

Senate Budget and Appropriations Committee Testimony
New Jersey Department of Education
Commissioner Lucille E. Davy
April 16, 2007

Good morning Chairman Kenny, Vice Chairman James and members of the Senate Budget and Appropriations 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, and second, the re-organization that is currently under way at DOE, which will allow us to meet our many responsibilities in a more efficient and effective manner.

Finally, I want to give you a progress update on a few of the projects that we discussed when I appeared before you last year, including NJ QSAC, the department's new district 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 and those already providing full-day kindergarten.

With a total increase of \$580 million over last year, the state now provides almost \$11 billion in aid for education. This is about one-third of the overall FY08 state budget and the largest single expenditure in the 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 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 help communities where 15 percent or more of the students are from low-income families. This focus is consistent with the Governor's belief that aid should be targeted to students in need, no matter where they live.

Much of this additional aid will come from a new program called Targeted At-Risk Assistance. 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 in which 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. 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 or above parity. The specific allocations to individual districts will be determined by the Department of Education through the budget review process.

The budgets of the Abbott districts that requested a three percent increase are being reviewed by the county offices under a process very similar to that used with non-Abbott districts receiving three percent increases. The budgets of the eight Abbott districts that are seeking additional funding require review in accordance with the process required in our regulations.

As a condition of receiving Education Opportunity Aid, 15 Abbott districts with equalized tax rates below 120 percent of the state average will be required to contribute a greater local share toward the cost of educating their students. The increased local contribution 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 the amount they contribute to the education of their 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 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.

We have chosen to make this significant investment because preschool works. Children who attend high-quality preschool enter kindergarten 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.

Preschool gives low-income children 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 Early Launch to Learning Initiative, established in 2005, will receive \$3 million, which will allow the program to operate at its current level. 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 aim of the Preschool Expansion and Enhancement Grant program, recommended to receive \$10 million, is to improve 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 understands 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. 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. 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 to which I would like to call 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 assessment system with input from educators from throughout the state. It will give the department and the districts the kind of accurate and timely information we need to help guide efforts to improve student achievement, while at the same time 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 recently received and are being reviewed. We hope to make an award in late spring so that the new system can be in place for the 2007-08 school year.

Reorganization of the Department

Over the past year, I have been working with others in the department to carefully examine DOE's 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 almost twice as many employees as we have today, but about half of the state and federally-mandated obligations that we currently have. Over the last decade alone, the department has taken on – 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.

It was very clear to me that if we were going to get all of this done with existing resources, we had to change the way we do our work. I have reorganized the core functions of the department in a way that will help us provide the state and federally mandated oversight requirements, advance our initiatives to prepare our children for their future roles in the workplace and as citizens in our communities, and provide leadership and assistance to the districts in their effort to improve student achievement.

We are extremely fortunate that Willa Spicer has joined 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 their fiscal and business operations 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 five state monitors in troubled districts: Willingboro, Camden, Irvington, Paterson and Pleasantville.

At the same time, I am convinced that some of the Abbott districts are making real progress, and that 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 their labels. I also believe that the department has to do more than just criticize districts for their shortcomings. We have a moral obligation to take a pro-active role in helping them 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 assist the districts and the children they serve.

Some people have suggested that I should not be reorganizing DOE before the external audit of the department required by SJR1 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, and while QSAC and the recently-signed CORE bill require our attention.

Current DOE Initiatives

I would like to spend just a few more minutes discussing some of our ongoing issues.

In addition to Abbott preschool, another DOE success story is the positive result we've seen from our emphasis on early literacy and our 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 this momentum into middle school and high school. This is not our struggle alone; it is a national problem. Unfortunately, the kind research that helps us address continued progress for students in the early grades is simply not available yet to guide us

in addressing middle school issues. But if our goal is to increase high school graduation rates and ensure that every child who graduates is ready to enter postsecondary education or the business world without skills remediation, we must begin in the middle school years.

Thanks to a grant from the National Governor's Association, the department has developed a research-based strategy called LEADS (Literacy is Essential to Adolescents' Development and Success), which began in three school districts in 2005. This year, we have expanded the program to eight districts and next year, there will be 18.

Department staff provides ongoing teacher training to the districts, as well as to a consortium of 45 non-Abbott Special Education Literacy districts that are focused on reducing the number of middle school students who end up classified as learning-disabled simply because they can't read their textbooks. 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*. I am sure that many of you will recall 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.

Here in New Jersey, we've tried to meet some of the underfunded needs through state grant programs. For example, approximately 7,400 children in New Jersey between the ages of five and 21 have been diagnosed with autism spectrum disorders, one of the highest rates of autism diagnosis in the nation. At Governor Corzine's urging, last year's 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.

When the department advertised the availability of the autism grants last year, 250 districts applied. In February, grants ranging from \$18,000 to \$700,000 were awarded to 55 districts. These are multi-year programs that will be complemented by \$5 million included in the Department of Human Services FY 08 budget to address the needs of the autism community.

Governor Corzine's economic growth strategy is heavily dependent on a well-educated workforce that has the skills for the 21st century, and one of our current key initiatives is the statewide effort to bring 21st century relevance to the high school experience. The goal of the high school redesign 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. 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.

I am pleased to report that we have launched NJQSAC (the Quality Single Accountability Continuum), the new district monitoring system. Districts will be monitored every three years through a comprehensive process that looks at every aspect of their operation – governance, personnel, operations, fiscal, and instructional. The information gleaned from QSAC 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 student-level database, 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 project is on schedule.

This longitudinal system populated with student-level data will make the data collection process 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. It will also eventually allow us to link teacher data to student progress, which will give districts new accountability and professional development tools.

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