

Assembly Budget Committee Testimony
New Jersey Department of Education
Commissioner Lucille E. Davy
March 29, 2007

Good morning Chairman Greenwald, Vice Chairman Payne, and members of the Assembly Budget Committee. Thank you for giving us the opportunity to discuss the Department of Education's budget for fiscal year 2008.

In the next few minutes, I would like to cover three areas: First, the funding and the programs that are new in this year's budget. Then I would like to discuss the re-organization that is currently underway at DOE, which I believe will allow us to meet our many responsibilities in a more efficient and effective manner.

And finally, I want to give you a progress update on a few of the projects that we discussed last year, including QSAC, the department's new monitoring system, and NJSMART, the new student-level data base.

The FY08 Proposed Budget

First, the very good news: Governor Corzine's proposed FY08 budget will provide the first major increase in state support to non-Abbott school districts in the past three years and the largest dollar increase in state school aid since 2000.

Every non-Abbott district will receive an increase of at least three percent in formula aid, and additional aid will be provided to non-Abbott communities with high concentrations of children living in poverty. In addition, for districts that are already providing full-day kindergarten, the Governor included funding to help cover those full-day costs.

With a total increase of \$580 million over the last year, state aid for education now totals nearly \$11 billion, the largest single state expenditure and about one third of the overall state FY08 budget. Eight billion dollars will be used for direct aid to districts, while \$3 billion will be used for the payments the state makes for teacher benefits and debt service.

The current CEIFA formula has not been fully funded since the 2001-2002 school year. The CEIFA formula was run for five years beginning in 1997-1998 and only fully funded in three of those five years. In the first and third year, aid was prorated.

The FY08 budget recommends providing \$92.6 million for a minimum three percent increase in aid to all non-Abbott districts. Aid to nonpublic schools will also increase three percent.

Additional aid will be targeted to help communities with concentrations of 15 percent or more low-income students no matter where they live, a focus consistent with the Governor's goal of enacting a new funding formula in time for the start of the next school year.

Many districts across the state have significant numbers of at-risk students, and they need and deserve state assistance to help them provide a thorough and efficient education those children, too.

Much of this additional aid will come from the Targeted At-Risk Assistance program. It will be given to communities with high concentrations of low-income students and is intended to help defray the cost of providing preschool, full-day kindergarten and literacy programs. Research has demonstrated that all of these can assist in closing the achievement gap for low-income children.

Districts where 15 percent to just under 20 percent of students qualify for free and reduced-price meals will receive an additional \$250 per low-income student. Districts in which more than 20 percent of the children qualify for free and reduced-price meals receive \$500 per low-income pupil. More than 200 districts will benefit from this new funding.

About half of the low-income students in New Jersey live in Abbott districts, and significant resources are already being expended in an attempt to meet their needs. As you know, Abbott districts receive aid to bring their per pupil spending equal to that of the wealthiest districts in the state. The state pays for their preschool programs. And they can also apply for additional aid to improve their literacy, secondary school and other programs.

A \$124.2 million increase in Education Opportunity Aid will allow for a three percent increase in state aid for the Abbott districts that are already at parity or above parity. The specific allocations to individual districts will be determined by the Department of Education through the budget review process.

Districts that have submitted a budget with a 3 percent increase are getting a review similar to those done for non-Abbott districts receiving a 3 percent increase – through the county offices. For districts that seek additional funding, we have requested additional documentation to support the request for this additional funding. This is consistent with our overall obligation for accountability and in accordance with the process that is required in our regulations.

In addition, unlike in past years when a presumptive budget was used, this process was more open and transparent and allowed for participation by a leadership group from the Abbott districts, as well as advocates and attorneys representing the districts. This involved a give and take process in which the department provided information as requested and the leadership group made a counterproposal regarding the distribution of funding. We offered a modified proposal which resulted in 23 Abbott districts submitting a budget with a 3 percent increase.

As a condition of receiving Education Opportunity Aid, 15 Abbott districts that are below 120 percent of the state average total equalized tax rate will be required to contribute a greater local share toward the cost of educating their students. The increased local share will not exceed \$125 per household and will not exceed the four percent tax levy cap adjusted for enrollment growth.

This is the second year in which Abbott districts with relatively low equalized tax rates have been asked to increase their local share to assist in supporting the costs of educating students.

This requirement is part of the Corzine Administration's effort to ensure that Abbott districts are contributing their fair share toward the cost of education.

Another area of targeted aid is early childhood education programs, which have been one of New Jersey's outstanding success stories. Our efforts in this area have attracted national attention. The National Institute for Early Educational Research continues to rank our preschool program as one of the best in the nation and first in terms of the amount of resources we devote to this initiative.

Why have we chosen to make this significant investment? Because preschool works. Presidents, governors, CEOs, police officers, parents, researchers and, of course, educators all agree that children who attend high-quality preschool enter school ready to succeed. They have better social skills, better communications skills, better literacy skills and better problem-solving skills. They've experienced the thrill that comes with understanding and achieving, and they are ready to move to the next level.

This gives low-income children in particular a huge boost in terms of closing the achievement gap, which translates into greater success, stability and productivity as adults.

The department expects Abbott preschool enrollment to grow to 41,000 for the 2007-08 school year. That will mean that about 80 percent of all general education three- and four-year-olds in the Abbott districts will be enrolled in a high-quality preschool program.

The FY 08 budget recommendation includes \$246.3 million for Abbott Preschool Expansion Aid, as well as \$99.1 million in the Department of Human Services for programs offered before and after school for Abbott preschoolers. Early Childhood Program Aid funding in the amount of \$330.6 million can support an additional 43,400 preschoolers and kindergartners in 132 high poverty districts around the state.

The Early Launch to Learning Initiative, introduced in 2005, will receive \$3 million to allow the program to operate at the same level as fiscal 2007. ELLI has increased access to high-quality preschool for low-income four-year-olds by creating new or expanded programs in the districts that have participated in the program since its inception.

The Preschool Expansion and Enhancement Grant program, recommended to receive \$10 million, is aimed at improving the quality of preschool providers in non-Abbott districts, including Head Start. The appropriation will also support an independent study to determine the steps and resources needed to create a seamless preschool system for all low-income students. The awards will support certification efforts for teachers, selection of a research-based curriculum, professional development and other efforts to make these programs as solid and effective as those operated in the Abbott districts.

Governor Corzine believes that high quality early childhood education is the foundation for academic success for all children, and he believes strongly that the number of full-day kindergarten programs must be increased. To that end, the budget includes \$26.2 million for the Full-Day Kindergarten Supplemental Aid, a new program to help compensate districts that are

currently supporting full-day programs with local tax dollars. The funding will be distributed on a wealth-equalized basis to 185 districts.

Another way in which the state helps relieve the property tax burden while investing in our children is by making payments on behalf of districts for the teachers' Pension and Annuity Fund, post-retirement medical benefits, and Social security payments on behalf of the districts. In fiscal 2008, these three payments and the debt service on pension obligation bonds will increase \$61.9 million to nearly \$2.3 billion.

There is a direct services change in the department's own operational budget that I would like to call to your attention. That is the increase of \$4.5 million for the statewide assessments. You may know that we are in the process of revising our testing system for grades 3-8. We want to have all the tests provided by one vendor, align everything with our content standards and provide three tiers of testing.

We've developed this new system with input from educators from throughout the state. It will give the department and the districts better, more timely information that will help guide efforts to improve student achievement, while allowing us to continue to measure the higher-order problem-solving skills that the 21st century economy demands of its workers. Bids from the new testing RFP were received last week and are currently under review. We hope to make an award in May so that the new system can be in place for the 2007-08 school year.

Reorganization of the Department

Over the past year, the department has examined carefully its educational obligations and concluded that we had to reorganize our structure in order to meet them.

As I noted when I came before you last year, in the 1980s, DOE had a staff of almost twice as many people as we have today, but had about half of the state and federally-mandated obligations that we currently have. Over the last decade alone, the department has taken – or been given – responsibility for the following matters:

- Core Curriculum Content Standards to guide teaching in our classrooms
- Charter schools
- The 3rd, 5th, 6th and 7th grade tests
- The Supreme Court-mandated full-day preschool and kindergarten programs
- The renewed focus on school security.
- The *No Child Left Behind Act*, with its detailed and layered accountability responsibilities in terms of student achievement, teacher quality and school safety.
- The revised federal special education act, *IDEA*, which mandates a shift toward inclusive programs and away from out-of-district placements, a concept that the department must regulate and administer.
- The school construction law, which requires that the department review and approve every one of the almost 600 districts' five-year long-range facilities plans and thousands of individual building projects.

- More effective monitoring of school districts that allows for earlier intervention in struggling districts under NJQSAC.

Clearly, we had to reorganize our staff to work as efficiently as possible. I have reorganized the core functions of the department in a way that will help us provide the state and federally mandated oversight requirements, as well as advance our initiatives to prepare our children for their future roles in the workplace and as citizens in our communities, and provide the leadership and assistance to the districts in their effort to improve students achievement.

Willa Spicer will soon join the department as Deputy Commissioner. Willa's expertise in the areas of curriculum and assessment is well-known and she has worked with educators throughout the state on these issues.

The new DOE structure will also enhance the department's focus on accountability at all levels. The first assignment undertaken by former State Police Major Robert Cicchino, the new Director of the DOE Office of Compliance and Fiscal Accountability, is a review of the findings from the KPMG audits of the three state-operated districts and Camden to determine what needs to be done to improve the operations in these districts and ensure that state funds are spent effectively and efficiently. When the other 27 Abbott district audits are concluded later this spring, his office will review and follow up on them as well.

As you know, under the authority granted to the department under the "School District Accountability Act" which you approved last year, the Commissioner can now appoint state monitors in districts where annual audits have identified serious fiscal deficiencies. To date, I have appointed four state monitors in troubled districts: Willingboro, Camden, Irvington and Paterson. I expect to make a fifth appointment, in Pleasantville, in the next few days.

Some people have suggested that I should not be reorganizing DOE before the external audit of the department required by SR1 is completed. I do not agree. This reorganization is the product of 18 months of my own observations since I took this post and more than six months of deliberation with a wide range of people over the best way for DOE to get its work done. I welcome the external review and look forward to its recommendations, but I saw no reason to have the department stand still for another six months with an organizational structure that didn't work while the review was being completed.

Some of you asked me last year about the department's regional offices, and I told you that I believed they were ineffective. We have eliminated those offices in our new structure.

In addition, I am convinced that with the progress being made in some Abbott districts, not all of them need the same kind and amount of engagement by the department staff. Similarly, there are struggling non-Abbott districts for which we are not providing adequate oversight.

Our new Division of District and School Improvement will allow us to look individually at districts and provide support and assistance to them according to their needs, not according to a label. I also believe it is not enough for the department to merely criticize districts for their shortcomings. Rather, the department must take a pro-active role in helping districts address the

needs of their students who are not achieving at levels that will allow them to be successful in the 21st century. The re-organized department provides us with a structure that can better meet the needs of the districts.

Current DOE Initiatives

As the department has observed the success of its early education programs, it has also seen positive results from the emphasis on early literacy and the expectation that all children will be able to read by the end of third grade. We have focused consistently on this for the obvious reason that a fourth grader who cannot read and write the English language will have great difficulty learning the science, history, and mathematics required to graduate from high school. This attention, coupled with an equally strong push on early mathematics mastery, has resulted in gains in achievement across the state.

Our next challenge is to sustain the momentum of the early literacy into middle school and high school. And this is not our struggle alone; it is a national problem. Unfortunately, the kind of research that is available to help us address continued progress for students in pre-K to grade three is simply not available to guide us in addressing middle school issues. But if we are to succeed in our goal of increasing high school graduation rates and ensuring that every child who leaves high school is prepared to enter postsecondary education or the business world without needing skill remediation, then we must begin in the middle school years.

A grant from the National Governor's Association has allowed the department's Adolescent Literacy Policy and Planning Committee to develop a research-based strategy that includes a comprehensive instructional model and intensive training program to improve literacy instruction and outcomes for middle school students.

The program called Literacy is Essential to Adolescents' Development and Success (LEADS) began in three school districts in the summer of 2005. In FY 2007, the department expanded the program to eight districts and in FY 08 it will expand to 18. Department staff provides ongoing professional development to the districts, as well as to a consortium of 45 non-Abbott Special Education Literacy districts that are focused on reducing classification of students that are affected by literacy deficiencies. We will also expand these efforts to address the deficiencies in mathematics skill preparation that often prevents students from succeeding in high school math courses.

Special education is another area receiving our attention. There are approximately 233,000 special education students in New Jersey's public school system. Special education has never been fully funded by the federal government as required in *IDEA*. You will recall all too well that the federal government promised to pay 40 percent of states' average per pupil expenditure towards special education costs. For fiscal 2008, the federal funding constitutes only about 16 percent.

The state has tried to meet some of these underfunded needs through state grant programs. For example, New Jersey has one of the highest rates of autism diagnosis the country: Approximately 7,400 children in New Jersey between the ages of five and 21 have been

diagnosed with autism spectrum disorders. At Governor Corzine's urging, the fiscal 2007 budget included \$15 million to support students with autism, as well as \$4.5 million in new grants for local districts to develop or enhance their special education programs. Continued funding does not appear in the 2008 budget since these are multi-year programs with a grant period beginning in fiscal 2007 and supported by those funds from 2007, but it will be complimented by \$5 million included in the FY 08 budget for the Department of Human services to address the needs of the autism community.

Governor Corzine's Economic Growth Strategy, aimed at building New Jersey's Economic Base, is heavily dependent on a well-educated workforce that has the skills for the 21st Century. Meeting that demand will determine the direction of the department's education initiatives for the next few years.

One of those key initiatives is the statewide effort to bring 21st century relevance to the high school experience. This work is led by the High School Redesign Steering Committee, which includes representatives from all of our professional education groups and participants from universities and business. The goal of the project is to build support for raising high school graduation requirements and aligning those requirements with the expectations of colleges and employers.

DOE will eliminate the Special Review Assessment and establish a rigorous alternate path for students who do not pass the High School Proficiency Assessment. The SRA was never intended to be used as a lower standard, but rather a different means of measuring the same standard. We did note that last year, the number of students graduating via the SRA did dip slightly from a high point of more than 15,000 students, but it is still not acceptable for over 13,000 students to get a high school diploma without passing the HSPA.

NJQSAC is the newly legislated state education monitoring system that has begun this year. All districts will be monitored every three years in an intensive process that looks at every aspect of the district – governance, personnel, operations, fiscal, and instructional. The information gleaned from the QSAC process will be used in conjunction with the school improvement initiatives to give us even more ability to target assistance to schools in need.

Finally, our long-awaited student-level data base, NJSMART, is well on its way to full implementation. On December 18, the department had the first upload of directory data from every school district to the data warehouse. We are now in the process of assigning "unique student identifiers" to every child in every New Jersey public school. So far, the phases of development are on schedule.

When fully functional, this longitudinal system populated with student-level data will make data collection more accurate and more efficient. It will enable many program offices to combine elements in ways that quickly give them whatever data they are required to report to the federal government or the public. Ultimately, the longitudinal system will replace the current aggregate collections conducted by the DOE. It will also eventually allow local districts to link teacher data to student progress that will give districts new accountability and professional development tools.

At this point, I would be happy to take your questions.