average Enrollment Growth	High Expectations For Learning Proficiency
12	FREEHOLD BORO	\$42,840	\$105,862
12	FREEHOLD REGIONAL	\$450,968	
12	FREEHOLD TWP	\$148,410	
12	MARLBORO TWP	\$168,300	
12	MILLSTONE TWP	\$84,915	
12	MONMOUTH CO VOCATIONAL	\$51,255	
12	RED BANK BORO		\$65,905
12	RUMSON-FAIR HAVEN REG	\$33,278	
13	MONMOUTH CO VOCATIONAL	\$51,255	
14	HAMILTON TWP		\$1,083,814
14	CRANBURY TWP	\$26,775	
14	MONROE TWP	\$496,000	
14	SOUTH BRUNSWICK TWP	\$298,350	
15	EWING TWP		\$315,756
16	MENDHAM BORO	\$19,890	
16	MORRIS COUNTY VOCATIONAL	\$55,200	
16	WEST MORRIS REGIONAL	\$81,090	
16	BERNARDS TWP	\$254,745	
16	BOUND BROOK BORO	\$45,518	\$116,249
16	BRIDGEWATER-RARITAN REG	\$262,395	
16	MONTGOMERY TWP	\$568,000	
16	SOMERSET HILLS REGIONAL	\$55,845	
16	SOUTH BOUND BROOK		\$49,071
17	NORTH BRUNSWICK TWP		\$438,015
17	FRANKLIN TWP	\$207,315	
18	HELMETTA BORO	\$9,945	
19	CARTERET BORO	\$118,958	\$296,693
19	WOODBRIIDGE TWP		\$1,076,969
20	KENILWORTH BORO	\$66,938	
20	ROSELLE BORO		\$239,941
20	UNION COUNTY VOCATIONAL	\$143,200	
20	UNION TWP		\$624,149
21	MILLBURN TWP	\$184,365	
21	MORRIS COUNTY VOCATIONAL	\$55,200	
21	LONG HILL TWP	\$36,720	
21	WARREN TWP	\$68,085	
21	WATCHUNG BORO	\$22,185	
21	WATCHUNG HILLS REGIONAL	\$74,205	
21	BERKELEY HEIGHTS TWP	\$79,178	
21	UNION COUNTY VOCATIONAL	\$143,200	
22	GREEN BROOK TWP	\$168,000	
22	CLARK TWP	\$71,145	
22	LINDEN CITY		\$479,405

Note: some school districts, especially county vocational schools, are in more than one legislative district.

## Background Paper: Districts Which Received Above Average Enrollment Growth Aid or High Expectations for Learning Proficiency Aid, or Both, in FY 2005 (Cont'd)

### Districts Receiving Above Average Enrollment Growth Aid or High Expectations For Learning Proficiency Aid, or Both, by Legislative District

Legislative District	School District	School Year 2004-05 Aid	
		Above Average Enrollment Growth	High Expectations For Learning Proficiency
22	UNION COUNTY VOCATIONAL	\$143,200	
22	WINFIELD TWP		\$13,452
23	BLOOMSBURY BORO	\$25,600	
23	HUNTERDON CENTRAL REG	\$104,040	
23	N HUNT/VOORHEES REGIONAL	\$89,123	
23	STOCKTON BORO	\$2,295	
23	BELVIDERE TOWN	\$16,448	
23	FRANKLIN TWP	\$11,093	
23	GREENWICH TWP	\$224,800	
23	LOPATCONG TWP	\$56,228	
23	OXFORD TWP	\$11,093	
23	WARREN HILLS REGIONAL	\$57,375	
24	N HUNT/VOORHEES REGIONAL	\$89,123	
24	MORRIS COUNTY VOCATIONAL	\$55,200	
24	MOUNT OLIVE TWP	\$145,350	
24	WEST MORRIS REGIONAL	\$81,090	
24	GREEN TWP	\$19,125	
24	HIGH POINT REGIONAL	\$39,780	
24	LAFAYETTE TWP	\$11,475	
24	WALKKILL VALLEY REGIONAL	\$30,218	
25	DENVILLE TWP	\$55,463	
25	DOVER TOWN		\$201,855
25	MENDHAM TWP	\$28,305	
25	MINE HILL TWP	\$76,000	
25	MORRIS COUNTY VOCATIONAL	\$55,200	
25	MOUNTAIN LAKES BORO	\$35,955	
25	WEST MORRIS REGIONAL	\$81,090	
26	FLORHAM PARK BORO	\$44,370	
26	KINNELON BORO	\$58,523	
26	MONTVILLE TWP	\$117,045	
26	MORRIS COUNTY VOCATIONAL	\$55,200	
26	MORRIS PLAINS BORO	\$21,420	
27	FAIRFIELD TWP	\$25,245	
27	WEST ORANGE TOWN		\$508,935
28	BELLEVILLE TOWN		\$371,553
28	BLOOMFIELD TWP		\$482,111
29	HILLSIDE TWP		\$266,048
29	UNION COUNTY VOCATIONAL	\$143,200	
30	NEW HANOVER TWP		\$19,183
30	NORTHERN BURLINGTON REG	\$69,615	
30	WASHINGTON TWP	\$252,800	
30	MONMOUTH CO VOCATIONAL	\$51,255	
30	UPPER FREEHOLD REGIONAL	\$193,600	

Note: some school districts, especially county vocational schools, are in more than one legislative district.

**Background Paper: Districts Which Received Above Average Enrollment Growth Aid or High Expectations for Learning Proficiency Aid, or Both, in FY 2005 (Cont'd)**

**Districts Receiving Above Average Enrollment Growth Aid or High Expectations For Learning Proficiency Aid, or Both, by Legislative District**

Legislative District	School District	School Year 2004-05 Aid	
		Above Average Enrollment Growth	High Expectations For Learning Proficiency
30	JACKSON TWP	\$362,228	
30	OCEAN COUNTY VOCATIONAL	\$48,195	
30	PLUMSTED TWP	\$67,703	
31	BAYONNE CITY		\$668,842
31	HUDSON COUNTY VOCATIONAL	\$87,593	
32	BERGEN COUNTY VOCATIONAL	\$300,800	
32	FAIRVIEW BORO		\$113,862
32	EAST NEWARK BORO		\$30,804
32	HUDSON COUNTY VOCATIONAL	\$87,593	
32	NORTH BERGEN TWP		\$566,363
33	GUTTENBERG TOWN		\$100,131
33	HUDSON COUNTY VOCATIONAL	\$87,593	
33	WEEHAWKEN TWP		\$98,977
34	GLEN RIDGE BORO	\$54,698	
34	MONTCLAIR TOWN		\$515,899
34	CLIFTON CITY		\$841,167
35	BERGEN COUNTY VOCATIONAL	\$300,800	
35	HALEDON BORO		\$75,616
35	PASSAIC CO MANCHESTER REG	\$28,305	\$64,154
35	PROSPECT PARK BORO		\$62,164
36	BERGEN COUNTY VOCATIONAL	\$300,800	
36	CARLSTADT-EAST RUTHERFORD	\$21,803	
37	BERGEN COUNTY VOCATIONAL	\$300,800	
37	HACKENSACK CITY		\$367,812
37	RIDGEFIELD PARK TWP		\$137,104
38	BERGEN COUNTY VOCATIONAL	\$300,800	
38	RIDGEFIELD BORO	\$64,260	
38	TETERBORO	\$8,000	
39	BERGEN COUNTY VOCATIONAL	\$300,800	
39	CRESSKILL BORO	\$55,845	
39	HILLSDALE BORO	\$45,900	
39	HO HO KUS BORO	\$35,573	
39	NORTHERN HIGHLANDS REG	\$39,780	
39	NORTHERN VALLEY REGIONAL	\$69,998	
39	NORTHVALE BORO	\$21,420	
39	OLD TAPPAN BORO	\$25,245	
39	RIVER EDGE BORO	\$33,660	
39	ROCKLEIGH	\$4,800	
39	SADDLE RIVER BORO	\$14,918	
39	WESTWOOD REGIONAL	\$73,058	
40	BERGEN COUNTY VOCATIONAL	\$300,800	
40	MAHWAH TWP	\$99,068	
40	RAMAPO-INDIAN HILL REG	\$69,998	

Note: some school districts, especially county vocational schools, are in more than one legislative district.

## Background Paper: Districts or Communities Which Received Early Launch To Learning Initiative Aid or NJ After 3 Grants

Budget Pages.... D - 83

- The Early Launch to Learning Initiative (ELLI) and NJ After 3 were new programs in FY 2005. The recommended FY 2006 appropriation for ELLI is \$4 million and for NJ After 3 is \$7.5 million.
- The appropriation for ELLI is to expand high quality preschool access for low-income four year olds in non-Abbott districts. The appropriation for NJ After 3 programs is to provide grants to after school programs, activities, functions and facilities consistent with recommendations and proposals of the New Jersey After 3 Advisory Committee.

### Early Launch to Learning Initiative State Aid, FY 2005, by Legislative District

Legislative District	District	Student Participation		Grant Amount
		Low-Income Half Day	Low-Income Full Day	
1	Woodbine School District	15		\$45,000
2	Egg Harbor City Public School District	37		\$111,000
3	Woodstown-Pilesgrove Regional School District	22		\$66,000
3	Pittsgrove Township Schools	31		\$93,000
3	Mannington	5		\$10,000
3	Paulsboro Public Schools	42		\$126,000
3	Logan Township School District	13		\$39,000
5	Runnemede Public Schools		10	\$60,000
5	Brooklawn	10		\$20,000
5	Westville School District	14		\$42,000
6	Waterford Township School District	23		\$69,000
6	Berlin Borough School District	6		\$18,000
9	Stafford		20	\$80,000
9	Eagleswood Elementary School	6		\$18,000
9	Ocean Gate	9		\$27,000
12	Red Bank Borough Public Schools	53		\$159,000
15	Princeton Regional Schools	36		\$108,000
15	Lawrence		10	\$40,000
17	Piscataway Board of Education	74		\$222,000
18	South Plainfield	20		\$60,000
20	Kenilworth		13	\$78,000
22	Scotch Plains-Fanwood Public Schools	15		\$45,000
23	High Bridge	4		\$12,000
25	Wharton Borough Public Schools	20		\$60,000
33	Weehawken Public Schools	48		\$144,000
38	Cliffside Park School District	88		\$264,000
38	Little Ferry School District	7		\$21,000

## Background Paper: Districts or Communities Which Received Early Launch To Learning Initiative Aid or NJ After 3 Grants (Cont'd)

### New Jersey After 3 Grants, by Legislative District

Legislative District	District	Lead Applicant	Pupils Served	Grant Amount
4	GLASSBORO	Glassboro Child Development Center	200	\$167,238.00
5	CAMDEN CITY	Communities in Schools of NJ	150	\$174,590.00
5	GLOUCESTER CITY	EIRC	200	\$202,370.00
7	WILLINGBORO TWP	Boys & Girls Burlington County	250	\$279,474.00
8	PEMBERTON TWP	Lester A. Drenk Center	300	\$283,503.00
15	TRENTON CITY	Boys & Girls Club of Trenton	300	\$258,232.00
15	TRENTON CITY	Children's Home Society of NJ	200	\$202,500.00
15	TRENTON CITY	Young Scholars Institute	200	\$175,542.00
22	DUNELLEN BORO	Plainfield YMCA	180	\$151,814.00
27	NEWARK CITY	Communities in Schools Newark	150	\$174,885.00
27	NEWARK CITY	EI Club Del Barrio	150	\$178,897.00
27	NEWARK CITY	Focus Hispanic	184	\$206,723.00
28	IRVINGTON TOWNSHIP	Urban League of Essex County	280	\$335,562.00
28	IRVINGTON TOWNSHIP	Work Family Connection- Chancellor	200	\$189,473.00
28	IRVINGTON TOWNSHIP	Work Family Connection- Florence	200	\$189,473.00
28	NEWARK CITY	Communities in Schools Newark	150	\$174,885.00
28	NEWARK CITY	EI Club Del Barrio	150	\$178,897.00
28	NEWARK CITY	Focus Hispanic	184	\$206,723.00
29	NEWARK CITY	Communities in Schools Newark	150	\$174,885.00
29	NEWARK CITY	EI Club Del Barrio	150	\$178,897.00
29	NEWARK CITY	Focus Hispanic	184	\$206,723.00
30	JACKSON TWP	Kimball Medical Center	200	\$219,436.00
31	JERSEY CITY	Boys & Girls Club Hudson County	200	\$177,171.00
32	JERSEY CITY	Boys & Girls Club Hudson County	200	\$177,171.00
33	JERSEY CITY	Boys & Girls Club Hudson County	200	\$177,171.00
34	CLIFTON CITY	Boys & Girls Club of Clifton	150	\$145,490.00
35	PATERSON CITY	NJ Community Development Center	200	\$184,119.00
35	PATERSON CITY	Paterson YMCA	260	\$297,542.00
38	CLIFFSIDE PARK BORO	Jewish Family Services	200	\$202,500.00

Some school districts are in more than one Legislative district, so some NJ After 3 programs are listed more than once. The total number of students served is 4,354 and the total amount for grants is \$4,396,534.

## **Background Paper: Public School Districts and NonPublic Schools Which Received State Assistance Under the Property Tax Assistance and Community Development Grants**

Budget Pages.... D-455

In the FY 2005 appropriations act, \$88 million was appropriated for the Property Tax Assistance and Community Development Grants line item. Budget language accompanying this appropriation provided that: "From the amount appropriated hereinabove for Property Tax Assistance and Community Development Grants, the State Treasurer shall provide State assistance to municipalities, school districts and counties for their local purposes as the State Treasurer shall determine, and for the payment of Grants-In-Aid awards to non-governmental entities for health, welfare, educational and other purposes as the State Treasurer shall determine, subject to the approval of the Director of the Division of Budget and Accounting and review and approval by the Joint Budget Oversight Committee. The committee shall be provided periodically with a list of grantees approved by the director to review and shall approve the list or disapprove the list as provided within 10 working days or the list of grantees shall be deemed approved by the committee. No recipient of State assistance or a grant shall receive more than \$5,000,000 from this appropriation. The amount distributed to a municipality, school district or county from this appropriation may be expended by the recipient notwithstanding any law to the contrary." As of April 2005, the budget authorized amount has been reduced to \$69.1 million. Of that amount, \$34.9 million has been expended. Of the balance of \$34.2 million, \$26 million is committed and \$8.2 uncommitted.

The table on the following page provides a list of school districts (to the extent that could be determined from the information provided to the Joint Budget Oversight Committee) which received assistance from this appropriation organized by legislative district. The total amount of Property Tax Assistance and Community Development Grants provided to school districts is \$6 million.

**Background Paper: Public School Districts and NonPublic Schools Which Received State Assistance Under the Property Tax Assistance and Community Development Grants (Cont'd)**

**Public School Districts and NonPublic Schools Which Received State Assistance Under the Property Tax Assistance and Community Development Grants**

Legislative District	Public School District	Purpose	Amount
1	Woodbine	Community and school recreation facility	\$120,000
2	Corbin City	Maintain programs	\$100,000
2	Egg Harbor Township	General operating expenses.	\$786,000
2	Greater Egg Harbor Regional	Land acquisition for new high school	\$1,300,000
3	Shiloh Boro School District	Maintain programs	\$5,900
3	East Greenwich Twp – Gloucester	Maintain programs	\$1,953
3	Pennsville	Maintain programs	\$37,000
3	Pennsville	Maintenance required on emergency projects	\$125,000
3	Pittsgrove	Maintain programs	\$67,727
3	South Harrison Twp	Maintain programs	\$5,820
3	Swedesboro	Maintain programs	\$293,600
4	Blackwood	NJDOT Safe Street to Schools	\$115,000
5	Clayton School District	Maintain programs	\$100,000
5	Lawnside	Capital improvements	\$700,000
7	Pennsauken	Pennsauken High School	\$75,000
15	Ewing	AM/PM Program	\$100,000
15	Ewing	Student Success Program	\$200,000
18	South Plainfield	World Language Program	\$120,000
20	Kenilworth	Maintain programs	\$112,000
20	Roselle	Student learning and participation in government	\$2,500
20	Roselle	Gifted and Talented	\$5,000
24	Lenape	Maintain programs	\$350,000
29	Newark	NJIT: Newark Central High School Students	\$50,000
30	Washington Twp-Mercer	Maintain programs	\$250,000
33	Hoboken	Fitness And Nutrition for Kids (FAN 4 Kids)	\$65,000
35	Glen Rock	Create preschool disabilities class	\$80,000
36	Nutley	Nutley Educational Foundation	\$5,000
<b>Total</b>			<b>\$5,172,500</b>

Legislative District	Non-Public School	Purpose	Amount
15	Lawrenceville	Disadvantaged Students Scholarship Fund	\$100,000
29	Newark Private School	Chad Foundation: ongoing operations	\$650,000
29	Newark Private School	Chad School	\$75,000
<b>Total</b>			<b>\$825,000</b>

## Background Paper: Criteria for Abbott Designation: Existing and Proposed

In April of 2003, the Commissioner of Education sent to the Legislature a report entitled, Designation of Abbott Districts: Criteria and Process. This report was submitted pursuant to the provisions of subsection k. of section 4 of the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-4), which provides that, "By March 1, 2002 and every five years thereafter, the commissioner shall recommend to the Legislature criteria to be used in the designation of districts as Abbott districts. . . ."

This background paper traces the events leading up to the submission of this report and then applies the criteria presented in the report to determine which school districts satisfy the Abbott district criteria recommended in the commissioner's report. Finally, in light of the results of the application of these criteria, this backgrounder discusses State aid for Abbott districts, both educational and facilities aid, provided in the years since the commissioner's report and proposed for FY 2006.

The trail which leads to the presentation of the commissioner's report has been circuitous and some of the events that occurred along the way were never planned to be connected. As will be shown, it is through the actions of the New Jersey Supreme Court in its "Abbott" decisions that Statewide assessments, the development of district factor groups (DFGs), original designation of "special needs" districts, court-ordered State aid – educational and facilities, and the preparation and delivery of the commissioner's report are connected.

### Statewide Assessments and District Factor Groups

For purposes of this background paper, the trail begins with Governor Cahill who, in his January 1971 State of the State address, commented that, for students enrolled in public education, there was "[n]o reliable scientific data on a statewide basis to determine reading ability and reading growth."<sup>1</sup> After considerable effort on the part of the Department of Education and the Educational Testing Service which was selected as the contractor to develop the Statewide assessments, the first Statewide assessments were administered to all fourth and twelfth grade students on November 14 and 15, 1972. The initial analysis of the test scores included a precursor to the DFGs, community type. Each district's scores were summarized as part of the community type into which that district was placed: urban, suburban or rural. For the next round of testing in 1973-74, Harcourt Brace Jovanovich developed the assessments. The grades tested were the fourth, seventh and tenth grades. In addition, assessment results were reported at the student level in contrast with the previous year's results which had been reported only at the classroom level. In 1974-75, the Educational Testing Service developed the assessments and the students from those same grade levels were tested. The single community designation was changed in an attempt to provide a more refined measure of community types that might help to interpret the variations found across school districts in the assessments scores. The community type designation was replaced by a new measure developed through a statistical technique known as factor analysis. Through the measurement of a set of 1970 census variables, and the use of factor analysis, each district was assigned a district factor score, a measure of the district's socioeconomic status relative to all the other districts in the State. The range of district factor scores was divided approximately equally into 10 groups (approximately 10 percent of the districts in each group) and given a label of

---

<sup>1</sup> Education Assessment Program: State Report, 1974-1975. New Jersey Department of Education. Division of Research, Planning and Evaluation. p. 3.

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

District Factor Group A (lowest socioeconomic status) to District Factor Group J (highest socioeconomic status).<sup>2</sup>

As indicated above, DFGs were initially established in 1975 based upon the composite measure of socioeconomic status (SES) using variables measured with data from the 1970 decennial census to develop district factor scores. The rationale for the development of DFGs is provided in the report accompanying the 1990 revision of DFGs.

The DFG was motivated by research conducted in the late 1960s and early 1970s which showed a strong relationship between socioeconomic status and educational outcomes. The creators of the DFG were concerned that educational policymakers, after reviewing the educational outcomes obtained in different circumstance, would make unjustified inferences about the importance of various school-based inputs to the educational process (teacher training, school management, curriculum, facilities, material, etc.). Because the research showed that students (i.e. what they bring to school, including socialization that takes place before they step inside the school buildings) are far and away the most important determinant of educational outcomes, the effectiveness of school systems cannot be sensibly judged without reference to the socioeconomic background of their students.

The report continues:

The DFG was developed by the Department for its own use in reporting of test scores. The use of this measure is mandated neither by statute or regulation. In its publicly released testing reports, the Department shows district-by-district results arranged by DFG. Comparisons are made between districts of like SES, rather than on a geographic basis. The intent of this procedure is to reduce the variation in reported scores which is due to factors beyond the control of local educators.<sup>3</sup>

Statewide assessments continued, but after 1978 were called the Minimum Basic Skills (MBS) Assessments.<sup>4</sup> "From 1978 through 1982, third-, sixth-, and ninth-grade students participated in the MBS testing program for reading and mathematics." In 1982 an additional requirement was placed on ninth graders; they were required to pass the ninth grade MBS test in order to graduate. In 1983, a new ninth grade test was introduced, the Grade 9 High School Proficiency Test (HSPT). After three years of testing and feedback to school districts on the results, the HSPT was first administered as a graduation requirement in 1986. In 1988, the HSPT was shifted to the eleventh grade and a new assessment, the Early Warning Test (EWT), was

---

<sup>2</sup> For a fuller discussion of the development of district factor scores and revisions over time see *The District Factor Grouping Socioeconomic Status in New Jersey School Districts 1990 Revision Process*, Robert Krebs, Division of Financial Services, New Jersey Department of Education, July 7, 1993.

<sup>3</sup> Pages 1 and 2 of *The District Factor Grouping Socioeconomic Status in New Jersey School Districts 1990 Revision Process*, Robert Krebs, Division of Financial Services, New Jersey Department of Education, July 7, 1993.

<sup>4</sup> This summary is based on the information on the Department of Education's website, see <http://www.nj.gov/njded/assessment/history.shtml>.

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

administered in the eighth grade. For any student entering the ninth grade on or after September 1991, passing the eleventh grade HSPT continued to be a graduation requirement. The EWT was considered just that, an early warning. Students not passing the EWT were provided with assistance in the areas of need and retested every year with the expectation that by the time the students took the HSPT, they would be found proficient.

As a regular part of the reporting of the test results, the department provided information Statewide by DFG and consistently, beginning with DFG "A" and proceeding to DFG "J", the percent of students proficient in the assessments increased in a linear fashion; each DFG group had a higher average percent of students proficient than the one preceding it.

### Abbott Decisions and District Factor Groups

In ways that could not have been imagined when DFGs were developed a decade earlier, a series of decisions of New Jersey Supreme Court elevated DFGs to a critical role in State educational finance policy. In 1985, after a lengthy review of its previous decisions dealing with the issues regarding the provision of a thorough and efficient education (Robinson v. Cahill), the New Jersey Supreme Court held 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."<sup>5</sup> The Court ordered the case to be transferred by the Commissioner of Education to the Office of Administrative Law (OAL) where 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," would be considered.

The Administrative Law Judge found that "evidence of substantial disparities in educational input (such as course offerings, teacher staffing, and per pupil expenditures) were related to disparities in school district wealth; that the plaintiffs' districts and others, were not providing the constitutionally mandated thorough and efficient education; 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."<sup>6</sup>

Based in part on the Administrative Law Judge's report the New Jersey Supreme Court in Abbott II "held that the Public School Education Act was unconstitutional as applied to poorer urban school districts and had to be amended to assure funding of education in poorer urban districts at the level of property-rich districts, that funding could not be allowed to depend on the ability of local school districts to tax, but had to be guaranteed and mandated by the State, and that the level of funding must also be adequate to provide for the special educational needs of the poor urban districts in order to redress their extreme disadvantages." p.287. (Abbott II at 287)

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 as being DFGs A and B districts and also located in urban areas, the Court uses DFGs throughout the rest of its analysis to demonstrate that, for those

---

<sup>5</sup> Abbott v. Burke, 100 N.J. 269, 279 (1985) (Abbott I)

<sup>6</sup> Abbott v. Burke, 119 NJ 287, 297 (1990) (Abbott II)

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

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 [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." (Abbott II at 339)

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." (Abbott II at 340)

Also of interest is the discussion of the Court which set out the criteria for being a "poorer urban district" and thus one of the districts that was to receive Court-ordered State aid of two kinds: aid to address the disparity in regular education per pupil spending between the property-rich districts and the "special needs" districts; and aid "to provide for the special educational needs of [students in the] poorer urban districts in order to redress their extreme disadvantages." (Abbott II at 385)

The Court combines the socioeconomic measure of school districts developed by the department, DFGs, with a list of municipalities identified as "urban aid districts" under statute and regulations of the Department of Community Affairs. The Court understood the factors used to identify urban communities and the measures used in assigning a school district to a particular DFG to be overlapping to some extent. Under P.L.1978, c.14 (C. 52:27D-178 et seq.), municipalities are identified and qualified as "urban aid districts." "To qualify as an urban aid district, the municipality must be of a certain size or density, have a certain number of children whose families are on welfare, have public housing, and a higher tax rate or lower property valuation per capita." (Abbott II at 341-342) At the time of Abbott II, there were 55 such municipalities. Following considerable discussion concerning the validity of comparisons between the poorer urban districts and the property-rich districts as that comparison relates to the provision of a thorough and efficient education by these districts, the Court concluded that "[d]isparity of funding, its relationship to poverty, the critical needs – educational and otherwise – of its pupils, the practical inability to raise further funds through taxation (municipal overburden), the likelihood of the permanence of these factors, the level of substantive education actually being given, the failure rate of its students, their dropout rate, were all sufficiently shown, and dramatically contrasted with the situation of students in richer districts." (Abbott II at 346-7) In its conclusions, the Court states, "[we] leave it to the Legislature, the [State] Board [of Education], and the Commissioner to determine which districts are 'poorer urban districts.' It appears to us that

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

twenty-eight of the twenty-nine school districts designated by the Commissioner as 'urban districts' located in DFGs A and B should qualify. (We omit Atlantic City since its tax base for 1989-90 is far in excess of the statutory guaranteed tax base.) Perhaps more should qualify, perhaps fewer." (Abbott II at 385-6)

The Legislative response to Abbott II was the "Quality Education Act of 1990" (QEA) P.L.1990, c.52 (C.18A:7D-1 et al.), which designated as "special needs" districts the 28 districts identified in Abbott II and two additional districts, Neptune Township and Plainfield. In Abbott III, 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." (Abbott v. Burke, 136 N.J. 444, 447 (1994), (Abbott III) Under the QEA, parity in funding was subject to the discretion of the Governor and the Legislature. Since the Court acknowledged that the State had made some progress toward achieving parity since the Abbott II decision, the Court did not intervene further at that 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." (Abbott III at 447)

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. In CEIFA the Legislature limited the "special needs" districts (now defined as "Abbott districts") to the original 28 identified by the Court in Abbott II (Neptune Township and Plainfield were later added to the definition of "Abbott district" pursuant to section 1 of P.L.1999, c.110).

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 [T & E] 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."<sup>7</sup>

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. 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

---

<sup>7</sup> "Background Paper: Abbott Decisions," in Analysis of the New Jersey Fiscal Year 2002-2003 Budget Department of Education, p. 66.

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

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. 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.

### Abbott Decisions and Court-Ordered State Aid

Despite the above provisions for providing State aid, CEIFA did not provide parity in regular education funding for the Abbott districts at a level required to bring the Abbott district per pupil regular education spending up to the average per pupil spending on regular education in the property-rich districts, DFGs "I" and "J". As a result, in Abbott IV,<sup>8</sup> the Court found that while the core curriculum content standards were "facially adequate and consistent with the education clause," with respect to the amount of aid provided the Abbott districts, CEIFA was unconstitutional. According to the Court, CEIFA did not base the amount a district needs to spend to provide a thorough and efficient education (T & E amount) on either the districts which were providing a thorough and efficient education based on the output measures of Statewide assessments and high graduation rates 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 on regular education an amount per pupil that was equivalent to the average per pupil expenditure for regular education in the DFG "I" and "J" districts. Abbott v. Burke Parity Remedy Aid first became a line item in the FY 1998 budget in an amount of \$246 million.

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

---

<sup>8</sup> Abbott v. Burke, 149 N.J. 145 (1997)(Abbott IV)

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

and to determine what actions must be initiated and undertaken by the State to identify and meet those needs." (Abbott IV at 199-200)

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<sup>9</sup> the Court required the development of a different strategy for approaching education in the Abbott districts. The department's response 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 State Aid became a line item in the budget for the first time in FY 2000 (Abbott v. Burke Parity Remedy Aid and Additional Abbott v. Burke State aid were combined as a single line item in the FY 2005 appropriations act and the FY 2006 budget recommends an appropriation for this line item of \$1,449 million).

Two later Abbott decisions, Abbott VI<sup>10</sup> and Abbott VIII,<sup>11</sup> 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 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 certification 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 (the FY 2006 recommended appropriation for this line item is \$192.4 million).

### Abbott Decisions, School Facilities and Criteria for Abbott Designation

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. While the Legislature was considering legislation in FY 2000 that would provide State aid for school facilities construction, the Speaker of the General Assembly, Assemblyman Jack Collins, by motion before the New Jersey Supreme Court, asked the Court whether, "Abbott V required the State to provide the full costs of school construction in the Abbott districts or whether, instead, the Legislature can require a district to contribute a fair share of local aid based on the district's ability to pay."<sup>12</sup> The Court granted Speaker Collins' request for intervention and clarification. The Court affirmed its decision that "[t]he State is required to fund all of the costs of necessary facilities remediation and construction in the Abbott districts." (Abbott VII at 88) A further consideration of the Court was "whether the Legislature can remove a school

<sup>9</sup> Abbott v. Burke, 153 N.J. 480 (1998) (Abbott V)

<sup>10</sup> Abbott v. Burke, 163 N.J. 95 (2000) (Abbott VI)

<sup>11</sup> Abbott v. Burke, 170 N.J. 537 (2002) (Abbott VIII)

<sup>12</sup> Abbott v. Burke, 164 N.J. 84, 86 (2000) (Abbott VII)

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

district from its designation as an Abbott district . . . " The Court affirmed the principle that if districts which meet the criteria for Abbott classification can be added to those already with that designation, "that in the happy circumstance in which a district no longer can claim it is 'typical of poorer urban districts,' it could be removed by the Legislature from the Abbott classification. . . . When 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 89-90) (emphases added)

On June 29, 2000, the Legislature amended Senate No. 200 SCS(2R), which would be enacted as the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-1 et al.), in conformance with the Governor's veto recommendations. As part of these amendments, subsection k. of section 4 was added. This subsection requires the Commissioner of Education to recommend to the Legislature by March 1, 2002, and every five years thereafter, the criteria to be used in the designation of districts as Abbott districts. In July of 2000, the "Educational Facilities Construction and Financing Act" was enacted, which required the State to fully fund the final eligible costs of new and remodeled facilities in the Abbott districts, and which provided at a minimum, State funding of 40% of the final eligible costs for school facilities in all other districts. The law as enacted included the requirement for a report from the commissioner regarding criteria to determine Abbott designation. This report was prepared by the commissioner and provided to the Legislature in April of 2003.

### Report of the Commissioner of Education<sup>13</sup>

In the report, the Commissioner of Education recommended the following criteria (economic indicators) for use as guidance in Abbott classification:

Primarily, a district has to be a DFG "A" district and meet several additional criteria as discussed below. A district that is a DFG "B" district may also be classified as an Abbott district if it meets the same criteria and "demonstrates additional substantial economic hardship" (the additional substantial economic hardship is not specified in the information provided to the Legislature).<sup>14</sup>

### Additional Criteria<sup>15</sup>

1. The district's concentration of low-income pupils (measured by the percent of district pupils eligible for free lunch under the U. S. Department of Agriculture's free/reduced lunch program) must be at least 40 percent.
2. If the district's low-income concentration is less than 60 percent, then it must have an equalized property valuation per capita which is at least 3 percent below the State average and an equalized tax rate which is at least 30 percent greater than the State average.

<sup>13</sup> see the Department of Education's website for this report, <http://www.nj.gov/njded/abbotts/regs/criteria.htm>

<sup>14</sup> Commissioner's report, page 4.

<sup>15</sup> Commissioner's report, pages 4 and 5.

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

3. If the low-income concentration is at least 60 percent, then the district must have an equalized property valuation per capita which is at least 3 percent below the State average; the district's equalized tax rate does not factor into the eligibility requirements for these districts; and
4. The district's municipality/municipalities must be included on the New Jersey Redevelopment Authority's list of "eligible municipalities."

On April 30, 2004, the Commissioner of Education released the preliminary draft of the revised District Factor Group (DFG) classification report based on data from the 2000 Decennial Census.

Table 1 shows the list of districts currently designated as Abbott districts and each district's DFG based on the decennial census from 1990 and 2000. As can be seen, two of the districts currently having Abbott designation, Hoboken and Neptune Township would no longer be eligible for Abbott designation under the Commissioner's criteria since they are not in either DFG "A" or "B."

**Table 1**  
Current Abbott Districts by District Factor Grouping, 1990 and 2000 Census.

<b>County</b>	<b>District</b>	<b>District Factor Group, 1990 Census</b>	<b>District Factor Group, 2000 Census</b>
ATLANTIC	PLEASANTVILLE CITY	A	A
BERGEN	GARFIELD CITY	B	B
BURLINGTON	BURLINGTON CITY	B	B
BURLINGTON	PEMBERTON TWP	CD	B
CAMDEN	CAMDEN CITY	A	A
CAMDEN	GLOUCESTER CITY	B	B
CUMBERLAND	BRIDGETON CITY	A	A
CUMBERLAND	MILLVILLE CITY	B	A
CUMBERLAND	VINELAND CITY	B	A
ESSEX	EAST ORANGE	A	A
ESSEX	IRVINGTON TOWNSHIP	A	A
ESSEX	NEWARK CITY	A	A
ESSEX	CITY OF ORANGE TWP	A	A
HUDSON	HARRISON TOWN	A	B
HUDSON	HOBOKEN CITY	B	FG
HUDSON	JERSEY CITY	A	B
HUDSON	UNION CITY	A	A
HUDSON	WEST NEW YORK TOWN	A	A
MERCER	TRENTON CITY	A	A
MIDDLESEX	NEW BRUNSWICK CITY	A	A
MIDDLESEX	PERTH AMBOY CITY	A	A
MONMOUTH	ASBURY PARK CITY	A	A
MONMOUTH	KEANSBURG BORO	A	A
MONMOUTH	LONG BRANCH CITY	B	B
MONMOUTH	NEPTUNE TWP	CD	CD
PASSAIC	PASSAIC CITY	A	A

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

County	District	District Factor Group, 1990 Census	District Factor Group, 2000 Census
PASSAIC	PATERSON CITY	A	A
SALEM	SALEM CITY	A	A
UNION	ELIZABETH CITY	A	A
UNION	PLAINFIELD CITY	B	B
WARREN	PHILLIPSBURG TOWN	B	B

Using the above stated criteria, in order to qualify for Abbott district designation a district has to have at least the following: be a DFG "A" or "B" district; have a low-income pupil concentration of at least 40 percent; and be included in the New Jersey Redevelopment Authority's (NJRA) list of eligible municipalities. The following tables identify the DFG "A" and "B" districts; then the "A" and "B" districts which have a low-income pupil concentration of at least 40 percent; and then "A" and "B" districts having a low-income pupil concentration of at least 40 percent which are "eligible communities" according to the NJRA.

Table 2: DFG "A" and "B" Districts

County	District	District Factor Group 2000 Census
WARREN	ALPHA BORO	B
MONMOUTH	ASBURY PARK CITY	A
ATLANTIC	ATLANTIC CITY	A
CAMDEN	BELLMAWR BORO	B
OCEAN	BERKELEY TWP	B
BURLINGTON	BEVERLY CITY	B
SOMERSET	BOUND BROOK BORO	B
CUMBERLAND	BRIDGETON CITY	A
CAMDEN	BROOKLAWN BORO	B
ATLANTIC	BUENA REGIONAL	A
BURLINGTON	BURLINGTON CITY	B
CAMDEN	CAMDEN CITY	A
MIDDLESEX	CARTERET BORO	B
OCEAN	CENTRAL REGIONAL	B
CAMDEN	CHESILHURST	A
CAMDEN	CLEMENTON BORO	B
BERGEN	CLIFFSIDE PARK BORO	B
CUMBERLAND	COMMERCIAL TWP	A
CUMBERLAND	CUMBERLAND REGIONAL	B
CUMBERLAND	DEERFIELD TWP	B
MORRIS	DOVER TOWN	A
CUMBERLAND	DOWNE TWP	A
OCEAN	EAGLESWOOD TWP	B
HUDSON	EAST NEWARK BORO	A
ESSEX	EAST ORANGE	A

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

County	District	District Factor Group 2000 Census
ATLANTIC	EGG HARBOR CITY	A
UNION	ELIZABETH CITY	A
GLOUCESTER	ELK TWP	B
CUMBERLAND	FAIRFIELD TWP	A
BERGEN	FAIRVIEW BORO	A
MONMOUTH	FREEHOLD BORO	B
BERGEN	GARFIELD CITY	B
GLOUCESTER	GLASSBORO	B
CAMDEN	GLOUCESTER CITY	B
HUDSON	GUTTENBERG TOWN	B
PASSAIC	HALEDON BORO	B
ATLANTIC	HAMMONTON TOWN	B
HUDSON	HARRISON TOWN	B
ESSEX	IRVINGTON TOWNSHIP	A
HUDSON	JERSEY CITY	B
MONMOUTH	KEANSBURG BORO	A
HUDSON	KEARNY TOWN	B
OCEAN	LAKEHURST BORO	B
CAMDEN	LAWNSIDE BORO	B
CUMBERLAND	LAWRENCE TWP	A
UNION	LINDEN CITY	B
CAMDEN	LINDENWOLD BORO	B
OCEAN	LITTLE EGG HARBOR TWP	B
BERGEN	LODI BOROUGH	B
MONMOUTH	LONG BRANCH CITY	B
CAPE MAY	LOWER CAPE MAY REGIONAL	B
CAPE MAY	LOWER TWP	B
OCEAN	MANCHESTER TWP	B
CUMBERLAND	MAURICE RIVER TWP	B
CAPE MAY	MIDDLE TWP	B
CUMBERLAND	MILLVILLE CITY	A
SUSSEX	MONTAGUE TWP	B
BERGEN	MOONACHIE BORO	B
BURLINGTON	MOUNT HOLLY TWP	B
ATLANTIC	MULLICA TWP	B
GLOUCESTER	NATIONAL PARK BORO	B
MIDDLESEX	NEW BRUNSWICK CITY	A
BURLINGTON	NEW HANOVER TWP	B
ESSEX	NEWARK CITY	A
HUDSON	NORTH BERGEN TWP	B
CAPE MAY	NORTH WILDWOOD CITY	A
OCEAN	OCEAN GATE BORO	B
ESSEX	CITY OF ORANGE TWP	A
PASSAIC	PASSAIC CITY	A

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

County	District	District Factor Group 2000 Census
PASSAIC	PASSAIC CO MANCHESTER RE	B
PASSAIC	PATERSON CITY	A
GLOUCESTER	PAULSBORO BORO	A
BURLINGTON	PEMBERTON TWP	B
SALEM	PENNS GRV-CARNEY'S PT RE	A
MIDDLESEX	PERTH AMBOY CITY	A
WARREN	PHILLIPSBURG TOWN	B
OCEAN	PINELANDS REGIONAL	B
CAMDEN	PINE HILL BORO	B
UNION	PLAINFIELD CITY	B
ATLANTIC	PLEASANTVILLE CITY	A
PASSAIC	PROSPECT PARK BORO	B
SALEM	QUINTON TWP	A
BURLINGTON	RIVERSIDE TWP	B
UNION	ROSELLE BORO	B
CAMDEN	RUNNEMEDE BORO	B
SALEM	SALEM CITY	A
CAPE MAY	SEA ISLE CITY	B
OCEAN	SEASIDE HEIGHTS BORO	A
CUMBERLAND	SHILOH BORO	B
SOMERSET	SOUTH BOUND BROOK	B
MERCER	TRENTON CITY	A
HUDSON	UNION CITY	A
CUMBERLAND	UPPER DEERFIELD TWP	B
ATLANTIC	VENTNOR CITY	B
CUMBERLAND	VINELAND CITY	A
BERGEN	WALLINGTON BORO	B
BURLINGTON	WASHINGTON TWP	A
HUDSON	WEST NEW YORK TOWN	A
GLOUCESTER	WESTVILLE BORO	B
ATLANTIC	WEYMOUTH TWP	B
CAPE MAY	WILDWOOD CITY	A
CAPE MAY	WILDWOOD CREST BORO	B
UNION	WINFIELD TWP	B
CAPE MAY	WOODBINE BORO	A
GLOUCESTER	WOODBURY CITY	B
CAMDEN	WOODLYNNE BORO	B

The following table shows the school districts that have a DFG of "A" or "B" and also have a low-income pupil concentration of at least 40 percent.

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

**Table 3: DFG “A” and “B” Districts with a Low-Income Concentration Greater Than 40 Percent**

County	District	District Factor Group, 2000 Census	Percent Eligible For Free Lunch
Atlantic	Atlantic City	A	59.1%
Atlantic	Egg Harbor City	A	48.7%
Atlantic	Pleasantville City	A	41.9%
Burlington	Beverly City	B	48.8%
Burlington	Mount Holly Twp	B	40.7%
Camden	Camden City	A	81.8%
Camden	Chesilhurst	A	65.3%
Camden	Woodlynne Boro	B	58.4%
Cape May	Wildwood City	A	63.6%
Cape May	Woodbine Boro	A	63.6%
Cumberland	Bridgeton City	A	67.1%
Cumberland	Commercial Twp	A	52.2%
Cumberland	Fairfield Twp	A	42.8%
Cumberland	Lawrence Twp	A	45.6%
Cumberland	Vineland City	A	42.7%
Essex	East Orange	A	58.4%
Essex	Irvington Township	A	56.6%
Essex	Newark City	A	67.7%
Essex	City Of Orange Twp	A	69.1%
Gloucester	Paulsboro Boro	A	42.1%
Hudson	East Newark Boro	A	45.7%
Hudson	Guttenberg Town	B	53.5%
Hudson	Jersey City	B	57.5%
Hudson	North Bergen Twp	B	40.0%
Hudson	Union City	A	76.0%
Hudson	West New York Town	A	57.1%
Mercer	Trenton City	A	49.6%
Middlesex	New Brunswick City	A	68.7%
Middlesex	Perth Amboy City	A	61.0%
Monmouth	Asbury Park City	A	78.5%
Monmouth	Freehold Boro	B	42.0%
Monmouth	Keansburg Boro	A	40.0%
Monmouth	Long Branch City	B	46.7%
Ocean	Seaside Heights Boro	A	64.2%
Passaic	Passaic City	A	62.5%
Passaic	Paterson City	A	68.8%
Salem	Penns Grv-Carney'S Pt Regional	A	41.1%
Salem	Salem City	A	61.8%
Union	Elizabeth City	A	57.2%
Union	Plainfield City	B	54.8%

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

The result of using the low-income concentration requirement of 40 percent in combination with DFG "A" and "B" reduces the number of districts from 106 to 40. Also, as a result of the application of the percent low-income criteria, seven of the current Abbott districts shown in the table below (Table 4) would no longer be eligible for Abbott district designation since their low-income pupil concentration is less than 40 percent.

**Table 4: Current Abbott Districts Not Having The Required Low-Income Pupil Concentration**

County	District	District Factor Group, 2000 Census	Percent Eligible for Free Lunch
Bergen	Garfield City	B	0.2887
Burlington	Burlington City	B	0.3276
Burlington	Pemberton Twp	B	0.2371
Camden	Gloucester City	B	0.3222
Cumberland	Millville City	A	0.3866
Hudson	Harrison Town	B	0.2693
Warren	Phillipsburg Town	B	0.2698

The final table combines DFG "A" and "B", low-income pupil concentration of at least 40 percent and eligible communities according to the NJRA.

**Table 5: School Districts with DFG "A" and "B", Low-Income Pupil Concentration of at Least 40 Percent and Considered a NJRA Eligible Community**

County	District	District Factor Group, 2000 Census	Percent Eligible For Free Lunch	Eligible Community NJRA
Monmouth	Asbury Park City	A	78.5%	Yes
Cumberland	Bridgeton City	A	67.1%	Yes
Camden	Camden City	A	81.8%	Yes
Essex	City Of Orange Twp	A	69.1%	Yes
Essex	East Orange	A	58.4%	Yes
Union	Elizabeth City	A	57.2%	Yes
Hudson	Guttenberg Town	B	53.5%	Yes
Essex	Irvington Township	A	56.6%	Yes
Hudson	Jersey City	B	57.5%	Yes
Monmouth	Keansburg Boro	A	40.0%	Yes
Monmouth	Long Branch City	B	46.7%	Yes
Burlington	Mount Holly Twp	B	40.7%	Yes
Middlesex	New Brunswick City	A	68.7%	Yes
Essex	Newark City	A	67.7%	Yes
Hudson	North Bergen Twp	B	40.0%	Yes

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

County	District	District Factor Group, 2000 Census	Percent Eligible For Free Lunch	Eligible Community NJRA
Passaic	Passaic City	A	62.5%	Yes
Passaic	Paterson City	A	68.8%	Yes
Salem	Penns Grv-Carney'S Pt Reg	A	41.1%	Yes
Middlesex	Perth Amboy City	A	61.0%	Yes
Union	Plainfield City	B	54.8%	Yes
Atlantic	Pleasantville City	A	41.9%	Yes
Salem	Salem City	A	61.8%	Yes
Mercer	Trenton City	A	49.6%	Yes
Hudson	Union City	A	76.0%	Yes
Cumberland	Vineland City	A	42.7%	Yes
Hudson	West New York Town	A	57.1%	Yes

The combination of these three criteria further reduces the number of districts that would be eligible for Abbott designation under the commissioner's recommendations from 40 districts shown in Table 3 to 26 districts shown in Table 5. No further reduction of the number of current Abbott districts takes place, since all are currently considered eligible communities under the NJRA.

At this point, two further criteria are considered. Those districts whose low-income pupil concentration is at least 60 percent must meet one additional criteria: an equalized property valuation per capita<sup>16</sup> that is at least 3 percent below the State average. Those districts whose low-income pupil concentration is at least 40 percent but less than 60 percent, must meet two additional criteria: an equalized property valuation per capita which is at least 3 percent below the State average and an equalized tax rate which is at least 30 percent higher than the State average. Tables 6 and 7 below provide information concerning the application of these further criteria to the 26 districts shown in Table 4 that are still eligible for designation as an Abbott district following the application of the first three criteria.

<sup>16</sup> Equalized valuation per capita is the stated criteria, however, the per capita is not defined. Consequently this has been calculated in two ways; using the 2000 municipal population (equalized valuation per capita = \$83,142) and using the October 2002 resident enrollment (equalized valuation per resident enrollment = \$514,105) as the Statewide per capita measures.

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

**Table 6: Low-Income Pupil Concentration of at Least 60 Percent and a Per Capita Equalized Valuation Which is At Least 3 Percent Below the State Average Per Capita Equalized Valuation.**

County	District	Low-Income Percent Greater Than 60 Percent	Equalized Valuation Per Capita, Census 2000	Satisfies Per Capita Criteria	Equalized Valuation Per Resident Enrollment, 2002-03	Satisfies Per Capita Criteria
Monmouth	Asbury Park City	78.5%	\$28,456	Yes	\$137,845	Yes
Cumberland	Bridgeton City	67.1%	\$17,434	Yes	\$99,949	Yes
Camden	Camden City	81.8%	\$11,627	Yes	\$53,837	Yes
Middlesex	New Brunswick City	68.7%	\$32,494	Yes	\$251,707	Yes
Essex	Newark City	67.7%	\$29,011	Yes	\$176,008	Yes
Essex	Orange City	69.1%	\$26,644	Yes	\$182,196	Yes
Passaic	Passaic City	62.5%	\$24,546	Yes	\$144,657	Yes
Passaic	Paterson City	68.8%	\$25,137	Yes	\$138,945	Yes
Middlesex	Perth Amboy City	61.0%	\$35,560	Yes	\$193,523	Yes
Salem	Salem City	61.8%	\$20,619	Yes	\$101,956	Yes
Hudson	Union City City	76.0%	\$25,052	Yes	\$164,068	Yes

As can be seen, all of the districts which currently have a low-income pupil concentration equal to or greater than 60 percent meet the additional criteria for Abbott designation - that the equalized property valuation per capita be at least 3 percent below the State average equalized property valuation per capita regardless of the per capita measure used.

Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

Table 7, considers districts which have a low-income concentration percent which is at least 40 percent and less than 60 percent. These districts have to meet two additional criteria: a per capita equalized property valuation which is equal to or less than 3 percent below the State average; and a total equalized tax rate which is at least 30 percent higher than the State average equalized tax rate. All of these districts meet the first criteria, per capita equalized property valuation on both measures. However, eight of the districts (indicated with an \* by the district name) do not meet the second criteria, an equalized total tax rate which is at least 2.89. Of these eight, five currently are Abbott districts; Elizabeth, Long Branch, Jersey City, Perth Amboy and Vineland.

**Table 7: Districts with a Low-Income Pupil Concentration Percent of at Least 40 and Less than 60 percent, Equalized Property Valuation Per Capita which is at Least 3 Percent Below State Average and an Equalized Tax Rate which is at Least 30 Percent Higher than the State Average**

District	County	Low- Income > = 40 < 60 Percent	Equalized Value Per Capita, 2000 Census	Satisfies Per Capita Criteria	Equalized Value Per Resident Enrollment	Satisfies Per Capita Criteria	Total Equalized Tax Rate CY 2002	Satisfies Tax Rate Criteria
East Orange City	Essex	58.4%	\$21,725	yes	\$123,307	Yes	5.4011	Yes
Elizabeth City*	Union	57.2%	\$35,252	yes	\$209,313	Yes	2.6831	No
Guttenberg Town*	Hudson	53.5%	\$60,094	yes	\$522,683	Yes	2.7181	No
Irvington Township	Essex	56.6%	\$22,975	yes	\$161,314	Yes	4.3365	Yes
Jersey City City*	Hudson	57.5%	\$35,663	yes	\$261,043	Yes	2.7388	No
Keansburg Borough	Monmouth	40.0%	\$33,610	yes	\$183,655	Yes	2.9235	Yes
Long Branch City*	Monmouth	46.7%	\$68,765	yes	\$485,493	Yes	2.1759	No
Mount Holly Township*	Burlington	40.7%	\$35,236	yes	\$327,003	Yes	2.8380	No
North Bergen Township*	Hudson	40.0%	\$51,607	yes	\$428,250	Yes	2.8661	No
Penns Grove-Carneys Point	Salem	41.1%	\$39,489	yes	\$234,636	Yes	2.8919	Yes
Plainfield City	Union	54.8%	\$36,410	yes	\$214,571	Yes	3.0756	Yes
Pleasantville City	Atlantic	41.9%	\$30,642	yes	\$144,864	Yes	3.3067	Yes
Trenton City	Mercer	49.6%	\$21,806	yes	\$124,184	Yes	3.9432	Yes
Vineland City*	Cumberland	42.7%	\$36,740	yes	\$217,222	Yes	2.5084	No
West New York Town	Hudson	57.1%	\$27,874	yes	\$198,634	Yes	3.1325	Yes

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

Table 8 also shows the results of applying the commissioner's recommended criteria. It also includes each current Abbott district and, if no longer qualified for Abbott designation under the commissioner's recommended criteria, the basis for that district's disqualification.

**Table 8: Current Abbott Districts and Districts Eligible For Abbott Designation Under Criteria Recommended by the Commissioner of Education**

County	District	Current Abbott	Eligible	Abbott District Disqualification
Monmouth	Asbury Park City	Yes	Yes	
Cumberland	Bridgeton City	Yes	Yes	
Burlington	Burlington City	Yes	No	Low Income Percent
Camden	Camden City	Yes	Yes	
Essex	City Of Orange Twp	Yes	Yes	
Essex	East Orange	Yes	Yes	
Union	Elizabeth City*	Yes	No	Equalized Tax Rate
Bergen	Garfield City	Yes	No	Low Income Percent
Camden	Gloucester City	Yes	No	Low Income Percent
Hudson	Harrison Town	Yes	No	Low Income Percent
Hudson	Hoboken	Yes	No	DFG "FG"
Essex	Irvington Township	Yes	Yes	
Hudson	Jersey City*	Yes	No	Equalized Tax Rate
Monmouth	Keansburg Boro	Yes	Yes	
Monmouth	Long Branch City*	Yes	No	Equalized Tax Rate
Cumberland	Millville City	Yes	No	Low Income Percent
Monmouth	Neptune	Yes	No	DFG "CD"
Middlesex	New Brunswick City	Yes	Yes	
Essex	Newark City	Yes	Yes	
Passaic	Passaic City	Yes	Yes	
Passaic	Paterson City	Yes	Yes	
Burlington	Pemberton Twp	Yes	No	Low Income Percent
Salem	Penns Grv-Carney'S Pt Reg	No	Yes	
Middlesex	Perth Amboy City	Yes	Yes	
Warren	Phillipsburg Town	Yes	No	Low Income Percent
Union	Plainfield City	Yes	Yes	
Atlantic	Pleasantville City	Yes	Yes	
Salem	Salem City	Yes	Yes	
Mercer	Trenton City	Yes	Yes	
Hudson	Union City	Yes	Yes	
Cumberland	Vineland City*	Yes	No	Equalized Tax Rate
Hudson	West New York Town	Yes	Yes	

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

### Potential Fiscal Impact of Commissioner's Recommendations

As indicated in the commissioner's report, an Abbott district that no longer satisfies the economic requirements for Abbott district designation would require that an exit plan be developed for the district which might include a four-year phase out of court-ordered funding. For illustrative purposes, a partial example of such a four-year phase out plan is provided in Table 9. This shows the court-ordered aid the Abbott districts which no longer satisfy the criteria received in FY 2005 and are scheduled to receive in FY 2006 and the amount of savings in State aid that would take place were court-ordered aid phased out over four years, beginning the second school year, 2004-2005, after the report was first issued. As shown in Table 9 (see bottom rows), in the first year of a four-year phase-in program (25 percent less court-ordered State aid), the savings in State aid would be \$122.4 million; in the second year (50 percent less court-ordered State aid), the savings would be \$257.2 million.

**Table 9: Potential Savings in State Aid Under Four Year Phase-Out of Court Ordered Aid to Current Abbott Districts No Longer Qualifying Under Commissioner's Recommended Criteria**

District	Education Opportunity Aid FY 2005	Pre-School Expansion Aid FY 2005	Total Court Ordered Aid, FY 2005	Education Opportunity Aid FY 2006	Pre-School Expansion Aid FY 2006	Total Court Ordered Aid, FY 2006
BURLINGTON CITY	\$5,206,258	\$570,461	\$5,776,719	\$5,206,258	\$898,631	\$6,104,889
ELIZABETH CITY	\$79,834,856	\$10,864,771	\$90,699,627	\$79,834,856	\$19,301,728	\$99,136,584
GARFIELD CITY	\$13,141,255	\$1,271,947	\$14,413,202	\$15,952,293	\$2,524,033	\$18,476,326
GLOUCESTER CITY	\$15,695,400	\$0	\$15,695,400	\$15,695,400	\$0	\$15,695,400
HARRISON TOWN	\$6,584,166	\$2,579,065	\$9,163,231	\$7,586,964	\$2,852,492	\$10,439,456
HOBOKEN CITY	\$0	\$2,768,819	\$2,768,819	\$0	\$2,777,019	\$2,777,019
JERSEY CITY	\$172,419,064	\$14,525,975	\$186,945,039	\$172,419,064	\$21,995,063	\$194,414,127
LONG BRANCH CITY	\$15,216,554	\$1,633,986	\$16,850,540	\$15,216,554	\$2,435,893	\$17,652,447
MILLVILLE CITY	\$27,811,490	\$2,405,560	\$30,217,050	\$27,811,490	\$2,990,962	\$30,802,452
NEPTUNE TWP	\$15,918,489	\$0	\$15,918,489	\$15,918,489	\$0	\$15,918,489
PEMBERTON TWP	\$29,732,100	\$1,541,118	\$31,273,218	\$29,732,100	\$2,385,255	\$32,117,355
PHILLIPSBURG TOWN	\$18,061,207	\$977,250	\$19,038,457	\$18,061,207	\$1,398,813	\$19,460,020
VINELAND CITY	\$45,629,725	\$5,185,140	\$50,814,865	\$45,629,725	\$5,831,601	\$51,461,326
<b>Totals</b>	<b>\$445,250,564</b>	<b>\$44,324,092</b>	<b>\$489,574,656</b>	<b>\$449,064,400</b>	<b>\$65,391,490</b>	<b>\$514,455,890</b>
<b>Savings from Phase-In</b>		<b>Savings at 25 percent less, first year</b>	<b>\$122,393,664</b>		<b>Savings at 50 percent less, second year</b>	<b>\$257,227,945</b>

In addition to educational funding, the districts shown above receive 100 percent funding for school facilities construction. The commissioner's report indicates that any current Abbott district which no longer meets the criteria for continued Abbott designation would continue to receive 100 percent school facilities funding for any projects that are in the design or construction phase. Table 10, on the following page, provides information on pending projects (projects not currently in the design or construction phase) in these districts and the district local share that would be required under the "Educational Facilities Construction and Financing Act."

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

Table 10: Projects That Are Pending in Districts No Longer Qualifying As Abbott Districts

District Name	Number of Projects	Current Estimated Costs	Paid Thru Feb 28, 2005	State Share for Facilities Projects	Local Share of Estimated Costs
Burlington	2	\$12,372,640	\$0	49.2%	\$6,282,827
Elizabeth	14	\$21,836,174	\$16,140	72.9%	\$5,915,420
Garfield	4	\$0	\$0	46.1%	\$0
Harrison Town	1	\$7,307,685	\$0	43.4%	\$4,139,438
Hoboken	4	\$51,029,795	\$0	40.0%	\$30,617,877
Jersey City	36	\$271,913,471	\$1,759,155	59.0%	\$111,498,119
Long Branch	2	\$0	\$3,067,246	41.9%	\$0
Millville	2	\$0	\$0	65.2%	\$0
Neptune	2	\$39,579,000	\$3,634,214	40.0%	\$23,747,400
Pemberton	6	\$7,250,000	\$453,815	76.1%	\$1,730,575
Phillipsburg	4	\$4,698,093	\$0	65.4%	\$1,623,896
Vineland	2	\$294,000	\$0	60.0%	\$117,512
<b>Grand Total</b>	<b>79</b>	<b>\$416,280,858</b>	<b>\$8,930,570</b>		<b>\$185,673,063</b>

The total amount of the local share, \$185.7 million, represents the amount that the local districts would be required to raise for these projects and thus the amount of savings to the State.

The corollary of this State expense reduction would be less aid to the districts. Table 11 shows the potential impact the loss of court-ordered aid would have on the operating budgets of these districts. In lieu of this aid, these districts would have to raise these funds through an increased local levy or they would have to reduce programs. For example, one program that would no longer be required for any district which is not an Abbott district is the provision of a full-day three and four year old preschool.

Table 11: Court-Ordered Aid as a Percent of District Net Budget

County	District	Net Budget	School Year 2003-04	
			Court Ordered Aid	Court Ordered Aid / Net Budget
BURLINGTON	BURLINGTON CITY	\$18,822,026	\$5,006,475	26.6%
UNION	ELIZABETH CITY	\$269,848,180	\$62,451,429	23.1%
BERGEN	GARFIELD CITY	\$51,323,484	\$13,612,665	26.5%
CAMDEN	GLOUCESTER CITY	\$25,692,105	\$11,685,882	45.5%
HUDSON	HARRISON TOWN	\$23,713,164	\$7,867,379	33.2%
HUDSON	HOBOKEN CITY	\$38,237,791	\$2,170,933	5.7%
HUDSON	JERSEY CITY	\$413,775,554	\$138,549,132	33.5%
MONMOUTH	LONG BRANCH CITY	\$56,465,911	\$12,259,954	21.7%
CUMBERLAND	MILLVILLE CITY	\$65,370,131	\$18,628,083	28.5%
MONMOUTH	NEPTUNE TWP	\$51,662,120	\$10,617,379	20.6%
BURLINGTON	PEMBERTON TWP	\$78,315,436	\$24,652,220	31.5%
WARREN	PHILLIPSBURG TOWN	\$35,714,197	\$12,989,179	36.4%
CUMBERLAND	VINELAND CITY	\$124,662,053	\$42,046,631	33.7%

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

As can be seen from the table, except for Hoboken, court-ordered aid makes up at least 20 percent of each district's net budget (total operating budget).

### Summary

As required under subsection k. of section 4 of the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-4), the Commissioner of Education has submitted his report to the Legislature, *Designation of Abbott Districts – Criteria and Process*. Under the recommended criteria, in order to be designated an Abbott district, a district has to be either a District Factor Group "A" or "B" district, and then meet certain other criteria.

The systematic application of these criteria to the school districts in this State provided the following results: 19 districts met the above criteria for designation as an Abbott district; of the 31 districts currently designated as Abbott districts, only 18 met the commissioner's recommended criteria, and 13 did not; one district not currently designated an Abbott district met the criteria, Penns Grove-Carneys Point Regional District.

A consideration of court-ordered educational aid indicated that had these criteria been implemented under a four-year phase-in program beginning in the second school year following the submission of the report to the Legislature, there would have been significant savings for the State. Consideration of school facilities still in the "pending" status also indicates that there could be potential savings to the State of over \$100 million.

This Office of Legislative Services' backgrounder has presented information on the variety of factors that have led up to the submission of the Commissioner of Education's report on criteria for Abbott designation and has examined the potential fiscal impact that would result if the commissioner's report had been implemented using certain data (see below). As indicated in the Abbott decisions, the designation of school districts as Abbott districts is not exclusively a decision to be made by the Commissioner of Education; legislative action is also required. Abbott districts are currently defined in State law at N.J.S.A. 18A:7F-3.

### Data Sources

The list of districts according to District Factor Groups based on the 1990 and 2000 decennial census is data provided by the Department of Education. It may be accessed at the following web site: <http://www.state.nj.us/njded/finance/sf/dfg.shtml>

The list of communities considered "eligible communities" according to the New Jersey Redevelopment Authority may be found at the following website: <http://www.state.nj.us/njra/browneligible.html>

For low-income pupil concentration ratios/percents, data was provided by the Department of Education. The data is from the 2002-03 school year, which would have been available for use at the time the commissioner submitted his report to the Legislature. The data used to calculate low-income concentration is the data used to determine school district eligibility for Early Childhood Program Aid (ECPA) under section 16 of the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), P.L.1996, c.138 (C.18A:7F-16). ECPA uses "modified district

## Background Paper: Criteria for Abbott Designation: Existing and Proposed (cont.)

enrollment" as the denominator which is defined in section 3 of CEIFA (C.18A:7F-3). Low-income pupil as defined in CEIFA uses the same income eligibility criteria as used to determine pupil eligibility for free lunch under the federal Department of Agriculture Free/Reduced Lunch Program.

Information on equalized value and equalized tax rates was taken from the data on the web site of the Department of Community Affairs, Local Government Services. Data is for the 2002 calendar year. [http://www.nj.gov/dca/lgs/taxes/02\\_data/02taxmenu.shtml](http://www.nj.gov/dca/lgs/taxes/02_data/02taxmenu.shtml)

Information for municipal population is from the 2000 census data.

For Penns Grove-Carneys Point Regional School District, equalized value, equalized tax rate and population for Carneys Point and Penns Grove were combined for use in the backgrounder tables.

## OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2006 budget are encouraged to contact:

**Legislative Budget and Finance Office  
State House Annex  
Room 140 PO Box 068  
Trenton, NJ 08625  
(609) 292-8030 • Fax (609) 777-2442**