
Committee Meeting

of

SENATE EDUCATION COMMITTEE SENATE BUDGET AND APPROPRIATIONS COMMITTEE

*"Presentation by Lucille E. Davy, Commissioner of Education, concerning
the new proposed school aid formula; and testimony from members of the public"*

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: December 13, 2007
9:30 a.m.

MEMBERS OF COMMITTEES PRESENT:

Senator Shirley K. Turner, Co-Chair
Senator Bernard F. Kenny Jr., Co-Chair
Senator Wayne R. Bryant
Senator Barbara Buono
Senator Joseph Coniglio
Senator Paul A. Sarlo
Senator Stephen M. Sweeney
Senator Nicholas Asselta
Senator Martha W. Bark
Senator Anthony R. Bucco
Senator Leonard Lance
Senator Robert J. Martin



ALSO PRESENT:

Anita M. Saynisch
Joseph J. Blaney
Catherine Z. Brennan
Howard K. Rotblat
*Office of Legislative Services
Committee Aides*

Jacqueline Burke
George LeBlanc
*Senate Majority
Committee Aides*

Christine Shipley
Rosemary Pramuk
*Senate Republican
Committee Aides*

***Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey***

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SENATOR SHIRLEY K. TURNER (Chair): Good morning.

First of all, thank you for coming, and welcome to the school aid funding formula hearing. And I thank all of you for being here and demonstrating your concern, your commitment to the children in the State of New Jersey and their education.

We have more than 50 people who have signed up to testify. And therefore, we're going to have to place some limits on the amount of time you're going to be able to speak. So we will have panels of four, or more, grouped according to your associations. And we're going to have to ask that you, as a panel, restrict your remarks to five minutes. So decide amongst you how much time each of you will be able to speak. We have to do this so that everyone will have an opportunity to speak, and also so that we can stay ahead of the weather. We know it's very messy outside, and we know that the forecast indicates that it may get worse as the day goes on, so we want everybody to be able to get home safely.

We're going to have a timer, and we'll let you know when your time is up. So please limit your comments to the five minutes so we won't have to interrupt you.

Today's Committee hearing has been several years in the making. To many people, both here in Trenton and in our local school districts, it has become painfully clear and obvious that New Jersey needs to change the way in which it funds public education. It is clear that we rely far too much on property taxes and need a new State school funding formula to address the needs of all of New Jersey's 1.39 million schoolchildren.

Last year's special session on property taxes began the conversation that continues today. The Joint Committee on Public School Funding Reform heard testimony, spoke with experts, and produced a report with recommendations on what the new school funding formula should look like. The proposal made by the Governor builds upon that report. Finally, we're able to move beyond theoretical discussions of what we would like the school funding formula to look like, and begin to discuss and debate a concrete proposal. This is and will be the -- not only the first in a series of hearings and public meetings discussing the proposed formula; over the coming weeks, there will be several opportunities for both lawmakers and the public to voice concerns and recommendations about the Governor's proposal and craft a final school funding formula. Today's hearing is an opportunity for everyone to become better informed about the details of the proposed formula.

We are eager to hear Commissioner Davy's briefing on the Governor's proposal. Now, I expect she is just as eager to answer all the questions we have about the specifics.

Before we get started today, I would just like to acknowledge the fact that this proposal has only been public for a day -- and I'm sure you're all aware of that -- and while that is relatively little time to digest something as complicated as a school funding formula, the principles behind the formula have been discussed for quite some time. Fortunately, many of the stakeholders who will be testifying today are very astute when it comes to the issues of school funding and how it will impact our schools, our students, and our taxpayers. We look forward to hearing their views on the new formula.

Also remember that we are only discussing the formula today, nothing else. We do not have a bill to consider yet. While we all realize the sense of urgency surrounding the need for a new school funding formula, everyone in this Legislature is committed to fully vetting this formula before voting on whether to approve it. No one here wants to have to go through this process again in a few years because we didn't take the time to do it right today.

Now I welcome Education Commissioner Lucille Davy to give us an overview on the Governor's proposed funding formula.

Thank you.

Welcome, Commissioner.

COMMISSIONER LUCILLE E. DAVY: Thank you very much.

I'm delighted to be here this morning, despite the weather. As you all know, the failure to have a formula for the past seven years has resulted in growing disparities among the educational resources for districts within our state. With nearly half of the State's children who are eligible for free and reduced-price lunches now living outside the boundaries of Abbott districts, we really must have a formula that recognizes their needs and funds them adequately regardless of where they live. This new formula attempts to equalize not only the resources provided for the education of each child according to his or her needs, but also is intended to equalize the local tax burden that is borne by our citizens to support education.

There are three groups of districts who benefit significantly under the formula. The first is districts whose populations have changed demographically. In other words, those with growing numbers of limited

English-proficient students or children eligible for free or reduced-price lunch. The second is districts whose taxpayers have continued to bear a disproportionate share of education funding -- those whose local fair shares are above what is equitable when compared to other similar communities in the state. The third is districts that have experienced enrollment growth that has not been recognized since 2001, whose funding has remained the same regardless of increased enrollment. And that is the result of not having run the formula for such a long period of time.

The Legislature began to work to address this problem during the special legislative session in the Summer of 2006, as Chairman Turner indicated. The Department continued its work on the formula, taking heed of all the recommendations included in the Joint Committee's report, as well as the input that we received from various legislators and stakeholders over the past 12 months through a series of public hearings, as well as a series of meetings, all focused on the development of this formula.

In addition, the Department recognizes the Legislature's desire for greater accountability as evidenced through three significant pieces of legislation that have been put in place over the last few years, including the New Jersey Quality Single Accountability Continuum, or New Jersey QSAC; the New Jersey CORE bill; and also the School District Fiscal Accountability Act. Continued support for reform in our Abbott districts will continue. However, there are wide variations among per pupil spending in those districts, as well as outcomes that vary significantly. With increased accountability, we hope to ensure that there are outcomes for all children in this state that allow them to be successful in the future.

Now I have a brief PowerPoint presentation that I'd like to go through before we take some questions. As you all know, we have not run CEIFA since 2001-2002, and CEIFA was declared unconstitutional as to the Abbott districts back in the late '90s. So for a manner of speaking, we haven't had a unified formula that we could apply to every district in the state since about 10 years ago. Up until last year, then, State aid had been frozen for most districts at the '01-'02 levels. Non-Abbotts did see, in this current school year, the largest increase since 2000. But as you will recall, the budget that the Governor presented and that the Legislature adopted included some targeted resources that began to address some of these issues that we are taking on in a big way with our new formula, including providing additional resources for children at risk, as well as for recognizing the need to fund full-day Kindergarten programs. Our goal is to create a fair, equitable formula that's predictable for all communities and that ensures that funding is available for every child regardless of where he or she lives.

Two just very important facts to note: The first is that New Jersey spends the highest per pupil in the nation. That's a fact. And second is that on a per-pupil basis, State aid in New Jersey per pupil is the fifth highest in the nation. And the four states that we are behind are Alaska and Hawaii, and then Delaware and Vermont -- states that I think we would not traditionally compare ours to for various reasons. So the bottom line in all of this is, State aid already is more per pupil than it is anywhere else in the country, other than those four states. In addition, any increase that is put in through this formula -- and as you know, it's about a half a billion dollars increase that's contemplated in the next year -- that that will

only continue to keep us at a level where our aid per pupil remains among the highest in the nation.

We went through a process, as I'm sure you're all familiar with -- and I'll do this very quickly. We did a professional judgment panel process to help us identify the kinds of resources that would be available to meet the educational needs of children in various districts and in various communities throughout the state. We also then issued the report on the cost of education last December. We had an expert panel look at our work and review it. And that was done, and then the report was issued back in January of 2007. In addition, as I said, we took lots of input from stakeholders through both a series of public hearings up and down the state, as well as a series of meetings with stakeholders and with legislators directly. And then we also worked with a panel of consultants over the Summer who helped us kind of analyze the input that we had and look at the ways that we might respond and address those issues. And then the second part of that process is to allocate the cost between the State and the local districts -- basically determining the fair share.

I'm going to skip through this very briefly. I really just covered all of these.

What I would say is, when the expert panel of Allan Odden, and Joseph Olchefske, and Larry Picus looked at our work a year ago, that came from the December 2006 report, much of what was in that initial proposal was found by them to be adequate for us to be able to provide the kind of educational opportunities that we wanted for our students in the state. There were a couple of recommendations that they made. They indicated they thought we ought to look at our definition of *at-risk students*,

which in the past had always been only free-lunch eligible. And the recommendation was that we expand that to include reduced-lunch eligible students into that group. In addition, they recommended that we use mean salaries instead of median salaries in costing out the model. And that's really a concern and a complaint that we heard from a lot of other people, as well as the expert panel.

In addition, there was a recommendation that we look at professional development to ensure that there were adequate resources for professional development. They believe that the professional development allocation should be higher.

As I indicated, we held a series of meetings; they focused on some very discrete and specific issues. In addition, we worked with the advisory panel that I mentioned a few moments ago -- Tom Corcoran, from Columbia; Susanna Loeb, from Stanford University; and David Monk, from Penn State University. And we worked with them, we took all the input, and then we came forward with the proposal to modify basically that which we had put forth last December. And I would like to just briefly summarize the changes that we made so that you know what we did in response to stakeholder input and input from the panel.

As I said, we've changed the salary to be a mean salary instead of just a median salary, which increased the per pupil amount. We have also now expanded the at-risk definition to include free- and reduced-lunch eligible. And in some communities, that does make a pretty significant difference. As you know, I'm sure, that free lunch is 130 percent of the Federal poverty level, reduced lunch is 185 percent of the Federal poverty level. I think even in New Jersey 185 percent of Federal poverty is in the

mid-\$30,000 range for a family of four. In New Jersey, that kind of money would not by any means be considered wealthy enough to be able to provide opportunities for children, and so that's why that expanded definition makes a lot of sense to us, as a state.

We also moved from six professional judgment panel models to one model, but we made a major modification in the cost per student. And we did this, again, in response to what we heard from both the legislators and stakeholders. The old model set up was six models: two K-8 and four K-12. And they modeled closely what New Jersey's districts looked like. However, given the Legislature's work on CORE and the desire to move towards a system of only K-12 districts, and to move toward a system of districts that could operate efficiently, it was our belief that it made more sense to have a single K-12 model, since that's what we were aiming towards; as well as to identify and recognize the fact that it costs more to educate a middle school student than it does to educate an elementary school student, just by virtue of the nature of the programs that we provide to them. Similarly, a high school student costs even more than a middle school or an elementary school student.

And so what we have done is provided for different resources at each of those three levels. So K-5 is the base amount for elementary; 6th through 8th there's an amount for middle school that's higher than the elementary; and then for grades 9-12 there's a high school amount that's even higher than the middle school.

We also made a major change to our calculation of benefits. The prior report had a flat 20 percent benefit add-on to each individual person's salary -- I'm sorry, to each salary line. So for the teacher, there is

an add-on of 20 percent onto that salary. For the paraprofessional, there is a 20 percent add-on. For the superintendent, there is a 20 percent add-on. We moved away from that after looking at the criticism, really, that we received. Folks said that that was not a fair way to allocate the costs. What we did was, we created a bifurcated system that recognized the fact that the State fully funds the pension and Social Security benefits for certificated staff. So instead of crediting that as a benefit for staff members for whom the State pays those costs directly, we instead added on the costs of a State Health Benefits Plan to each of those salary lines, as well as an amount for workers' compensation insurance.

For noncertificated staff, where the State does not pay directly the FICA and PERS contribution, we added the State Health Benefits Plan. We added a workers' compensation amount. We added an amount for PERS, and we added an amount for FICA. So for certificated staff, the benefit amount that gets added on is lower, because it recognizes the direct State payments and doesn't count them twice. And then for noncertificated staff -- paraprofessionals, custodians, secretaries, etc., other support personnel -- we add all the other benefit costs. So we more accurately reflect the true cost of providing the benefits to each of the positions that are included in the model.

Finally, there were lots of concerns raised that we were using FY 2005 salary and unit cost data. And what we did was move towards the-- We've actually updated now all of the costs and all of the salaries to reflect current data.

We also had, in the prior proposal, one at-risk weight for every community, for every child who was at-risk. And one of the concerns that

was raised was the fact that in communities where the concentration of children and poverty was greater, that those districts needed additional resources to address the issues that might arise from the fact that the concentration of poverty was higher. And so what we did was make a change, we made an adjustment; and we now provide the weight that was initially established for every child who is free and reduced -- we give those additional resources. And then at the 20 percent point -- so a 20 percent concentration of free- or reduced-lunch eligible, we begin on a linear progression to increase the amount actually 10 percent more. And it maxes out at 60 percent free- and reduced-lunch eligible. And then from 60 percent and above, every child who is free- and reduced-lunch eligible gets the maximum weight of additional resources. And when we get to the numbers, we can talk about that again.

There was a concern as well that our initial proposal provided that special education resources would be wealth equalized. And there were lots of concerns about the impacts that that would have. Now, in looking at this, we have lots of issues that we felt needed to be addressed. The first was the fact that under the old model, the old categorical model, while the aid was categorical, it did not recognize the true cost of providing those services to students with special needs; that it was really just a fractional amount of the true cost. So we wanted to be able to recognize the actual costs of providing the services.

In addition, as you probably know, New Jersey has a higher classification rate of special needs -- higher than any other state in the country. We also have a higher separate placement rate than any other state in the country. And it presents a problem for us on two levels: The

first is that the Federal Government is monitoring us because our levels exceed what they say they should be. And second is that we are being sued in several different Federal court actions for these same issues. So in doing our work on the special education side, we wanted to take into consideration policy incentives and policies that might drive us in a direction that would change some of those outcomes.

We were concerned, as I said, about ensuring that we provided more resources for special education that would truly recognize the cost of providing those services, but at the same time recognizing the fact that lower-income and middle-income communities have a more difficult time providing those services because they don't have the same ability to raise local resources to support them. So we have proposed now a hybrid model where part of the aid will be categorical -- it will continue to be categorical -- and part of the aid will be wealth equalized, so that-- We recognize that every community would still receive from the State an amount of resources on a categorical basis, regardless of wealth, for special education students. However, the bulk of the additional resources are going to be directed into the wealth-equalized portion of the equation.

The breakdown is one-third categorical and two-thirds wealth equalized, when you look at how we break down the resource allocation. However, when you look at the amount of money in the formula that is going into categorical and wealth equalized, the categorical aid exceeds significantly the amount of aid that's going to be provided on a wealth-equalized basis. So about \$810 million will continue to be provided on a categorical basis to districts. Last year we provided, in total, about \$975 million in categorical aid. So categorical aid is still almost as high as it has

been in the past. Going forward, there will be additional wealth-equalized aid, which will obviously benefit communities, based upon their local wealth.

There's one other change that we -- actually, two other changes that we're making. The first is that we are addressing the way special education resources are determined, through the use of a census model. And that is basically a percentage of enrollment of any district, and it is a percentage that is based on the State's average classification rate. And that percentage will be applied to every district in the state. There has been some work done in the Joint Committee on School Funding -- heard some testimony from an expert in this field, Tom Parrish, who talked about the fact that he could find no correlation between the socio-economic situation in a district and the classification rate in a district. He could find no correlation between the classification of a student and the amount of resources that were provided. And he actually talked to the Joint Committee and recommended that we look at the census model as a way to address our high classification rate and our separate placement rate, as well as these very large disparities among communities.

What I would tell you is that we have Abbott districts that have very different classification rates. We also have I and J districts that have very wide-cut, different classification rates. Some have below 10; some have an excess of 20. And it goes that way all throughout the state. So our movement towards the census model is really an attempt to provide, more equitably and more fairly, the resources for special education.

The only other change that we are proposing there is to provide a greater percentage of reimbursement for the extraordinary aid category,

which, as you know, in the past has been cost in excess of \$40,000. We are going to provide, in the formula, reimbursement for 75 percent of the excess costs. And right now, we are only providing about 23 percent of the excess costs. And so that's resulting in a lot of districts having to bear a greater share of that burden of the high end special education costs. The belief is, again, this is more equitable and will -- this will be provided on a categorical basis. So regardless of wealth, communities will see support from the State to address the high-end needs for students who are classified.

We are also making a change to the way those reimbursements are done. The threshold will remain at \$40,000 for children who are in-district. And the threshold will go to 55,000 for children who are in what's considered to be separate placements. And that's usually considered out-of-district. But generally, it really means a placement that is with only other special education or other classified children. And that, in part, is also driven by the fact that we have this high separate placement rate, as well as the fact that we are being monitored by the Federal Government for having too many children in a separate placement, and not in an inclusion setting or in the least-restrictive environment. Additionally, if we look at the \$40,000 amount and we do a cost of living on that from when it was first implemented, you actually reach about \$55,000. So we're really just cost-adjusting that.

Finally, I would say that when local districts provide these programs in-district, we do not reimburse them for any of their overhead or their administrative costs. We only reimburse them for the actual cost of providing the educational program. In a separate placement or in a separate school placement, we provide reimbursement for all of those costs,

including the overhead and the administrative costs. So we're trying again to bring more equity and fairness to that equation.

We made a minor change, a minor addition, in allocating two additional instructional aides at the elementary school level for districts with a concentration of children at risk of 40 percent or more. And that's a change that we made in response to concerns that we heard that we were not addressing the resources that were required for children who are at risk.

The adequacy model that we put forth did not include an amount for capital outlay. And we have now included an amount for capital needs, capital maintenance, small capital projects that wouldn't be bonded on a long-term basis. We've included that on a per-pupil basis. That's wealth equalized, but it is included in the per-pupil amount.

We've also changed the geographic cost index that we are using. There was a lot of criticism that our cost index was out of date, and it was based on a lot of very old data. And instead, we have moved to a modified version of the Taylor/Fowler index, which is much more recent. But basically, we created a county-specific index that uses the most recently available census data, and that's from 2000 and 2005. There's some information that's collected in 2000 that doesn't get updated again until the next decennial census. So we've used the latest data wherever it's available, whether it was 2000 or 2005.

We've heard lots of concerns about vocational students and that the resources that we were proposing were not adequate. We looked at that, and what we have done is updated that. So now, in addition to the extra resources for high school students, the vocational students will also receive additional resources on top of that.

The final change that we made is that we have now included a supplemental amount for professional development of \$20,000, as well as a coach or a facilitator, in each school in the districts, in the resource model. Again, to adjust concerns that were raised about professional development.

Now, the next slide shows how the weights and the per-pupil amounts get determined. And basically, this one I think is useful for the weights, so you can see what they look like. As I said, the elementary student is one -- is a flat-based amount. And then the middle school child gets 1.04 -- so there's 0.04 additional resources. The high school student is 1.17, so 17 percent additional resources. You can see the vocational goes up to 1.31. The at-risk is a sliding scale from 0.47 up to 0.57, and that's, as I said, based on the free and reduced lunch percentage.

The limited-English proficient student gets a flat 50 percent additional resource amount. So a child who is just limited-English proficient gets the extra 50 percent resources. For a child who is at risk, free- and reduced-lunch eligible, and LEP combined, there are even greater resources provided. And it's basically the at-risk rate of 0.47 to 0.57, plus one-quarter of the LEP weight, which adds about 0.125 to that amount. The special education census is using the average statewide classification rate of 14.69 percent. And then we are adding, then, to the base amount, \$10,897 -- which is the average excess cost to provide educational programs for special-needs classified students. And then finally, we are assuming a 1.9 percent census for students requiring speech services, and we are providing an additional \$1,082 in resources.

This slide actually shows how the money breaks out on a per-pupil basis, so you can see the regular ed students, not mentioning middle

and high school. The at-risk child resources -- this is on a per-pupil basis for each child at risk -- there's a range. And again, the lower number is for every student up to 20 percent, and then that number increases to the top as soon as the district reaches a 60 percent concentration of children eligible for free or reduced lunch. And then it maxes out at the upper number. So if you're a district with 72 percent at-risk high school students, those children get \$17,724 added into the adequacy model. The LEP numbers, as I said, are a flat 50 percent increase, and they're there in front of you. The at-risk LEP is combined, and again, it's that sliding scale. Special education has the base amount with the special education excess cost added in, as does the speech. The vocational number reflects only the vocational amount for a regular ed vocational pupil. If the child is at-risk or LEP, then there will be additional resources provided. And the budgets that we have put forth, the adequacy budgets, and the aid that we've done is all based upon those assumptions.

The next few slides that I have basically show how the budget is getting calculated. Basically, they're just long algebraic equations where you fill in for the variables, multiply everything together. But we are providing this because folks who want to know how this budget gets rolled up -- this is exactly what happens. We multiply the base amount times the number of elementary school students, and then middle school times 1.04, high school students times 1.17, and then you multiply all that times that 9.649 amount.

For those of you who remember your mathematics, there are obviously other ways that you can do that with a distributive property. (laughter) That's the old math teacher in me.

The adequacy budget then for at-risk children is also done in a similar way, for LEP and for combined. These are a little bit more complicated just because the amounts change a little bit, although really you're applying at-risk, and LEP, and the combined, again, to the elementary school population, the middle school population, and high school population. The special education equation is at the bottom, and that's really just looking at total enrollment times the 0.1469, which is the census percentage. The 10,897 is the amount for the excess costs. And the 0.67 is the piece that is wealth equalized. And then we have the total enrollment times the census percentage, 0.019, times the \$1,082 -- that's the excess cost amount -- and that provides the amount for speech.

To talk about equalization aid briefly: We are continuing the distribution of equalization aid by a foundation formula that is the same as that which was used in QEA, and the same as that which was used under CEIFA. It is based upon the idea that the local fair share represents what a community should be able to contribute in local property taxes to education. And the adequacy budget, minus that local fair share, equals the equalization aid. The mix is half property value and half income. And as you know, that's exactly the same as it has been under prior models.

I've already talked at great length about the census approach and how we're going to do special education. I'd certainly be happy to answer questions you might have about special education. I've talked about the benefits, which in addition to what I said earlier, a special education census approach really does provide the districts with very predictable resources and a predictable level of resources.

There is one new additional aid category, and that is for security aid. It is being paid as a categorical aid. So again, every community, every district, every child in the State will receive \$70 in categorical aid for security. In a post-9/11 world, it makes sense for us to recognize that every school building needs some security measures, whether it's a camera system, a swipe-card system, a buzz-in/buzz-out system -- whatever. There's money being provided to every district, for every student in every school. In addition, in recognition of the fact that where there are high concentrations of children at risk that there may need to be additional security measures taken -- you may want to have security guards -- there is a sliding scale amount, an additional allocation, that is being provided. And that, again, is the categorical aid being provided to each child who qualifies.

Charter school aid will continue as it was under the prior funding. However, the difference will be that we are now going to recognize, in full, the at-risk resources for a charter school child who's free- or reduced-lunch eligible. Under the old model, the charter schools received only, basically, the base amount of funding for students, and those who were at risk did not have additional resources.

The School Choice Act, as you probably know, is now expired and was not reauthorized. So what we will do is continue to provide resources for children who are in the School Choice program already. If the Legislature decides to reauthorize that act, we can obviously cross that bridge when we come to it. But the model does provide for those students to continue to receive aid as residents of the Choice district.

There are no changes being made at present to transportation aid, other than updating mileage and enrollment counts. The CORE bill

requires us to look at shared services on a countywide basis. We believe transportation is one place for us to really hone in on sharing services and getting much more efficient with our expenditures. And through our county offices, we are going to do that. So after we've done that study and we look at how we might do this on either a regional or a countywide basis, we will then come back with a proposal that modifies transportation.

Finally, let me finish with what I think is the most exciting part of this proposal. And this is the expansion of educational opportunities for children at risk to have access to high-quality preschool programs. I think if we look at our experience in New Jersey, setting aside what the whole rest of the country's research also shows -- but if we look at just our own experience, we know that high quality pre-K is having a significantly positive impact on the children in the Abbott districts who have already had these opportunities now for the last several years. The outcomes are changing, both academically -- there are also impacts in the reduction of the number of children who wind up classified with special education needs, because they're going to these high-quality programs. They're getting to Kindergarten really ready for what the challenges of Kindergarten present, and it makes the educational opportunities that come after that much more accessible to them.

So what we are proposing as an expansion as part of this formula is not in these K-12 numbers. It will be separately funded, but it is part of this package of moving to a new formula, expanding preschool to provide it for every child in all District Factor Group *A*, *B*, and *CD* communities -- *CD* with greater than 40 percent concentration of free- or reduced-lunch eligible. And then in every other community in the state,

regardless of where the child lives, if they're free- and reduced-lunch eligible -- every other child -- preschool opportunity funded by the state. Now, that is a benefit that every community who has to educate an at-risk child will receive. And that means that a place like Princeton or Ridgewood will have that opportunity to provide for their low-income, their free- and reduced-lunch eligible students, high-quality preschool, so that those children enter Kindergarten with the same kind of opportunities that children do who are in lower-income communities. Again, working hard to close that gap. The evidence that we have shows us that, done well, preschool makes a difference. And it will make a difference in the long run for all the children in this state.

As you all know, we've talked about the fact that we'd like to get this formula in place so that districts and charter schools can use this funding as they build their budgets for the next school year. That really means that it has to be done by the middle of February at the latest. Obviously, the sooner the better. We want to be able to give them school aid figures as soon as possible, so that they can use those numbers to plan their educational programs for the next school year. I think that you would all agree we all know that the implementation of a unified funding formula, one that can be applied to every district that meets the needs of every child in this state, is long overdue; and we are really pleased that we have reached this point where we can have a conversation and get ready to make a significant change.

Thank you very much.

SENATOR TURNER: Thank you, Commissioner.

Thank you for your comprehensive proposal.

I have one question, though, before I turn to my members here on the Committee. You indicated that there's a change, a revision, of the model for 2007, which created a new county-specific index using the most recent data available, which would be 2000 and 2005.

COMMISSIONER DAVY: Census data, yes.

SENATOR TURNER: Right. I don't see that. Have you distributed that to us? I don't seem to have it.

COMMISSIONER DAVY: It will be part of a report that we're issuing today, Senator Turner. We did not--

SENATOR TURNER: It's not available yet?

COMMISSIONER DAVY: We have it. I just don't think we've made it available. We plan to do that shortly. It is a county-by-county amount, and we will certainly provide that to you before the end of the day. We can probably have somebody get it for you shortly.

KATHERINE ATTWOOD: And the report will also describe how that was calculated, the methodology, so it comes together. So that should be issued today and you'll have that information.

SENATOR TURNER: Okay, thank you.

I have a question. How often will the State review the adequacy amount, and what methods will they use to evaluate it in the future, and will there be an annual escalator?

COMMISSIONER DAVY: The model provides for us to run it. We'll run the formula every year. And there is a provision for an escalator -- a cost-of-living type adjustment. And in addition, we recognize that the adequacy model itself, upon which all this is based, will need to be reviewed over a three- to five-year period. I don't think that we've specified

that yet, although I know that in the legislation we will include that that needs to be done. Because we would certainly want to reflect changes, either in what we experience or what we learn is a better way to provide the services.

SENATOR TURNER: Okay. Thank you.

Senator Bryant.

SENATOR BRYANT: Thank you, Madam Chair.

Commissioner, let me ask two basic questions. The first one is that under these adequacy budgets -- and I went through some of the numbers -- it appears that there are systems that are way above adequacy, and yet they're going to get 10 percent or some percentage of aid. Is there any way, as much as the first concern is to educate our kids, that these funds could be returned to the taxpayers? It seems to me if you're way above adequacy, and let's assume you get 10 percent additional aid, that that money should be returned to your taxpayers for the simple basis that the taxpayers have now overspent what now is considered adequacy.

COMMISSIONER DAVY: We're going to make some provision for that in the legislation. Certainly when a district is spending over adequacy that would be a concern, especially if there's additional aid coming. In many cases, the reason why they're getting aid is the community is already bearing a disproportionate share of the local tax burden. And so I think the assumption would be that these resources would certainly help to defray the costs that taxpayers have in the past had to bear. But the legislation will include, I think, some recommendations as to how that would be done.

SENATOR BRYANT: Well, let me just give a recommendation then. And I think in some instances, I think there might be some leeway as to increasing the educational opportunities. But I think when you get to, let's say maybe the first two percent -- because you're already with Abbott so they can spend more money -- but I mean after that, it seems to me, then you ought to drive it back to your taxpayers, who have already been overtaxed, because that's basically what the formula says. So that's just a recommendation.

Second -- and when I thought about this last night, and this geographical cost adjustment -- as I understand it, we have never done that in the history of the State. And that's a very, very dangerous concept.

MS. ATTWOOD: I certainly think in the last formula it wasn't included, and I'm pretty sure in the previous ones. The reason why that has been proposed has actually -- has been a criticism that we haven't included some sort of recognition of different costs.

SENATOR BRYANT: Let me tell you why I worry about that. Once you get into that slippery slope, you then say to the State -- this is \$10 billion, or better, of money we're going to spend, the most we spend on any State aid. Why then are we not using geographical adjustments for all State aid? And mainly, that different parts of the state now are going to be treated differently in terms of how they get aid. It could be Transportation aid, it could be Community Affairs aid, it could be any aid we give, because now the largest slice of dollars we ever give back, we're going to now adjust for geographics. Therefore, those who are in southern, middle, and (indiscernible) are now -- be subject to at least the argument that this is the way the State has now dynamically changed its view on how aid should be

distributed to communities. And like I said, it's the largest aid we'll be giving -- it's 10 billion. And no place else do we give it. And it makes a strong argument of, that that is a basis for how aid should be distributed throughout the state, which is a fundamental change to me about aid in the State of New Jersey. And I hope -- someone better consider that, because I think it might affect our folks' view whether they're going to vote for this or not.

COMMISSIONER DAVY: Senator, if I could, I think that the nature of the way this budget is built makes it a little bit different than just giving out a specific amount of aid based on some other calculation. The idea here is that there's a recognition that, when you're using average costs and average numbers, that in different parts of the state there's more buying power for that amount of money. I hope that you would at least be open to look and see how the index was done and what it looks like before concluding that it isn't applicable at least in this sense. Because it is built into the numbers that you already see here. It isn't going to change these numbers. And I hope that you would just look and see. Because the way we are costing this model out, it is based on average unit costs statewide, which, in and of itself, the buying power is different.

SENATOR BRYANT: Commissioner, without--
Senator, I--

SENATOR TURNER: Go ahead.

SENATOR BRYANT: I don't want to belabor the point. That is the point. If, in fact, that is going to become the policy of the State, then why isn't that rational used, the buying power, if it comes from Community Affairs or Environmental Protection? The buying power is different in, say,

Newark versus Camden. Why aren't we using the thing? What I'm saying is, is that this is the largest aid we're going to give out. And now all of a sudden, we're getting ready to make a huge policy decision as to how money will be distributed throughout the state, and you're now throwing in an element that has never been an element. We dealt with poverty, we dealt with folks' wealth, community, but you're now throwing a new element in. And I'm saying if that's the case, the cost of building a highway might be different in Bergen County than it is in Salem County. And so should they not get less money in Salem County to build the same road? I am saying that is a policy decision that, if we approach it with the largest amount of money we ever give back, then it is something that I think folks have to consider, whether in fact they're going to buy into this new policy decision, without a large discussion on that policy decision as to whether in fact it is the way that New Jersey should move forward. Because again to me, it separates the state.

COMMISSIONER DAVY: Right.

SENATOR BRYANT: You start to divide the state.

SENATOR TURNER: Just following up on that, Commissioner, I was wondering why we did not receive the information indicating how that geographic cost adjustment was created? What factor was determined to equal the 1.0 for creating the geographic cost adjustment?

COMMISSIONER DAVY: Well, the 1.0 is kind of the middle point, and then it gets adjusted up or down from there. But we will provide, very quickly, that information to you. Because I understand that folks want to see that, and we will do that. It certainly wasn't anything we

were trying to hide. We had a geographic cost index built on this Jay Chambers' model that was on the table right from the very beginning, when the Joint Committee, I think, did its work. It knew and talked about the fact that we would be doing these geographic adjustments. So certainly, we're not trying to hide anything here. And we'll be very forthcoming with that, I assure you.

SENATOR TURNER: Thank you.

Senator Buono.

SENATOR BUONO: Thank you.

It's not turning on. Are we using these or-- (referring to PA microphone)

Good morning, Commissioner.

COMMISSIONER DAVY: Good morning.

SENATOR BUONO: Got rid of that little problem with the mike.

Well, I appreciate you coming today, and as you know, I have long been a critic of the pace with which we're pursuing a more equitable school funding formula. We all know this system is broken. And I just think it's important to appreciate and to state for the record that all of us here, as legislators, have been fighting the battle for about as long as we've been in the Legislature. So I think that you have to expect that any proposal you present will be met with a healthy degree of skepticism and a thorough degree of scrutiny. And I think that that's a good thing.

And for my part, as I said, I have been critical in the past at the lack of progress that we've made. While I don't think we're out of the woods yet, and that this is not a perfect formula, I think it's fair to

acknowledge that I believe this formula, although not perfect, represents what I believe to be a long, overdue progress to a more fair and equitable funding of our schools.

I did have a few questions that really were focused on the issue of special education. And I know that you've discussed it, but it is complex and I think it bears repeating just to ensure that -- the people maybe need to hear it again, and also that I understand it correctly. The current system for reimbursement per pupil is based upon tiers.

COMMISSIONER DAVY: Yes.

SENATOR BUONO: They range from \$3,300 to \$13,000 per tier. Is that correct?

COMMISSIONER DAVY: Yes.

SENATOR BUONO: Okay. And what you're doing is, you're proposing to collapse those tiers and to base reimbursement on a cost per student which increases from a low of 20,546 for elementary school students to 22,186 for high school students. So you're proposing an increase per student, correct?

MS. ATTWOOD: Well, we're proposing-- I mean, it's a very, just different process altogether, so--

SENATOR BUONO: I understand that, right.

MS. ATTWOOD: It is -- certainly the amount we're proposing is to apply that 10,000 excess amount to the district's population at a rate of the statewide average classification rate, which is 14.69. So they're very different. So you'll take a district's population -- total student enrollment -- and multiply that by the statewide classification rate, and multiply that, then, by the excess cost.

SENATOR BUONO: Which is what percent?

MS. ATTWOOD: Fourteen-point-six-nine percent.

SENATOR BUONO: Okay, right.

MS. ATTWOOD: And then multiply that by the \$10,897. And that amount would be what would be considered the census amount. And let me point out that when we calculated that excess amount, we excluded -- when we determined the full cost of special education, we excluded the costs that were already being spent on speech, as well as those costs that were already being spent on extraordinary services, because those are being funded separate.

SENATOR BUONO: Right. But that's my next question.

MS. ATTWOOD: Yes, okay.

SENATOR BUONO: So can you explain the \$10,000 again, where that came from?

MS. ATTWOOD: Okay, yes. What we did is, we did a very comprehensive analysis based on the latest audit data that we have, which is 2005 and '06, and we looked at the total spending for special education in New Jersey. And we looked at not only just the easier cost to identify the out-of-district placements or even the in-district separate special education services, we also did an analysis of estimating the percentage of costs associated with mainstreaming kids in regular education classes, based on data that individual districts have submitted to the Department. And when we added that all up for a statewide total amount, which exceeded over 20,000 per kid, even higher than this amount, we then reduced out of that pot the extraordinary services that we knew were being costed out, based on '06, '07 information that was given to us. I think it exceeds about 200

million. We excluded that out of that total expenditure. We also excluded out of that the speech services. And we also excluded, out of that, Federal money, because those Federal costs were included when we added up all the expenditures in New Jersey. And this is the only place in the entire model that Federal expenditures have come into play. But that was necessary because we were including them in the base, and we wanted to ensure we excluded them in the revenue source.

Then we took that total amount and subtracted from that the weighted per pupil costs for -- based on this PJT model that we've come up with. In other words, we didn't just subtract out the elementary amount; we weighted the elementary, and the middle, and high school to one amount between those three costs and subtracted that, and the excess was determined. And it was less than this amount, because that was an '05, '06 number. And then we inflated that up to '08, '09.

SENATOR BUONO: Okay.

And when you gave a figure -- I believe -- was it \$470 million increase in special education funding? -- does that include all three categories of categorical, wealth-based, and wealth-weighted and extraordinary? That's all three?

COMMISSIONER DAVY: Yes. It really is now three streams of money, because some of that money gets provided for all pupils on the census basis, there's a piece that's wealth equalized, there's a piece that's categorical. And then, now, there's the extraordinary categorical add-on in addition. So we went from really two different special ed streams to three.

SENATOR BUONO: Right. Okay.

That's why it bears repeating, I think. So the majority of the funding for special ed -- will that still remain categorical, though?

COMMISSIONER DAVY: Well, 810 million remains categorical out of about 1.4 billion. So that's, I guess, almost two-thirds, or 60 percent and 40 percent, or something thereabouts. So the majority certainly does remain categorical.

SENATOR BUONO: And my understanding is that over -- and I think you testified to this -- that over the last year or two that these-- Now I'm switching to just special ed extraordinary category for the severely disabled. We have been funding -- the State that is -- has been funding only about 23 percent of that extraordinary aid?

COMMISSIONER DAVY: Yes.

SENATOR BUONO: Okay. Expenses, I should say.

And what you're proposing is that the State fund, rather than 23 percent, that the State fund 75 percent per pupil special ed. But there's a difference depending upon whether or not they're placed in and out of district. Seventy-five percent per pupil special ed for costs that exceed 40,000 per pupil for in-district; and 75 percent for that, that excludes an excess of 55,000, for out-of-district. Now my concern -- and I know that this has been raised by Senator Sweeney -- is the issue of special services. Now, Middlesex County has one of the best, if not the best, special services districts in the state. My concern is that special services districts are considered, under this plan, to be out of district.

COMMISSIONER DAVY: That's why I want to address that. Because it's not the out-of-district issue that's the problem, it's the separate placement issue which goes to the -- kind of the Federal problem with it,

with the U.S. Government, as well as the Federal lawsuits that we have. So the hope would be that -- and there are some services now being provided. I believe the one in Gloucester County actually provides in-district services. It's really the way the services are provided. The hope would be that we could work together, because the CORE bill does also require the counties to look at the special education services that are required in the county by the children who reside there, and also the provision of those services. I would hope that we could work on a way to ensure that those services can be included. And Senator Sweeney and I have talked about what that might involve. Certainly, when they provide them in an in-district setting, the student can even leave the district. But if he goes to another school where there are regular education students, then it classifies as a non-separate placement. So I think we're going to try to work on addressing that. Because it's a very legitimate concern. The ed services commissions and the special services districts provide high quality services. We certainly would not want to stop that, and we wouldn't want to--

SENATOR BUONO: At significantly lower costs, I might add.

COMMISSIONER DAVY: Yes, absolutely. We need to work on that. But the issue of separate placement is one that we have to address.

SENATOR BUONO: And that's Federal law -- that's Federal?

COMMISSIONER DAVY: It's Federal, absolutely.

SENATOR BUONO: Hopefully we can address that in this legislation. That's a crucial issue for me as well.

Thank you, Commissioner.

COMMISSIONER DAVY: Thank you.

SENATOR TURNER: Senator Bark.

SENATOR BARK: I guess I'm not supposed to speak.
(referring to PA microphone)

Okay. Thank you, Madam Chairman.

And certainly it's nice to see you, Commissioner.

COMMISSIONER DAVY: Glad to be here.

SENATOR BARK: And I'm glad that you have gotten to this point. There's still a long way to go, however.

I just have one question. You indicated that there would be some aid to all school districts to provide -- I believe you said all-day Kindergarten and preschools, for 3-year-olds and 4-year-olds. Is that correct? Did I hear you correctly?

COMMISSIONER DAVY: There is the model -- the K-12 model now considers Kindergarten as a full-day service. Under our prior formulas, we only counted Kindergarten students as a half-child in the formula. Now they are a full-child, so it's fully funded under the formula. And much of that is -- I mean, it's wealth-equalized aid. So it's not that we are providing the full cost of Kindergarten for every child, it's part of the base amount. And if they are providing a full-day Kindergarten program, then they're getting aided for that program on a full-day calculation basis.

Preschool, every district is eligible for it, for the children who are free- and reduced-lunch eligible. So if there's a community with 10 children at risk, free/reduced-lunch eligible, and those children -- those 10 children will receive resources from us to be able to take part, if they want, in the high quality preschool programs.

SENATOR BARK: But my question really addresses facilities. Because if you had -- if you're adding these things and you do not have the

space in your school, they don't really require building another school in many districts. Is there some other way that you plan on providing or helping to provide facilities for this kind of-- I mean, I know in my district they added 3- and 4-year-olds, but they still have half-day Kindergartens because they don't have the space for them. And this will become-- And we just built two new schools. So I don't think the community is going to say, "Oh, fantastic, we'll go build another school." And I just wondered if there was any thought given to the fact that this could, in fact, impact a school district where they might not have the room and they would have to take some sort of action. Would there be any support from the Department?

COMMISSIONER DAVY: First of all, for Kindergarten, it's not going to be required. It's going to be funded if they provide it. It's not going to be required. For preschool, the idea is that the districts don't necessarily need to provide this on their own. They can do it in partnership. The issue for us will just be that the quality of the program is insured. It's much the same way that we were able to do this in the Abbott districts. In some cases, if there's space and the district wants to provide it, great. But it can also be done in partnership. It's another place that some of these county ed service commissions or special services districts, if their scope expanded, it's another place where they might be able to partner and provide some services. A district could also contract with a neighboring school district to have the children attend. We want for them to provide the services. This will be done in a very flexible way.

The preschool piece has built into it a year of planning. So the '08-'09 school year will be the year that the districts will plan and look at

how to do this. And they'll do it in support with our staff, and certainly we'll look for partnerships and opportunities to do this differently.

SENATOR BARK: Thank you very much.

Thank you, Madam Chairman.

COMMISSIONER DAVY: Can I just add to that, too, that when the Facilities Bill is reauthorized, and I believe that -- the plan is that that will come to the Legislature as part of the whole fiscal restructuring later. I mean, after that's done, that I think the Facilities Bill will certainly address facilities issues on its own. There is nothing in this directly related to facilities. But for preschool, there are many alternate ways that that can be provided.

SENATOR TURNER: Commissioner, as you said in your opening remarks, New Jersey has an above average number of students identified as special needs. And I think I'm hearing from most of them. There seems to be quite a bit of angst concerning this formula as it relates to special needs. So what can I tell them to assure them? I would like to know what evidence you have that shows that the census model of funding of special education costs is superior to the categorical model of funding special education costs, with respect to efficiency, expense of revenue ratios, and the overall fairness to the district.

COMMISSIONER DAVY: Well, I think I would respond that it is an alternative way of doing it. The current categorical system that recognizes just a fraction of the real costs of providing the services really benefits the wealthiest communities, because they get the aid regardless of wealth. And it is the children in lower-income districts where the district probably has a great deal more difficulty making up the difference in the

cost of providing these services, or the middle-income district that has a lot more difficulty making up the costs of those services. And so the idea is that -- this gives us an opportunity to distribute the money in a more equitable way. We will continue, as I said, a significant amount of the resources through a categorical model.

Now, you know, the issue around using the census is, it is another way of doing this. It is what the Federal Government uses and what 10 other states use. In fact, I think most of the rest of the country, if not all, either have moved or are moving to a fully wealth-equalized special education model for funding. So we're kind of trying to get a middle ground here that we believe provides fairness and equity.

The other thing I would say is, given the research and the data about the fact that classification rates vary widely, regardless of socio-economics, that there's probably something else at play here. We believe that there are some children who wind up classified for reasons unrelated to really being special needs. They might be classified because they're a behavior problem, because they didn't become a strong reader in elementary school and so now they don't know what to do. So they say, "We'll classify them and then send them out to another placement." I think we have to look at, very closely, the way we classify and the reasons we classify. And there's enough variation in the state that it's difficult to draw any conclusions, because there are so many variations. And I think that this is an opportunity for us to do this in a different way and to see again if this helps us with some of these policy issues.

I've heard parents say they want their children classified because the child gets more time to take tests, or the child has an

opportunity to get more time on the SATs. We don't want children classified for those kinds of reasons.

One of the things that Tom Parrish found was that because of our tiering system, because we didn't recognize the true costs of providing the services, that some children were being kind of misclassified in the tier simply because additional money was attached in a higher classification. In fact, I believe he found in his report, after he did the research on the data, that about 30 percent of New Jersey's students were classified in a tier higher than the tier that their classification would have said they should be in -- that they were classified in other tiers other than the one they should be in. And so if we know all these things are going on, I think the idea of trying something and doing this a little bit different, in an alternative way that others states have used and that the Federal Government has used, makes sense for us as another way of doing it.

SENATOR TURNER: Well, I think that one of the considerations, too, has to be that these other states, as you've testified, don't have the number of special ed students, and plus their property taxes are not as high as New Jersey's. And we all know from our constituents, special education is the driving force behind property tax increases. So a lot of these districts that have high numbers of special ed students -- and it's not just by accident in many cases -- many times the parents are moving to these districts specifically because the district has outstanding programs in special education. So they're going to be hit and hurt harder than other districts.

COMMISSIONER DAVY: We have certainly heard that from the advocacy community, but we also know that there are a lot of

communities that say that -- that they're a magnet for kind of the same programs. That's one of the things that I think we'd have to look at as we implement the formula, and look and see if that is the case. And then I think we'd have to look at those problems individually if that's really what develops. I think that's not what we believe is going to happen. What I think we have to remember is, there is about a 400 million plus increase in resources that are built into this model. We're talking about raising special education funding about \$400 million. There's more money, a significant amount of additional dollars going into this formula. We're not taking money away. I think, just looking at it sort of from an objective position, there are more resources. We shouldn't have the kind of outcomes that I think people are fearing, because there really is a significant infusion of new dollars.

SENATOR TURNER: Thank you.

Senator Sarlo.

SENATOR SARLO: Thank you, Madam Chair.

Good morning, Commissioner.

COMMISSIONER DAVY: Good morning.

SENATOR SARLO: And I know you've been working at this for the past two years, and it's a very complicated formula. And for many of us in the last two days, I'm sure we've been spending a lot of time looking at this and trying to make heads or tails of it.

I just have a couple quick questions. And I apologize if they've already been answered. I just want to get it clear for myself. This is a three-year formula, correct?

COMMISSIONER DAVY: No. This is a new formula.

SENATOR SARLO: A new formula. But I mean, in three to five years, is there going to be a -- are we going to revisit this, this formula, at this point in time? I want to get your thoughts on that.

COMMISSIONER DAVY: I think what we would do is, we'll look at the resources that go into building the determination of what's adequacy. And if there's a change-- For example, 15 years ago the idea of having coaches -- reading coaches, math coaches, etc. -- wasn't really something that was out there. Today we know that coaches really make a difference. So I think we'd want to be able to be elastic enough in the way we do the adequacy model, to take into consideration advances, things that we learn, things that we know that we can do differently or do better. So to that extent we wouldn't be locked in time. But it would still be based upon the idea that there's an adequacy budget, and it's done by resources, and that we provide those additional weights for children at risk and things like that.

SENATOR SARLO: The charts that were published on the Web site yesterday, that many of the superintendents and school boards around the state were probably reviewing last evening, show many of them -- over 20 percent, I know -- a 20 percent cap. And the 20 percent cap was just because there was X amount of dollars available. We were talking about \$520 million here. That doesn't necessarily mean that's all their entitled to. They could be entitled to more, correct? Am I interpreting that correctly?

COMMISSIONER DAVY: Well, let me say two things. It wasn't determined, because that's all the money that we want to put in it. I

think that there is a sense, obviously, that there has to be a rational amount--

SENATOR SARLO: Sure.

COMMISSIONER DAVY: --in terms of budgetary considerations. But more importantly than that, I think, is the concern also that new money, new aid going in should really be used very thoughtfully and very rationally; and that a district-- There are cases where districts are entitled to significantly more than that under the formula. But the idea that you would sort of flood the market there with a lot of additional resources right out of the gate might lead to decisions that aren't as wise and aren't as smart. And frankly, I think from our perspective it makes a lot more sense to make some change on an incremental basis so that you see how that's working. Maybe it's not, maybe you want to do something differently.

I think it's one of the places that we can learn from the Abbott experience. Many of the Abbott districts got a huge amount of resources right out of the gate. And not all those resources went -- were directed to programs that really produced good results. So I think that we want to be very careful as we go forward about how we do this. This is the initial start. When those districts got all that money, initially people had to figure out how do you spend it. It's easier, I think, to start with an amount -- let people work through that. And in the cases where districts are entitled to more -- and many of them are, many of the ones that are capped at 20 percent -- would have more coming to them in the next year and possibly even a couple years after that.

SENATOR SARLO: And also leads to potential abuse and fraud, too. When that amount of money is poured into a system, there is a potential for that as well.

COMMISSIONER DAVY: It could lead to all kinds of things. But what I would worry more about is that it's just not spent wisely on educational services, even if it means that somebody buys more books than they need, or another set of books, because they just think they need to buy new books. I'd rather make sure that people plan and really think carefully about how to do it, and then sort of phase in the changes that they make. Because again, hopefully these resources will go to meet educational needs for students whom, to this point, the districts had difficulty taking care of and addressing because resources haven't been what they should be.

SENATOR SARLO: Based upon the chart, if a school district is at the 20 percent cap and is scheduled to receive X amount of dollars -- say \$100,000 increase this year -- planning ahead for those school districts, can they, theoretically, assume that they will be somewhere in that ballpark, over the course of the next three years, in increases?

COMMISSIONER DAVY: I don't think that they can make a flat-out assumption like that, because it may be that their total increase in aid should be 38 percent, in which case the first year they might get 20, next year they might get 18. There are some districts that you'll see are at 9, or 13, or 17. It means that they're basically getting all that they'll get, other than adjustments for cost-of-living purposes.

SENATOR SARLO: Would we be able to get a copy--

COMMISSIONER DAVY: Oh, Kate is reminding me that enrollment could also change. So as you run it each year, you get impacted that way, too. So it is hard to predict exactly what that would look like.

SENATOR SARLO: Okay. Would we be able to get a copy of those charts to show the different school districts what they potentially -- a 38 percent increase or a 40 percent-- I know the charts that we have here are capped at the 20 percent. Is that data on here?

COMMISSIONER DAVY: I don't believe it is.

MS. ATTWOOD: That data is not on there. But normally when we put out the more detailed calculation of how the aid is determined -- adequacy, minus local share, equals State share -- that type of information would be understandable.

SENATOR SARLO: You would see right away -- would stand out if somebody is entitled to a 38 percent increase.

As a follow-up question to Senator Buono, what are we currently receiving, approximately, from the Federal Government for special ed? I know we're supposed to receive up to 40,000, is that correct?

COMMISSIONER DAVY: We're supposed to get 40 percent, I believe.

SENATOR SARLO: Forty percent?

COMMISSIONER DAVY: You know what, I don't know that either of us -- we have a lot of numbers in our head -- but I don't think either of us know that, although we could certainly get that for you. The Feds, I think, right now are really paying about 17 percent of the cost. They're supposed to be paying 40. It may actually, by now, even be lower than that. I'm not certain, but I think it's in that ballpark.

SENATOR SARLO: Okay.

And one final question on the cost of living. There's a geographic cost adjustment, which I'm glad to see in this formula. Do we know what kind of cost adjustment, what kind of factors -- if you could just elaborate on that cost adjustment?

COMMISSIONER DAVY: We're going to provide a lot of information on that later today. I know, Kate, if you can talk a little-- It's actually done by a fairly sophisticated formula of crunching a lot of numbers data together.

MS. ATTWOOD: Right. It looks at, I think, other salaries. It's basically based on salaries of non-educational services in a certain region, and it compares those across the different areas and those that are -- in starting salaries -- and those that are higher would receive a higher adjustment than those that are lower to the statewide average. And that's a methodology that Taylor/Fowler had taken and had done that nationally. But their groups were much bigger than a county basis. So we recreated that with the most up-to-date census information that we had on a district basis. I really -- I think it's best that, because this is a very sophisticated approach, that we have it in writing. And we will articulate that with the numbers when the report comes out. And I think our expectation was, we wanted this to be out yesterday, but it will be out today; so everybody will be able to see the methodology.

SENATOR SARLO: Those salaries are non-teacher salaries, is that what you're saying? But they are in the educational process?

MS. ATTWOOD: Right. It would be the non-educational salaries, is my understanding, is what you want to look at. Because you

actually want to exclude the impact of the education and want to look at the other salaries in the area.

SENATOR SARLO: Okay. And that's in the public sector, not in the private sector? Just purely in the--

MS. ATTWOOD: I think it's in all.

SENATOR SARLO: Oh, all public and private sector?

MS. ATTWOOD: I believe. But again, I really would want to defer to when we put this in writing, and we can get that all to you.

SENATOR SARLO: Thank you, Madam Chair.

SENATOR TURNER: Senator Martin.

SENATOR MARTIN: I appreciate, Commissioner, the briefing yesterday, so I'm perhaps a little bit more up on this than my colleagues. So my questions will be short, but I do have a couple of major concerns. One has to do with just numbers. It's been suggested to me that at least the Republicans don't have a total for extraordinary aid that will be made available through the State.

COMMISSIONER DAVY: Well, there isn't really a specific total. The special ed extraordinary aid is done on a reimbursement basis. What we're doing is estimating numbers based upon the last time that we did it, which was actually not this school year, because it hasn't been done yet for the current school year. It's done in March. So we're using last March's numbers -- the March '07 -- which are from the '06-'07 school year. It's an estimate. We're going to provide what it costs. The contemplation here is that we're going to pay for it. We're using what we think is a relatively good estimate, based upon past experience. But we can't quantify it exactly without knowing what students will get the reimbursement.

SENATOR MARTIN: Okay, I'll accept that for the time being. But more specifically, with extraordinary aid, you talked about the in-districts' placements of 75 percent at the \$40,000 level, and the out-of-district 75 percent at the \$55,000 level. You indicated yesterday, as well as this morning, that the 55,000 out-of-district placements are some rough cost adjustment from where they were previously at 40,000. Suppose the actual averages are significantly less than that -- in the high 40 range, like 45,000 or 48,000. They are going to be locked out of receiving State funding, and I think that could be a very serious concern. And I think there's some feeling that maybe that 55,000 was set to try to exclude money for some out-of-district placements that probably should be, at least in my view, provided for. Do you have a response to that?

COMMISSIONER DAVY: Well, I would say that we did not do it that way. If you take the 40,000 and you do the cost of living on it, you see that that's the number that you come up to. The other thing is that we, because of the way we reimburse the costs -- by doing it at the same level for both -- it really puts the local district at a disadvantage, because they don't get reimbursed for the same costs. And so they actually have to spend more to get the reimbursement. And we don't want to encourage people to incur higher costs. We want to encourage them to have lower costs. Special education costs and services is an area where there are a lot of issues going on, including this idea of a lot of separate placements and things like that. So there's a lot to be considered in the mix.

SENATOR MARTIN: I understand that. But it seems that the number -- just based on a loose cost-of-living assessment, rather than on

actual data that would be available in school districts -- it seems to me that that would be a better approach.

But I'll leave that aside and go to, I guess, my more fundamental issues about school districts. It's been said, as you know, that all politics is local. And looking at certain districts, there are some that are getting a 20 percent increase. For example, one of our aides lives in Robbinsville, what you have listed as Washington Township. They changed their name. This a district that's getting a 20 percent increase. But on the other hand, they've had a 76 percent increase in enrollment since 2001, and they've also been flat-funded during the McGreevey and the Corzine/Codey administrations. So 20 percent, after almost six years of flat funding, doesn't begin, for at least some of us, to provide the kind of relief a middle-class community like Washington Township would deserve. They've had an enormous enrollment. And what the point is, is that perhaps 20 percent of a very small figure to begin with, frozen for six years, 20 percent of zero is zero. Now they are getting 20 percent of what their previous figures are, but for the Washington Townships, the Rockaway Townships, and other towns of -- the Chathams, in my district -- I think that they're going to have some very serious concerns about the increase in their enrollments and what the actual dollars are with respect to State aid. Would you want to comment on my observations?

COMMISSIONER DAVY: I would just say that we've done this in a way that we believe is fair and equitable. There are lots of changes that contribute to why a district gets 20 percent -- there may be a high enrollment increase, but it may also be that the community's wealth, both property and income, has gone up at a high rate. I mean, there are a lot of

factors that go into this. It's certainly higher than the cap that was there under CEIFA, when CEIFA was implemented. So to that end, we think we are -- we're adjusting this in an equitable way.

SENATOR MARTIN: I guess my problem is, I represent specific districts. You may say that, by and large, it helps some a lot, some modestly, some-- It may be, I think, after all of the original sort of premise that the aid was going to follow the student and so forth -- when we look at the data, I think there still are many communities, including my own in Morris Plains Borough -- that's had a significant enrollment increase, only a 2 percent expected increase in aid after six years of flat funding -- that are not going to be so-called winners. And the announcement, I think, was that everyone was going to be at least a winner to some extent. And I'm having trouble buying into that, at least at the moment.

That's all.

SENATOR TURNER: Thank you, Senator Martin. But I guess you are a winner -- you're getting 2 percent, so you're getting something.

Senator Bucco, followed by Senator Bryant.

SENATOR BUCCO: Thank you, Madam Chairman.

Good morning, Commissioner.

COMMISSIONER DAVY: Good morning.

SENATOR BUCCO: I'm pleased to see you here and trying to explain our new formula. In your presentation, your PowerPoint presentation, you spoke about the expanding of the pre-K program. And correct me if I'm wrong, I thought you had said that you didn't equate into

the dollar figure of this program the cost of the pre-K program. Is that correct?

COMMISSIONER DAVY: That's correct.

SENATOR BUCCO: Can you tell us, do you have a figure for that? Because we know that this program is going to cost about approximately \$550 million, and I think we -- that would be the new formula.

COMMISSIONER DAVY: That's what it costs now.

SENATOR BUCCO: Right.

COMMISSIONER DAVY: Oh, you mean the new formula?

SENATOR BUCCO: The new formula.

COMMISSIONER DAVY: It costs about \$530 million.

SENATOR BUCCO: Five hundred-thirty million. But the new, expanded pre-K program is not in that figure, correct?

COMMISSIONER DAVY: It is not. None of the pre-K money that is currently allocated for preschool is included in these numbers. Pre-K is considered separate from all of this.

SENATOR BUCCO: What is the cost of that then?

COMMISSIONER DAVY: I'm sorry?

SENATOR BUCCO: What is the cost of the pre-K program?

COMMISSIONER DAVY: Right now, it's about \$545 million.

SENATOR BUCCO: Okay. Because I think that we, as legislators, have to know what this whole package is going to cost us before we start voting on something just to have it pushed through by February, that you say. (applause)

COMMISSIONER DAVY: Well, I think what we have said is, at full implementation, which we would expect is about six years out from now -- given the first year as a planning year, and then the assumption is that this will take about as long to ramp up as it took us to ramp up the Abbott preschool program, which is about five years. Then at six years out, the cost would be about \$300 million more if we were calculating that today. It would be around \$850 million, total.

SENATOR BUCCO: So \$800 to \$900 million for a total package that you're talking about?

COMMISSIONER DAVY: About 850, given that we already spent about 545, yes.

SENATOR BUCCO: Thank you.

I think that's the information that we need, also. As I say, before we vote on something, to know what our complete package is and can we afford to pay for it.

Thank you.

COMMISSIONER DAVY: Senator, if I could just add, I think that our experience shows us that that investment for children who are at risk saves money down the road because you provide that opportunity to close the gap. We haven't seen the full benefits of that because it takes a while to get them through the whole system. But the preliminary indications are, in New Jersey, that we have reduced classification rate of special education in elementary school, and that alone could then have a pretty significant impact on special education costs in the future.

SENATOR BUCCO: I don't disagree with you, Commissioner. But again, as I said, I think we have to be aware of what the costs are and

what the benefits are going to reap. You know, as a business person, when I make an investment I want to know what I'm getting back for that investment, and I think that's what we have to look at -- this whole thing.

COMMISSIONER DAVY: Absolutely.

SENATOR BUCCO: Thank you.

SENATOR TURNER: Commissioner, I don't think that we should just look at educational costs, but we should also be looking at the fact that it will reduce a lot of societal costs if we put more money on the front end than waiting to put it on the back end of life.

Senator Bryant.

SENATOR BRYANT: Thank you, Commissioner.

Let me clear up some things, because I was getting a little bit confused. As I understand what you put before us today, we're not expanding pre-K at this juncture in this formula, but we're going full-day Kindergarten?

COMMISSIONER DAVY: Well, the formula contemplates funding Kindergarten fully. If there's a full-day program, you'd get funding for that. The preschool money is not in this. So a district's money for pre-K is not included in these numbers, yes.

SENATOR BRYANT: Absolutely. Okay, I wanted to make sure of that.

Secondly, Senator Martin brought up -- I thought it was something. I understand there's a 20 percent cap. In other words, for the first time we did take into consideration all the numbers of people -- at least the most current we have -- all the kids who have -- are at risk. But let's assume the school district that he mentioned might be entitled to 100

percent increase, it wouldn't make a difference. They would get 20 percent as a cap. That's it.

SENATOR MARTIN: Washington Township got a 76 percent increase in enrollment in the last six years.

SENATOR BRYANT: But what my understanding is, even if they took all the enrollment and everything else, and they calculated it out -- let's assume you were due 150 percent increase -- you are capped at 20 percent by (indiscernible). And I guess it's contemplated. And that leads to my next question. As this formula goes on, is it contemplated -- those whose districts, say, exceeded the 20 percent this year -- in the legislation, are they going to be entitled to an increase for the next year?

COMMISSIONER DAVY: Yes, absolutely. The contemplation is that, going forward, you'll keep doing the incremental growth going forward. Now, there may be some that are only entitled to 21 percent, so next year they might only get--

SENATOR BRYANT: I understand. They get the 1 percent of -- 1 percent.

COMMISSIONER DAVY: Right. And it would be done with enrollment -- with next year's enrollment.

SENATOR BRYANT: But my question is, I guess, is the legislation itself specifically going to show that increase or is that going to be dependent upon the Legislature approving additional dollars? In other words, does -- legislation could be written in such a way that if you're entitled to excess of 20 percent this year, that automatically you will get whatever -- what you did not get, up to a maximum of 20 percent, the second year, up to the third year another 20 percent. Is that what the

legislation, as I understand it, is going to say? Or is it just the 20 percent for this year, and then let the legislation just--

COMMISSIONER DAVY: No. I think the legislation will enable it, and we'll have the caps. But it will be clear, is the idea, is that it continues to grow for districts whose aid would increase.

SENATOR BRYANT: That answers some of the questions. It might not answer totally what Senator Martin wanted, but at least it tells you there's a progression, theoretically, in it.

Let me ask another thing. You have folks who are spending under what they called *adequacy budgets*. And I understand the money is not the total answer, but is there any way in this legislation we are going to examine or be able to tell school districts that are proficient? And let me tell you why I'm asking that question so I can lead you into it. Assuming a school district is proficient and is spending under adequacy -- adequacy budget, that should be fine if we have some standards that say they're proficient. But then on the other hand, it seems to me that if they are not proficient, if we had a standard -- and I don't know whether we are going to, and it's going to be in this legislation -- are we going to require them to spend the State dollars toward education? Only the State dollars -- I'm only talking about the State dollars assuming they were not at adequacy budget. Let's assume they all had the \$9,000, whatever it is -- \$9,060 per kid -- and they were spending, say, 7,000 on regular education.

COMMISSIONER DAVY: Right.

SENATOR BRYANT: We found, because there's a standard in this legislation, that their kids were not proficient. I'm using that word.

Then we gave them extra aid. Are we going to require them to take our aid and at least spend it on education, because we found they're not proficient?

COMMISSIONER DAVY: I think that's where QSAC and CORE fit in with this. Certainly, we don't want to promote inefficiency. So if a district is doing a good job spending less, we certainly don't want them to spend more just for the sake of spending. On the other hand, if they are not, I think as you're describing it, if they're not performing, that's where QSAC comes into play, because we do want to address that.

SENATOR BRYANT: I understand. So is there going to be a tie-in between QSAC and this in terms of proficiency?

COMMISSIONER DAVY: I believe that's what we're--

SENATOR BRYANT: That we can mandate -- we can mandate that they spend our dollars when we can show they're not proficient.

COMMISSIONER DAVY: I believe that QSAC and CORE already provide that authority. I think we'll probably just have the tie-in in this bill, but the expectation is that the authority was already given under prior legislation.

SENATOR BRYANT: Let me ask the last question. Adequacy is a -- can't be a static concept. What is adequate today is not going to be adequate three years from now. It may not, it might be. Is there anything in the bill in terms of increasing funding to increase adequacy? And maybe I'm not saying that right, but let me try to give you what I'm thinking about. Fuel oil goes up, teachers' salaries go up, purchasing goes up, so in essence we'll meet-- So what is adequate at \$9,649 today is not adequate in 2010, because it has what a -- an inflation factor, whatever else. Do we

have anything built in the legislation that is going to actually look at the adequacy in number and then require that we match adequacy?

COMMISSIONER DAVY: The legislation will require that there be adjustments for cost of living, yes.

SENATOR BRYANT: It's going to tell us that we do a cost-of-living adjustment each year?

COMMISSIONER DAVY: Yes.

SENATOR BRYANT: Thank you.

SENATOR TURNER: Thank you.

Senator Sweeney, followed by Senator Asselta.

SENATOR SWEENEY: Thank you, Senator, and Madam Chairwoman.

And Commissioner, first I want to congratulate you, because I think you've done well. It's a good start. And I think everyone here has to recognize that we are not going to solve the problems that we have in the State this year in one step, and then we're going to finish the race. But this is actually a very good start. There are some concerns I have, as: if the additional funding comes to schools where schools aren't spending enough, like Clayton in my district, that the money doesn't get lost in the administration, it's get to the classroom. We're going to have assurances that the dollars are going to get into the classroom, I hope. And special education, as Senator Buono and I both feel very passionate about, that how we work with our special service school districts to promote their services, because they do provide an outstanding service at a cheaper cost than going to private academies. And we can't lose that, because the one size doesn't fit all for the inclusionary community segregation -- and I have

a daughter that has Down Syndrome -- you have to have an option whether it's a segregated setting. Because some children actually perform better in those settings. One size doesn't fit all. If we don't lose that either, it would be important, and if we could work with you on that.

COMMISSIONER DAVY: Absolutely. Absolutely.

SENATOR SWEENEY: I just want to-- We're not voting on and we're not going to be voting on pre-K funding in this bill. I think we have to make that very clear also.

COMMISSIONER DAVY: Right.

SENATOR SWEENEY: I look forward to the language in the legislation. I think the devil is in the detail. As Senator Bryant said, I agree with him. We have to ensure that this \$9,000 number isn't \$9,000 five years from now, because it won't be adequate. And as far as growth center (indiscernible), I have a district with about 145 percent growth. I have the fastest-growing school district in the state, if not on the East Coast, in Woolwich Township. That wasn't a lot of fun watching these communities struggle. But I agree with Senator Bryant, we have to ensure districts that are spending at adequate levels -- that these towns get relief, that these taxpayers get relief. Because they are spending, now, today's dollars. Those kids are being educated. And if I get a school district that gets a windfall, it should go back to-- And we're funding our schools. I'm not saying cutting funding, but taxpayers should get a break here, and that can't get lost. And I appreciate your willingness to work on that, too.

Thank you.

COMMISSIONER DAVY: Thank you.

SENATOR TURNER: Senator Asselta.

SENATOR ASSELTA: Thank you, Madam Chair.

And quickly, I just want to pass on some observations. Obviously, we've heard a lot of testimony here from you and some of my colleagues here. Most importantly, I think the educational value of a formula today, and one that moves forward-- And just as my own involvement in education for many years, understanding clearly that the pre-K program that's been created in the State of New Jersey is working wonderfully, has produced tremendous results through the Abbott system. And my question points to the fact that you talked about a build-out over six years, of eventually getting every district online, 3- to 4-year-olds already in that process and that initiative, that educational opportunity. Is the first part of that build-out consideration of sending districts to Abbotts, because the Abbotts already have the infrastructure in place, already have the pre-K -- whether they're in-house or contracted outside -- already in place for those sending districts? I guess there's over 100 sending districts to Abbotts that currently don't have that opportunity because they're obviously sending and they're rural, and that parent has to drive that child somewhere.

COMMISSIONER DAVY: I want to say two things: First of all, the full implementation is at-risk students, not every child in New Jersey.

SENATOR ASSELTA: Correct, correct.

COMMISSIONER DAVY: I want to make sure we're clear on that.

SENATOR ASSELTA: Yes.

COMMISSIONER DAVY: The second thing would be that on a community-by-community basis, there will be a plan developed. My assumption would be that if they're sending to an Abbott where there's already a plan, there's already a program in place, and there's already an infrastructure, that that's one that will probably be easier to implement than others. But we're going to ask each district to look at this, and to plan for it, and to decide how they will meet having all the at-risk children enrolled within a five year period. So that will be part of the process.

I think that is one of the advantages of this formula that we're proposing. It really addresses exactly what you're talking about. Those communities, particularly in rural South Jersey-- I'm sure you know the *Bacon* case.

SENATOR ASSELTA: Right.

COMMISSIONER DAVY: That's been winding its way through the courts. This really addresses the needs of those low-income rural communities. In my view, the resources are vastly different than what they have been to this point. And so we would be anxious to see those children in preschool as quickly as possible.

SENATOR ASSELTA: Absolutely.

COMMISSIONER DAVY: Because we know it makes a big difference.

SENATOR ASSELTA: And just to end my comments, this is probably the single, best investment we can make, long-term, in our educational system here in New Jersey -- to continue that program and build upon it, and hopefully some day each and every district in the state will have that opportunity.

Thank you.

COMMISSIONER DAVY: Thank you.

SENATOR TURNER: Thank you.

Thank you, Commissioner.

We have now reached the point where we all have been waiting for -- to hear from you. And we'll start with Michael Vrancik, New Jersey School Boards Association.

And just a reminder -- the ground rules -- five minutes, no more. And once we hear from the first three, we will start with our panels. So first, we'll start with the New Jersey School Board Association.

MICHAEL VRANCIK: Thank you.

On behalf of the School Boards Association, I will make it abundantly clear that we really appreciate the opportunity to be here to testify, and I want to make sure that it's clear also that we really, truly appreciate the efforts that the Governor and the Commissioner have made to put forward a sustainable formula to fix the problems that we've had over the last dozen or so years, probably even longer than that, with respect to the way school aid is distributed to all our members, to all our the boards of education.

I appreciate the opportunities that the Commissioner has provided for us to be a part of the process to solicit our input. We've gotten a lot of information that we've asked for really within the last 24 hours. We laud the approach that's being taken, but I think we need some more time to digest what we've received. We've gotten a lot of overarching calculations/methodologies. We haven't seen the language in the actual bill that's being proposed. When we have that, I think we'll be in a better

position to speak to the issues that we are concerned about. We've heard, I think, in the debate and the dialogue with the members of the Committees here this morning, the issues that we have with respect to special education. We're concerned about how the hold harmless plays out.

The increase in the aid amount is laudable, and once again, the Governor made it clear yesterday that this is a phase-in -- that there will be even additional money. And I think that from our members' perspective, any increase in the amount that the State provides to all the districts is tax relief, because it increases the amounts that the State's providing. Our concern has long been that the State share increase, and I think this is getting us in that direction.

And I want to thank everybody, for the reference, to get us to this point. Once again, we look forward to considering the actual language, how the property tax methodology will work, how the adequacy amounts will be derived. The idea that full-day Kindergarten will be addressed as a component of the adequacy budget -- I want to make sure we go on record as approving. There is just so much about this methodology that will be included in an actual piece of legislation that we still haven't seen.

So I'll cut my comments off there, and thank you for the opportunity to testify.

SENATOR TURNER: Thank you very much.

We'll call on Joyce Powell, President of NJEA, who will be followed by Lynn Strickland, the Garden State Coalition of Schools.

J O Y C E P O W E L L: Good morning, Senator.

SENATOR TURNER: Good morning.

MS. POWELL: Thank you for the opportunity to testify this morning. And certainly out of respect for your time, as well as understanding that there are many who wish to speak on this critical issue, I'll get directly to the testimony. But first, I do want to commend the Commissioner and the Governor, and this Legislature really, for tackling this issue that's been so paramount to all of us in terms of what we want to provide for students. It has been avoided for far too long, and this process represents an important step in continuing to ensure that we have a high quality education -- public education system in New Jersey, and that we resolve the school funding crisis in our state.

And while we will agree or not with every single aspect of the proposed plan, certainly we applaud the courage and the determination that it took to break the logjam that has been occurring, and that we begin to move forward. As we all know and we've all stated, school funding is a complex issue. It's certainly -- the administration's proposed plan is no exception to how complex this issue is. And while the release of additional information yesterday has been very helpful in our analysis, to date we have not seen all the details and we will need to see those details as we move forward. We believe, though, that there are elements of the proposed funding formula that are very positive. It is unfortunate that we don't have all the information, and as I said, we will need that information as we continue our analysis.

However, that does not mean that NJEA is opposed to the proposed formula. And in fact, we find that there are a number of elements that are very, very promising. The unprecedented expansion of aid to at-risk students in districts across the state is commendable, as is the

broadening of the definition of *at-risk* to include students who are eligible for reduced-price and not only the free lunch. Likewise, the expansion of the preschool, even though it is going to be out to the future -- that represents an extremely wise investment in New Jersey's future. The State's decision to make funding for full-day Kindergarten available to every district is also another extremely positive step. And we appreciate the Department's responsiveness to several concerns that we have shared with them as this process has been going on throughout this year. The adequacy figures, as they were calculated -- we were dialoging with the Department to ensure that they could take into consideration -- and I think you heard from the Commissioner -- the utilization of the mean rather than the median salary, because that is a much more reasonable standard.

But because of these and other positive components of the plan, NJEA hopes that this plan will allow New Jersey to fund schools more adequately, more consistently, and more fairly than has been the case in the last decade. We believe that we can really evaluate the overall quality of the plan and its impact on schools when we have that information and we are able to complete that analysis. Most importantly, of course, we need to see the legislation; and we know that we've been told that we should have that early next week, or by the middle of next week, so that we can all take a look at that and understand. That will be extremely critical. And second, we need to see not only the projected district-by-district aid numbers for the coming year, but the full breakdown of how the Department arrived at those numbers through the formula, what the weighting factors -- and how those weighting factors were applied to each district, what geographic cost index was used, in terms of each county; and what the exact formula for

determining each district's fair share. They will all be critical components of that analysis.

The administration has committed to three years of what we believe will be the hold-harmless funding. We would like to have a little more understanding and detail in terms of that. And then of course, what happens after that hold harmless disappears? I think we have some of the same questions that we've heard so far this morning. But let me make it pretty simple. I'm a teacher, and as a teacher I need to see not only the answers, but I need to see the work in terms of how we arrive at that particular answer to the problem. All of the relevant data and the formula should be released immediately so that we have the time to make that analysis. And we understand that there's a need to move quickly on the legislation to implement the formula in time for next year's budget process, but we also want to ensure that it's done in a way--

We have a few questions that we would like to see answered, particularly about the special education costs, whether or not that will be sufficient; whether the census model is the best type of model to use; if the annual escalator -- how that will be utilized; and the adequacy budget.

And whatever happens, I will conclude by saying that we need to ensure that the State continue its commitment to our special needs districts; that we've worked very hard and made a lot of progress, and we cannot turn our back when we believe that we have both a legal and a moral obligation to the children in those communities, and to ensure that we continue the progress that's been made. Again, we would ask that the Legislature fully fund the formula, and we know that you are taking this extremely seriously.

Again, thank you for your time and attention to this.

SENATOR TURNER: Thank you.

Lynne Strickland, Garden State Coalition of Schools.

She will be followed by Tom Dunn, New Jersey Association of School Administrators; Elizabeth Penella, President, New Jersey Principal and Supervisor Association; and Bruce Quinn and John Donahue, from NJASBO.

L Y N N E S T R I C K L A N D: Thank you very much, Madam Chairwoman. I am going to defer--

Is this on? Can you hear this? (referring to PA microphone)

SENATOR TURNER: It's not on yet.

MS. STRICKLAND: No. There we go.

Thank you very much, Madam Chairwoman.

I am going to defer to the President of our organization, Daniel Fishbein.

D A N I E L F I S H B E I N, Ed.D.: Good morning.

I'm Dan Fishbein, Superintendent of Schools in Glen Ridge, and current President of the Garden State Coalition.

Thank you for the occasion to comment on the administration's proposal for funding of our community schools. First, we'd like to commend the Governor and the Commissioner of Education for rolling up their sleeves and tackling the school funding formula thorn. We understand there are many difficulties encountered, and hope that now the plan has been released that it can move ahead in a deliberative process that justifies the effort it has taken to get to this stage.

We start with a caveat. Given that the Governor's plan has not yet been underscored in detailed legislation, and that his proposal and the district data impact listing we received just late yesterday, it is so new to our eyes that our thoughts today can only be cursory and tempered by caution. We look forward to analyzing the proposal and its attending legislation in depth, and will feed back to you as soon as the opportunity allows us to.

We are definitely anxious to see the bill behind the plan. That said, we are cautiously optimistic about several features set forth in the proposal. First, it's enrollment sensitive. For the first time in many years, student population growth is counted and reflected in the aid increase. It updates community wealth factors, as well as considers property tax stress. Third, middle income districts that have been struggling for years under the current system stand to benefit. Approximately 300 districts stand to gain at least 10 percent in State aid, primarily from the middle class suburbs. Fourth, due to the proposal recognizing rising enrollment, coupled with high tax burden, a number of districts -- more than 70 -- considered to be relatively wealthy also experience some gains for the first time in years.

The Garden State Coalition of Schools also notes several concerns that emerge from the proposal. A stipulation that districts spending over the adequacy budget will be required to use some portion of their State aid increase for property tax relief -- what does this really mean? Since the State aid is property tax relief for starters, we are worried that the program needs will be discounted here. We are also worried that the aid gains finally noted in the new proposal may turn out to be on paper only, but in fact may come in one door and go out another.

Special ed aid changes are numerous in this proposal, from scaling back on the type of categorical aid that has been in effect for over 40 years to a one-third hybrid approach where two-thirds will now be wealth equalized; to a brand new census distribution based on the average rather than the actual student and his or her needs; to a different way of calculating the extraordinary aid for high-cost students, which actually sets more limits than the current law. The new framing of special education aid needs further explanation, clarification, and debate.

Finally, it is critical to understand and see more of what emerges from the formula when, if, and how hold-harmless provisions are going to be removed in the future.

These are some of the initial thoughts from the Garden State Coalition that we can bring to the table today. We look forward to working with the administration and the Legislature in the days ahead, as this significant new plan progresses. We all have a stake in seeing the best possible formula is achieved for New Jersey's heart -- our children, our homes -- and affordable property tax.

Thank you.

SENATOR TURNER: Thank you.

MS. STRICKLAND: Thank you.

SENATOR TURNER: We will call up the next panel.

They will be followed by David Sciarra, Executive Director of the Education Law Center; Ruth Lowenkron, Education Law Center; Richard Shapiro, Special Counsel, Abbott districts; Paul Tractenberg, Rutgers-Newark Institute of Law and Policy.

Thank you, go ahead.

JOHN F. DONAHUE: Sure. Thank you, Senator Turner and the other members of the Committee, for a chance to just make a few very brief comments. I won't repeat. We have submitted written testimony that includes other comments that we would make, but have been repeated either by members of this group or others already.

We want to say that we like a lot of what we see within these printouts. What we don't see -- going back to a comment Senator Sweeney made earlier, and I mean this respectfully, as the devil may be in the details -- we need to see a bill. We need to see-- We talked here today about a formula, but we haven't seen this formula, and that's going to be in the bill. We want to see the formula that drove these printouts. We want to see the formula that will drive future printouts. And probably our concern and the concern of probably everyone behind me is -- and your concern as well -- is how we pay for this. Where is that revenue, sustainable revenue, recurring revenue source that's going to produce the goals that we hope this formula will provide?

And I'll just make one other brief comment, and it goes to something our Governor said yesterday to us. The work on this, to the credit of the Department and a lot of other people, did not begin six months ago. In fact, it began probably 10 years ago, in '97, when we had the CEIFA study groups. That was 10 years ago. I think we could probably, if we chose to, debate this for 10 more years. We think the time for debate is over. We are hopeful that you will advance a bill in a timely way so that we can use it to produce budgets for this State for the '08-'09 school year.

Thank you.

T H O M A S D U N N J R.: Good morning, Madam Chairman.

Good morning, Senator Kenny. And by the way, it's a pleasure to see you back in the State House where you belong. I hope you're feeling well and we wish you the best.

SENATOR TURNER: Excuse me. May I interrupt you? Would you please introduce yourself as you speak so we have it on record?

MR. DUNN: My name is Tom Dunn, and I represent the New Jersey Association of School Administrators.

SENATOR TURNER: Turn your mike on. (referring to PA microphone) There you go.

MR. DUNN: Having a little trouble getting going here this morning.

My name is Tom Dunn. I represent the New Jersey Association of School Administrators. And like the previous speakers, I'd like to indicate that we appreciate the hard work of the Governor, the Department of Education, the Commissioner, as well as the members of the Legislature, who have been tackling the problem of school funding for many, many years now. As previous speakers have said, the devil, though, is going to be in the detail. While we're appreciative of the fact that the Governor and the Commissioner revealed State aid figures yesterday, absent the actual legislation and the formula, it's impossible for us to draw a conclusion about how this formula will play out as the years progress.

Although public pressure is mounting to resolve the dilemma of school funding expeditiously, we feel strongly that our Governor and those Assembly members and Senators most recently elected should be the ones to shoulder this burden. We believe those Senators and Assembly members

who will be asked to implement and fund this new formula should be the ones to cast their votes. The ramifications of decisions made today will have far-reaching consequences for our students, our taxpayers, and our elected State leaders in the years ahead. While State aid figures were released yesterday, neither the new formula nor the legislation was. The public has a right to review, analyze, evaluate, and react to the new formula and the legislation before it is acted upon by the Legislature. The Legislature should value public reaction and input.

NJASA believes the Legislature should defer any action until the new school formula is unveiled with its accompanying legislation. NJASA strongly recommends that during the lame duck session the current Legislature do not take any action based on the State aid figures released yesterday. With the commencement of the new Legislature on January 8, all incoming members of the 213th Legislature should be afforded the opportunity to study, discuss, and vote on this far-reaching formula, but only after it is unveiled by the administration and reviewed and reacted to by the public, not before.

NJASA welcomes the opportunity to work with our Governor and elected State representatives to examine all aspects of a new funding formula and its direct impact upon the quality of public education.

Thank you. (applause)

SENATOR TURNER: Please refrain from applauding. We want to get through this so that people can have an opportunity to speak. And also, we have to leave here shortly because there's another meeting that's taking place in this room.

D E B R A J. B R A D L E Y, ESQ.: Good morning, Madam Chairman, and Senator Kenny as well. I'm Debbie Bradley, and I'm here representing the State's principals and supervisors. Our Association shares the concerns that were raised by many of our colleagues. We are cautiously optimistic about the proposal as it was announced to us last night. We learned some very positive things about the proposed formula that we'd like to acknowledge. Most particularly, we appreciate the additional State aid that has been announced for all districts in the coming year, and the announcement of a 2 percent increase, at least, to all districts. We also appreciate the long-overdue recognition of enrollment growth across the state, and that it will be finally funded on a defined schedule to school districts. We also appreciate the fact that the hold-harmless years have been expanded to a three-year time period. This will assist school districts to adjust to any potential changes in aid when a formula is finally adopted. But like our colleagues, we also agree that due to the complexity of the question, the lack of the language that we can review, and the lack of impact data after the hold-harmless time period ends, we also urge the Legislature to slow the process down and consider this in the following session.

I'd also like to use my limited time to address two questions. One is the issue of adequacy. I think the key question to all of this is whether the new per-pupil spending amounts are in fact adequate to meet the needs of our school children, who have a wide range of varying needs. The Abbott districts and other school districts across the state must be able to continue essential programs and services to their students over the long term. Important gains have been made at the preschool and elementary

levels in recent years in our Abbott districts, and new secondary reform programs are now underway. The adequacy studies that formed the basis for the new per-pupil amounts did not consider the funding necessary to support these middle and high school reforms because they were not in place at the time these adequacy steps took place. And while we appreciate the many positive changes the Department has made to its cost-assessment methodology, since their December report on costing out, we question why many other expert recommendations were not incorporated.

For example, in the Allan Odden report that was issued this Summer, professional development costs for school districts were significantly underestimated in the Department's report. Our point here is that we need a regular process to reassess adequacy in future years, but we are encouraged by the Commissioner's comments along this line that there will be a regular process in every three to five years.

The other issue I wanted to raise with a little bit of time is the issue of early childhood education. Our Association fully supports the Governor's priority in expanding the option of high quality preschool to more children in need across the state, not only the children residing in our Abbott districts. National research and New Jersey's actual outcomes are clear. High quality preschool is a critical and effective tool in addressing the needs of children at risk and preparing them for educational success. We strongly support the goal of expanding preschool to children at risk, and we pledge to work with the administration to do so. But principals do have some concerns with the proposal as it is envisioned. First, the proposal fails to adequately address current Kindergarten needs across the state for our 5-year-old student populations. Many willing and needy school districts are

currently unable to provide full-day Kindergarten opportunities for children and their communities. It is our understanding that about half of our current District Factor Group *C* and *D* districts offer full-day Kindergarten. We believe that it's insufficient to mandate the establishment of preschool for 3- and 4-year-olds where no full-day Kindergarten program exists to follow through on the preparation of these young students.

As the Commissioner stated, the proposed formula does address this issue in a very positive way for the first time in New Jersey. Full-day Kindergarten will be fully funded, not half-way funded as in the past. And this is an important step, a step forward. We thank the Governor and the Department for rectifying this important flaw in our current system.

However, this single step is not enough. In order to be fully funded, full-day Kindergarten must in fact be offered. Many New Jersey districts do not have the appropriate facilities, spaces to house these programs. Kindergarten and early childhood programs have certain facilities requirements that must be met, including a bathroom in each classroom and a sink. Since the Schools Construction Program has stalled, districts that are willing to provide expanded preschool and full-day Kindergarten have been stymied in their efforts by an inability to provide these spaces. Others have faced difficulties in finding appropriately certified staff. In order to meet the goals of this expanded early childhood investment, we must assist all districts who wish to provide full-day Kindergarten, with the priority to districts with a high concentration of at-risk students.

We have some recommendations: One is that we make funding available for start-up costs after an initial planning period and approval by

the Department of the district's early childhood plan. The start-up funds could cover such costs as necessary professional development, curriculum articulation, and facilities.

Excuse me, I lost my spot.

In addition, districts need flexibility in their planning and budgetary process to determine how and when to phase in their full-day Kindergarten and preschool programs, and in what order. As long as districts get their programs in place by a set target date, districts should be able to decide which program makes sense to provide first. Districts should also be permitted to seek a Commissioner waiver to the tax levy path to put these programs in place without jeopardizing other programs.

Thank you for hearing our recommendations in this area.

SENATOR TURNER: Thank you very much.

We'll now hear from the next panel -- David Sciarra, Ruth Lowenkron, Richard Shapiro, Paul Tractenberg. And they will be followed by Brenda Considine, of the Children with Disabilities; Jessica Ganz, Arc of New Jersey; and Peggy Kinsell, Statewide Parent Advocacy Network.

DAVID G. SCIARRA, ESQ.: Thank you, Madam Chairwoman and members of the Committee.

I'm going to make a general comment, and I'm going to make some specifics about what's been proposed, and then I'm going to make a couple of quick recommendations. First of all, the general comment is, is that what is clear from the aid figures released yesterday by the Governor, is that the Governor is asking you not to adopt the formula to fund our schools; rather, he has presented another one-year, ad hoc school aid budget cobbled together like this year's budget, with a mix of formula-driven aid

and additional funding added in, in order to get legislative approval. And he's promising more of the same next year, and the next, and the next. And then after that, it's anybody's guess what happens.

So despite all the high-sounding rhetoric, the Governor is not asking you to fund schools in a unitary fashion, as been described, based on the assessed needs of New Jersey's students and schools. Rather, he is proposing you adopt a school aid budget for Fiscal Year '08 -- one part consisting of aid driven by so-called *adequacy budgets*, manipulated by the Department behind closed doors to fit within the administration's spending targets; and the other part consisting of a substantial amount of one year so-called *hold harmless* or adjustment aid, larded on top to secure your support.

Let me say something about the adequacy budgets and some of the problems that have been-- Some of the problems you're talking about have to do with the adequacy budgets themselves. One point is clear, these were developed now over five years ago. The so-called PJP was more than five years ago. It's already out of date. Yet, the Commissioner says they have to be adjusted every three to five years. Not only that, the process was deeply flawed. We've been through this before last December. So you're starting out with adequacy budgets that are, frankly -- if you look at those numbers, they're below CEIFA, the CEIFA adequacy number. They're far below the current funding level for regular education State average, and they're substantially below our successful, most successful, educationally successful I and J districts. So let's be clear about "adequacy."

Let me point out a couple of other things. A large number of middle-class and non-Abbott poor districts will get healthy aid increases

which, when added to this year's \$71 million in new at-risk aid, will go a long way towards making up the \$1 billion State aid shortfall caused by flat funding of CEIFA since 2002. So I agree with those who say, "What this really does is make up a five-year shortfall for working class, middle class, and other poor districts.

One-third of the State's districts would lose aid if the formula being talked about today were actually used in FY '08. One third -- over 200. Indeed, if the formula were run statewide this year, or this coming year, the State would reduce its aid level to support public education by \$320 million. The formula has built in a \$320 million reduction in State aid for public schools. The biggest losers under the formula, if it were run, are the Abbotts, given the large amount of State aid in their budgets. While the precise losses are difficult to determine given the limited information provided, many Abbotts would face substantial cuts in State aid under the formula -- \$110 million in Jersey City; 48 million in Camden; 34 in Trenton; 87 million in Newark; 137 in Vineland; a substantial 68 million in Millville; 180 million in East Orange. Because of these colossal cuts in aid, the formula will not be used at all in the next three years, at least as in the 200 or more loser districts. Instead, 850 million, according to the data released yesterday, of one-year adjustment aid has been loaded on top of the formula, made up of the \$320 million State aid reduction under the formula, and all of the \$530 million in new aid proposed by the Governor. This all-formula aid has only one purpose -- to minimize harm to children in schools in Fiscal Year '08, in order to secure approval of the proposed budget. The aid is also arbitrarily capped to provide no more than the 2 percent increase for the loser districts. Twenty-two Abbott districts are in

this sinking boat, as are many suburban districts. The Governor promises to extend the adjustment aid in next year's budget, but at the same level or without any increase. Thus, there will be decidedly less harm-reduction aid next year. Despite the attempt to minimize the harm, there will be serious cuts in the Abbott districts under this budget in the first year. They won't be able to meet fixed increased costs. It will far outstrip the 2 percent increase, so districts will have no alternative but to cut staff, programs, and services to balance their budget. Next year will bring another round of cuts, even deeper, as the hold-harmless aid is flat--

SENATOR KENNY: Excuse me, sir, would you please sum up.

MR. SCIARRA: I will. For many urban districts, the picture is similarly bleak. I could go through that. And sadly there's nothing in here to address the fundamental problem we face in school funding, which is our structural over-reliance on the property tax. Special education is a problem because we're not mandating the local share. We're going to wealth equalize, require a local share, but we're not mandating it, which puts those kids at risk. And the Governor will ask for the elimination of the Abbott programs, so there will be less accountability rather than more.

Two things you need to do: You've got to take a whole lot more time. This has got to get off the lame duck -- we need a longer time frame. And secondly, administration should release the entire record of what went on to develop this formula.

Thank you very much.

SENATOR KENNY: Okay. Thank you.

(applause)

No applauding, please. We already went over that. Senator Turner asked no applauding or no other signs of approval or disapproval.

So who's next in the group, please?

R I C H A R D E. S H A P I R O, ESQ.: My name is Richard Shapiro. I represent 11 Abbott districts, and you have a copy of my testimony. I just want to spend a few minutes making certain points.

First of all, I agree that this should not be considered during the lame duck session. It deserves serious and careful consideration and meaningful public input. We haven't had that opportunity. There are several issues that I think have to be carefully considered. First, what is the actual impact of the funding formula? I'm not talking about all school districts. I'm not talking about the add-ons, adjustments to the State aid figures that were released yesterday. That wasn't a run of the funding formula. What the Legislature needs to see is a straight run of the funding formula as it will impact on all school districts in New Jersey. Because what you're seeing now is a series of figures -- State aid figures and adjustments that are designed to mask the true impact of the funding formula.

My second point is that hold harmless is a myth in the Abbott districts. They will get a 2 percent increase, which is less than the presumptive State aid increase that the State has designated in the past was sufficient to meet cost of living, and it's significantly less than what the cost of living increases will be. There will be serious cuts in the Abbott districts. There will be a dismantling of the Abbott framework. And the 2 percent hold-harmless provision is a myth, it's not reality.

Third, there does not appear to be any provision in this bill for the start-up cost for facilities that will go online in the Abbott districts or in

other districts in the 2008-2009 school year. There's been a separate stream of funding for the Abbott districts for start-up costs for new facilities. That does not exist under this formula.

Fourth, why can't the administration and the Legislature provide us with all the information that went into the funding formula and the development of it? Now, I emphasize the advisory council, that Commissioner Davy talked about, was consulted this Summer. We have absolutely no information on what this advisory council was told to do, what recommendations it made, what recommendations it made that were adopted by the Department, what recommendations that were made that were not adopted by the Department.

Fifth, we do not know to what extent this is going to turn back the clock on the significant reforms that have occurred in the Abbott district and the widening of the gap -- the achievement gap in those districts. This formula, if run, and if you saw the numbers, would very likely result in the same old inequitable system that the court found unconstitutional, and it will probably be found unconstitutional again, when the guise of adjustments and the mask of add-ons is taken off and the reality of the funding formula is revealed as it impacts on the Abbott districts and their educational needs.

Finally, we have no idea where the additional revenue will come from. The State says it's in considerable debt. Yet we've seen a 450 million figure increase now, to \$530 million yesterday, of additional aid. This Legislature should not pass a commitment of resources that the next Legislature may not be able to fund or may not be able to find the revenues to fund. Sound process would require that the revenues be identified and

be there before the commitment to funding an additional \$530 million, based on State aid figures -- not a formula -- is undertaken by this Legislature, and in the lame duck session.

So I ask that the Governor and the administration take time, reflect on this, provide all the information, provide us with the reality of what the funding formula will mean, not what we've been told to date with the add-ons and the adjustments.

Thank you very much.

SENATOR KENNY: Okay, thank you very much.

Who's next please?

P A U L T R A C T E N B E R G, ESQ.: Paul Tractenberg, from the Rutgers-Newark Institute on Education Law and Policy.

I've been involved in this effort since 1970, continuously. This is the fifth school funding law I've had the opportunity to testify about. The first four went down as unconstitutional. If there was a common element to them and a source of unconstitutionality, it was that they were rushed through with a Legislature that didn't even have a chance to read the bill, let alone digest it and evaluate it.

Let me put a fine point on what many have said. I think it would be downright irresponsible for this to go through in lame duck. I don't think I can say it more clearly. Secondly, I don't think there's a rush, because this is not a formula. This is going to be an annual budgeted process driven by the hold harmless. Because the hold harmless is not one year, it's not even three years. If you look at the data that the Department provided, they speak about hold harmless and say after three years, decreases in hold-harmless aid may occur if a district experiences a

significant decline in enrollment. They are contemplating hold harmless is going to be a permanent part of this formula. And there's a good reason.

I was stunned that the Commissioner, in two hours of testimony, never mentioned hold harmless or adjustment aid. If you look at the budget, it's the second largest budget item in the budget, second only to equalization aid. So who are we kidding? It's a huge item which isn't going to go away. It's going to be annually negotiated under this plan. It's going to be a 2 percent increase the first year. It may be flat funding the second year. It may be flat funding the third year. It may be less than flat funding in the fourth year. But you're kidding yourself if you think there's some formula with durability and persistence. This is going to be on your desks every year as it has been for the last six. There's a huge problem with poor, non-Abbott and mid-wealth districts. And the huge problem is caused by the fact that CEIFA wasn't funded over the last five years, to the tune of a billion dollars.

And I think Senator Martin correctly points out a 20 percent increase on a modest amount of State aid is never going to begin to offset the billion dollar deficit that has been created by flat funding of CEIFA. And in my view, we're asking for more under the approach that the Department has recommended.

Thank you.

SENATOR KENNY: Thank you very much.

Next, please.

R U T H D E A L E L O W E N K R O N, E S Q.: Good morning, Senators.

My name is Ruth Lowenkron. I'm one of the advocates at the Education Law Center who represents individuals -- children with disabilities in our state. And I would like to particularly emphasize the hardships that I believe will befall the children with disabilities in this state with the proposal the Governor has presented to you.

I want to start out as my colleagues have on this panel, and quite frankly, as I believe everyone in the room -- the Senators included -- to some extent have talked about, and that is the concern that we are lacking an enormous amount of information at this point. And I cannot urge you strongly enough, on behalf of children with disabilities in this state, to slow down and not to push this through the lame duck session. It is critical of this absolutely essential piece of legislation for which we don't even have text yet, for which we don't have any specifics, that we take the time necessary to ensure that the rights of our children, and in particular the rights of children with disabilities, are honored. Specifically, with respect to the effects of the proposal on children with disabilities, I think that we need to have a concern about the potpourri of mechanisms that have been put out for the first time, have been put out, I might add, without any kind of input from the special education community.

We heard the Commissioner talk about the vast input she had, but she did not have input from the special education community. They were not part of the PJP process. The experts that the Department consulted were specifically told not to look at the special education aspects of funding. And to the extent there was a call for the voices of special education advocates to be heard in the special education commission, that SERC commission was not listened to at all in the funding proposal.

So in a nutshell, I will say on behalf of children with disabilities, we are -- and some of the Senators have themselves mentioned -- we are greatly concerned about the fact that we are going away from a calculation based on actual costs. One based on an average cost that, I might say, is already not even an average -- that's not been talked about today -- but it's already artificially deflated by the fact that only those costs up to \$40,000 will be considered in that aspect of average costs. And whether or not there's an extraordinary aid part, that's not going to be for all children, so that's already a very artificial look at the average costs.

And as Senator Turner said, how do you deal with the fact that you have actual children out there? The same can be true for the census model. Are we just going to flip a coin and say, "We have too many people who are classified, so we're only going to give aid based on 14 percent"? That doesn't achieve what we want, which is to ensure that children who are wrongly classified are not classified. That succeeds in just lopping off some of the numbers.

And what we see is going to happen from this aspect, as well as some of the other aspects, looking also at the extraordinary aid costs -- that's going to be a great decrease. There's a talk about 75 percent being an increase. But the mandate currently from the Legislature is 100 percent funding. So what we need to see is 100 percent funding of the extraordinary aid costs. But what we see in all of these aspects of the funding proposal is a concern that children with disabilities will have their rights under State and Federal law violated. And we, on behalf of the disability community, do not want to see that happen. And we urge you, take it slowly and please listen to the voice of the disability community.

Thank you.

SENATOR KENNY: Thank you all.

Next -- okay. We have two groups coming up, one after the other. Advocates for children with special needs -- Brenda Considine, Jessica Ganz, and Peg Kinsell.

Okay, thank you. Who's going to start?

BRENDA CONSIDINE: I'll start.

SENATOR KENNY: Please introduce yourself and your association, and then commence.

MS. CONSIDINE: My name is Brenda Considine, and I'm speaking to you today on behalf of the New Jersey Coalition for Special Education Funding Reform. It's difficult to follow Ruth's very passionate testimony, but I'll try to outline some of our concerns.

Our Coalition is made up of 10 organizations statewide that are concerned with students with disabilities. We formed in 1996, and have been continuing to monitor State funding and special education policy. I know many of you have heard from our members through your local district offices, and we appreciate your interest and your commitment to the kids we're concerned about.

Last night we learned more about this ambitious plan. It clearly seeks to address some of the long-standing problems in special education: inappropriate over-classification, inequity, and underfunding. We appreciate the Governor's commitment to improving the welfare of students. There are aspects of this plan that we can support.

First, the Governor's plan has placed on emphasis on Kindergarten and preschool services. This will not only help reduce the

need for remedial services later on, it will create opportunities for preschoolers with disabilities, and it's a win-win. This plan brings additional money to special education, and we appreciate the Governor's commitment to investing in these students and his effort to equalize access.

Unlike many of the folks here today, our Coalition was not waiting to see the numbers. We know that numbers over time can change. For our Coalition, it's the formula driving the numbers that really matters. And this proposal advances a formula that would change every single aspect of our State's special education funding formula at once.

As Ruth mentioned, there were a number of opportunities for public input, and the disability community was not part of that. There were a number of opportunities for professional review, and special education was excluded from that. We are concerned, deeply concerned, that the special education components of this proposal, which many of you are learning about for the first time, have not been exposed to the level of scrutiny that other parts of this plan have been, and that's why you're seeing this level of concern.

The plan changes the way aid is calculated. For the first time in New Jersey, there would be no relationship at all between a child's disability and the level of State aid the district receives. While it is simpler, we are concerned that a single, statewide average cannot capture the broad variation in cost or geographic cost differences, over time. Districts with a higher proportion of high-cost kids will get hurt.

Our Coalition, and the SERC that Ruth mentioned, recommended a simplified pupil-weighting system be preserved, but modified based on the severity index to better reflect the intensity of

services. And by the way, Tom Parrish and Jay Chambers both thought that that would be a useful way to go as well. Second, this plan changes the way State aid is distributed. For the first time in New Jersey, there would be no relationship between the number of students with disabilities identified and served and the amount of State aid provided. Will we support the Governor's attempt to make funding more predictable and reduce inappropriate classification? We don't think this is the way to do it. Census models have been used in states with very large districts. But with more than 600 districts in our state, some of them very small, single statewide averages don't mean a lot. We believe that this will actually discourage districts from identifying students who might need services.

Third, in a major shift, a large portion of special education aid would be adjusted for wealth. In every other part of this plan, money follows children. Why not special education? Our Coalition and the SERC recommended that wealth adjustment remain limited to general ed. Students with disabilities are students first. The fact of their disability adds to the cost of their education equally, regardless of where they live. We believe that wealth-based, special ed funding will discourage districts from developing or accessing high quality services in New Jersey. It may not happen this year or even in three years, but special education will become an ignition point at the local district level, creating situations in which taxpayers are left to decide whether to pay for required services for students with disabilities. Districts will end up in court. Local boards of education will be forced into a position where they have to either cut general ed or pay for special ed. It's not fair.

We believe strongly that thoughtful decisions regarding such significant change require time and consideration. It requires debate that cannot be accomplished during this current session. On behalf of all of New Jersey school children, but in particular the 234,000 students with disabilities, we have to support an effort not to be rushed.

JESSICA GANZ: Good afternoon.

I'm Jessica Ganz. I'm the Director of Governmental Affairs for The Arc of New Jersey. You have my testimony, so I will be brief.

Up until late yesterday afternoon, many of the details of Governor Corzine's proposed funding formula was shrouded in a veil of mystery. And as such, The Arc of New Jersey strongly believes that the Governor's proposal should not be rushed through the lame duck session. In addition, The Arc of New Jersey is a member of the New Jersey Coalition for Special Education Funding Reform, and we asked that aid be calculated based on actual student costs, that aid be distributed based on the actual number of children served by a district, that the amount of aid allocated should not be based on district wealth, and 100 percent of extraordinary costs must be funded.

I would also like to mention that in June 2006, experts and stakeholders, including The Arc of New Jersey, were appointed to the Special Education Review Commission, which met for the first time to examine the cost, quality, and delivery of special education services. Early in 2007, the Commission released its report which included approximately 96 recommendations, none of which, based on the information provided, are reflected in the proposed formula. We encourage you to review this report and its recommendations before making any decisions.

The Arc of New Jersey urges you to take your time reviewing and analyzing the formula. The education of 1.3 million students, including approximately 230,000 students receiving special education services, is at stake.

Thank you.

P E G K I N S E L L: Good morning. My name is Peg Kinsell. I'm the Policy Director of the Statewide Parent Advocacy Network. SPAN is the federally funded parent training information center under the Individuals with Disabilities Education Act. We also are a member of the Special Ed Funding Coalition, and also a member of Our Children/Our Schools.

I want to thank you for an opportunity to comment on the proposed new funding formula, and I do also want to take a moment to thank the Governor and Commissioner for meeting with the stakeholders and spending a good deal of time discussing different issues along the way. That being said, SPAN still has quite a few concerns and we are convinced that the time frame allowed for informed decisions surrounding a new funding formula is not sufficient.

There are major areas of overall proposal themes that we support: Funding for preschool for low-income children, no matter where they live; less reliance on more segregated settings for students with disabilities; and overclassification of students. There are also major areas we can't support, like reducing funding for the excess special education costs for higher wealth districts and elimination of the four-tier special education funding scheme; and failing to recognize that special consideration must be given to funding for districts that have higher concentrations of low-income children.

I struggled with how I was going to write this, and with the information that we've kind of been bombarded with the last couple days. I decided to come back with a few of the questions that we still have, and hopefully you'll ask these questions also.

Much has been said about all the studies and research that has gone on over the last few years and to these funding issues. I want to reiterate what Brenda said. The researchers hired to look at the Augenblick study were not asked to look at special education. Outside consultants hired this Summer to look at special education issues still have not, to our knowledge, issued any kind of report. In fact, we're still waiting, over 10 years later, for the study of actual cost of special education that was supposed to be done under CEIFA. So we are still very leery of how data was arrived at to come to average costs for special education. And now with the additional information today of the calculation, including Federal IDEA money, and with knowing that disproportionate IDEA money for districts -- that have been targeted as having disproportionality issues, I would like to know also how that money is being kind of averaged in.

On moving to a census model with a statewide average of 14.7 percent, and keeping in mind 600-plus school districts that have classification rates that range from 7 percent to 28 percent, I'm wondering how districts above the percentage will get hurt and what districts below may get aid that they don't need. I've listed a couple district examples there. I don't want to name districts right now. But for an example, a district with little more than 2,500 students currently classifies about 230 kids. But under this plan, they will get special ed for 377 kids. Other districts would see a portion of kids that they now serve not getting any aid

at all. A certain district with 10,000 students, 2,000 of them classified, would lose funding for more than 400 kids. Is that what we're talking about? One hundred and seven of these kids are classified as having autism. This just can't be right.

On the issue of extraordinary costs, the proposal is a mandate for funding at 75 percent. This sounds like great news considering we've only been funding at 23 percent. But the CEIFA legislation says we're supposed to fund at 100 percent. So aren't we setting the bar a little lower to write into legislation, a bar of funding at 75 percent, when we have it now supposedly set at 100 percent and we're only funding up to 23 percent? We have a question about that too.

The question of a flat amount, statewide average without consideration of some districts that have a high concentration of certain disabilities, particularly with the high autism rate in New Jersey. We know clusters exist; how and why we don't know. But how long will extended protections for hold harmless last? Will services remain a high quality? If the Department of Ed is trying to get local districts to provide quality in-district services for high-cost kids, how does this funding plan encourage that? It would seem fiscally unwise to attract students that cost above the average amount.

The same type questions arise with wealth equalization. How might that affect delivery of service? Will that not level down the quality of services in some areas? There was also the issue of local budget caps at 2 percent. Will that affect special education under a wealth-equalized funding system? Will boards of education have to go to voters to provide State and federally mandated services to students with disabilities? Budget

discussions are tough enough on our families already. Our kids get blamed for lots of woes at local school board meetings, whether it's NCLB, IDEA, or funding mandates, so don't pass this new funding formula unless you have a very clear idea how it will affect all of us. It really isn't pretty sometimes.

Thank you very much.

SENATOR TURNER: Thank you.

We'll now call Lowell Arye, Alliance for the Betterment of Citizens with Disabilities; and Art Ball, Center for Outreach and Services for the Autism Community. And they will be followed by Jessani Gordon, New Jersey Charter Public Schools Association; Drew Martin, TEAM Academy Charter School; Rob Agee, Director of United Charter School; Aaron Anthony (phonetic spelling), North Star Academy.

Good afternoon. Go ahead.

A R T B A L L: I was going to say good morning, but good afternoon.

SENATOR TURNER: Good afternoon.

MR. BALL: I'll move to the microphone that works. How's that?

SENATOR TURNER: That's good.

MR. BALL: Good afternoon.

My name is Art Ball, and I'm here on behalf of the COSAC, the New Jersey Center for Outreach and Services for the Autism Community.

Special education is extremely important to us because children with autism can make significant improvements in their behavior, their communication, and their ability to succeed in life if they get the right education at the right time, and they get it in the right setting.

On behalf of COSAC, I also was a representative of the Special Education Review Commission, that's already been mentioned by a couple of previous speakers. We met for approximately eight months. It was made up of legislators, advocates, parents, special ed experts, and other representatives of virtually every special ed stakeholder in the State of New Jersey. I served as the Vice Chair of that group. We made a number of recommendations -- 96, as you heard before. Unfortunately, it doesn't seem that any of those were considered by the administration in coming up with this proposal. Additionally, as you've also heard, in the PJP panels that were put together, special advocates or their interests were not considered. We consider that the omission of these important sources of input are really reflected in the quality of the proposal that you're considering today.

Four brief points that I would like to make: Wealth-based funding almost certainly pits the needs of special education against those of the general education community. School administrators and boards of education should not be put in a position where they have to chose between those competing needs, because most certainly students will lose.

Second, determining funding levels as a flat amount per student appears to be a one-size-fits-all model that goes against the individuality for which Federal and State special education laws and regulations have stood for more than 30 years. In particular, students with autism may require intensive services and programs earlier in their education if they're going to make any significant gains.

Third point: Funding on a census-based approach, regardless of the number of classified students in a district, once again seems to be a one-

size-fits-all approach, and it goes against the principle of individual needs. If districts attract new families and students because of their superior programs or the expertise in teaching children with specific disabilities, we don't believe that those districts should be punished with their initiative or for their success.

As an aside, when the Commissioner was here she mentioned a couple of different examples. One was classifying children at a higher tier simply to get additional money. And another one, she talked about someone who wanted their children classified so that they could receive additional time on tests. It seems to me that with 234,000 children classified as eligible for special education, it doesn't seem to make a whole lot of sense to pick on those two anecdotal incidents and use it as a rationale for limiting the amount of special ed funding that will come in. If you happen to be above 14.69 percent, you lose. It seems to be, again, one size fits all, and it's not a good way to do public policy.

Finally, funding 75 percent of extraordinary costs instead of the 100 percent that are mandated now may affect students with autism perhaps more than it does any other single group. Oftentimes these students need intensive services, and frequently the services that they need may not be available in the general education classroom in the regular public school. We believe that raising the threshold to 55 percent before extraordinary aid is available could mean that, for financial reasons, many districts may be reluctant to send children out of district, even if the children then would be placed in an inappropriate placement and receive an education less than what they deserve. We believe that the threshold

should be set at \$40,000 regardless of the placement, and extraordinary costs should be funded at 100 percent of the excess cost above \$40,000.

For COSAC, remaining in-district in an inclusive classroom is a wonderful goal, and many parents aspire toward that. We continue to stress, however, that for children with autism, the appropriateness of the education is much more important than the setting in which it is delivered.

Thank you.

SENATOR TURNER: Thank you.

Before we go to the Charter School panel, is Mary Catherine Sudiak here, who is with the Cranford School district? Mary Catherine has left, is that correct?

UNIDENTIFIED SPEAKER FROM AUDIENCE: No, she's here.

SENATOR TURNER: She's here. Okay.

MARY CATHERINE SUDIAK: Thank you, Chairwoman Turner, Chairman Kenny, members of the Budget Appropriation Committee, and members of the Education Committee, for this opportunity to speak to you today regarding the proposed funding formula for schools in New Jersey. My name is Mary Catherine Sudiak, and I'm a member of the Cranford Board of Education. And I'd like to note that while my testimony today may reflect sentiments that are shared by my fellow members of the board, I'm not representing my board.

And before I begin, I'd like to apologize in advance if I begin to cough, if my voice does not carry clearly. I've been sick for several days, but I did feel it was important to be here today.

I'd also like to express my hopefulness that, as per the Chairwoman's comments, this formula will be fully evaluated, and that the public will have the ability to provide comment at other hearings and that the formula will not be rushed through the process.

First of all, I'd like to express my utter amazement at the amount that has been indicated Cranford will receive under the new formula. To say that it was unexpected is an understatement. We were expecting the underwhelmingly nominal amount of 2 percent. So, yes, my district and our community have reason to be pleased. However, we are also apprehensive. While the amount may be much larger than anticipated, it is unclear, based on having just received the information yesterday, how the amount was derived. It is also unclear as to whether there will be constraints on how the dollars are able to be used. However, I do want to be careful so as not to appear ungrateful. I hope that this Committee can understand that providing an increase one year and then taking it away the next is not a good situation to experience, which is an excellent segue to my next comment.

New Jersey schools are in dire need of a funding formula that is predictable, sustainable, and supports the needs of our students. Our schools are also in need of a formula that assists in moderating the effect that our costs for providing for our students' needs has on property taxes. Providing us with aid that is indeterminate from year to year is patently unacceptable. Given the amount that Cranford has been informed it can expect to receive under this new formula, I sincerely hope that the formula, and perhaps more importantly, that the funding of the formula will not prove to be arbitrary.

In the last several years, there have been a number of bills that have placed additional constraints on local school board budgets, such as S-1701 and A-4, the CORE plan. I will admit that, thus far, we have managed to weather the storm from the effects of those bills in Cranford. However, the continuing increase in demands on our budget due to many cost drivers outside our direct control poses enormous challenges.

For example, last year we had to allocate \$1 million from our surplus, due to an extensive mold problem in one of our schools. While items such as health-care benefits have been noted time and time again, I'd like to discuss the dramatic increase Cranford has experienced over the last several years in our required contribution for non-certified staff's pension benefits. In 2005-2006, the amount we were required to pay was \$91,560. In 2006-2007, the amount was 176,022, a 92 percent increase. In 2007-2008, the amount was increased to \$301,091, a further 70 increase over the previous year. I can well imagine that if we had indicated such a dramatic increase in our proposed budget, someone at the county or State level would have questioned it and indicated that we are being extravagant in our estimate. I would also like to note that due to the State not providing the actual amount due for this school year until last week, we are faced with figuring out how to pay for the difference between the amount we budgeted and the actual amount, which is over \$20,000.

With respect to how the proposed funding formula incorporates special education funding based in part on a community's perceived ability to pay, I must say that past history leaves me apprehensive. I say this because Cranford does not even come close to receiving the aid we are entitled to under the current law. I am specifically speaking about the aid.

We should be receiving reimbursement for extraordinary expenditures for special ed students. Currently, the legislation calls for reimbursement of 100 percent. However, the reimbursements we have received have been dramatically less. In '04-'05, we received 36 percent; '05-'06, 26 percent; '06-'07, 24 percent. The shortfall for '06-'07 was \$610,610. Please notice the downward trend and the reimbursement percentage. I mention these costs in particular because the new formula will dramatically affect reimbursement for these costs.

Since the data was just released yesterday afternoon, it is unclear as to where we stand in terms of actual dollars for reimbursement. So I'm left in the position of not being able to comment specifically on how the amount we are to receive reflects what we expect to receive. But I do know that for approximately 40 percent of our students, whose costs we are currently eligible to receive some reimbursement, we will, in fact, no longer receive any reimbursement under the new formula.

However, as I alluded to earlier, and would like to now state unequivocally, one of the most crucial aspects of any formula is it needs to be fully funded. Over the years, I've spent numerous hours in a variety of meetings and hearings. And the one thing that's been stated over and over is that some of our past formulas were not the problem. The problem is that dollars will not be allocated to fund it properly. It truly does not matter what formula is developed if the money to support it is not appropriated. We only have to look at the current state of funding to realize the results of where that has gotten us.

Thank you very much for your time.

SENATOR TURNER: Thank you.

We will now have the next panel: Jessani Gordon, Drew Martin, Rob Agree, Aaron Anthony; who will be followed by David Harris, Day Care Council; Cecilia Zalkind, Executive Director of the Association for Children of New Jersey; and Barbara DeMarco, New Jersey Child Care Association.

Thank you.

JESSANI GORDON: Good afternoon.

My name is Jessani Gordon. I'm the Executive Director for the New Jersey Charter Public Schools Association.

Chairwoman Turner, thank you very much for this opportunity to present before the Joint Committee.

We believe that a new school funding formula is urgently needed and long overdue. And, in general, we charter public schools support the new formula. We think its needs-based provisions are a substantial improvement over the T&E concept of CEIFA. And we applaud the administration and the Legislature for having the fortitude to introduce such meaningful changes to how education is funded.

The new school formula numbers have been released, but actual funding figures for charter schools are not yet available. But we've been told that charter schools, overall, will do very well in the new school funding formula. And we're very grateful that the administration has taken a huge step toward funding charter schools equitably with traditional school districts.

Our at-risk kids will now benefit from the increased weights given to free- and reduced-lunch kids. And we have about -- 70 percent of our children are at-risk children.

We support the broad goals of the new funding formula and the Governor's stated policy to "provide a fair, equitable, and predictable funding formula based on student characteristics, regardless of zip code."

Our concern, however, is that this statement is not entirely true when it comes to charter schools. The new funding formula retains the 90 percent limit on funding that follows a child to a charter school. So charters will not be funded equitably.

We've been told that we're being greedy, because we're asking for more than 90 percent. But because charter schools have to pay for their facilities' costs out of their program budgets, the true percentage is not 90 percent, it's actually 75 percent of the districts' budgets. So it's time for New Jersey to provide a fair and equitable funding formula based on student characteristics, regardless of zip code, and regardless of whether the school is a traditional district school or a charter public school.

After 10 years of operation, New Jersey's charter public schools have proven that they work. They provide public school choice, increased levels of accountability, and innovative methods for educating children. Overall, our assessment scores are good, and in some districts they're spectacular. On average, charter schools outperform their districts, and they've been acknowledged nationally for closing the achievement gap among inner-city youth.

But for each of the last 10 years, provisions in the original charter school law have prevented charter schools from being funded equitably with traditional districts' schools. The provisions were enacted based on unwarranted fears, fears of charter schools skimming the best

students or otherwise undermining the district schools. These fears have proven to be unfounded.

While most charter schools have been able to operate successfully on a fraction of what traditional public schools spend, this situation is not sustainable. Unless charter schools are able to achieve true funding equity, the future promises insolvency for some and a very limited number of new charter schools that will be able to open their doors, despite soaring demand from families. Many charter schools have established foundations and other revenue-generating sources to pay for their students' needs.

Today is a new day in New Jersey's public education history. CEIFA is being rewritten to provide fairness and equity for school children. It's also time to ensure that children attending charter schools enjoy that same right. Now is the time to ensure that 100 percent of the funding follows the child and to address what is, in fact, a 75 percent spending level for charter schools.

The central focus of the new funding formula is said to be the establishment of a greater degree of funding equity for all districts, regardless of whether they're classified as Abbott districts. It's about providing adequate funding to all children, based on a set of logical, needs-based criteria. If this is the rationale for establishing a new formula for district children, then we ask the Department of Education and the Legislature to ensure that all public school students are treated equitably by making the appropriate provisions in the law.

Thank you very much.

SENATOR TURNER: Thank you.

ALBERTA GORDON: My name is Alberta Gordon. I'm a proud parent of a straight A-plus, TEAM Academy Charter School student.

My concern is that every day my child is met at TEAM Academy with a rigorous curriculum and held to high standards of decorum and ethics. I believe that adequacy in education should include the opportunity for extracurricular activities, as well as exposure to arts, sciences, and hands-on field trips.

I appreciate that the new funding formula will give additional dollars to charter schools to allow them to accomplish this. I would hope that once your School Choice Act is reauthorized, you will revisit your decision and assure that all aid follows the child when the parents exercise their choice to enroll their child in a charter school. These additional dollars will mean that their possibilities will be endless.

Thank you.

SENATOR TURNER: Thank you.

CARLOS LEJNIEKS: Good afternoon.

My name is Carlos Lejnieks. I'm an administrator at North Star Academy Charter School of Newark. For those of you who may know, we are a charter school in our 11th year, grades five through 12. And this year, we incorporated a Kindergarten class at our elementary school. So, in time, we're going to be K-12. Currently, we serve approximately 600 students of Newark, and we are a public school of Newark. And as you know, through charter law our students are selected via random lottery. So our kids represent the demographics and the backgrounds of the students of Newark and the district as a whole.

In that context, we are able to perform academically well. One hundred percent of our kids, for four years in a row, have gone off to colleges. Our State results on State exams are unparalleled, sometimes doubling, sometimes tripling the district rates. We do this not by having any magic dust that we sprinkle over the kids. We just do it by a lot of hard work, longer school year, longer school days, Saturday classes when necessary, and offering the education -- the hardcore education, and the care, and the rigor, and the love that our kids deserve.

We have done that in the context of inequitable funding in the past 11 years. We have approximately -- what equates to about 58 percent of what the district gets to educate the same kids that would have gone to the district schools. We are very upbeat about the funding formula having included us and thought about our students and our young people in Newark. And we are very much happy to know that money will be reaching them like it hasn't in the past.

We do recognize that there are some shortcomings with this formula, such as not including facilities' issues, that you heard testimony about as well. It disproportionately affects our school in our context. Facilities issues impact our growth. We have over 2,000 students on our waiting list trying to get in. You can imagine that a school in Newark that can tout 100 percent of our kids going off to college would have great demand in a city like Newark for students trying to enroll. We would welcome an opportunity to talk about facilities' funding -- increased funding -- so that we can expand to meet the demand that exists in Newark.

We also talk about, like Ms. Gordon highlighted, the fact that our enrichment programs are not where they can be or should be. And we

could enrich our students' educational experience by offering more extracurricular activities, more arts programs, more visual and performing arts programs, etc.

So those are just some of the cases and points that would highlight and help our school -- that would be considered a successful school in the charter context -- to go further and offer the opportunities that our kids in Newark deserve.

Thank you.

DREW MARTIN: Good afternoon.

My name Drew Martin. I am the Principal at Rise Academy, which is the second of three campuses of TEAM Academy Charter School in Newark, New Jersey. We are also home to the hardest-working and nicest kids in the Garden State. We say that, because our students arrive at school every morning at 7:25, they stay until 5:00, they go to classes on Saturdays, they go to school for about three weeks during the Summer. So they spend about 70 percent more time in school than the average public school student.

And being a student in Newark, our students are faced every day -- and have to work that much harder than traditional public school students -- because of the achievement gap, which has been so widely publicized over the course of the last several years as a daily reality for our students.

But despite that daily reality, their hard work has paid off. Our average student is coming to us two-and-a-half to three grade levels below where they need to be when they come to us in the 5th grade. But they've achieved very well. After one year in our school, our 5th graders, last year,

achieved an 82 percent passing rate on the NJ ASK in math, and 75 percent of them in reading -- after coming in, as I said before, about two-and-a-half grade levels below.

In addition to that, some of our 8th grade graduates have gone off to some of -- some very prestigious private, parochial, and boarding schools throughout the Northeast, and have received over \$2.5 million in scholarships to further their education. But they've been able to do that on half the amount of funding as some of the other public schools in our city.

And so we have a number of people who want to be a part of our program. The State has actually authorized us to increase to have elementary schools -- two more elementary schools -- within our city. But because of the fact that, as Carlos mentioned before, we don't receive funding for facilities and we are operating at about 50 percent of what the other public schools in our city are receiving, expanding to meet the needs of our students has been difficult.

Also, in this sort of high-stakes testing world that we've been living in, we've been forced to focus very heavily on making sure that our students are academically prepared. But because of the fact that we receive only 50 percent of the funding that we are due, we have to make the difficult decisions that make it so that we can't provide our students with the types of extracurricular activities, such as music, and sports, and things like that, that we would like to be able to provide.

We are not here supporting the reduction, as some of the other people have come up and said -- talked about before -- in some of their funding, or just the small amount. But I would ask some of the other people in the room to consider a reality similar to the one that we live in.

Seventy-eight percent of the students within our three schools are free- and reduced-lunch students, 96 percent of our students are African-American, 4 percent of them are Hispanic. So if you could imagine not just getting a smaller increase or not just getting a smaller reduction, but for the last six years you had, as we have -- you have been getting 50 percent of your funding, and you were facing a reality of potentially only getting 50 percent of the funding, going forward-- That's the reality that we live with every day.

So we believe that this formula is an important and substantive step in the right direction towards providing equity in funding for the students that we serve in the city of Newark, New Jersey.

ROB AGREE: Good afternoon.

Thank you for the opportunity to appear here today.

My name is Rob Agree. I'm the Director of Unity Charter School, in Morristown.

I don't want to repeat all the things that my colleagues have said about the inequities in charter schools funding that have existed since the charter schools enabling legislation more than a decade ago, nor repeat the data on the remarkable accomplishments of charter schools in terms of student achievement.

I do want to make a point to you that the funding formula you're considering is not simply a funding formula, but it is the cornerstone of quality education for all students throughout the state.

When charter schools were authorized in this state more than a decade ago, one of the goals was not simply to improve the achievement of one small group of students, or to create two, or three, or a few dozen small

schools. Charter schools are meant to catalyze progressive change in all public education. Failure to support charter schools in an equitable fashion jeopardizes the many achievements that we are actively engaged in sharing with our public school colleagues throughout the state in traditional districts. Nor does charter schools funding affect only schools in a handful of our neediest districts.

The Unity Charter School has only 102 students. But those students come as the result of their families choices, coming from over 30 school districts in eight or nine counties.

I suggest to you that keeping the charter school movement alive, allowing it to flourish, is going to benefit all students across the state and in every type of public school. Please don't neglect charter schools when you consider this formula.

Thank you very much.

SENATOR TURNER: Thank you.

The next panel will come forward please: David Harris, Cecilia Zalkind, Barbara DeMarco. And they will be followed by Judy Savage, Executive Director of the New Jersey Council of County Vocational Schools.

CECILIA ZALKIND, ESQ.: Good afternoon.

I'm Cecilia Zalkind, the Executive Director of the Association for Children of New Jersey, which is a statewide child advocacy organization.

I thank you for the opportunity to comment on the proposed new school funding formula. This proposal represents a significant change in the way that education is funded in New Jersey. ACNJ agrees with the

many advocates that have testified already, that the proposal merits very careful consideration about its impact, not only next year, but in the future. And we share concerns about the special education funding and funding for the Abbott districts. Too much is at stake for children.

My comments today, however, are focused on what we believe is the most exciting aspect of the proposal: the expansion of high-quality preschool to more three- and four-year-old children across the state. And I was very encouraged to hear legislators talk about the importance of preschool and about the importance of this investment. Our work on preschool and the Abbott districts has convinced us that expansion is critically important to the future of New Jersey's children and of the state. I've attached a fact sheet and a recent publication from the National Institute for Early Education Research at Rutgers, which provides ample evidence of the benefits -- the long-term benefits of preschool. And, actually, we don't need to look very far. The dramatic improvement in the test scores of 4th graders with two years of preschool in the Abbott districts speaks for itself.

What we've seen of the proposal is very encouraging. And to us, it includes the core components that are critical to ensuring preschool benefits. One is, it's based on a required standard of high quality. It is our understanding that it is going to be, if not identical, very similar to the Abbott standard, perhaps except in class size. Small class size, certified teachers, an appropriate curriculum are all core elements of a good program.

We hope that it has sufficient funding to meet the high-quality standard. And based on the figures that the Commissioner discussed this morning, and estimating the number of children not in preschool, we think

that this is the level that is currently being spent on preschool and that is required to meet that quality standard.

We support the fact that it is targeted to at-risk, disadvantaged children. Study after study has demonstrated that these are the children who can benefit the most from preschool but are least likely to have access to high-quality programs.

Full-day programs for 3- and 4-year-olds will continue to keep us ahead of the rest of the country. Again, there is ample evidence that two years of high-quality preschool is what makes a difference.

The phase-in implementation plan that the Commissioner discussed this morning we strongly support. Creating the programs in the Abbott districts was not an easy task. Community providers, Head Start, school districts had to come together in a very short time frame. That lesson to me is that school districts need some time, and a year is not an excessive amount to plan for programs.

We feel strongly that the inclusion of community child-care programs and Head Start must be a part of the delivery system. We know, again, from our Abbott experience, that a partnership among these three entities is the most effective delivery model. It is most accessible for children and families, and it is cost-effective for the State. And as a number of the people have raised, the facilities issues alone merit a serious look at the community programs. And we hope that that is part of this proposal.

And the fact that it is fully State-funded is important. ACNJ has done polling twice about public support for preschool. There is strong public support for preschool. The greatest concern is that it be supported by State funds and supported over the long term. There is concern on the

part of districts that a mandate will be set in place that, in the future, will not be funded.

Again, I've attached a fact sheet and a policy brief that gives more information. As many of you have already said -- Chairwoman Turner, you have already talked about the important investment in preschool, in reducing cost remediation for special education, the long-term impact in increasing graduation rates, college attendance, and employment.

People support preschool. And it's exciting to see that this has grown this way in New Jersey.

We estimate that when fully implemented, this proposal will expand preschool to 20,000 more children, bringing the total number of children in high-quality preschool in New Jersey to more than 60,000 3- and 4-year-olds. This is a sound investment in the future of our children and of our state, and we strongly support this aspect of the school funding formula.

Thank you.

SENATOR TURNER: Thank you.

BARBARA DeMARCO: Good afternoon.

My name is Barbara DeMarco, and I am here today on behalf of the New Jersey Child Care Association. The NJCCA is a trade association representing approximately 4,200 Department of Children and Families-licensed, for-profit and not-for-profit child care centers and preschools in the state. Our testimony will also focus on the preschool expansion piece of the proposed education funding formula.

The plan to expand preschool for the state's most needy 3- and 4-year-olds is well intended, and it's goals are laudable. However, these

goals must be practical, and they must work with the current child-care and preschool infrastructure. This is why we must ask that any law allowing for the expansion of preschool require school districts to partner with community-based providers who are willing to meet the Department of Education regulations governing this new expansion.

Currently, the court requires that Abbott districts partner with community providers. This has resulted in a system where 70 percent of the preschoolers served are attending community-based center programs approved by the DOE and the district. Most of these programs have worked beautifully and have received the support, as Ceil just told you, from the Association for Children of New Jersey, as well as the National Institute for Early Education Research at Rutgers University.

Unfortunately, there are many other districts -- part of the early childhood program aid piece of this -- that have not used this money to partner. Rather, they have built expensive, taxpayer-funded preschools as part of the public school, as opposed to partnering with the community. This results in many community-based centers losing children to the public school program. And as a result, they have closed. We believe any policy where government supplants the private sector is not taxpayer friendly or practical, especially when you would be moving New Jersey's \$3.8 billion child care industry that employs 82,000 individuals -- mostly women -- onto the public payroll.

Our second request is that laws and regulations governing the expansion incentivize the owners and operators of privately owned preschool centers to participate. They need reasonable flexibility in implementing the program. Private providers need to be able to use their

existing facilities, they need to be able to incorporate their current staff with the DOE staffing requirements, including the four-year degree teachers, so individuals currently employed by the centers do not lose their jobs. And they need the ability to treat this undertaking as a business, rather than a taxpayer-funded grant program.

Third, we ask that the preschoolers that fall below the 40 percent poverty level in the wealthier school districts be served by community-based providers of child-care and preschool programming, rather than have the school district set up classrooms to serve these children in the public school. Have the money follow the needs of the child into the community.

Finally, we believe the decision on implementing this program should be made by the State and not superintendents. I would like to show our reasoning for this example. And I'm giving you two different quotes. One is from the Superintendent in Vineland, who states, "From a cost-effective standpoint, the only way to go is to collaborate with private centers." Vineland is an Abbott district. The second is from the Superintendent of Somerville, who states, "We would prefer to do it ourselves. Frankly, we have the staff and we have the intervention services. Let's just say I'd be leery of using the community provider." That's a non-Abbott district.

As you can see, there is great disparity regarding the implementation of the preschool expansion. The community providers in Vineland, an Abbott district, are cheering. They're saying, "Terrific. We'll stay here." But the ones in Somerville are contemplating closing their businesses and locating elsewhere. This is why it's neither practical nor

prudent to allow the superintendents to make this decision. By doing so, you're causing a disjointed preschool system that plays havoc with private enterprise, the livelihood of many employers and employees, and the decisions made by families regarding their youngest children.

Thank you.

SENATOR TURNER: Thank you.

We'll now call Judith Savage, Executive Director, New Jersey Council of County Vocational Schools. And she will be followed by Martin Perez, Latino Leadership Alliance of New Jersey; and Kathleen Witcher, Irvington NAACP.

J U D Y S A V A G E: Good afternoon, Madam Chairwoman and members of the Committee.

Thank you very much for this opportunity to testify today.

We appreciate the hard work that has been put into this funding formula, and particularly the efforts of members of the Legislature who have been working on this for many years and have been open and accessible to talk about some concerns with us.

County vocational schools are different from regular school districts, so the formula impacts us a little differently. The proposal has a mixed impact on the 21 county vocational districts. Some aspects are very positive, but 11 of the 21 county vocational school districts will see a negative impact under this proposal.

In addition, we're troubled because it ignores the needs of adult post-secondary students and adult high school students, two populations that have been addressed under all previous funding formulas.

On the plus side, moving back to an enrollment basis is going to help middle-wealth county vocational school districts, especially some of those that have experienced explosive growth because they've converted from shared-time to full-time, or they've added new programs.

In addition, this proposal corrects a long-standing inequity by ensuring that additional State aid for at-risk students will follow them to county vocational schools. You've all heard me speak before about the money not following the county vocational -- Abbott students to a county vocational school. This new at-risk aid is welcome recognition of the fact that there are students with special needs in all types of districts, and we applaud that.

The proposal to provide an additional weight for vocational-technical education in the adequacy budget will shift some of the higher costs of these programs from the State to taxpayers in each county. We appreciate that the Department of Education has adjusted the weight in response to our concerns. But even with this slightly higher weight, the change from per-pupil, categorical aid to wealth-based, vocational aid is going to reduce the amount of State funding for vocational-technical education in New Jersey. The numbers we've seen so far don't tell us exactly by how much, but some of these vocational costs must surely be shifted to county taxpayers and local districts.

Similarly, we're very concerned about the long-term impact of the proposal for special education funding, particularly because county vocational schools serve a much higher special education enrollment than the State average. Statewide, special education enrollment in county vocational schools is about 27 percent. But nine of the 21 school districts

serve 30 percent or more special education students. Thus, in a wealthy county with a large special education enrollment -- some place like Bergen, or Mercer, or Monmouth, or Ocean, or Somerset -- they will generate substantially less aid to support special education students down the road.

The final area of concern that I want to mention today is the exclusion of funding for post-secondary education and adult high school programs. This doesn't make sense to us, because county vocational schools are using their facilities, and their staff, and their equipment for double duties by running these programs after school and in the evenings. The programs meet regional economic needs and run at marginal costs. But if they don't receive any State support, it's going to be very difficult for districts to continue to operate them. So a small amount of per-pupil aid is really essential. Without it, it leaves county vocational schools as the only adult programs that don't have a source of State funding. Community colleges have it, other job training programs have it. These would be unfunded.

Similarly, the proposal does not provide funding for adult high school programs that are long-supported by this Legislature. As you know, the term *adult high school* is really a misnomer, because these programs largely serve drop-outs -- 16-, 17-, 18-year-olds who've left the system -- and they need a second chance to come back in. Without any State support for adult high school students, they simply won't survive. When we have school districts that are facing level funding or a 2 percent increase, they're going to have to cut costs to make their budgets. The first things that are going to go will be non-mandated, unfunded programs, such as adult post-secondary and adult high school.

Last night we were told, at the briefing, that the hold harmless in the proposal will continue beyond three years, as long as the district does not experience negative enrollment. This is very important to us, because there are some counties that would face a huge clip at the end of three years. So we really ask you to make sure that this distinction is addressed in the legislation, and that nobody is going to have to jump off a cliff at the end of three years and be faced with millions of dollars in aid loss.

So, thank you again for this opportunity to speak, for all of your collaboration, and your hard work on this.

SENATOR TURNER: Thank you.

Martin Perez, Kathleen Witcher; followed by Judith Cambria, League of Women Voters of New Jersey; and Lindy Wilson, League of Women Voters.

M A R T I N P E R E Z, ESQ.: Good afternoon, members -- distinguished members of the Committee.

My name is Martin Perez, President of the Latino Leadership Alliance of New Jersey.

SENATOR TURNER: Turn your microphone on. (referring to PA microphone)

MR. PEREZ: Hello.

SENATOR TURNER: There you go. You're on.

MR. PEREZ: Good.

So, as I said before, my name is Martin Perez, President of the Latino Leadership Alliance of New Jersey.

Education has been, and continues to be, the most important issue to the members of our organization. It is important for us as parents,

taxpayers, and as Americans who worry about the future of our state and our country.

Our standing Education Committee, with members who span from Camden and Penns Grove, to Perth Amboy, Morristown, and Paterson, met on Wednesday to discuss and review the proposed funding formula. At the time that we met, we didn't have the specific numbers that were released yesterday. But we met to discuss the concepts included in this proposal. The overall conclusion is that the proposal before us is a positive step in the right direction, because it attempts to correct the inequity that continues to plague our children. And while we also conclude that there is considerable room for improvement, we want to emphasize that we believe that the fundamentals of a fair formula are there.

We have arranged our comments on the current proposal in two sections: the positive aspects of the proposal, and suggestions for what we believe are the weaknesses in the proposal.

First, the positive aspects: The proposal might end the artificial distinction between the Abbott and Abbott-like districts. There are children who deserve these resources all across the state. This formula is proactive in that it will require the State to finally address the needs of the 49 percent of at-risk public school children who do not reside in Abbott districts. At risk and LEP students who come to suburban districts will now stand a better chance of being welcomed there.

We also support the widening of preschool opportunities to low-income children in non-Abbott districts. The elimination of the incentive to move to an urban district in order to obtain preschool is another feature that will serve in the State reaching our Constitution's

mandate of integrating our schools, a mandate that we strongly believe has been ignored and overlooked for too long.

Along the same lines, we also recognize that the money following the children, and the weighting of the aid that follows them, has the potential to dilute concentrated poverty. We strongly believe that every education and related funding policy should be carefully crafted to avoid incentives that concentrate poverty in certain communities, because this fuels the segregation that plagues our schools and communities.

We believe, also, that LEP students are often over-classified as special education students. We are hopeful that the extra weighting of LEP and at-risk LEP students will be a counterbalance against the trend of over-classification of our students, which was driven by the desire for greater funding.

We are very supportive of the formula being enrollment-based, because we believe this can provide an incentive for districts to keep students in school. At this point, we urge the Commissioner to audit enrollment and condition funding at least quarterly, to require districts to make every possible effort to keep our children in school for the whole school year and not just that fateful funding-count date of October 15.

Finally, the formula corrects the inequitable funding of our charter schools have been subjected to. It has been a shameful fact of public education in New Jersey that children desperate to receive a meaningful education in a charter school have been shortchanged in funding for -- we have to admit it -- for political reasons. This correction is long overdue.

Those are the positive aspects that we see in the proposed formula.

Now the suggestions to correct the negative aspects of the proposal; and I'm going to try to be brief.

The formula in no way discusses academic performance. This is a key problem with the current formula that has not been rectified with this one. The response that QSAC is the accountability measure we will rely on is unsatisfactory for a number of reasons. And I will mention only two.

First, it is not an annual process. Secondly, the QSAC system relies upon the Commissioner to take the corrective action. We believe that there are two fundamental components for accountability, and those are transparency and consequences. On the both of these, QSAC is very weak.

Accordingly, we believe that the legislation or regulations must provide clear demonstrations that the aid should follow the child to the school and that the amount that is retained by the central office must be capped at a limited percentage to ensure that the funding gets into our classrooms.

We also believe that the weighted aid that targets the need of at-risk and LEP students must come with a companion programmatic mandate. It would be a grave mistake to simply send money into districts that have been struggling to serve the targeted population without providing direction for the programming that the money is supposed to buy.

SENATOR TURNER: Would you finish up please, because we have--

MR. PEREZ: Yes, I am almost done.

SENATOR TURNER: Okay. Thank you.

MR. PEREZ: We also believe that there should be a proposition for open enrollment in districts, as well as beyond district boundaries.

SENATOR TURNER: Excuse me, your microphone is not on.
(referring to PA microphone)

MR. PEREZ: We also believe that additional quarterly enrollment counts -- and counts should be audited by third-party evaluators.

And, finally, we also seek a disclosure requirement that will serve the dual objectives of accountability and parent engagement, especially-- Specifically, we believe that the legislation should provide that every parent receive their student's weight profile in plain language, so they are aware of the weight assignment to their child and the dollar amount they bring to the district.

Final word to the timeline for passage of the formula: Some people have spoken here -- and that they worry about this being too much in too little time. And they have a valid reason to believe so. We believe we have waited too long to correct the agonizing inequities that exist in the public education of New Jersey -- some despite Abbott and some because of Abbott. Each year, we lose children. And as a parent, I have witnessed this first hand among my children's peers. We believe firmly that, without hesitation, we cannot wait any longer to correct these inequities. We believe firmly that every child should have access to quality education now.

Thank you very much.

SENATOR TURNER: Thank you very much.

Ms. Witcher.

KATHLEEN WITCHER: Kathleen Witcher.

SENATOR TURNER: Would you please adhere to the five minutes or shorter, because the weather is getting worse and we need to move along a little more quickly. We still have a number of people waiting to be heard.

MS. WITCHER: Kathleen Witcher. I defer to James E. Harris, President of the statewide conference, NAACP.

And then if there is any time remaining, I have something to add.

JAMES E. HARRIS: Madam Chairwoman, members of the Committee, my name is James E. Harris. I am the President of the statewide National Association for the Advancement of Colored People, the NAACP, the oldest civil rights organization in America.

One of the renowned leaders of the NAACP, Martin Luther King, said, "Injustice anywhere is a threat to justice everywhere."

I've come in the interest of all the school children of the State of New Jersey, asking this Legislature to preserve their constitutional guarantee of a thorough and efficient education. I ask that this body wait until a complete analysis of the proposed school funding formula has been presented, with time for open public examination of the impact that the plan has for more than 600 school districts in the state. This plan has not been clearly delineated and is not ready for a vote in the lame duck session.

The NAACP takes the position that Abbott provisions must be continued and fully mandated and funded. This school funding plan does not provide adequate funding for programs that have been documented to prove their value and worth to student achievement. The promise of

Abbott has been failed in attempts by the Governor to save funds and to remedy the State's fiscal deficit on the backs of New Jersey's poorest school children.

The school funding plan topples categorical aid in special education and fails another of the state's neediest school children, with a wealth-equalized funding proposal where districts, such as those that are very wealthy, must take funds from general education to provide special education programs. This plan fails to recognize and make provisions for the growing number of children who are disabled in our state. Children with autism deserve a thorough and efficient education, as do all the children in the state with disabilities.

Governor Corzine thinks that New Jersey provides the highest school funding aid in the country. This is not true when we compare the 45 percent of aid in our state to California state, that aids, at 6 percent, labeled wealthy school districts. He promises to provide tax relief -- and tax relief when, in fact, the third year of what is called the *hold harmless* of -- the middle-income and wealthy districts in the state will face rising taxes and possible school cuts -- cuts of school staff and larger classes. There needs to be a clarity of what exactly hold harmless means.

And there is an increasing cost to operate schools, and the cost of equipment, and supplies.

It may be good to include children who receive reduced lunch with those who get free lunch in the formula. But does this spell out where risk categories are expanding?

Where are the numbers? Is foundation aid to wealthy districts based on actual school enrollments? All-day Kindergarten, as well as

mandated programs for 3- and 4-year-old children would certainly improve the outcome of youngsters in our state as they move through the years of education. The concern is: How will districts fund the expansion of these programs, as well as the need to have funds to provide classroom space for these youngsters? When a district provides pre-Kindergarten for 3- and 4-year-olds under the school funding proposal, the district provides the funding. How will this be a part of the new plans -- which is not constitutional, nor is it maintained.

There are many unanswered questions.

And I would just like to leave the Committee with the NAACP's formula that we think ought to be embraced. Abbott-plus, yes; Abbott-minus, no. We are not prepared, in the State of New Jersey, to see any diminution of funding in the Abbott districts in any way. And you know as well as I know that a 2 percent increase will not even pay for certified contracts, and the costs of energy, and the other things that have increased. So level funding would, in effect, freeze Abbott and send it back to where the Governor requested a few years ago, which is a freeze. And that's totally unacceptable to the NAACP.

SENATOR TURNER: Thank you.

MS. WITCHER: Kathleen Witcher.

NAACP is also an affiliate of the Our Children/Our Schools Campaign. And we would like to say that it is the entitlement of children in New Jersey to thorough and efficient education. The school funding formula, while it seeks to fund at-risk youngsters who reside outside of the 31 Abbotts, does not seriously take into account the mandated programs that the Supreme Court in New Jersey has ruled.

These are proven programs that work to provide educational outcomes and academic progress for school children. The school funding plan takes away from the promise of the Abbott mandates that include before- and after-school tutoring, enrichment and Summer school, health and social services support, literacy improvements, staff development, parental involvement initiatives, and school leadership training and decision-making activities; as well as art and music instruction, and the secondary education initiative that would drive the successes that have happened in pre-K and Kindergarten through to high school. The plan threatens to continue these court-mandated programs without additional funding from the State.

And I will continue that all children deserve provisions of high-quality education, including those who have physical disabilities and learning disabilities. But this rule -- this plan takes away from the most endangered of our schoolchildren population. The funding plan does not ensure that the wealthier districts receive property tax relief. The plan will only provide some help -- maybe through the first two years. And then, in the hold-harmless scheme, the third year will certainly demand cuts to school staff, cuts to school programs, and a rise in property taxes.

There are many questions that remain unanswered. And one that I would like to say-- We cannot use any cookie-cutter models. I do not see any numbers. There is no bill provided for you, the legislators of New Jersey, to vote on as yet. So we ask you to please not vote in lame duck for the school funding proposal.

Thank you.

SENATOR TURNER: Thank you.

Judith Cambria and Lindy Wilson; who will be followed by Derrell Bradford, Excellent Education for Everyone; Dana Rone, Councilwoman, city of Newark; and Reverend Reginald Jackson, Pastor of St. Matthews Church.

J U D I T H C. C A M B R I A: I regret that Lindy Wilson had to leave. She has young children. And I brought copies of--

I don't have her testimony. Hopefully we could get it to you. But she did have to leave. She was here at 10:00.

SENATOR TURNER: I understand.

MS. CAMBRIA: I actually came here today saying that I'm testifying as an individual and not representing my organization, but I guess I am.

Because as a leader of the League of Women Voters of New Jersey, I have been involved for 39 years in every school funding system adopted in New Jersey since 1969. That includes all of the *Robinson v. Cahill* challenges from 1969, leading up to the passage of the new school funding legislation in 1976.

As Vice President of the League, I was responsible for developing the League's positions and actions. It also includes the 15 years I served as the Chair of the Education and Fiscal Policy Committee, a time when new school funding systems were adopted by Governors Florio and Whitman. I was responsible for developing the League's positions and actions. And I also was responsible for the League's amicus brief of 1997 that resulted in the Supreme Court's ruling that the State is responsible for 100 percent of the cost of facilities in the Abbott districts.

I give you this history because in my long experience -- and that's long -- no governor has ever proposed a new system that would actually reduce the per-pupil funding amount and reduce it substantially by 11 percent, by \$1,120 per pupil; nor has any governor proposed a hold-harmless provision for the first three years. That made it impossible for districts to determine the long-term impact on their budget and their educational programs.

The recently reported change to assure that every school district would receive a 2 percent increase in funding clearly indicates that the proposed formula is meaningless. When it doesn't provide the money necessary to get legislative votes, money is added so that every district gets some. It also indicates that legislators were unwilling to accept the basic concept of the Governor's proposed new formula because it reduces the per-pupil funding amount by \$1,220. When the formula failed to provide the funds to districts that were necessary to garner legislative votes, money was added so that every district receives additional funding.

Last evening, I was invited to, and attended, the meeting hosted by the Governor and the Commissioner of Education. It is clear that the Governor and his administration are committed to providing high-quality education that will meet New Jersey's constitutional requirements and the needs of its children, as well as the requirements of our State's economy.

However, that commitment was undermined by the decision of the Commissioner and the Governor to accept the APA figures with some of the changes suggested by Odden and his colleagues. Those were the figures that reduced the per-pupil spending amount -- funding amount. The Department of Education's decision to use these per-pupil figures as the

basis for the new funding system, despite the opposition of huge numbers of educational groups who believed that the APA study was seriously flawed, resulted in the use of per-pupil funding spending figures far below actual New Jersey funding in the past. And that led to hold harmless, and that led to 2 percent increases that would make the system acceptable.

Simply put, the proposed school funding system, using per-pupil funding figures that are far below the present pupil amount -- I'll finish quickly -- caps on property tax increases, caps on increases in spending, hold harmless, and a 2 percent increase, as a whole fails to provide a reliable and consistent funding system that will properly determine accurate and reliable funding each budget year.

You must not pass this legislation in the lame duck session. You must find ways to say, "We've got to do better."

Thank you.

SENATOR TURNER: Thank you.

Derrell Bradford, Dana Rone, and Reverend Reginald Jackson; followed by Robert Copeland, Superintendent of Piscataway School District; Michaelene Loughlin, New Jersey Special Ed Practitioners; Elizabeth Smith, Statewide Education Organizing Committee; and Lauren Wells, New Jersey Education Organizing Collaborative.

COUNCILWOMAN DANA RONE: Good afternoon.

In the absence of time, I'm going to hand in my testimony and just sort of briefly address you.

I am Councilwoman Dana Rone, from the municipality of Newark. I serve as the Committee Chair -- Education Chair there. And so what I want to say--

First, I want to say that I reviewed the Governor's funding plan. And, in broad principal, I support it. But I, too, would like to see the formula -- review the formula. And so in the words of, I believe, Senator Buono -- is it? -- I do trust the New Jersey Legislature to be, as you put it, healthy degree of skepticism and a thorough degree of scrutiny. So I will not waste time, because I do believe that you guys are going to scrutinize the funding plan.

But I want to say that I believe what is most important is how we deliver education along with the funding. And dollars should be tied to performance, which is very important. I have not heard that today -- other than Martin Perez, who has just come before me -- unless I missed it. I have not read that in the funding plan -- about performance. Clearly, it is the most important tool that should be attached to any level of funding. So I hope that, in your deliberations, that you consider some type of attachment to funding.

I'm going to go right to the end and talk about -- I guess funding, again. Because I think that there are some things that need to be refined. And so for the following reasons, I think that we are at a good first step but, clearly, not a finished product. So I believe that the weighted student funding is vital to the -- identifying students' needs in a more precise manner.

I support the concept of dollars following the child, or the needs of the child. I additionally recommend that budgets be defined at individual schools, based on individual needs of students in those specific schools. This way, we can assure weighted aid -- the weighted aid we assign to the student actually reaches the student, no matter whether it's

traditional public schools or charter schools. I believe additional weight for high concentration of poverty acknowledges that the children in these environments have issues related not only to being low-income, but to being surrounded by similarly situated students. This double weight, in my opinion, is an evolution of Abbott that speaks more to the Constitution's thorough and efficient promise.

I also believe that this weight on poverty could become an incentive to keep poor students clustered together and perform -- at poorly performing schools and districts. So, to this end, I recommend implementing some form of space-available open enrollment, where students can attend public schools in their home, and also in neighboring, districts.

I support the increased funding that many of the charter schools in Newark will receive as a result of this formula.

And, lastly, I urge all who will consider and influence the development of this formula to remember that this formula is not only to pay for public schools, it is meant to fund student achievement. We must be serious about the results, reform, and consequences for failure. No matter what the mechanism decided for student funding, not making it hard and -- not making a hard and definable link between inputs and achievement dooms this formula before it is implemented.

Thank you. Happy holidays. And God bless you guys.

SENATOR TURNER: Thank you, Councilwoman.

DERRELL BRADFORD: Good afternoon.

I will also take the weather into account.

My name is Derrell Bradford. I'm the Deputy Director at Excellent Education for Everyone. And I do want to say, just as an opener, that, broadly, we also support the--

You have copies of my testimony.

We broadly support the Governor's proposed school funding formula as well. We think that the idea of funding the student, the entirety of the weighted student funding principle, is an excellent evolution of what we have now. We think that-- We absolutely agree with the fact that there are students who are Abbott-like, who fit the Abbott profile, in districts all across the state. And the way that Abbott identified its districts and its area of influence, essentially, missed many students across the state who never had the benefit of the resources that were assigned to students in Abbott districts.

More than anything, we support the Governor's notion of dollars following the child, or dollars following the need of the child or the need of the student. He said it a couple of ways recently.

There is a report by the Thomas Fordham foundation that talks about this. And among the signatories are former commissioner Cooperman and David Levin, who is the Co-Founder of the Knowledge to Power Program, some of the finest charter schools in the state, if not the country.

And there are three sort of core underpinnings to any funding system of this nature. One is that funding from all levels follows every student to whatever public school he or she chooses. The second is that the amount varies based on student need, which is certainly what we've talked about already. And the third, and sort of most important one, is that

funding arrives at the individual schools as real dollars that can be spent flexibly, with accountability gauged by results; rather than inputs, programs, how many adults we have doing something or doing nothing in a respective school building.

Without these sort of principles, without the school-based budgeting -- as one of the things that we and our allies have talked about -- we think we'll ultimately wind up just figuring out a way to redistribute money without figuring out a way to target the money that individual students get as a result of their weights to the -- not just the individual schools where those students are, but to the classrooms in which those students sit. Not doing that is really just more of the same. We'll tabulate the money in a different way, but we won't make any substantive change as to how any of these districts deliver K-12 education.

We definitely support the additional weight on high concentrations of poverty. I think that's a very-- We think that's an evolution of Abbott, as well. Because, potentially, with the state's dynamics, the state's demography, you can see that sort of thing happening in other districts. But we don't support it without some kind of open enrollment provision. As the Councilwoman said, and as some of our other allies have said, too, without that it's really an incentive to cluster high concentrations of lower-income students in order to sort of mark them up. We see it almost as like a clotting agent. And what we really want to do is have, like, a Mount Laurel effect properly implemented, where we can have less congealed pockets of poverty, and kids attending schools that are effective and that have demonstrated they're effective for many years.

Just in closing, I want to say that we look forward to working on this. We have some real issues with the formula still -- with the proposed formula. We certainly have not taken a position on special education yet, although there are things that I hear that seem to make it more difficult to making neutral placement that is out-of-district or with a private provider, and we certainly wouldn't support that. And we support the preschool provision, as well.

But the fundamentals, we think, are there. And we're looking forward to working with the Governor and these Committees, moving forward, to ensure that our children actually get what we're paying for and that we just don't pay for something that they don't get.

Thank you very much. I appreciate your time.

SENATOR TURNER: Thank you.

Robert Copeland, Michaelene Loughlin, Elizabeth Smith, Lauren Wells; followed by Steve Latz, Rosie Grant, Michael Inzelbuch, Sheila Brogan, and Sharon Giaccio.

MICHAELENE LOUGHLIN, ESQ.: Thank you for this opportunity to testify regarding the proposed funding formula.

My name is Michaelene Loughlin, and I'm here on behalf of the New Jersey Special Education Practitioners. We are a group of over 60 attorney and non-attorney advocates who represent children in special education matters.

Our concerns with the funding formula arise from our experience working with districts and, where necessary, undertaking adversarial proceedings against districts to obtain programs and placements for children with disabilities based on their unique needs.

Our experience shows that the less funding available for special education, the less a district is willing to provide the programs and the placement based on the child's unique needs. And for these reasons, we have very many concerns.

You have our written comments. I'm just going to hit on a few of them.

First, it is our position that aid must be based on the actual cost of special education, generally speaking, and in terms of -- regardless of whether the district is or is not considered wealthy. Otherwise, children are pitted one against the other, and children are the losers. As one school superintendent told a parent that I represented, "We were going to buy equipment for the children. But because of the cost of your child's program, we're not going to do that now."

Aid must be based on the actual number of children who are eligible for special education in the district. The Commissioner asked the questions: How and why are children being classified? Those are very good questions, and they need to be answered. But they're policy questions and programmatic questions. To squeeze a district into declassifying children or not to classify children based on funding makes no sense, and it's just plain wrong.

In terms of extraordinary funding, it's our position that extraordinary funding should be made available on 100 percent basis, as it is now. As has been mentioned, the statute requires 100 percent reimbursement for extraordinary expenses over \$40,000. And the reality is that only 23 percent of those expenses are now reimbursed. If we drop the

number down to 75 percent, we can be sure that the actual dollars may even be less.

And I'd like especially to point out that it's the most disabled of children that are hurt when extraordinary funding is not made available. Those children who have autism that is severe, or who have mental disabilities that are profound-- And what you see happening is really heartbreaking when you are -- when you see these children and see their behaviors, their inability to feed themselves, to take care of their toileting needs, to dress themselves, children who are biting themselves, who are resting against others, who are 18-years-old -- and this is where their 15 years of special education has left them.

Wealthy parents have the means to take their child, place them in an appropriate program, and seek reimbursement for those services and that money that they have put out. It's the children of poor people and middle-class people who have to fight with the district, who is in a position to run the clock and hope that the parents will just go away or the child will age out of the program -- in which case, the State of New Jersey will continue to pay for these children in residential placements for the rest of their lives, although out of a different pocket of money.

I would also like to finally emphasize that, yes, the special education committee was excluded from the process that developed the funding formula. We have many questions about it. And we implore you not to rush through, to completion, the legislation that would implement the funding formula until the answers are clear and we know what exactly it is we're buying into, and that we have had the opportunity to make the important changes that must be made to the formula as presented.

Thank you very much for your time.

SENATOR TURNER: Thank you.

If there is anyone here for the Judiciary, that meeting is being held in Room 6, as we're pacing along.

Okay, that looks good. (laughter) (referring to people leaving room)

UNIDENTIFIED SPEAKER FROM AUDIENCE: We love you, though. We still love you.

SENATOR TURNER: Oh, okay. You're enjoying yourselves, I know.

Bye-bye.

Okay. Steve Latz, Rosie Grant, Michael Inzelbuch, Sheila Brogan.

UNIDENTIFIED SPEAKER FROM AUDIENCE: You skipped one group.

SENATOR BRYANT: She said you skipped somebody.

SENATOR TURNER: Oh, who did I skip?

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible), Liz Smith.

SENATOR TURNER: Oh, Elizabeth Smith. I thought I called--

UNIDENTIFIED SPEAKER FROM AUDIENCE: And Lauren Wells.

SENATOR TURNER: And Lauren Wells.

Okay. I called them before.

There's only two? What about the other names that I mentioned?

UNIDENTIFIED SPEAKER FROM AUDIENCE: The next group.

SENATOR TURNER: The next group, since we have some chairs available.

Who else is here from the next group?

Sheila Brogan, Sharon Giaccio, Rosemary Bernardi.

Go ahead.

ELIZABETH SMITH: Good afternoon.

My name is Elizabeth Smith. I welcome the opportunity to speak.

My name is Elizabeth Smith. I'm a resident of Plainfield. I'm also the Treasurer of the Statewide Education Organizing Committee, SEOC.

SEOC is dedicated to improving educational outcomes and opportunities for all of New Jersey's children, with a particular focus on the needs of children in urban and low-income districts. Our specific mission is to create an informed and powerful voice of parents, grandparents, guardians, and neighbors of public school children in low-income school districts throughout New Jersey. We are united together with many other representatives of Our Children/Our Schools campaign.

Our organization does applaud Governor Corzine's expressed aim at increasing support to school districts serving low-income families who reside outside of Abbott districts. This concept is worthy of a lot of attention.

We are here today to ask you to support educational reform and equity by first protecting the programs that now benefit Abbott district children; and secondly, by giving yourself and all stakeholders more time to consider how this expansion of educational support can be done correctly.

The plan appears-- I'm going to skip ahead, because many people have said all of the things that I'm saying.

SENATOR TURNER: We appreciate that, because we still have more people to testify, and the day is going on.

MS. SMITH: And we urge you not to dismantle the Abbott programs. The one reference that the Commissioner made to Abbott was in early childhood education. The other reference was about moneys: that people wouldn't know how to deal with them if they got too much money in their budgets. But seriously, the Abbott program has shown success, and we'd ask you not to dismantle those efforts. So please take careful -- a lot of time and make careful consideration in your passage of this bill -- of the -- when you get it.

Thank you.

SENATOR TURNER: Thank you.

L E S L I E H I R S C H: My name is Leslie Hirsch. I'm from the Education Law Center. But I'm here speaking on behalf of Lauren Wells, who is the Project Coordinator of the New Jersey Education Organizing Collaborative, who fell ill with the flu this morning and asked me to please testify on her behalf.

Thank you, Chair people Kenny and Turner, and the remaining Senators who have stuck it out. Thank you very much for sticking it out.

“Decisions about the allocation of educational resources and the quality of education children receive are inextricably tied to social inequality in our society. New Jersey is no exception. The diversity of New Jersey communities, in terms of wealth, race, culture, and languages calls out for a process that not only respects but actually privileges public input and public deliberation, particularly when it has to do with a decision that affects nearly 1.4 million children across the state. To do otherwise is to discount the interest and ability of community members across New Jersey to understand the inputs of a quality education and the resources that are required to create such an education. To do otherwise is to breed misunderstanding and contempt between our communities, something New Jersey knows all too well in its vitriol against the Abbott remedies.

“I, along with community members and organizers in Newark, Paterson, and Jersey City -- the three largest cities in New Jersey -- have deep concerns about losing parity funding and other Abbott mandates which have created opportunity and assisted many children to reach their potential.

“There is concern that we do not know the long-term consequences of this formula. We want to know what our children’s schools will look like four or five years from now, when the cloak of hold harmless falls away. Will resources have dwindled? What are the harms that lay in wait? How will the children pay the price? Do you even know?

“At the end of 2007 budget address, Governor Corzine said, ‘To the public I ask, hold us accountable.’ We are here, and we are holding you accountable for making transparent decisions that reflect our interests

and give us the information we need to confidently feel that our children's futures are protected.

"Thank you."

ROSIE GRANT: Good afternoon, Senators.

My name is Rosie Grant, and I'm Program Director for Paterson Education Fund.

Paterson Education Fund is also a member of the Our Children/Our Schools Campaign and the New Jersey Education Organizing Collaborative.

The most important thing about this school funding formula is that it graduates every child. It's not just about the money, it's about the kids. And it has to provide the resources so that every child in New Jersey can graduate high school.

There's not enough time in lame duck for full analysis and deliberation, and there is not enough detail provided today to make an informed decision in under a month.

With regard to the 2 percent hold-harmless clause, 2 percent does not hold harmless when there are contractual obligations and costs of living increases that way outpace a 2 percent increase in Year 1, never mind subsequent years. Schools will have to cut programs in order to meet this budget with a 2 percent increase.

I have written testimony that I will submit, and so I won't go into all of the details. But it includes the bottom quartiles of schools with graduation rates in New Jersey. And there are 60 schools on that list that are graduating less than 90 percent of their kids. This is not okay. Unfortunately, these same 60 schools are located in districts that are being

held harmless at 2 percent, and will have to cut programs to support increased graduation rates and increased student achievements.

Your decisions that you make over the next month will impact kids' lives for decades -- not for the next year, not for the next three years, but for decades. And so I ask you to please take the time to have slow, careful deliberation about the next school funding formula for New Jersey.

Thank you.

SHEILA BROGAN: Good afternoon.

My name is Sheila Brogan. I'm in my 12th year on the Ridgewood Board of Education, in Bergen County. I know about public comment and the need to be brief.

And so I would ask that you read my testimony, which I have supplied to you, and that I defer my time to Richard Snyder, a member of Dollar\$ & Sense. Ridgewood is part of Dollar\$ & Sense. And we have a long trip home, so I'm hoping that you'll let him speak for a couple of minutes.

Thank you very much.

SENATOR TURNER: You're welcome.

Thank you.

RICHARD SNYDER: Thank you.

Dollar\$ & Sense is a nonpartisan association of school advocates who deal with facts and solutions. We understand educational and fiscal efficiencies, as well as political priorities. And we know that time is too short for rhetoric.

Information and facts have been hard to come by. In order to prepare, I had to determine my approach to these days in this hearing. I

had picked wrongly. The presentation I had anticipated for today spoke to the vast geographical cost of living differences within New Jersey and about our State's inability to calculate wealth correctly.

I'd like to address specifically Senator Bryant's concerns regarding geographical cost changes, within a report that was commissioned by New Jersey school boards. It was said very clearly that the average for a special education child in the North was approximately \$18,500, in the South it was \$13,500. I will also point out that, through a corporate relocation service on the Internet, that the \$100,000 in Cape May needed to be \$134,000 to be in Bergen County. I'd also like to point out that the State of New Jersey has a similar problem with Federal reimbursement. Poverty in Alabama is not the same as poverty in Paterson, and reimbursement for transportation hubs is not the same in Wyoming as it is in New Jersey. So I would contend that Bergen County is to New Jersey as New Jersey is to the United States.

Now, less than 24 hours before this hearing, the numbers for this year are released. I threw out the old talk, and the new one is called, *Beware of the Wolf in Sheep's Clothing*.

Hours of study have raised many questions. We understand the effort to push this through during the lame duck session. I see that many districts are slated to receive sizable increases. It's hard to argue with that. I see numbers that appear to accomplish the leveling of the field that Dollar\$ & Sense has tried to get done for years. I should feel a sense of satisfaction that a geographical cost of living index seems to have been used.

But I have to wonder about the wolf in sheep's clothing. There is a lot I don't understand. I have spoken at length with people who know,

and they don't know. Where does a half-a-billion dollars come from, and how long will it last?

The numbers are not the law. They will change. How can we be discussing this days before the bill is even released? If this new money is built into our budgets, will it be sustained? What will happen after the leveling off is done? Will we all be forced to fit a cookie-cutter mold to accomplish the economical efficiency at the expense of academic excellence? We can never forget that we receive a terrific return on our massive investment, and our schools are number two in the nation.

We are concerned about what happens two or three years from now. Will a column 10 adjustment aid be funded? Certainly when this process is done, not one of us will want to do this again. And yet, we have no information and we have no time to ask. All must understand that legislation impacts education -- always takes two or three years to show true impact. We need to anticipate this.

We lose perspective. Our superintendents and business administrators have been resourceful. And in spite of the criticism many have received, excellence has been maintained. Trimming to the bone and yet maintaining a high level education was no simple task. Utilizing breakage eventually runs out. Extra enrichment can only be cut once. The bleeding anticipated from S-1701 is now showing up. Many small, medium, and large districts are bleeding. We are collecting these facts and figures, and will soon present them. This has taught us to ask: What can we expect down the road? And past experience tells us to be concerned.

It is important to note that while we spend more than any other state on school education, everything in New Jersey costs more. We

earn more, our housing is more. It's perfectly logical to assume that the number for our children -- our education would also be more. And we have to remember, we're not striving for adequacy, we're striving for excellence.

Thank you very kindly for your time.

SENATOR TURNER: Thank you.

Before we move on to the next person, if there's anyone in here who is here for the Judiciary Committee meeting, that meeting has been changed. It's moved to Room 6.

Thank you.

Go ahead.

STEVE LATZ: Thank you, Senators, for the opportunity to speak.

My name is Steve Latz. I'm from South Orange-Maplewood. I spent nine years, from '97 to '06, on my local board of education and was active during that time in all of the statewide funding conversations. I'm now working with Our Children/Our Schools Campaign, because I believe firmly that the fate of urban districts and suburban districts is inextricably bound up with one another.

I've waited for this formula from the Corzine administration with both anticipation and apprehension. And I would desperately like to tell you-- I desperately wanted to be able tell you that I supported the proposal. But I'm not ready to drink the Kool-Aid. I'm urging you to vote no -- not to adopt this proposal in the lame duck legislation, but to subject it to full independent analysis from the Office of Legislative Services, and to inquire yourself of the education experts at the Department of Education hired to review its cost study.

I disagree strongly with Commissioner Davy, that Professor Odden and Professor Picus only had a few quibbles with the cost study. I think they had profound differences and wanted to see major changes that are not reflected, in spite of some of the changes that were made.

When I look at the numbers that have been presented by the administration, I'm reminded of subprime mortgages. It's sort of a bait and switch. You get a teaser rate in the first few years, but in the out years, you're subject to a reset that you can't afford. And while I agree with many of the comments of people who have spoken before me -- Professor Trachtenberg, Judy Cambria -- I don't agree with them when they said that you can't tell what this means. Certainly, there's a lot that's cloudy, but there's a lot here that's clear. And, to me, it's frightening.

Senator Turner, the hold-harmless aid that is baked into this bill for Trenton means that when it goes away, Trenton will lose \$34 million. And maybe the Legislature will chose, in the fourth year or the fifth year, to try to come up with that money. But if you adopt a bill with a formula that says that Trenton is overfunded by \$34 million, you are removing from them an entitlement to fully fund the education that those children deserve.

The primary problem with the proposal before us is that the T&E amount that it suggests -- \$10,200 -- is way below what we all know is necessary in the State of New Jersey, given teachers' salaries, given fuel costs, given all the other things to actually deliver a thorough and efficient education.

I want to talk about the cost study in a moment.

I'm going to try to share with you something that I think hasn't been said before. The account of--

Let me start with special education. When I looked at the special education aid for my district, South Orange-Maplewood, and for many other suburban districts, (due to technical difficulties, the remainder of this hearing was transcribed from the Internet audio archive of the meeting) I was surprised to see that most of it had not gone away due to the introduction of the wealth calculation. And if you look at it, it looks like everything is fine. But if you think about using the average classification rate as a measure for how much aid a district should receive, in year two, in year three, in year four, the average classification rate will be driven exorbitantly downward as districts are forced to declassify students for lack of funds. And as that average classification rate is driven downward, the entitlement to special education aid will go away for all of those districts.

And so one can say-- You don't have to wonder; you can see how this will work. One can say, in the out years, all of the districts -- suburban districts will lose, and urban districts with higher classification rates now will lose substantial portions of their special education aid.

The other thing that's kind of missing from the account that the Commissioner delivered today-- On Page 18 of her PowerPoint presentation is a key factor in the local share calculation. And this is the factor that makes that \$10,200 number so dangerous. In addition to using the statewide average property tax rate and the statewide average income rate as a way to determine a district's local share, there's another coefficient in the equation that they conveniently left out. It's what I call the *local share inflator* or *deflator*. It takes your district's budget over the T&E

minimum amount as a ratio. If your district's budget is greater than the T&E minimum amount, then that is multiplied times the rest of the local share calculation to inflate a district's local share. It's intended as a cost-control mechanism. And as a pure mathematical formula, it makes a lot of sense. The only difficulty is, when the formula is subjected to an unreasonably low \$10,200 T&E amount, it will make every district -- practically every district in the state look like they're overspending and act to multiply their local share amount. This, coupled with the stringent tax caps that were adopted last year, will act to level down education, not only in the Abbott districts where aid is being removed after hold harmless, but in the wealthiest districts in the state, which will not be prevented to continue spending at their current level.

Thank you very much for the time to address you. Again, I urge you not to adopt this provision in the current session, but to hold it up to the full light of day. We need full transparency and analysis of this before we go forward.

SENATOR TURNER: Thank you.

R O S E M A R Y B E R N A R D I: Hi, my name is Rosemary Bernardi.

I just want to thank you for allowing me to speak today.

I am the President of the Evesham Township School Board, that's located in Marlton, in Burlington County. We are a K-8 district. We are the fourth largest K-8 district. We have over 5,000 -- we have roughly 5,000 children in our district, and we also have a pre-K disabled program, which services about a hundred kids in our district.

We are a District Factor Group I, which means little opportunity for grants. In terms of our special education population, we are

the district that some of the other members have talked about -- the 20 percent. Twenty percent of our students receive some type of services, whether it ranges from speech to out-of-district placements.

One of the things that we do in our district, though, is that we do have the kids in-district. We brought in an autism program a couple of years ago, because the costs were so high, but also because the -- we had so many kids that had autism. We utilize the inclusion model. We want to keep our kids in-district. We want to be able to heterogeneously group them and be able to differentially give them instruction so we can service all spectrums, whether they require services, or we cater -- to get to the intelligence parts and needs of our children.

I have a couple more points about what is great about our district. The only thing -- I'm here today because I want to point out one thing that we do need addressed for our particular district. With the proposal on the table today-- We need to update the adequacy per-pupil cost. This figure will not work in our district today. Because we have 20 percent special education population, the formula today is proposing that 14 percent of that be funded. Now, that 6 percent that is not going to be funded going further-- So what this does is continuously-- We will have to--

When we get our budget together at the school board level, we look at our school holistically, and then we say, "This is the amount that we have to spend for our mandated programs" -- that's our special education. And then the remaining percentage, which is roughly 15 percent, is what is left over for us to work with for the 80 percent of our population, which is the non-special ed kids. So we need a mechanism to help breach that gap

so we're not pitting our special ed parents against our regular ed parents. We need-- We want to work with servicing the 80 percent of the kids in our district. We want to raise the bar for that 80 percent. We do not want to continue to focus on just putting all the money toward the 20 percent of our special education, which is clearly funded -- mandated and funded through the State.

We do request that you update that adequacy per-pupil cost. I believe it's, what, \$10,000? We do need more money for our district. And I know you guys are sitting there thinking, "Oh well, you're an I District." Well, you know, I'm not wealthy. It's two incomes in our families. I work, I have two kids, I pay for my day care, we don't live in a McMansion, I drive a 10-year-old car. I am not wealthy. So just because I am an *I*, that does not mean that we are not eligible for more State aid for our kids.

So I will leave more -- the testimony -- more details, just because I know it's late in the day. But I do want to thank you for your time. And we hope you would consider addressing the adequacy per-pupil cost, especially for those districts -- especially ours, which is a large K-8, 5,000-kid, district.

Thank you.

SENATOR TURNER: Thank you.

Marylou Kramli and Jonathan Savage.

Are they here? (no response)

Okay.

Thomas Tramaglino, come forward -- Freehold Borough District; David Huemer, Maplewood Township Committee; Patricia Jelly and

Johnnie Lattner, One Newark Education Coalition; Gerard Thiers, private schools for the disabled.

Okay. Barbara Strickarz is here instead.

Come forward, please.

Gregg Edwards, Center for Policy Research; Chris Emigholz, New Jersey Business and Industry Association; Susan O'Donnell, El Primer Paso.

Please go ahead.

T H O M A S T R A M A G L I N I: I want to thank you for the opportunity to testify today.

My name is Thomas Tramaglino. I'm a school administrator in the Freehold Borough School District.

While we respect the different views of our colleagues today -- and we've heard a lot of the same from the speakers -- I would like to thank the administration and the folks here today for working so hard in crafting a revised public school funding formula that attempts to be unified. It may apply to all students. And it's responsive to student and community needs.

It is important that no school district will see a decrease in State aid during the first three years and beyond. Doing so should provide increased stability and allow our boards of education and school communities to work effectively to plan, accordingly, a thorough and efficient education for years to come. Districts with various needs deserve the adequate resources necessary to provide a thorough and efficient education for years, and years, and years.

The students in Freehold Borough face multiple obstacles, just like anyone else. We are a B District Factor Group. We have consistently

struggled to financially meet the needs of our students for the past six years. With the new funding formula, we may finally be able to address the needs of our students in a manner that is equitable for all.

We would like to take this time to thank all the elected officials for working so hard to support us. And we will continue to leave no stone unturned until our students have the best education possible.

Thank you.

D A V I D R. H U E M E R: David Huemer, Maplewood Township Committee.

Thank you for the opportunity to testify.

I'd like to ask you to consider two questions: Is the DOE's permanent proposal genuine education funding reform? And does the process you're following suggest that the permanent proposal is good legislation?

The first question is: Is the DOE's permanent proposal genuine education funding reform? No, it is not. Here are five of the many reasons why it is not. First, there is a consensus that the fundamental problem in how New Jersey funds its schools is overreliance on local property taxes. This morning, the *Star-Ledger* reported -- Mr. Sciarra said it -- that under the permanent proposal, the State's obligation -- annual obligation would decrease by \$300 million. And that's from a low baseline from the four-year freeze of the CEIFA. Dr. Reock, at Rutgers, estimated that the annual shortfall from just properly funding is \$845 million. So even with these short-term sweeteners that they're throwing in there, they're still not making up the shortfall.

In addition, even districts receiving a 10 or a 20 percent increase in annual aid in '07-'08 are still going to have to raise a disproportionate percentage of their school costs from local property taxes, because those districts, such as South Orange and Maplewood, get a very low percentage of their total school costs from the State. We're getting a 10 percent increase at \$689,000. We have a \$93 million budget. We're going to be at cap next year even though we're going to cut programs. That's an increase of \$3.72 million. The other \$3.031 million is coming from local property taxes. That's 70 percent of the increase. This proposal makes the reliance on local property taxes worse, not better.

Second: Since CEIFA was enacted, there have been calls to change its funding formula. You base a funding formula half on wealth -- on income -- half on property. But the local municipality can only tax the property side. This is immoral, this is unfair, this is completely untouched by the proposal. That alone -- not matching up with the community's ability to tax its citizens according to its wealth -- contributes to the greatest inequity in New Jersey education funding, which is the enormous difference in the real tax rates from neighboring communities. This proposal does nothing for that, and that's a reason to reject it.

Third: no changes to S-1701. I leave that for you to examine yourself. Has anyone ever testified about what school districts are going through because of S-1701? There is no relief to those school districts whose cost drivers exceed the spending cap.

Four: the shifting to a census-based, special education funding formula. That means that any district that has more than the average number of special ed kids will no longer get all the aid they need to educate

these students. Do districts with lower than the State average numbers get a windfall? The fact that there is no good answer to that question reveals how flawed this mechanism is. Because if they do, then the windfall, if anything, exacerbates the inequality between those districts who are below average number of classified kids and those districts that have above average. And if the answer is no, then what the Department of Education is suggesting is a formula that, by definition, is going to reduce it's obligation to fund special education beyond what they are statutorily required. And to paraphrase the Commissioner, funding will not be available for every child, regardless of where they live.

Fifth: There's been a recognition since CEIFA, certainly, that we have a racial achievement gap in education in the performance of students. Nothing that is proposed here does anything to reform education funding to address that. In fact, it appears to relatively disadvantage those school districts who have the greatest need and ability to address the achievement gap.

Now, does the process suggest -- the process that you're following -- that the permanent proposal is good legislation? I would say, no. There's lots of red flags. You're in lame duck. People have testified today they haven't been invited to the table. There are temporary sweeteners that mask the actual impact, which is negative. And there are all kinds of -- to put it charitably -- incomplete information. For example, Senator Bryant brought up, quite correctly, how are you going to calculate that differential? Are you going to heighten the differences between what it costs to educate people state-by-state, or are you going to keep it level?

Second: How can the districts use the aid? If we have to apply -- because we're over our adequacy budget -- the \$689,000 to property tax relief, the typical homeowner in Maplewood, who pays \$12,000 a year in property taxes, is going to save \$56.

Third: most fundamentally, I have not seen any information on the DOE Web site that tells you the fiscal aspect -- the fiscal impact on individual districts of the permanent parts of the proposal. Until you have that information, you don't have enough information to decide.

So if the DOE proposal is not genuine education funding reform, and if the process is not suggestive of good legislation, what I would suggest to you that is going on here is-- The State of New Jersey is trying to control one of its big cost drivers. Please kill this attempt by the State to shift its fiscal crisis to local school boards, to local governments, and ultimately to taxpayers and schoolchildren.

SENATOR TURNER: Thank you.

BARBARA STRICKARZ: Thank you.

I'm Barbara Strickarz. I'm with CPC Behavioral Healthcare, in Morganville, New Jersey. And today, as the former board president for ASAH, I'm representing their point of view.

We are 132 State-approved schools educating over 11,000 students with very severe disabilities. And we need to add our voice today to the other advocates, because we were not asked to join the table until this very week, while everything is being rushed through this session with the school funding plan.

The use of a census-based system, while more predictable for districts in calculating State aide, will clearly have short-changed districts

that have large numbers of high-cost students with severe disabilities. New Jersey will be moving from -- although it was complicated -- a system of calculating aid based on the four funding tiers -- dollars following children -- to an extremely simplified one that assumes that all special education students have the same education needs. This just doesn't happen. There are very severe degrees of special ed children out there.

This would at least-- If we could move to a three-tier system -- perhaps speech only, children with moderate degrees of disability, and then severe disabilities -- at least that would help us to acknowledge that we're educating our most challenging students. And it's expensive. The children and their program is expensive, whether you do it in-district or out-of-district. It's the services that really cost.

The purpose, it appears, for the dual threshold of funding -- and there's been discussion on that for extraordinary aid -- the \$40,000 to the \$55,000 suggestion-- We in the private sector will agree that the public schools are not allowed to add their administrative costs. But I find it very hard to believe that it's \$15,000 worth of costs for the difference between the \$40,000 of extraordinary aid or the \$55,000 to apply. And everyone here has also stated and agreed that at 100 percent required extraordinary aid funding, they've only received 23 percent. They're coming very close to the Federal government, who only gives 17 percent on the legislated 40 percent that's supposed to be for IDF funding. So this is a major problem for school districts when we look at services.

The other is -- that I really need to correct today -- a commonly held perception. And I've distributed for you a second report. And that is that approved private schools cost more than public special education

programs, not to the taxpayer of New Jersey-- Perhaps the fee or the tuition may be different, but please remember, our private school tuition rates include all costs -- every single cost, every dollar, down to a bottle of water -- whereas public school tuition rates exclude pension, they exclude Social Security, retirement, health benefits, construction of buildings, capital costs, and any associated debt service.

We have prepared, for your review, a study which really shows what the true cost to the taxpayer of New Jersey is. Let's also remember that with the ASAH schools -- and we have published our outcomes for our graduates, including higher education, post-graduation, and job placements -- and our figures are higher than even the Federal, under the National Longitudinal Studies.

This is important information to know. The schools are price-effective. The plan is being rushed at this point without input from advocates. And we ask you, we implore you, take more time to consider these substantial changes that the Governor has proposed for special education. They've not had discussion, they've not had public scrutiny. Even the other aspects of the education plan at least have been out there. The special ed was kept very tight, very closed.

The (indiscernible) and success of over 230,000 special education students depends on the decision that this Committee makes; and then what happens on whether or not this plan moves forward for a vote or, instead, is referred to a full session, when perhaps the advocates -- the people who speak for the children who cannot speak to you -- come forward and ask you to really consider their needs.

I thank you so much for your time today.

SENATOR TURNER: Thank you.

We still have a couple more -- or a few more.

But I want to thank all of you for being so perseverant and so patient.

We now have Chris and Gregg who are here.

Are there any other people who are here waiting to testify?

(affirmative response) We have one more after Chris and Gregg.

Okay.

Chris, you're going to lead off. Would you introduce yourself and let us know who you're representing, please? As if we don't know.

Hit it. (referring to PA microphone)

There you go.

CHRISTOPHER EMIGHOLZ: Good afternoon.

My name is Chris Emigholz. I'm the Director of Workforce and Education Policy for the New Jersey Business and Industry Association. We represent about 23,000 businesses around the state.

And I'm not going to talk about paid family leave before you today, which you probably might be inundated with right now.

And probably during this time of year you're used to business associations coming before you, and criticizing, and not liking a lot of proposals. We're actually supportive of this. We think there are a lot of good ideas in here.

We think the Department of Education, Commissioner Davy, Governor's Office, Department staff have put a lot of thought into this. And there's some very well thought-out pieces of this, very reasonable pieces, that make sense for the whole state.

And the BIA -- we're not necessarily interested in district-by-district numbers. We don't necessarily-- We want to see the right policies and principles for the State, that are going to get the better workforce of the future. And it's kind of a pet peeve of mine-- People say, "Why does business care about education," and why are we even interested in the school funding formula?

One, we're the consumers of education. And our workforce is responsive upon what happens here in this funding formula and what schools are doing across the state. And we need a good workforce. And that's one of the reasons that, historically, the state's been a good state for business. And we need to keep it up, and we need to maintain it.

And also, businesses -- businesses that I represent -- pay for a lot of this formula. We pay about 30 percent of the property taxes around the state. We pay a large portion of the income taxes in New Jersey that go to the school districts. And we need to be a part of this process, and we have been. And we thank the Governor, and we thank the Commissioner of Education, and the Department for doing a lot of what we asked for.

We kind of had a five-point plan -- five-point strategy that we thought should be part of any school funding formula. One, we want a substantive change. And we think that there is a change here. And the change is kind of in the right direction. We wanted more accountability infused into the formula. We were very supportive, and supported all three of the recent accountability provisions that were talked about today: QSAC, the CORE bill, and fiscal monitor bill. We would like to see more within this bill. We'd like to see more that ties to the efficiency and effectiveness as part of the funding formula. But I also have a lot of hope for the three,

relatively new accountability mechanisms. And hopefully they will work in conjunction with this formula.

We wanted to see one formula. We wanted to see an end to the multiple streams -- an end to the multiple streams that sometimes-- While Abbott was very well-intentioned -- Abbott has done some great things, and we need to protect some of those great things that have happened in Abbott -- at times, it wasn't necessarily based on education rationale. And there wasn't research. Parity aid is not necessarily that-- The intentions were good, and some of the things that happened with parity were good. But we want to see one funding stream that is actually based on research and based on evidence. And we actually think that they did that here. And there is some education policy behind the cost study, behind the adequacy amount that has happened. And you can argue whether you think it might be too low, too high, whatever. But they actually put some thought into it, and it's not based on just some artificial number that the Supreme Court told us, or that has been dictated by certain districts asking for more.

The dollar amount in this-- Surprisingly so, the NJBIA business community-- We actually think it's a well thought-out dollar amount. We don't-- We're not completely comfortable with holding harmless. We're not completely comfortable with giving 2 percent to districts that maybe have demonstrated that they don't need as much money as that. But we think this dollar figure thinks about and considers the fiscal realities of the State. And it's not just throwing money at the problem, it's putting money in places where evidence and research has shown that money is needed.

And I think there are a lot of good things that come out with this dollar amount, and there's a lot that makes sense.

Money following the student: Now, there is true money following the student, and there's a watered down version. Whatever this formula may be, there is more money-following-the-students theory in this, and more money following the student that is going to happen from this formula than has happened before. And we think that's a good concept, just on the very, very simple level of enrollment -- that a district that has lost enrollment since CEIFA has been used should not necessarily increase their aid, which has happened in some districts. A district that has gained enrollment in many, many places around the state should see their aid go up. And that will happen with this formula. And a lot of those districts that are getting the 10 and 20 percent increases are coming from enrollment increases. But also, the weighted student funding, having at-risk, having concentrated poverty, having limited English students, special education -- having that money follow students who -- their true need -- targeting individual students with their individual needs makes a lot of sense. And it talks about accountability-- There's an accountability element inherent in money following the student that makes sense.

So we're very supportive of this.

And, lastly, I just wanted to touch on early childhood education. We're very supportive of the expansion of that. We think it's just one of the more important investments you can make in the future workforce. And it's been shown to yield dividends.

So we thank everyone for, kind of, that investment into early childhood ed. And we look forward to hopefully making this formula a reality as soon as possible.

Thank you.

SENATOR TURNER: Thank you.

Gregg Edwards.

G R E G G E D W A R D S: Thank you very much.

I'm not sure what to make of the fact that only Democrats stayed for my remarks. (laughter) And I hope that was the case that Senator Bryant, Kenny, and Turner -- anytime they did request me -- I always accommodated you.

I guess for my Republican colleagues, I was pretty nasty.

SENATOR TURNER: We have to travel North. (laughter)

MR. EDWARDS: Senator Turner, I am glad that you stayed, however, because I want to relay a thought I had on my trip down to Trenton today. I was listening to the radio, and Governor Corzine was on. And he said something to this effect: that if we're going to try to get a better handle on school costs, school boards need to pay greater attention to the burden on property taxpayers. And I agree precisely with that sentiment.

But as you, Senator Turner, my view on this is that school boards are not very well built to control costs. And in fact, the way they're governed really encourages them to be most responsive to the folks who want to see costs increase. And so I think that if we want to build into this process mechanisms that do control costs in a real way, one thing we need to do -- I know it's not part of the formula bill -- but one thing we need to

do is to go down the path of your bill, Senator Turner, and move school board elections from April to November.

Speaking directly to the formula approach, I want to suggest that I think there's -- that something really needs to be done in the formula bill to both improve accountability and also bring greater value to the dollar being spent. So to that end, I want to make two suggestions to you.

You've heard a lot of testimony today about special education. And I think it's sort of interesting that there's a dilemma, or paradox, when it comes to special education. On one hand, you've heard, I think, some good testimony from the Commissioner about what might appear to be the overidentification of -- or overdiagnosis, however you want to call it -- of students with special needs. That's on the one hand. On the other hand, you hear an awful lot of complaints from the communities that receive special ed, both students and parents, about the difficulties they have with the process and the end result.

I think both points of view are valid, and I think there's a way to try to address that and, at the same time, save cost. I think when we talk about special ed, we can't think of it as one large group, because really the overidentification, I think, occurs -- and the research will show -- that it occurs not with respect to kids who have Down syndrome, or autism, or profound problems with hearing, speech, or sight. We're really talking about the lower end of the diagnoses spectrum -- those with what you would normally call learning disabilities.

So here's the problem: You get a youngster in a classroom who may not be achieving at the level he or she ought to, given his age, etc. So either the parent, or the teacher, or both have a concern about this. And

there's three choices. One is to just ignore it, which we'd all agree was a bad idea. The other is to deal with it in the regular classroom setting. Or the third thing is to classify them. The way the New Jersey system is set up is, it really encourages the classification. Why? Because money comes with it.

But here is the irony: A lot of these kids-- If you were to develop some sort of strategy in the classroom-- What you do for them in a regular classroom really is no different than what you do for them if they're diagnosed with some sort of nondescript learning disability. But districts are encouraged to do that so they get more money. So, to me, it makes sense to say that there's overidentification. And we probably are, as a result, spending more than we need to.

Then you look at the flip side, and you hear parents complain about IEPs -- educational improvement plans -- that never get followed or they get ignored, having to continually go to school and complain about this stuff. The fights they have to go through to get the right services-- There seems to be some profound and appropriate concern about this. So I think there's a way that you can address both concerns with respect to spending and to make those who need these services -- increase their satisfaction with the program.

The state of Florida has what are called McKay Scholarships, and similar kinds of programs exist in other states. And really what happens is this: Once the child has been identified, some sort of cost factor is associated with the services that are needed for that child's education. But in Florida, the parents are allowed to basically take that money and go to whatever program they think suits their purposes. And the program works well. Parents are very satisfied with it, the kids who are in the

population of special needs largely reflects those who are in the population at large. So it's racially diverse. And, in fact, low-income families access this program at a greater rate than their presence in the general school population. Parents are much happier with it. And I think the advantage here is that it helps to control costs, because schools have to compete for these dollars. And if they go to the private school, they know the parents have the opportunity to remove that kid and go somewhere else, because they've got the money and resources to do it. From the public school perspective, if they want to provide this program, they need -- they know they need to be competitive with the private schools. Or if they don't, they could just provide the money. I don't think this has to be mandated by the State. Maybe we start out by having a local option. But I think there are opportunities here.

And the other thing it does do is, for students who leave the system-- And one of the big costs of special ed -- and you've heard it commented before -- are the administrative costs. Well, kids who are going outside of the public school system -- you don't have any administrative costs any more, so there's another savings that you have. So I think, in the long run, a program like that offers the opportunity to help better control special education costs.

And, finally, I want to go to early childhood education and say this, and maybe rain on the parade a little bit. If you had all the money in the world, having early childhood education available to a larger population might be a good idea. But Senator Bucco, early on in the hearing, used the word *investment*. And I think we need to look at a lot of the dollars we spend as investment opportunities.

I think, frankly, the research in early childhood education says, at best, kids show some improvement in Grades 1 and 2, maybe 3. But beyond that, whether they were in a full-day Kindergarten program or were in a preschool program, those kids at Grades 4 and over are basically showing the same level of improvement as kids who didn't have those programs. And if you just think about it, education standards in performance in this country have been flat, yet we've had a lot of kids going to preschool. So if preschool was such a hot idea, we really should be seeing significant improvement, and it's not there.

I would look at it this way: If you had a business or a house that, on a day like today, had a very leaky roof, and you were thinking, "How should I spend my money, repair the roof or put in new carpeting?" I think you'd say, "We need to take care of the roof and not the carpet." And I sort of look at early childhood education that way. It would be nice to have the carpet. But if you've got other problems -- and boy, we know at the middle school and high school level we have severe problems. And that money, I think -- particularly in those A and B districts -- could be much better spent on innovative programs at the middle school and high school level than at preschool.

And I would encourage, Senator Turner in particular, I think this issue deserves a lot of attention. And I would love to see the Education Committee have a hearing on early childhood and talk about what Chris Emigholz sees as a very positive program, what Gregg Edwards has some skepticism about.

So thank you very much, Senator Turner. I appreciate the opportunity to testify today.

SENATOR TURNER: Thank you, Gregg.

We have two more people: Evelyn Ogden and Dadisi Sanyika.

Are you here? (no response)

Neither?

We have somebody else who didn't sign in.

Your name-- Come forward and tell us your name and who you're representing.

L I N D A M c C A R T H Y: Thank you.

My name is Linda McCarthy, and I'm a teacher in the Freehold Borough School District. I did call in. I don't know why I missed -- on the list. But I'm also the President of the Freehold Borough Education Association.

And I came along with my colleagues last Spring, several times, to meet with some of you and to testify before some of the committees regarding problems that we had in Freehold Borough because of the flat funding for five years.

I am so thrilled that we've finally birthed a new program. And I look at it as being that, because it's brand new, and it's popped out. But now we just need to get the facts and figures behind it. I'm excited because I can tell you, as a teacher -- a fourth grade special ed inclusion teacher -- the additional funds that will come into my district will make a huge difference in what I can do with my students in the classroom. There's going to be options to improve curriculum, to provide better services for special education students, for English-language learners. And it's-- I want to believe in this.

I also don't want to wait. And I'm all for getting the facts, and the figures, and asking the hard questions. But I don't want to wait another year. And I understand the concern with having a lame duck session move forward on it. But I ask you, Senators, if you please get the facts, then take that brave step and leave the legacy of improved school funding.

Thank you.

SENATOR TURNER: Thank you very much.

Seeing no one else, I want to thank Senator Kenny and Senator Bryant for your stick-to-itiveness and your commitment to education.

SENATOR BRYANT: Thank you.

SENATOR KENNY: Thank you.

SENATOR TURNER: Hearing adjourned.

(MEETING CONCLUDED)