

Discussion Points

1. In response to a question raised during the April 23, 2012 Assembly Budget Committee hearing, the department indicated that it needed to reengage the executive county superintendents of schools in developing plans to eliminate the remaining non-operating school districts, as required pursuant to N.J.S.18A:7-8. One week later, the department issued a show cause order to a school district as to why the department should not order the closure of the district and require that it expand its sending-receiving relationship to include all of its students, essentially mandating the creation of a new non-operating school district. The State Board of Education subsequently adopted a resolution that created the new non-operating school district.

- **Question:** Please describe the department's efforts to reengage the executive county superintendents of schools with respect to submitting the plans to eliminate the non-operating school districts. When does the department anticipate that the reports will be submitted? Additionally, please discuss the department's decision to create an additional non-operating school district after acknowledging the need to complete the department's work with respect to eliminating these districts.

Response: The Department's plan to reengage Executive County Superintendents remains the desired course. The non-operating district merger law (N.J.S.A. 18A:7-8) was crafted to ensure that neither the sending nor receiving district would be financially harmed by the newly merged status – both in the short term and over time. The Executive County Superintendents determined that about a dozen non-operating districts should be left unmerged until the complexities of merging the districts could be resolved. For some of the remaining districts, any merger would result in significant fiscal disruption. For others, there is a question of how to facilitate the merger because of other complexities. The Department does not anticipate requiring any districts to merge if there is no real benefit to one or both districts.

At the end of April 2012, an emergent situation regarding the Sea Isle School District resulted in the creation of a new non-operating school district. Due to declining enrollment and the end of a shared services agreement for administrative services with the Ocean City School District, Sea Isle was unable to develop a sustainable, educationally sound budget for the 2012-2013 school year. The result was the closing of the Sea Isle School District, an expansion of the sending-receiving district relationship between Sea Isle and Ocean City and the creation of a non-operating district in Sea Isle.

2. Executive Order No. 89, issued in March of 2012, established the Education Funding Task Force, and charged the panel with, "...examining the State's school funding formula and developing recommendations for the Governor concerning the areas of the formula that may be susceptible to fraud or subject to outside manipulation, including, but not limited to, participation in the Federal Free and Reduced Price Lunch Program as a proxy for at-risk status and municipal tax abatement programs." The panel was to issue a final report no later than 120 days after organizing, and the final report was to be provided to the Legislature and made available to the public. The task force members were appointed in April of 2012.

- **Question:** Please provide an update on the status of the report, including the reason that its submission has been delayed, and when the department anticipates that the report will be made available.

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Response:

Over the course of several months, the group met and examined the issues raised in the Governor's Executive Order, and they continue to consider these issues. Unforeseen priorities related to the fallout of Super Storm Sandy have extended this largely academic work while the Department mobilized its efforts around getting students back in classrooms.

3. In response to discussion point 1 in the OLS analysis of the FY 2009 budget recommendations, the department stated, "In August 2007, the department entered into a Memorandum of Understanding (MOU) with Rutgers University to conduct a study of resource allocation in highly successful schools and in less successful schools in order to ascertain whether there are certain staffing strategies, instructional strategies, professional development activities and/or other uses of school resources that can be linked to successful outcomes in the form of enhanced student achievement." In response to discussion point 4 in the OLS analysis of the FY 2010 budget recommendations, the department stated that it had not yet received the final report. In response to discussion point 3 in the analysis of the FY 2011 budget recommendations, the department stated that it, "...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." More recently, a media report stated that the department hired a special assistant to, "...unpack a bunch of budgets at a highly detailed level for some districts with great results, some with poor results, some urban, some suburbans and see what you can find out about where the money is going."

- **Question:** Has the department received the final report from Rutgers University? If so, please include a copy of the report in the response. If not, please indicate why the report continues to be delayed and detail any steps the department is taking to obtain the final report. Additionally, please explain how the work to be completed by Rutgers University differs in substance from the work to be completed by the special assistant.

Response: The MOU described above, originated during the Corzine Administration, was centered on a macro-level analysis of the resource use of successful school districts. The Department has since decided not to pursue this approach but instead to move forward with a more targeted analysis. Consequently, the Rutgers work was discontinued and the balance of the contract was not paid.

The work plan for the special assistant includes an analysis of select districts, resulting in a much more targeted and detailed analysis of districts' use of resources. A macro analysis is very difficult for a state with as much diversity in school districts as New Jersey. By instead using a targeted analysis, the Department is seeking to find identifiable trends that are unique to successful districts, and those factors that are shared by relatively low-performing districts. The product of the special assistant will provide a detailed report on successful programs and strategies from across the state in order to share best practices with all districts and provide data to help them review their current and future allocations.

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4. In testimony provided to the Assembly Education Committee on December 13, 2012 regarding the impacts of Hurricane Sandy on school districts, the department stated that, as of that time, 11 schools were not in service, and at least an additional 113 schools reported some damage as a result of the storm. In its assessment of the repair and response costs associated with the storm, the State indicated that the cost associated with schools totaled \$2.6 million. The assessment also reported a total cost of \$125 million for "other local education."

- **Question:** Given the number of school facilities that were reported to be damaged, please explain how the damage assessment of \$2.6 million was determined. Additionally, please explain what is meant by "other local education" and how the \$125 million assessment was derived.

Response: At the time these numbers were released, the information we were receiving from school districts was quite fluid. At least six schools at the time were so damaged that consideration was given to entirely re-build those structures; that was later not deemed necessary. The current estimate for total school damage is approximately \$40 million. The final costs will not be known until all detailed repair plans are completed at each school. The term \$125 million represents not only public and private schools of all types, but also damage relating to institutions of higher education.

- **Question:** Please provide an update on the status of any requests for reimbursement that have been submitted to the Federal Emergency Management Agency for Hurricane Sandy related costs incurred by school districts. Please include information regarding the total requests that have been submitted, and the amounts that have been approved and disapproved to date.

Response: As of March 27, FEMA has allocated \$3,854,721 for 423 repair projects in 212 separate school districts or charter schools. These numbers are dynamic and will continue to grow as more project work is reviewed by FEMA in the coming weeks and months.

5. The FY 2013 recommended budget included \$1.7 million to be used to support the newly formed regional achievement centers. This appropriation was not included in the appropriations act; however, the regional achievement centers are currently in operation.

- **Question:** What are the total expenditures made year-to-date in operating the regional achievement centers, and what additional expenses does the department anticipate will be incurred through the end of the fiscal year? Please detail how much of the total anticipated expenditures in FY 2013 will be supported by federal, State, and other funds. In the case of other funds, please identify the funding source and amount provided.

Response: The Regional Achievement Centers (RACs) are an unprecedented initiative undertaken by the state to help turn around our lowest-performing schools. As outlined in New Jersey's ESEA waiver application and approved by Secretary Duncan and the US Department of Education, the NJDOE is making the shift from a system of

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oversight and monitoring to service delivery and support. The Department has committed significant state and federal resources to support "Priority" schools, those schools that are the lowest performing in the state. Despite the potential roadblock of not getting the legislative support for the \$1.7 million needed for the RACs, the Department moved ahead using federal funds and available state resources. This help for New Jersey schools, on a daily basis, works to implement the eight federal turnaround principles with the aim of improving student outcomes. Currently, there are 84 Regional Achievement Center staff, paid for through a combination of state and federal dollars, providing additional support to our lowest-performing schools at no cost to districts.

As of March 31, 2013, expenditures year-to-date for the operation of the Regional Achievement Centers totaled approximately \$5.9 million. It is anticipated that \$5.1 million in additional spending will occur for total fiscal 2013 spending of \$11.0 million – 30.6% from state resources and 69.4% from federal resources. It should be noted that federal resources support the related fringe benefits for federally funded staff.

6. In a recent media report regarding ballot questions for school facilities projects, it was stated that, "...in most of the communities with a referendum, the ballot language states that 'no state support is currently available and the state has not been approving any capital projects for which state support is requested.'"

- **Question:** Has any department personnel advised school districts that school facilities projects that request State aid would not be approved? If so, please identify the statutory or regulatory citation that provides the department with the authority to use this as a criterion when assessing a proposed school facilities project. If not, please provide insight as to why school districts have included such a statement in their ballot questions.

Response: Districts have three options for state support of capital projects. These options include debt service aid, regular operating district (ROD) grants, and full state support for SDA districts. Over the past two years, school districts have been submitting capital projects for review and approval by the Department. The Office of School Facilities has continued to review and approve these projects so as to avoid delaying the execution of school district construction projects. Moving forward, the Administration will continue processing projects eligible for debt service support and provide state support for regular operating districts through debt service aid and ROD grant programs for major capital improvements.

7. In a press release dated February 25, 2013, the department identified school districts that were deemed eligible to apply for a portion of a \$1.25 million federal grant to reimburse certain costs incurred as a result of Hurricane Sandy. The press release stated that, "[d]istricts in the 61 municipalities that sustained the most damage per the New Jersey Office of Emergency Management are eligible to apply."

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- **Question:** Please provide a listing of the damage assessments for these 61 school districts, and a description of the methodology used to make the assessments.

Response: Eligibility to apply for a portion of a \$1.25 million Project SERV grant was limited to the school districts within the 61 municipalities impacted with "Lots of Damage," as per the February 14, 2013 New Jersey Office of Emergency Management's Joint Field Office Situational Awareness Summary. The New Jersey Office of Emergency Management is responsible for the methodology used to make the assessments. The methodology is based on damage to the municipality, not solely to the schools within these municipalities. The Department determined that the need for support services within the scope of this federal grant would be driven by the storm's impact on an entire community and not just on the impact on specific school facilities.

8. In the February 2012 Education Funding Report, the department stated that adjustment aid, "...served no purpose other than to hold all districts harmless in the transition from the old funding formula to the SFRA. It is a symbol of the old Trenton; a paean to the longstanding tradition of refusing to make hard choices even when hard choices are in order and failing to make hard choices will cost taxpayers greatly." In that report, the department recommended reducing adjustment aid for school districts that were spending above their adequacy level. The recommended budget for FY 2014 includes a new category of State school aid, additional adjustment aid, that holds all districts harmless to the amount of aid received in FY 2013.

- **Question:** Given the department's previously stated position with respect to holding school districts harmless, what is the rationale for proposing to hold school districts harmless in the upcoming school year?

Response:

The Department's position on "Adjustment Aid" remains the same. The original statutory category of Adjustment Aid was designed to hold districts harmless at a fixed level, regardless of demographic shifts and district spending.

The funding identified as "Additional Adjustment Aid" in FY2014 is different from the statutory category of "Adjustment Aid" in that it is intended as an adjustment to smooth the impact of our funding structure.

9. The description of the update to the geographic cost adjustment (GCA) states that, "...the Department applied the index to the portion of the adequacy budget for teacher salaries, which accounts for about 40% of the base cost." The Office of Legislative Services estimates that all personnel salaries account for approximately 63 percent of the base per pupil cost used in the FY 2014 proposed budget.

- **Question:** Please explain the rationale for applying the revised GCA to the portion of the adequacy budget that accounts for teachers' salaries, rather than the salaries of all personnel.

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Response: Over the course of implementing the original GCA, introduced as part of the School Funding Reform Act (SFRA) in FY2009, the Department determined that the GCA provided for more variation across counties than was observed by districts. In updating the GCA, using revised census data, the Department determined that adjusting for only the portion applicable to teacher salaries was more in line with the regional cost differences districts encounter. For this reason, the GCA was applied to the 40% attributable to teacher salaries only.

10. The recommended FY 2014 budget includes a \$2 million appropriation for an Opportunity Scholarship Demonstration Program to provide scholarships, not to exceed \$10,000 each, to students who are enrolled in chronically failing schools, as determined and selected by the Commissioner of Education.

- **Question:** Does the department intend to begin implementing the demonstration program prior to its potential establishment by the Legislature and the Governor in the FY 2014 appropriations act? If not, please describe how the department will be able to implement such that scholarships will be awarded by the beginning of the 2013-2014 school year.

Response: No. The Department does not intend to begin implementing the demonstration program prior to the FY 2014 appropriations act. However, in order to be ready to receive and process student applications and enroll students for the fall, should the program be established in the appropriations act, the NJDOE is beginning to develop the OSDP. By July 1, the NJDOE will have:

- *Identified the chronically failing schools that would be subject to the pilot program;*
- *Identified a number of eligible scholarship-receiving schools;*
- *Established program processes, policies and necessary guidelines;*
- *Determined how to manage the student scholarship application process, including reviewing and verifying household income data and conducting the lottery;*
- *Developed a communication plan to inform potentially eligible students and their families of the program.*

Upon establishment of OSDP in the FY2014 appropriations act, the following implementation activities would be conducted after July 1:

- *Publicize the program and post necessary information regarding eligibility and processes on the DOE website;*
- *Verify student eligibility;*
- *Identify students given a scholarship.*

- **Question:** Please provide the definition of chronically failing school that would be used to determine the population of students who would be eligible to receive a scholarship under the demonstration program. Among the schools that meet the definition of chronically failing school, what criteria would the department use to select the schools whose students would be eligible to receive a scholarship?

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Response: The NJDOE will incorporate the criteria authorized by the USDOE in the ESEA for Priority and Focus Schools but will focus on a subset of chronically failing schools.

- **Question:** The language included in the proposed FY 2014 budget states that the commissioner shall select, "one or more public or nonpublic schools...to provide an approved program of instruction to students receiving scholarships under the program." Please describe the criteria that the department will use to determine the public and nonpublic schools that may receive scholarship students. Please include a discussion of how the criteria will maximize the number of educational options for students and their parents while preserving the quality of those options. Does the department believe that it is possible that it would select only one school in which all scholarship students would enroll?

Response:

The NJDOE will seek to maximize the number of scholarship options for students and their families through a school application process that screens for financial viability, the health and safety of students, academic performance and accountability. While the criteria are still being determined, the NJDOE will consider, at a minimum, the following criteria in identifying those public and nonpublic schools that would be eligible to receive scholarship students:

- *a track record of strong academic achievement;*
- *assurance that the school does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a person with disabilities, proficiency in the English language, or any other basis that would be illegal if used by a school district;*
- *assurance that the school is qualified as a tax-exempt organization;*
- *demonstrated financial and operational viability; and*
- *assurance that the school meets all State and federal laws governing the health and safety of the school's facilities and equipment;*

The Department anticipates identifying more than one school for student enrollment.

- **Question:** Please provide an outline of the department's plan for evaluating the demonstration program, including: the outcome measures that will be used to assess the program's efficacy, procedures that will be used to ensure that the necessary data are collected for scholarship recipients, particularly those who enroll in a nonpublic school, and a discussion of whether or not the proposed funding will provide enough scholarships to yield sufficient data for statistical analysis. For how many years would the demonstration program have to be continued in order to obtain reliable research results?

Response:

Over the first year, the Department will track both the implementation and outcomes of the program and conduct a qualitative review of the pilot year.

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In the first year of the pilot, the NJDOE will have one goal: to develop the program, policies and processes that will ensure that they meet the needs of those using the scholarships. The NJDOE will measure the following performance indicators to determine if it has been successful in meeting this goal:

- *Parent/student participation (# of applicants)*
- *Parent satisfaction survey*
- *Retention rates (number of students who remain in the program)*
- *Attendance rates*

11. The proposed FY 2014 budget includes an appropriation of \$5 million for an Innovation Fund, which would be used to provide competitive grants to school districts to improve student outcomes. Budget language would authorize a transfer of no more than \$500,000 to support the administration of the program, accounting for 10 percent of the total appropriation. The budget indicates that the department's grants management staff currently manages and distributes approximately \$800 million in State and federal grants.

- **Question:** Please provide information on the department's expenditures on grants management, including State and federal funds, in total dollars and as a percent of the \$800 million in grants that it currently manages. To the extent that current expenses are less than 10 percent of the grants, please explain why the management of the Innovation Fund may require a higher proportion of administrative expenses. How many additional full-time and part-time personnel, if any, would be necessary to implement this grant program?

Response: As part of our State Fiscal Year 2013 federal awards, the Department allocated slightly less than \$55 million, or 6.5%, for administration and state level activities of the federal grant awards. This also includes the work of the program offices that support the grant programs.

We would expect the cost of administering a program such as this to be disproportionate to administering a large entitlement program. The work would entail working side by side with districts in identifying those district-level innovations that successfully improve student outcomes, which by nature is different than administering traditional federal awards. The Department's objective is to ensure that maximum dollars be available to districts to foster innovation.

12. In the FY 2013 proposed budget, the department indicated that there would be 196 federally-funded positions; the FY 2014 budget proposal indicates that the number of federally-funded positions will increase to 209. The FY 2014 appropriation of federal funds is unchanged relative to the current year, at \$830.4 million.

- **Question:** Please explain how the department anticipates increasing the number of federally-funded positions while having the same amount of funding available. Also, please describe the responsibilities of these new positions, and the potential impact that federal funding reductions due to sequestration may have on the department's ability to increase the number of federally-funded positions.

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Response: Much of the increase occurred in the Regional Achievement Centers, paid for with Title I and School Improvement Grant funding, and was the result of transitioning work from temporary employees to full time employee positions. The positions are primarily State Turnaround Coaches and other academic specialists who are responsible for working with Priority school principals to provide support and coaching on intervention strategies that will improve student achievement. The federal Regional Achievement Center positions would not be subject to sequestration in FY14 as they are being funded out of this year's appropriations. That being said, the Department is awaiting further guidance from the US Department of Education on the scope and magnitude of sequestration cuts in federal grant programs.

13. The FY 2013 appropriations act, as passed by the Legislature, included a line item for grants for after school and summer activities for at-risk students, which included budget language regarding how the funds would be allocated. While the \$1 million in funding remained in the final budget signed by the Governor, the language was deleted by a line item veto. The veto message stated that the language was removed so that the commissioner may retain the discretion to award these grants through a broader competitive process than specified in the language. To date, none of this funding has been expended, and the entire amount is on reserve.

- **Question:** Please describe the circumstances that caused the department to not award any grants during this fiscal year. Given that the proposed FY 2014 budget includes the line item, but no accompanying language, please explain the process that the department anticipates using to award the grants.

Response: The Department did not learn of the appropriation until July 2012, too late to run a summer program in 2012. The Department intends to use the dollars in partnership with the New Jersey Department of Human Services (DHS), to provide a summer enrichment program during the summer of 2013. Through an application process, this initiative will allow grantees to provide low-income children and families with access to high-quality early learning experiences during the summer of 2013.

14. Language included in the proposed FY 2014 budget provides that non-Abbott school districts will be assessed an amount based on their proportionate share, "...of the required interest and principal payments in fiscal 2014 on the bonds issued by the New Jersey Economic Development Authority..." to finance the State's school construction program. In response to discussion point 2 in the analysis of the FY 2012 budget, the department stated that it uses the anticipated debt service payment as of December 31 of the prior year to calculate the assessment. The proposed FY 2014 budget includes an assessment of nearly \$34 million, based on a debt service payment of \$686.9 million. However, the proposed budget includes \$522.5 million for this debt service payment, and an updated debt service schedule suggests that the FY 2014 payments will total \$481.2 million.

- **Question:** Does the department agree that the assessment levied on districts should reflect the actual required payment? If so, please explain the rationale for calculating the assessment based on the anticipated payment as of December 31,

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rather than the amount anticipated when the budget proposal is finalized. If the department does not agree, please explain why not.

Response: Assessments are based on 15% of districts' proportionate share of the debt service costs (based on actual district spending) on the bonds issued for the school construction and renovation program. The State continues to pay the remaining 85 percent of these debt service costs. The requirement for local district contributions has been in place since Fiscal Year 2011. The amount of the assessment has varied from year to year depending on the debt service costs incurred by the EDA for the bonds it issued to provide financing to the SDA, but has been based on figures as of December 31 each year of the assessment. The FY2014 recommended budget is consistent in using the same methodology and data from the same point in time as prior years' assessments.