1. P.L.2007, c.63 required that the executive county superintendents of schools study the feasibility of regionalizing school districts that are not operating grades kindergarten through 12. The studies were to be submitted to the Commissioner of Education by March 2010. Upon the commissioner’s approval of the plan, the executive county superintendent is to require all districts covered by the plan to conduct a special school election at which a question would be submitted as to whether or not the plan will be adopted. Additionally, P.L.2007, c.63 provided the executive county superintendents of schools with the authority to eliminate the non-operating districts located in the county. P.L.2009, c.78 provided further clarification regarding the procedures by which such districts would be eliminated. Effective July 1, 2009, 13 of the 26 non-operating school districts were eliminated and merged into other districts.

Question: Please provide an update of the status of the executive county superintendents’ progress towards completing the regionalization reports that were to be submitted to the commissioner. What is the anticipated timeframe for directing affected school districts to hold the required special election?

Response: The reports from the Executive County Superintendents are all in and are currently under review.

Question: Please provide an update of the department’s progress towards developing a plan to eliminate the remaining 13 non-operating school districts.

Response: Our work up to this point shows that nine of the 13 remaining non-operating school districts should be able to merge with other districts under minimally disruptive arrangements. The other four districts currently send to limited-purpose elementary districts that are members of a regional high school district, while the non-operating district is not a member of the regional. Merging these districts is more complicated. The Executive County Superintendent’s will continue their work with school districts on consolidation plans that result in the least disruption on educational delivery, district operations and local finances.
2. In a March 17 memo to school districts describing the proposed State school aid for the 2010-2011 school year, the department states, “It should be noted that an important goal in our distribution of aid dollars was to minimize the impact of the loss of federal funds on categories of aid that are vital to providing a thorough and efficient education. Thus, aid reductions were applied in an order that made equalization aid the last to be impacted.” The ordering of the State aid reduction, starting with adjustment and transportation aids, mitigates the impact of the State aid reduction on charter schools.

**Question:** Given that aid awarded pursuant to the school funding law, other than preschool education aid, is general fund revenue and is fungible, please explain why any one category of aid would be more “vital to providing a thorough and efficient education” than another.

**Response:** For practicality, the aid was reduced through a consistent ordering of categories. The initial category for reduction was adjustment aid, since it does not reflect t & e costs, but is provided as hold harmless aid. Other than adjustment aid, the additional categories (reduced prior to equalization aid) are included in the district’s t & e costs as calculated for the adequacy budget. The Department’s decision to implement the reductions in this order should not be construed as an indication that security, special education, and transportation are not included in a district’s provision of a thorough and efficient education. However, the core costs for providing instruction and supplemental services to all students, as well as the majority of additional costs for students with special needs, are included in the calculation of equalization aid. As such, equalization aid includes the majority of a district’s costs for providing a thorough and efficient education.
3. In response to OLS discussion point 1 from FY 2009, the department provided a copy of a memorandum of understanding (MOU) with Rutgers University to conduct a study of resource allocation in public schools in the State. This MOU specified that the final report would be submitted to the department by June 30, 2008. In response to OLS discussion point 4 from FY 2010, the department noted that it had not yet received the final report from Rutgers University.

**Question:** Please provide a copy of the final report of the resource allocation study that was submitted to the department. If the department has not yet received the final report, please explain the cause of the delay.

**Response:** The Department is still awaiting the final report from Rutgers University. The Department received a draft report which we then reviewed and sent back. Department staff have reached out to Rutgers on a number of occasions and have been promised the final product shortly. The Department will forward a copy as soon as it arrives.
4. Prior to the Governor’s budget message, the Department of Education advised school districts to prepare budgets for the 2010-2011 school year that assumed State aid reductions of 5, 10, and 15 percent. The Governor’s recommended budget for the 2010-2011 fiscal year would reduce State aid by more than 15 percent in 64 percent of all school districts. On page 54 of the Budget in Brief, it is stated that, “The Christie Administration plans to work with school districts to deal with the loss in education aid and help districts find reasonable savings and prepare efficient and workable budgets.” Districts were required to submit their 2010-2011 school year budgets to the executive county superintendents of schools five days after they were informed of the amount of State school aid they would receive under the budget recommendations. The executive county superintendents of schools then had four days to review and approve the districts’ budgets. The same page of the Budget in Brief recommended legislation that would make changes to collective bargaining and require that the executive county superintendents of schools approve all school district contracts.

**Question:** Given that the majority of school districts will experience State school aid reductions greater than the “worst case scenario” for which they were advised to plan, please describe the work done by the administration in the span of nine days to, “help districts find reasonable savings and prepare efficient and workable budgets.”

**Response:** The Executive County Superintendents have done valiant work this year working with districts on their budget preparation and development. The budget work goes well beyond the time period between the day that state notices go out and when budgets are due. County office staff are in constant contact with districts throughout the year, working toward finding efficiencies, sharing and consolidating of services and the potential of greater effectiveness. In addition, their work with districts on FY 2011 budgets will not dissipate.

**Question:** Please explain how the recommended legislation would assist districts in reducing costs during the 2010-2011 school year if the employee contracts are not currently being negotiated.

**Response:** Many districts have been forced by the difficult financial circumstances to make layoff and program cut preparations. But if the Governor’s proposed collective bargaining, health benefit cost-sharing, and pension reforms are passed by the Legislature expeditiously, most school districts will be enabled to rescind their pink slips before any layoffs are actually implemented.

The immediate financial savings to districts of being able to: 1) settle open contract negotiations on reasonable terms; 2) have current employees share in the cost of their health benefits; and 3) save on pension costs would be substantial.

In addition, because the Governor has proposed an August 1st effective date or several of his reforms, many school district employees nearing retirement
Discussion Points (Cont’d)

would likely choose to leave this year so that they can enjoy free health care benefits and richer pension benefits for the rest of their lives. Since employees nearing retirement have a compensation package worth almost twice as much as that of new employees, retirements will enable districts to substantially cut the staff reduction necessary to achieve a target level of budget savings.
5. The “School Funding Reform Act of 2008” (SFRA) required that the department initiate certain studies:

- Subsection a. of section 15 required that the Governor submit to the Legislature at least 60 days prior to the FY 2011 budget address proposed transportation incentive factors for the 2010-2011 school year.
- Subsection d. of section 15 required that each executive county superintendent of schools submit a report regarding the provision of student transportation services in the county within 18 months of the effective date of the law. The reports were to be submitted to the commissioner and the Legislature upon completion.
- Subsection f. of section 13 required that the department commission an independent study of the special education census funding methodology. The report is supposed to be completed by June 30, 2010.
- Subsection b. of section 4 required that the Governor, after consultation with the commissioner, submit the Educational Adequacy Report to the Legislature by September 1, 2010. In its 2009 decision in Abbott v. Burke, the Supreme Court noted that the constitutionality of the school funding law depended, in part, on “the mandated review of the formula’s weights and other operative parts after three years of implementation.”

**Question:** The recommendations for the transportation incentive factors were due January 15, 2010. Please provide information regarding the status of the recommendations. When does the department anticipate providing the recommendations?

**Response:** As has been the case in the previous years of the School Funding Reform Act, the incentive factor multiplier was set to one, which makes no adjustment. The Department anticipates making recommendations for the transportation incentive factors for FY 2012 by January 2011 to coincide with the new cost coefficients in the updated Educational Adequacy Report.

**Question:** The executive county superintendents of schools were to submit their reports on the provision of student transportation services by July of 2009. Please provide information regarding the status of these reports. What is the anticipated timeline for their completion?

**Response:** The reports were submitted to the Legislature on November 2, 2009. If you need us to resend, just let us know.

**Question:** Please identify the entity that will complete the independent study of the census based funding methodology that is included in the school
funding law. Does the department anticipate any obstacles to the report being completed by June 30?

Response: The Department of Treasury currently has this project out for bid. Proposals are due back from potential vendors on May 12, 2010. The Department will work with the Department of Treasury to expedite the vendor choice and will work diligently with the selected vendor on the report timelines. While an original timeline of June 30th was set, the most important factor is that the study be completed in time so that it can feed the Educational Adequacy Report.

Question: Please outline the department’s plans for completing the Educational Adequacy Report in a timely manner. Does the recommended budget include resources for completing the report?

Response: The Department plans on completing the Educational Adequacy Report through a combination of inside and outside sources. A small amount of resources were preserved within the Division of Finance’s services other than personal account.
6. In previous years, the Appropriations Act has included language specifying that if an appropriation is insufficient to fully fund any State aid item, then the available funding would be allocated proportionately to school districts based on the amount that would have been received had the State aid item been fully funded. The proposed FY 2011 budget amends this language to exclude equalization aid, educational adequacy aid, security aid, adjustment aid, school choice aid, special education categorical aid, and transportation aid from this provision. It should be noted that the recommended appropriation included in the proposed budget is sufficient to fully fund each of these categories, as reduced by other language provisions in the proposed budget.

**Question:** Please explain why the department decided that this amendment was necessary. Does the department believe that the proposed language would provide the commissioner with the authority to determine how a mid-year State school aid reduction will be apportioned? What would be the effect of enacting the Appropriations Act without this proposed change?

**Response:** The intent of the language was to show that the referenced formula aid categories were calculated using a different proration methodology than other aid categories for appropriation purposes. Reductions to the listed aid categories were calculated as a percentage of the districts’ prior year budget rather than as a proration of the amount appropriated. It was not intended to imply any other authority. As long as total funding for these categories is not changed in the Appropriations Act, there would be no impact by eliminating this language.
7. Section 9 of P.L. 2000, c. 72 (C.18A:7G-9) provides for the determination of debt service aid to school districts that initiated a school facilities project after the effective date of the law. The debt service aid formula includes a maintenance factor that reduces or eliminates debt service aid to districts for specific projects if the district did not make the required maintenance investments. A language provision included in the proposed budget would remove this penalty.

**Question:** Please explain the department’s reasoning for providing debt service aid to school districts that have not made the required investment in the maintenance of school facilities projects. Additionally, please provide a list of districts that, in the absence of this provision, would have been subject to a loss of debt service aid in the 2010-2011 school year.

**Response:** The intent of the language was to not adversely impact districts that may have had to use maintenance reserve dollars as a result of the $475 million FY 2010 reduction of state aid. However, we realize now that this language would actually be needed for this purpose in FY 2012 because that is the fiscal year that would be affected using FY 2010 data.