

# **Education Funding Report**

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## REASON FOR THIS EDUCATION FUNDING REPORT

To inform his Fiscal Year 2013 Budget Address, the Governor directed the Commissioner of Education to review New Jersey's school funding formula and recommend ways to improve it. The result is this *Education Funding Report*, which seeks to both make the distribution of State education dollars more equitable and use those dollars smarter, namely to incent meaningful reforms at the district- and school-level.

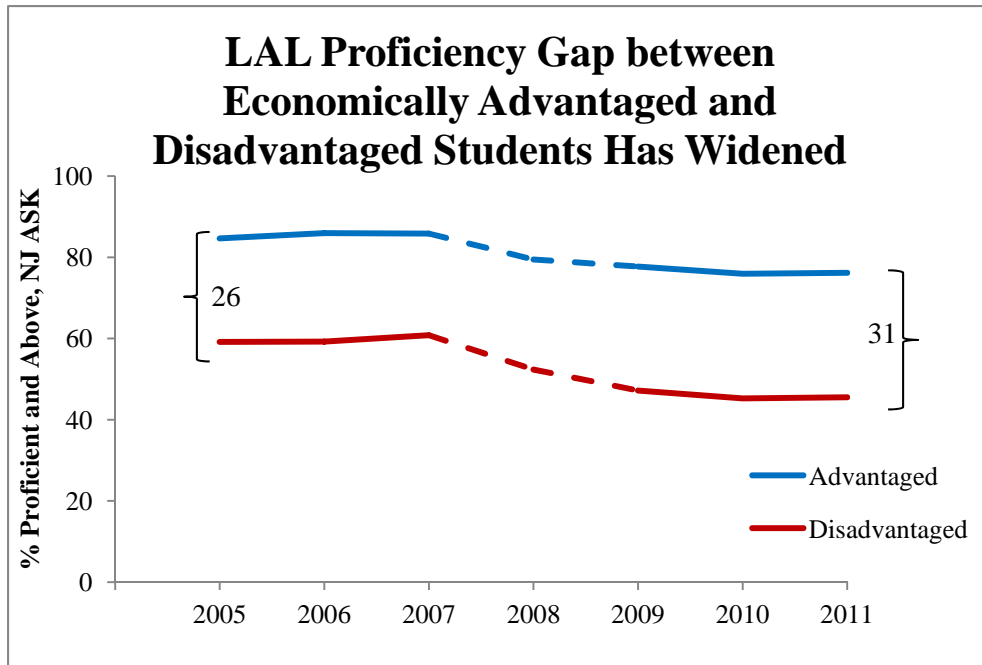
But in drafting this Report, the Department of Education quickly realized that a focus on education funding alone was too narrow. Indeed, to focus on funding alone was to fall into the same trap that has ensnared New Jersey's courts, the Legislature, and past governors for far too long – that education funding can and should be considered in isolation from essential policy reforms. In the pages that follow, the Commissioner advances a simple but powerful idea: if New Jersey is ever to conquer its shameful and persistent achievement gap, then education funding must be considered alongside essential policy reforms or, in the preferred language of this Report, the “how much” and the “how well” must be considered in tandem.

The Department, of course, is acutely aware of the existence of school and non-school factors that influence the success of a child's life trajectory. Hence, the reforms proposed, inclusive of those already underway through the creation of the State's Regional Achievement Centers, attempt to cover a range of topics from community and parental engagement to teacher training and professional development. Some of what is proposed in this *Education Funding Report* will meet with little controversy, some much, but all of the reforms are necessary. The Department of Education encourages the Governor and the Legislature to act upon each of the reforms; the Department stands ready to assist.<sup>i</sup>

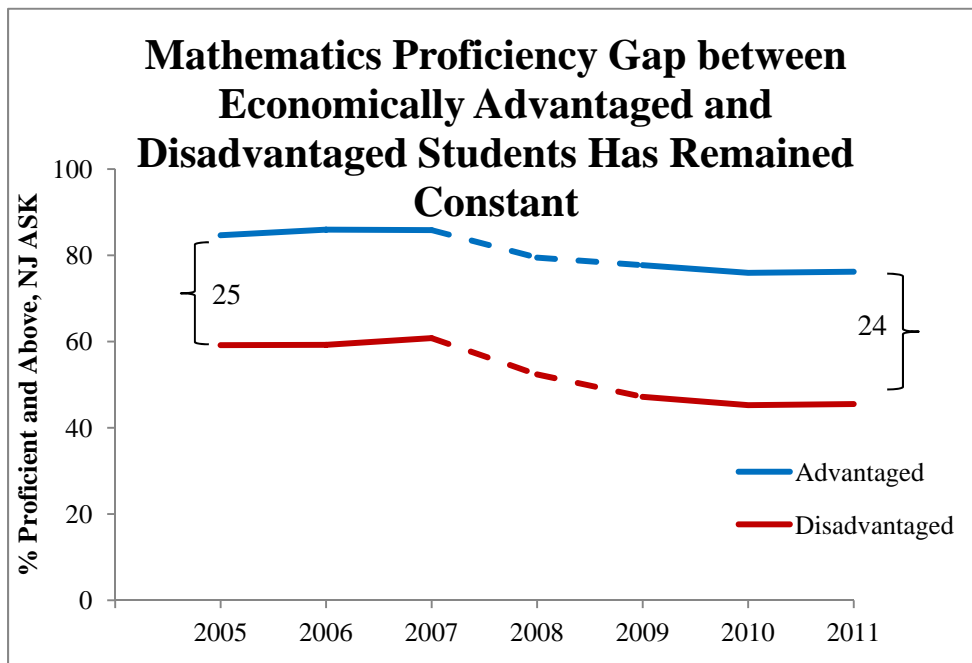
## INTRODUCTION

Some forty years ago, at the time of *Robinson v. Cahill*, New Jersey's public education system was afflicted by two glaring inequities: (1) public schools relied heavily – indeed, almost exclusively – on local property taxes for funding, with the result that property-rich districts dramatically outspent property-poor districts on a per-pupil basis; and (2) economically advantaged students dramatically out-achieved their less affluent peers. It was simply assumed that the latter was a direct consequence of the former. So, economically disadvantaged districts sought redress from the courts, first in the form of *Robinson v. Cahill* and later in the more familiar guise of *Abbott v. Burke*. Theirs was a logical argument: close the spending gap and the achievement gap will follow. Their argument won in the courts, but not in the classroom.

In 1973, at the time of the *Robinson* decision, the average per-pupil expenditure in the former-Abbott districts was nearly \$7,000 (measured in 2010 dollars).<sup>ii</sup> By 2010, the average per-pupil expenditure in those districts had nearly tripled to \$18,850, or \$3,200 more than the State average (excluding the former-Abbotts) and \$3,100 more than the State's wealthiest districts. But despite "adequate" (some might argue, more than adequate) funding, the achievement gap between economically advantaged and disadvantaged students persists and, in some instances, has widened. For example, in 2011, 76% of economically advantaged third through eighth grade students scored proficient on the Language Arts Literacy portion of the New Jersey Assessment of Skills and Knowledge; only 45% of economically disadvantaged third through eighth grade students scored the same. More troublingly, the Language Arts Literacy gap in proficiency rates has increased by 5 percentage points since 2005, from 26% to 31%.

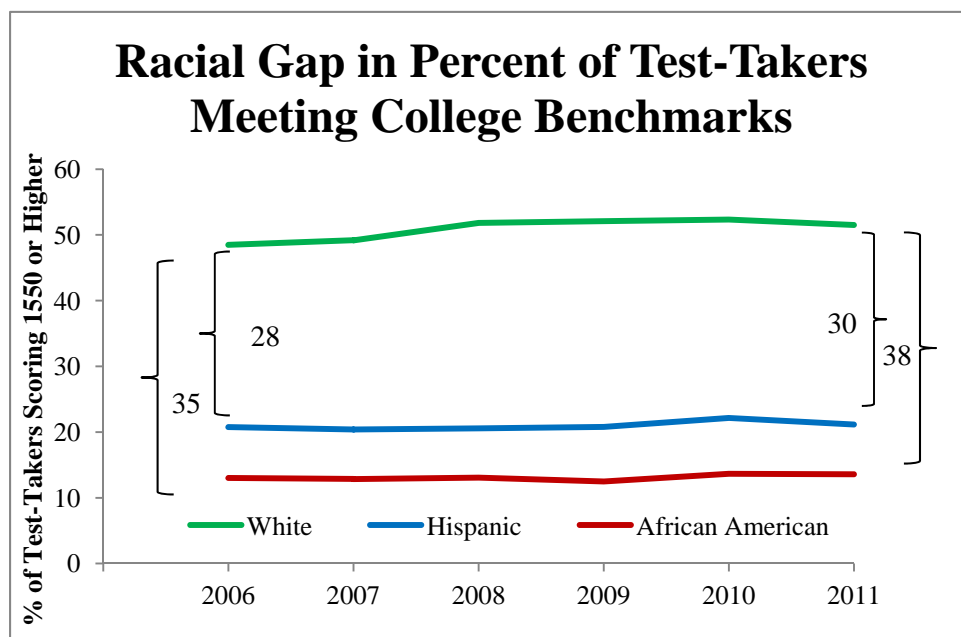


The story is not much better on the mathematics portion of the New Jersey Assessment of Skills and Knowledge. Since 2005, the gap between economically advantaged and disadvantaged students has remained relatively constant at 24% to 25%.<sup>iii</sup>



Likewise, on the 2011 administration of the National Assessment of Educational Progress, New Jersey ranked 50<sup>th</sup> out of 51 states (including Washington, D.C.) in the size of the achievement gap between high- and low-income students in eighth grade reading.

And the achievement gap is not limited to State- and nationally-administered tests, but also includes measures of college readiness. During the 2011-2012 school year, for example, Newark spent approximately \$17,553 per-pupil, but only 9.8% of its SAT test takers met the College-Readiness Benchmark in 2009-2010.<sup>iv</sup> Camden spent approximately \$19,204 per-pupil, but only 1.4% of its test takers met the Benchmark. And Asbury Park spent \$23,940 per-pupil, but astonishingly, none of its SAT test takers in 2009-2010 met the College-Readiness Benchmark. The chart below shows the Statewide gap. Over half of New Jersey's white students met the College-Readiness Benchmark in 2011, compared to only 14% of African American students – a gap of 38% points – and only 21% of Hispanic students – a gap of 30% points.



Simply, forty years and tens of billions of dollars later, New Jersey's economically disadvantaged students continue to struggle mightily. There are some who will likely object to this conclusion. For example, on the 2011 administration of the National Assessment of Educational Progress, New Jersey's economically disadvantaged students scored well compared

to their peers in other states – ranking 14<sup>th</sup> nationally among economically disadvantaged students in fourth and eighth grade reading, for example. But measuring New Jersey’s poor students against poor students in other states is not the appropriate benchmark. New Jersey’s disadvantaged students can and should be achieving at the same levels as their economically advantaged peers. That was the original intent of *Abbott*, and that is what the Department, as this *Education Funding Report* explains, believes we can achieve.

In writing this Report, the Department began with a single question: Why has New Jersey’s achievement gap proven so resistant to the combination of *Robinson*, *Abbott*, and tens of billions of dollars? The Department quickly found the answer: New Jersey courts, the Legislature, and past Governors only got it half-right. They took an inarguable proposition – namely, that a school must have sufficient dollars to succeed – and twisted it into the wrong-headed notion that dollars alone equal success. In ignoring the issue of how money is spent, the courts, Legislature, and past Governors ignored a proposition equally basic – how well education dollars are spent matters. Through this *Education Funding Report*, the Department attempts to unite the *how well* with the *how much*.

Though a report with “education” and “funding” in its title is, perhaps, destined for controversy, there is much in this *Education Funding Report* that should win widespread, if not universal, support. First, just as the *Robinson* and *Abbott* courts before it, the Report affirms that the New Jersey Department of Education’s highest priority is closing the achievement gap so that all students are prepared for college and career. As both the Governor and the Commissioner have repeatedly stated, birth circumstances must not be allowed to determine educational destiny in New Jersey. But until more than a combined 11.2% of students in Newark, Camden, and Asbury Park graduate from high school meeting the College-Readiness Benchmark, zip code will continue to do just that.

Second, the Report embraces the central holding of *Robinson* and *Abbott* that a school must have sufficient dollars to succeed. It also accepts that urban districts, typically with smaller local tax bases and higher concentrations of at-risk and Limited English Proficient students, must receive more State aid than their suburban counterparts, generally with larger local tax bases and fewer high-needs students.

Where the Report breaks with the past, however, is in its insistence that how well education dollars are spent is equally important as how many education dollars are spent. Rather



than focusing on dollars alone, the Report pairs funding with essential policy reforms designed to, among other things, improve teacher talent, use data more effectively to identify and design differentiated interventions for failing schools and students, and aggressively deploy Departmental resources to drastically improve persistently underperforming schools. If this proposition – that funding and policy reforms are intertwined and that every education dollar must be spent efficiently and effectively and with the singular purpose of closing the achievement gap – proves controversial, then the Department of Education welcomes the controversy.

The Report is divided into three parts. Part I provides detailed, historical funding and student achievement data to show that while *Robinson* and *Abbott* were successful in bridging the spending gap, they failed to close the achievement gap. Part II provides a description of essential policy reforms that must be enacted if education dollars are to be spent effectively and the achievement gap closed. It is the “how well.” Part III proposes changes to the School Funding Reform Act funding formula and full funding of that revised formula over five years. It is the “how much.” As well, Part III recommends creation of a new pot of State education aid – an Innovation Fund – to be used both to reward successful districts and schools and fund district- and school-initiated reforms designed to close the achievement gap.

## **PART I – NEW JERSEY’S PERSISTENT ACHIEVEMENT GAP**

### **A. NEW JERSEY’S SUCCESSES ARE OVERSHADOWED BY A LARGE AND PERSISTENT GAP BETWEEN HIGH- AND LOW-PERFORMING SCHOOLS.**

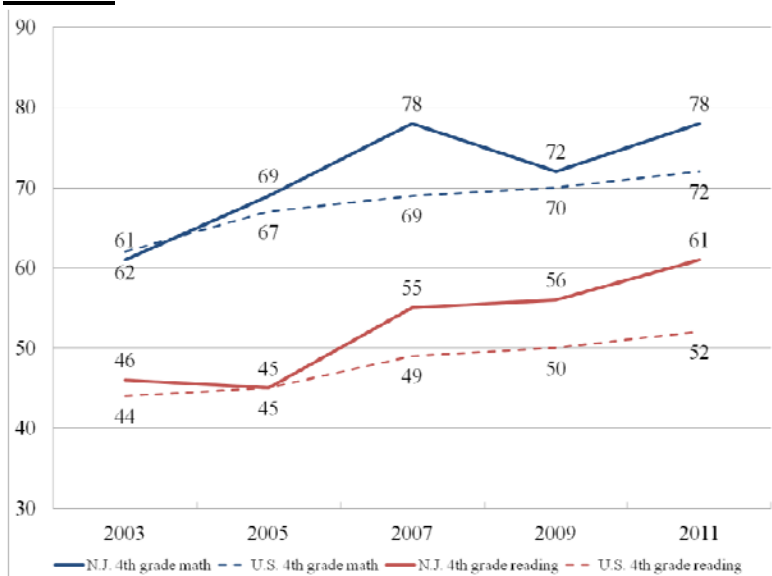
New Jersey consistently ranks among the nation’s highest spenders on public elementary and secondary education. According to the National Center for Education Statistics, New Jersey ranked 3<sup>rd</sup> among states in school expenditures per student in 2008, spending more than 60% above the U.S. average. This followed decades of growth in spending per student, which more than doubled in inflation-adjusted terms since 1973. Only a portion of this differential can be explained by New Jersey’s relatively high wages and cost of living: even when adjusting for regional cost differences, the State’s ranking is largely unchanged.<sup>v</sup>

The State also boasts some of the highest average test scores in the nation. As measured by the National Assessment of Educational Progress (NAEP), commonly known as the “Nation’s Report Card,” New Jersey ranked 2<sup>nd</sup> in fourth and eighth grade reading, 3<sup>rd</sup> in eighth grade mathematics, and 4<sup>th</sup> in fourth grade mathematics in 2011. On the 2007 writing assessment, New Jersey’s eighth graders scored higher than those in any other state, and since 2003, New Jersey has seen its NAEP performance in reading and mathematics improve at a rate faster than the national average.

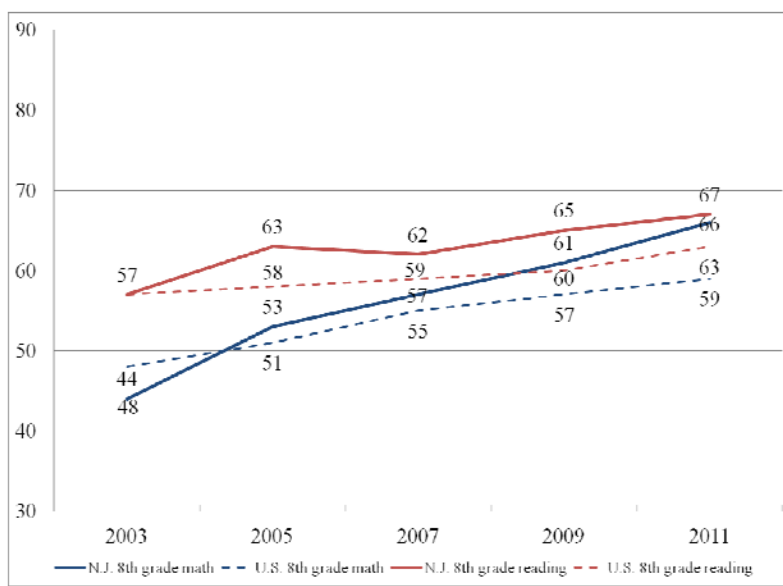
Yet despite its many successes, New Jersey is far from ensuring that all of its students receive a high-quality education. On the 2011 NAEP, for example, the State ranked 50<sup>th</sup> out of 51 states (including Washington D.C.) in the achievement gap between high- and low-income students in eighth grade reading. In 2010, only 36% of fourth graders in the State’s most disadvantaged districts tested at the “proficient” level or better on the State reading assessment, 23 percentage points below the State average and 45 points behind the State’s most advantaged school districts. While the fraction of New Jersey’s economically disadvantaged students who score at the “basic” level or higher on the NAEP is higher than the U.S. average and improving, it is clear that far too many of our children are performing below a level required to meet life’s challenges and opportunities. *See Figure 1.1.*

**Figure 1.1: Percent of Fourth and Eighth Graders Scoring “Basic” or above in Reading and Mathematics**

**Grade 4**



**Grade 8**



These statistics are unsettling in light of New Jersey’s sustained targeting of financial resources to low-wealth, high-needs school districts. Since 1991, per-pupil spending rose an average of 2.8% per year in the 31 former-Abbott districts, as compared to 1.8% Statewide. By 2010, the former-Abbotts were spending an average of \$18,850 per student, or \$3,200 more than

non-Abbott districts, and \$3,100 more than the State's wealthiest districts. Yet this additional funding did little to ensure a narrowing of the achievement gap. Between 2002 and 2007, low-income districts without the Abbott designation collectively saw *larger* gains in eighth grade math and reading proficiency than the former-Abbotts who experienced much larger increases in per-student spending. Over this five-year period, the average proficiency rate in eighth grade reading rose less than 3 percentage points in the former-Abbott districts, from 45% to 47.9%. The patterns were similar in high school English and mathematics.

To be sure, many schools in disadvantaged districts saw real and notable improvements during this period. History will show that at least some of this improvement can be attributed to the *Abbott*-era emphasis on funding.<sup>vi</sup> But these gains are disappointingly small when measured against the large investment in these districts. It is safe to say that ever-increasing funding has been no guarantee that our most vulnerable students graduate prepared for college and career.

In this section, we provide the historical backdrop for the proposed policy and funding reforms described in Parts II and III. First, we describe the current level of resources in New Jersey schools and their growth since the *Robinson* decision in 1973. Special attention is paid to the State's long-run investment in its highest-needs districts and, in particular, the former-Abbott districts. We then turn to the evidence on student achievement, focusing on the persistently low mean performance of economically disadvantaged students in the State.

## **B. NEW JERSEY'S PUBLIC SCHOOLS ARE AMONG THE BEST FUNDED IN THE NATION.**

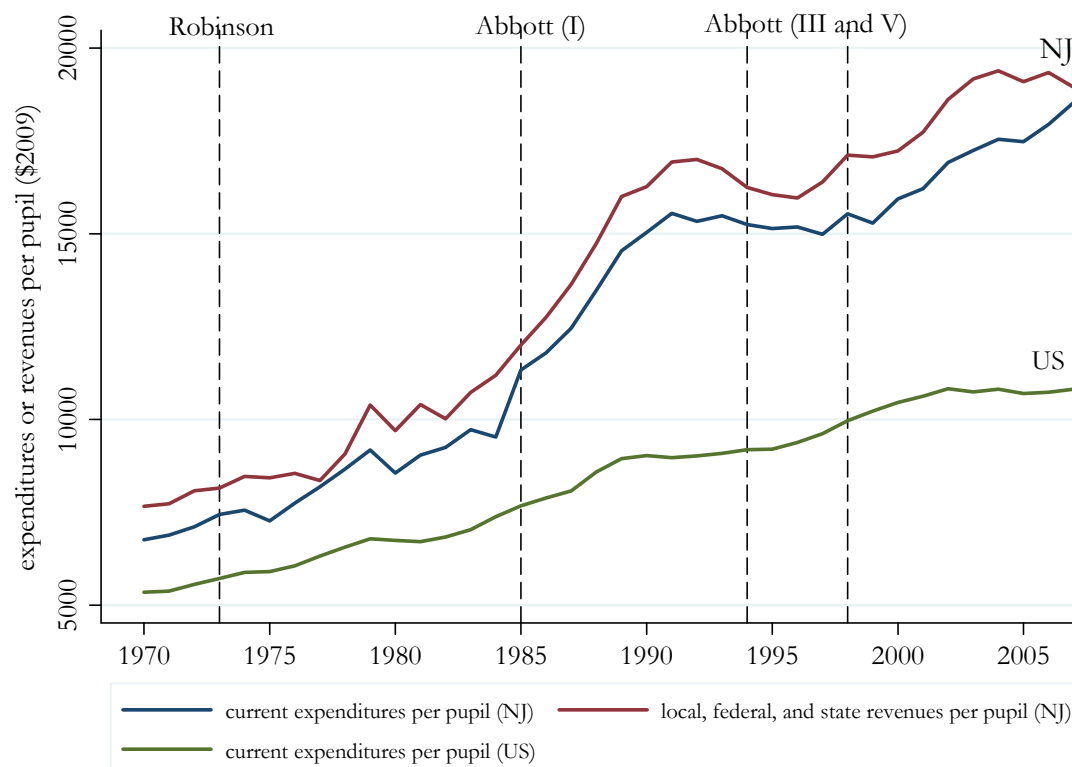
While New Jersey has long been a leader in its fiscal support of public education, the past four decades have witnessed unprecedented investments in the State's classrooms. In 1973, at the time of the *Robinson* decision, New Jersey already ranked 4<sup>th</sup> in the country in per-student expenditure, spending roughly 30% above the U.S. average (\$7,440 vs. \$5,720 in 2009 dollars). See Table 1.1. By 2008, New Jersey ranked number three, spending more than 60% above the national average (\$17,076 vs. \$10,591). See *id.*

**Table 1.1: Expenditures per-Student in Select Years and Implied Average Annual Growth Rate<sup>vii</sup>**

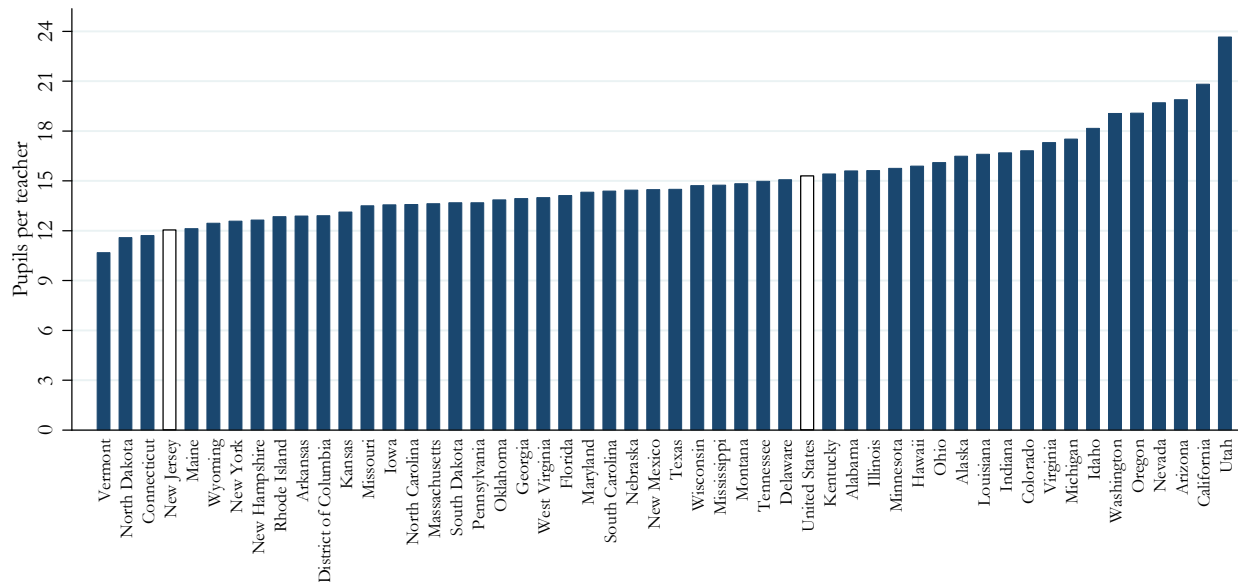
	1973	1983	1993	2003	2008
Spending per student (N.J.)	\$7,440	\$9,720	\$15,540	\$17,240	\$17,076
Spending per student (U.S.)	\$5,720	\$7,030	\$9,970	\$10,740	\$10,591
<b>State ranking (N.J.)</b>	<b>4<sup>th</sup></b>	<b>5<sup>th</sup></b>	<b>1<sup>st</sup></b>	<b>1<sup>st</sup></b>	<b>3<sup>rd</sup></b>
Annual growth rate to 2008 (N.J.)	2.40%	2.28%	0.65%	-0.19%	--
Annual growth rate to 2008 (U.S.)	1.78%	1.65%	1.02%	-0.28%	--

The State's long-run growth in expenditures and revenues per-student is evident in Figure 1.2.<sup>viii</sup> Legislative responses to *Robinson* and *Abbott* yielded spending gains that far outpaced those in the country at large. Between 1973 and 2008, the State's average annual growth rate of expenditure per-student was 2.4%, more than 0.6 percentage points above the U.S. average (1.8%). Even during the relatively lean period of 2007-2010 in which per-student spending saw modest increases nationally, New Jersey maintained a nearly 1.3% average annual growth rate.

**Figure 1.2: Expenditures and Revenues per-Student, N.J. and U.S., 1970-2007<sup>ix</sup>**



Of course, taken alone, dollars can obscure differences in real resources, and New Jersey’s high wages and cost of living drive up the minimum salaries required to hire quality teachers. But the State also fares well when looking at its student-teacher ratio, a “real” measure of resource intensity. Although not the same as average class size, this measure captures the State’s overall commitment of human resources to its classrooms. As shown in Figure 1.3, in 2008-2009, New Jersey had the fourth smallest student-teacher ratio in the U.S. (12.0), substantially lower than the ratio observed nationally (15.3). Since 1970, the student-teacher ratio has fallen about 9.2 students in New Jersey, or 43%, a decline greater than that seen nationwide. *See* Table 1.2.

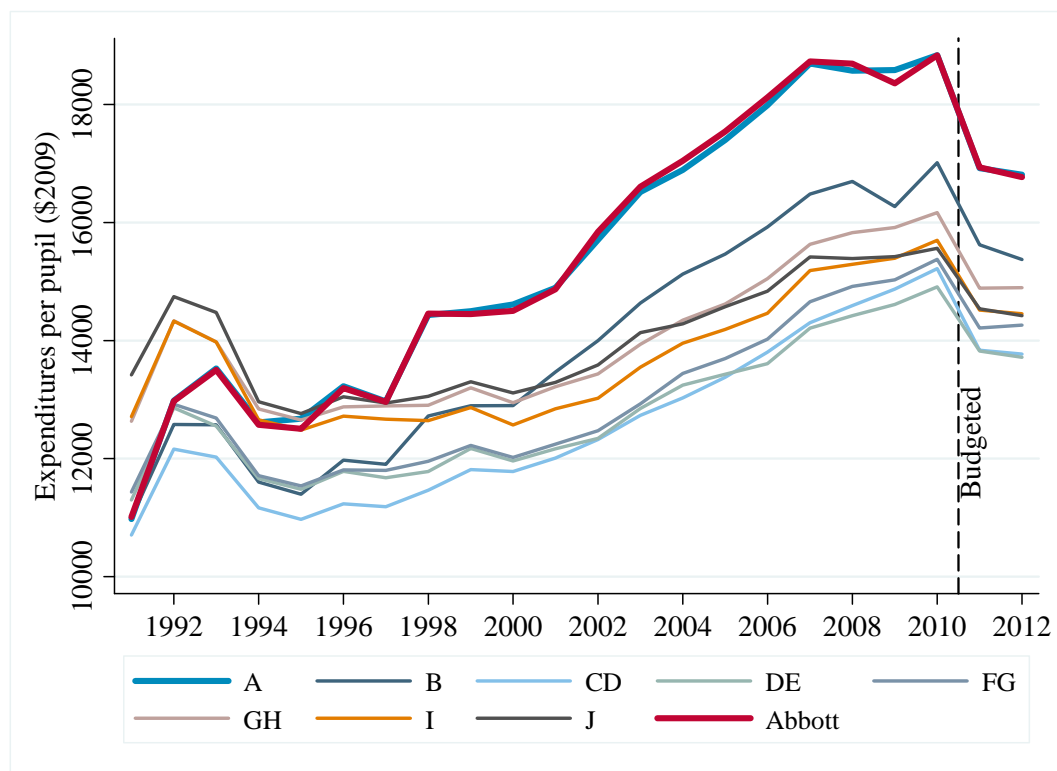
**Figure 1.3: Students per FTE Teacher by State, 2008-09<sup>x</sup>****Table 1.2: Students per Teacher in Select Years<sup>xi</sup>**

	1970	1979	1989	1999	2008
Students per teacher (N.J.)	21.2	16.7	13.5	13.4	12.0
Students per teacher (U.S.)	23.5	19.1	17.2	16.1	15.3
State ranking (N.J.)	16 <sup>th</sup>	10 <sup>th</sup>	3 <sup>rd</sup>	5 <sup>th</sup>	4 <sup>th</sup>

State averages mask the even more substantial investment that has occurred in the State's poorest districts. Since *Robinson*, New Jersey's aid formulas have aggressively targeted financial resources to its low-wealth, high-needs school districts and, in particular, the 31 former-Abbott districts. Consequently, spending has risen much faster in the State's neediest districts than in the State as a whole. Figure 1.4 shows the growth in expenditures per-pupil from 1989 to 2012 in the former-Abbott districts and for eight groups of districts or DFGs, a State designation of district wealth ranging from the poorest ("A") to wealthiest ("J") districts (the last two years in this figure are budgeted amounts).<sup>xii</sup> Since 1991, spending has risen an average of 2.8% per year in the former-Abbott districts, as compared to 1.8% Statewide. See Table 1.3. By 2010, the former-Abbott districts were spending an average of \$18,850 per-student, or \$3,200 more than non-Abbott districts and \$3,100 more than the State's wealthiest districts (DFG "J"). Today, 5 of the 20 highest-spending districts in New Jersey with an enrollment of 500 or more are former-

Abbott districts, and two former-Abbott districts are represented among the five highest-spending districts in the country: Asbury Park (2<sup>nd</sup>) and Hoboken (5<sup>th</sup>).<sup>xiii</sup> In fiscal year 2013, an estimated \$4.4 billion of a total of \$7.7 billion (56.3%) in State aid will go to the 31 former-Abbott districts (which represent just over 5% of New Jersey's nearly 600 districts).

**Figure 1.4: Real Expenditures per-Pupil in N.J. School Districts by District Factor Group**



**Table 1.3: Real Expenditures per-Pupil by District Factor Group and former-Abbott Designation and Implied Annual Growth Rate<sup>xiv</sup>**

Spending per-pupil	1991	2000	2010	Average Annual Growth Rate
All N.J. districts	\$11,612	\$12,854	\$16,328	<b>1.81%</b>
Former-Abbott districts	\$11,054	\$14,595	\$18,847	<b>2.85%</b>
DFG A	\$10,978	\$14,613	\$18,834	<b>2.88%</b>
DFG B	\$10,992	\$12,897	\$17,016	<b>2.33%</b>
DFG CD	\$10,704	\$11,782	\$15,219	<b>1.87%</b>

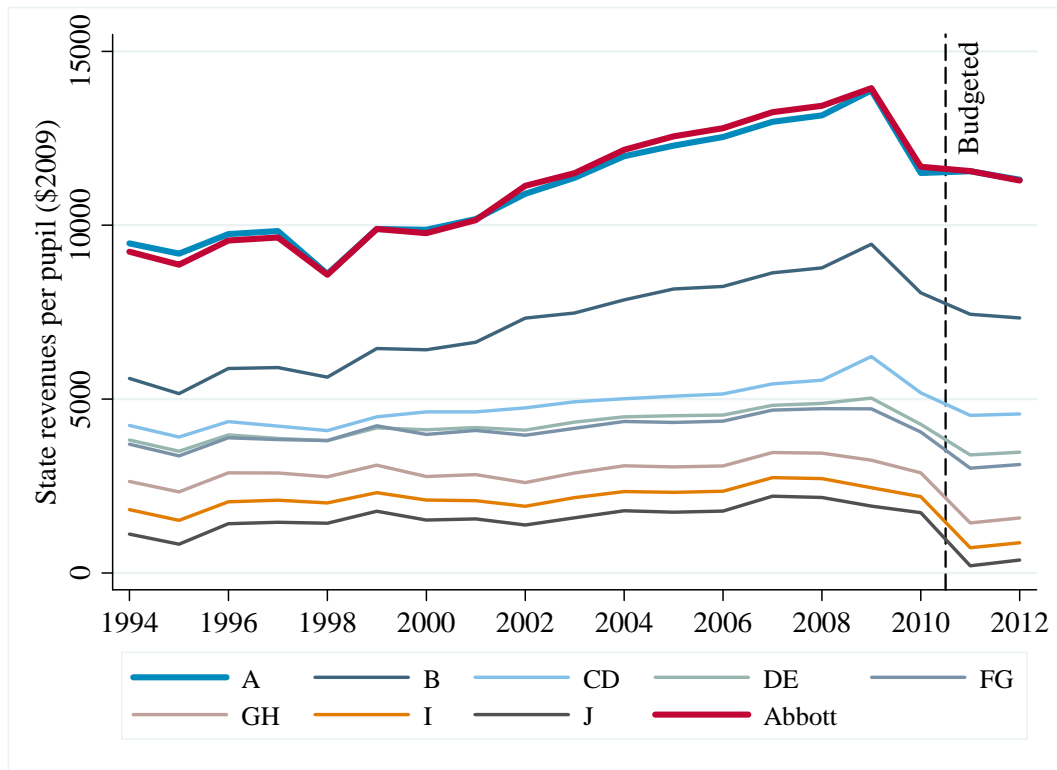


DFG DE	\$11,300	\$11,960	\$14,911	<b>1.47%</b>
DFG I	\$12,710	\$12,569	\$15,699	<b>1.12%</b>
DFG J	\$13,420	\$13,112	\$15,562	<b>0.78%</b>

Finally, virtually all of the expenditure growth in the State's low-income and former-Abbott districts has been driven by State aid, as opposed to local revenues. Figure 1.5 shows the change in real State and local revenues per-pupil by DFG and for the former-Abbott districts between 1994 and 2012 (the last two years in this figure are budgeted amounts). In DFG "A" and former-Abbott districts, State revenues per-pupil rose 21.4% and 24.9% respectively during this period (or 46.4% and 49.5% to 2009; State aid declined after 2009). This compares with 14.7% for non-Abbott districts and 11.8% for middle-income "DE" districts (33.6% and 31.4% to 2009, respectively). The local contribution per student actually *declined* in inflation-adjusted dollars in the former-Abbott districts, from \$3,170 in 1994 to \$2,297 in 2010. In contrast, non-Abbott districts raised 24.2% more locally per student in 2010 than in 1994.

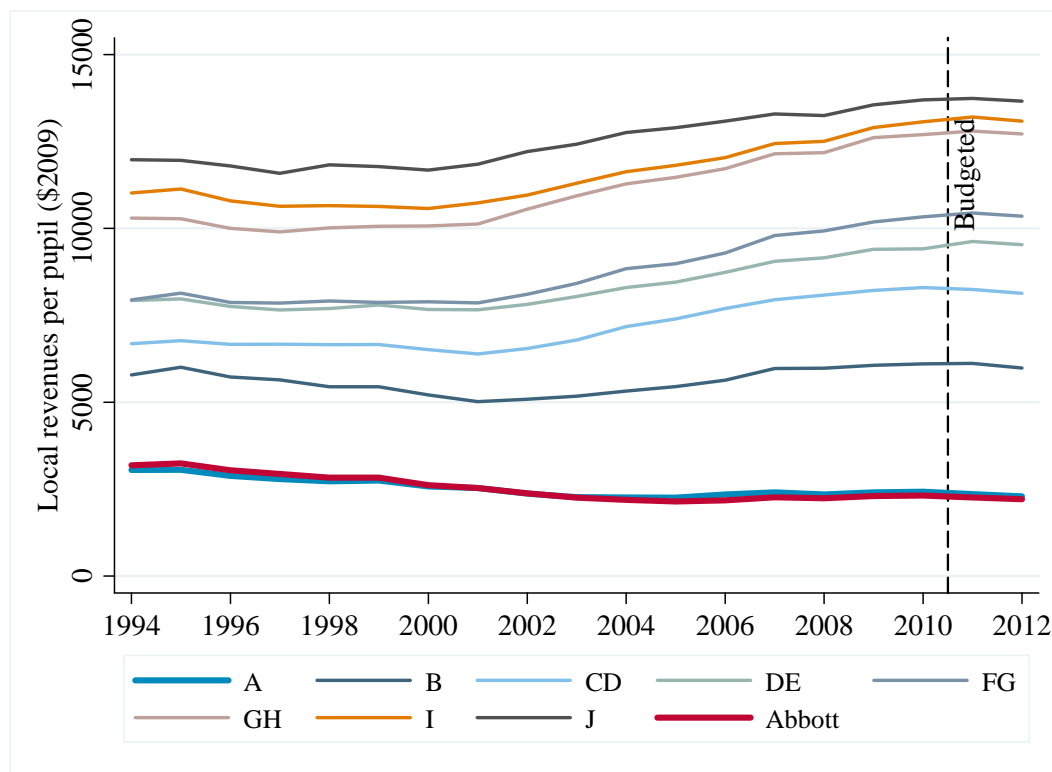
**Figure 1.5: State and Local Revenues per-Pupil in N.J. School Districts by District Factor Group, 1994-2012<sup>xv</sup>**

**State Revenues Per-Pupil:**



\* For FY2012, the budgeted amounts do not fully reflect the more than \$700 million in additional revenue (compared to FY2011) appropriated for school aid, after many districts had prepared their budgets.

### Local Revenues Per-Pupil:



### C. DESPITE NEW JERSEY’S SUSTAINED FINANCIAL INVESTMENT IN ITS PUBLIC SCHOOLS, NEW JERSEY’S ECONOMICALLY DISADVANTAGED STUDENTS CONTINUE TO UNDERPERFORM.

The overall quality of New Jersey’s public school system is reflected in its consistently high performance on the National Assessment of Educational Progress. As noted in the introduction, the State consistently ranks among the top performers in fourth and eighth grade reading and mathematics, and outranked all other states on the 2007 eighth grade writing assessment.<sup>xvi</sup> Yet these successes overshadow a large gap between the State’s high- and low-income students. On the 2011 NAEP, for example, New Jersey ranked 50<sup>th</sup> out of 51 states (including D.C.) in the size of the achievement gap between high- and low-income students in eighth grade reading.<sup>xvii</sup> In eighth grade mathematics, the State ranked 46<sup>th</sup>. The gap in fourth

grade reading and mathematics was not much smaller, where the State ranked 22<sup>nd</sup> and 41<sup>st</sup>, respectively.

These patterns are also observed on New Jersey's State learning assessments (NJ ASK). In 2010, only 36% of fourth graders in the State's most economically disadvantaged school districts (DFG "A") tested at the "proficient" level or higher on the State reading test, almost 25 percentage points behind the State average (60%) and 41 to 48 percentage points below the State's most advantaged districts (77% and 84% in DFG "I" and "J"). *See* Table 1.4. The gap in fourth grade mathematics was similar, if slightly smaller.

The proficiency gap between high- and low-income districts persists into eighth grade and high school, where the gap between the most disadvantaged districts and the State average exceeded 20 percentage points in 2010 in both core subjects. Gaps in high school mathematics proficiency are particularly stark, as wide as 28 percentage points between the poorest DFG "A" schools and the State average, and nearly 50 percentage points between the poorest districts and the wealthiest DFG "I" and "J" districts. These differences likely understate the true achievement gap between these districts, as poor districts have more dropouts who do not take the test at all. Taken together, while most students in New Jersey's middle- and high-income districts are achieving proficiency and completing high school, roughly half of those in its lowest income districts are not.

**Table 1.4: Percent Scoring Proficient or Higher on N.J. State Assessments, 2009-10<sup>xviii</sup>**

	4 <sup>th</sup> grade		8 <sup>th</sup> grade		High school	
	Reading	Math	Reading	Math	Reading	Math
All N.J. districts	60.3%	77.7%	83.4%	69.7%	88.3%	75.6%
Former-Abbott districts	35.8%	59.5%	60.9%	44.6%	66.8%	48.5%
DFG A	36.2%	59.5%	60.2%	45.2%	64.6%	47.2%
DFG B	44.6%	68.1%	75.0%	58.4%	81.7%	62.9%
DFG CD	52.3%	71.8%	79.4%	63.8%	85.9%	69.9%
DFG DE	62.5%	80.4%	85.4%	69.4%	90.0%	74.9%
DFG FG	65.5%	81.9%	88.3%	72.4%	92.0%	78.1%
DFG GH	69.5%	84.8%	90.5%	78.3%	94.1%	83.9%
DFG I	77.2%	89.1%	94.3%	83.9%	96.5%	89.7%

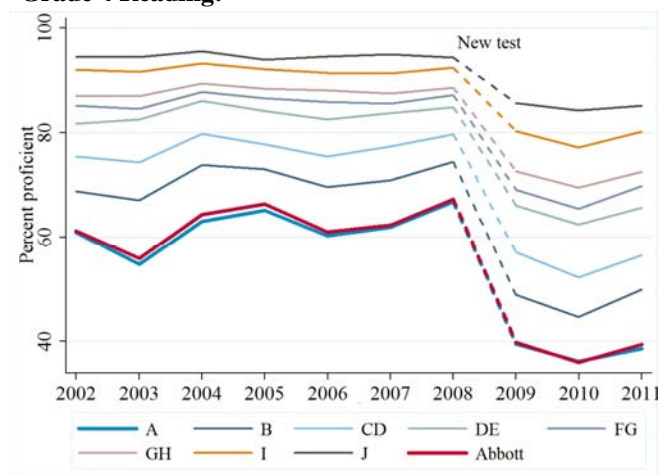
DFG J	84.3%	93.4%	96.9%	90.4%	97.8%	95.0%
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These gaps are especially troubling in that they have shown only modest signs of narrowing. While the former-Abbott and other low-wealth districts saw notable gains in some grades and subjects between 2002 and 2010, gaps between these districts and the State average remained stubbornly large. *See* Figure 1.6. For example, in eighth grade mathematics, the percent scoring proficient or higher in DFG “A” districts rose from 28% to 38% from 2002 to 2007; however, because test performance improved in all DFGs, the gap between these districts and the State average narrowed only two percentage points.<sup>xix</sup> In eighth grade reading, the proficiency gap narrowed only 3.4 percentage points from 31 to 27 over the same years. Trends were similar in high school, where the reading gap fell less than one point over nine years (24.3 to 23.7), and the gap in math proficiency fell five points (33.6 to 28.4).

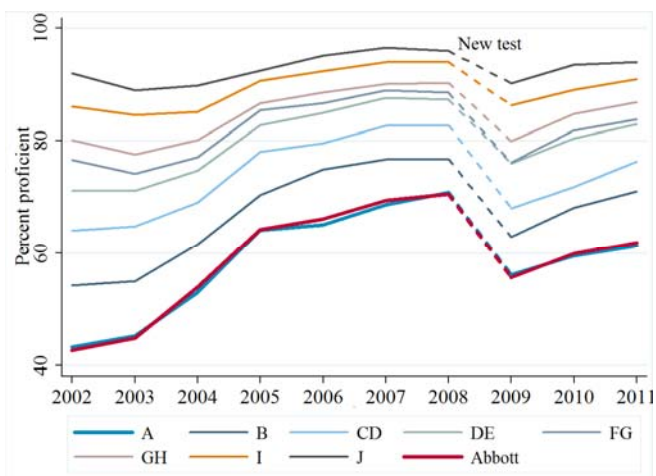
One bright spot apparent in Figure 1.6 is the sharp improvement in fourth grade mathematics proficiency in the former-Abbott and DFG “A” districts. Between 2002 and 2008, these districts cut their difference with the State average nearly in half, from 25.8 to 14.4 points. However, the gap widened again with the implementation of a new test in 2008.

**Figure 1.6: Trends in Reading and Mathematics Proficiency by DFG Group, 2002-2010<sup>xx</sup>**

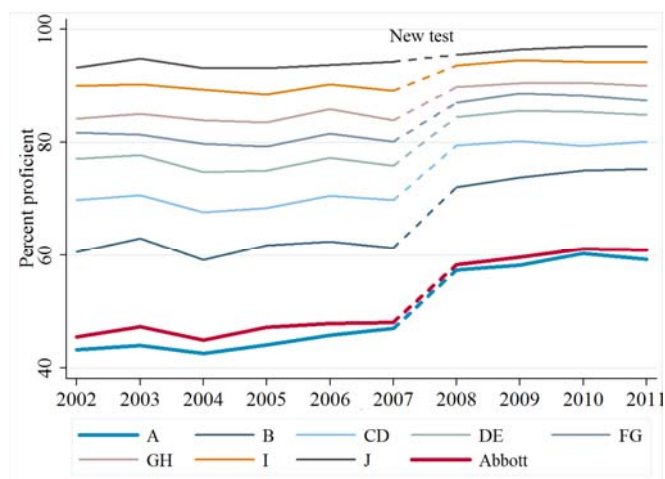
**Grade 4 Reading:**



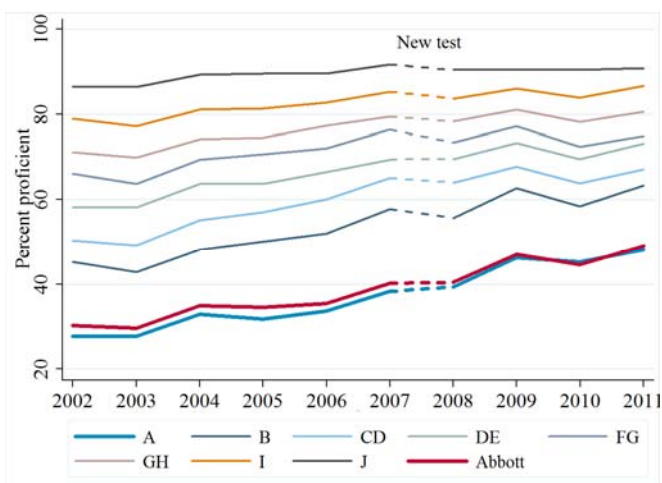
**Grade 4 Mathematics:**



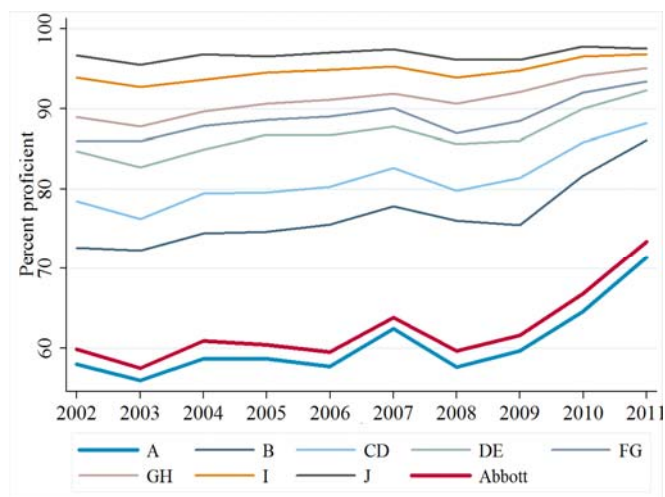
**Grade 8 Reading:**



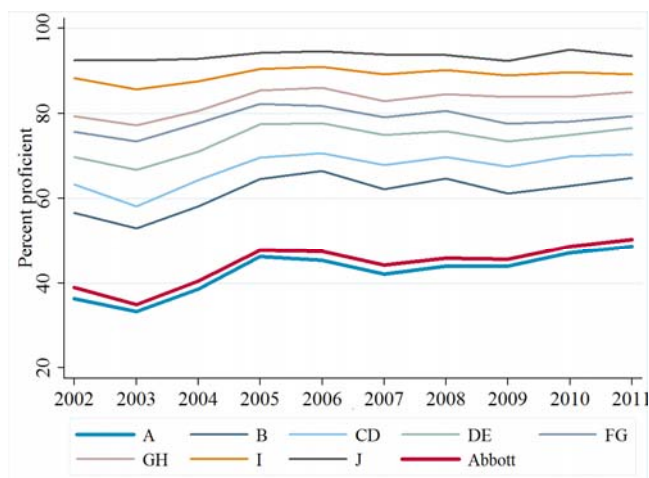
**Grade 8 Mathematics:**



**High School Reading:**



**High School Mathematics:**



#### D. HIGH LEVELS OF FUNDING ARE NOT SUFFICIENT FOR HIGH PERFORMANCE.

While gains made in New Jersey's most disadvantaged schools cannot be discounted, the above analysis underscores the following point: taken alone, funding parity between the former-Abbott districts and the State's wealthiest districts – the goal of the *Robinson* and *Abbott* lawsuits – is insufficient to ensure that all students receive a high-quality education and are prepared for college and career. This is apparent when measuring districts' achievement gains over time against their growth in per-student spending.

Figure 1.7 uses a scatter diagram to show this relationship for the State's DFG low-income "A" and "B" school districts. Each point is a school district, with the former-Abbott districts represented by circles and other non-Abbott economically disadvantaged districts represented by triangles. The vertical axis shows the growth over time in the percentage of students testing at proficient or higher, while the horizontal axis is the change in real expenditure per-student. Though these districts differ along other dimensions than just their income level and spending growth, as a group, they represent the State's most economically disadvantaged districts.

Figure 1.7 demonstrates that the relationship between per-pupil spending growth and proficiency gains is weak in New Jersey. For comparable levels of expenditure growth – take most any point along the horizontal axis – there is wide variation in achievement gains on the vertical axis. On the whole, there appears to be little to no relationship between spending gains and achievement growth among these low-income districts. In fact, in some instances, districts with the largest percent increases in per-student spending made the slowest progress.

To highlight a few examples from these figures, consider districts that saw their expenditure per-student rise 15 to 25% between 2002 and 2007. Some of these districts – such as Vineland City and Middle Township – raised their proficiency rate in eighth grade mathematics by 17 or more percentage points. Others, such as Orange City and Trenton, saw strong gains of 14-15 percentage points, while still others saw gains of less than 10 points. Plainfield, Paterson, and Newark experienced gains of 5 to 8 percentage points, below the State average for eighth grade mathematics. Spending in Camden rose 17% over this period, but its proficiency rate *declined* by 1 point. At the high school level, some of the former-Abbott districts with large increases in per-pupil spending also saw large gains in mathematics

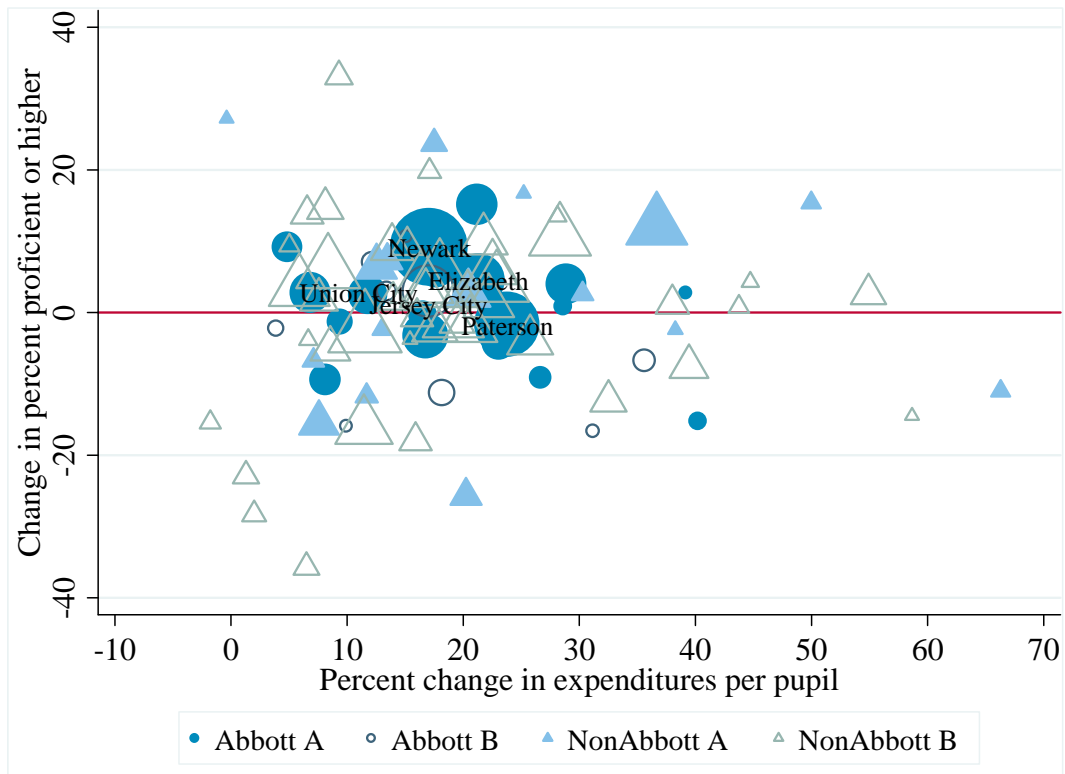
proficiency (e.g., Newark, Elizabeth, and Union City). Others such as Camden, Paterson, Linden, and Asbury Park saw no change or a decline in their proficiency rate.

It is easy to identify districts in these figures that saw substantial gains in reading and mathematics proficiency with more modest gains in spending. For example, some large and mid-sized districts without the Abbott designation (such as Kearny, Linden, Middle Township, and Roselle) saw gains in eighth grade mathematics that far surpassed those of the higher spending former-Abbott districts. In high school English, districts making the largest gains in proficiency tended to be those with *slower* growth in per-pupil expenditure.

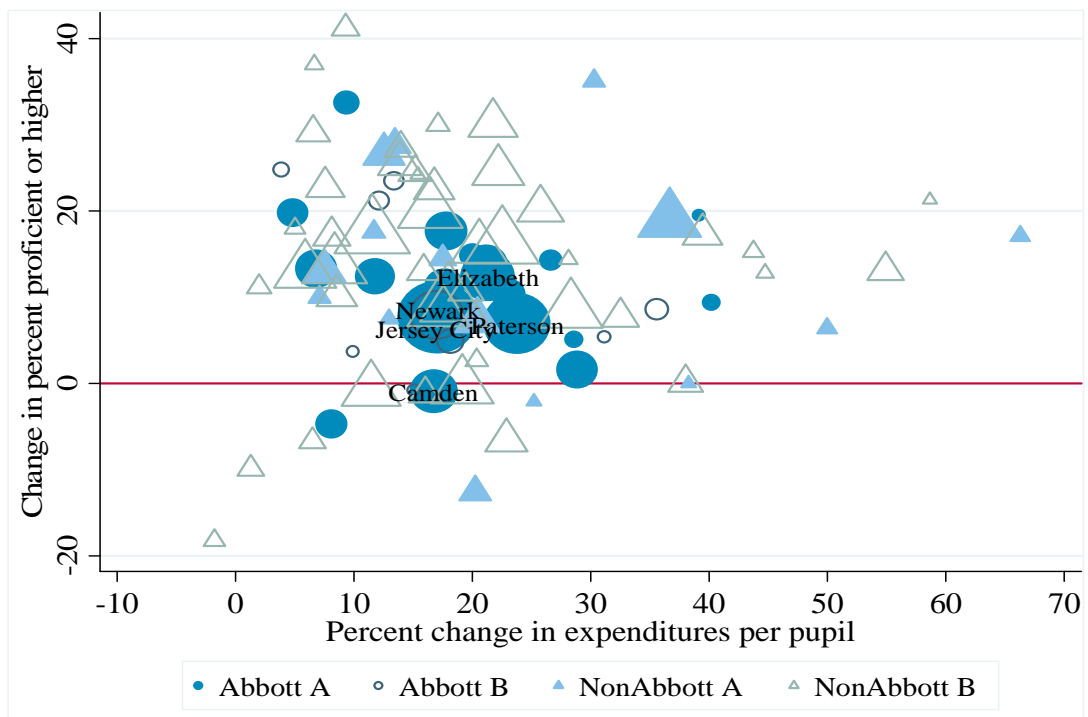
**Figure 1.7: Relationship between Proficiency Gains and per-Pupil Expenditure Growth, DFG “A” and “B” Districts**



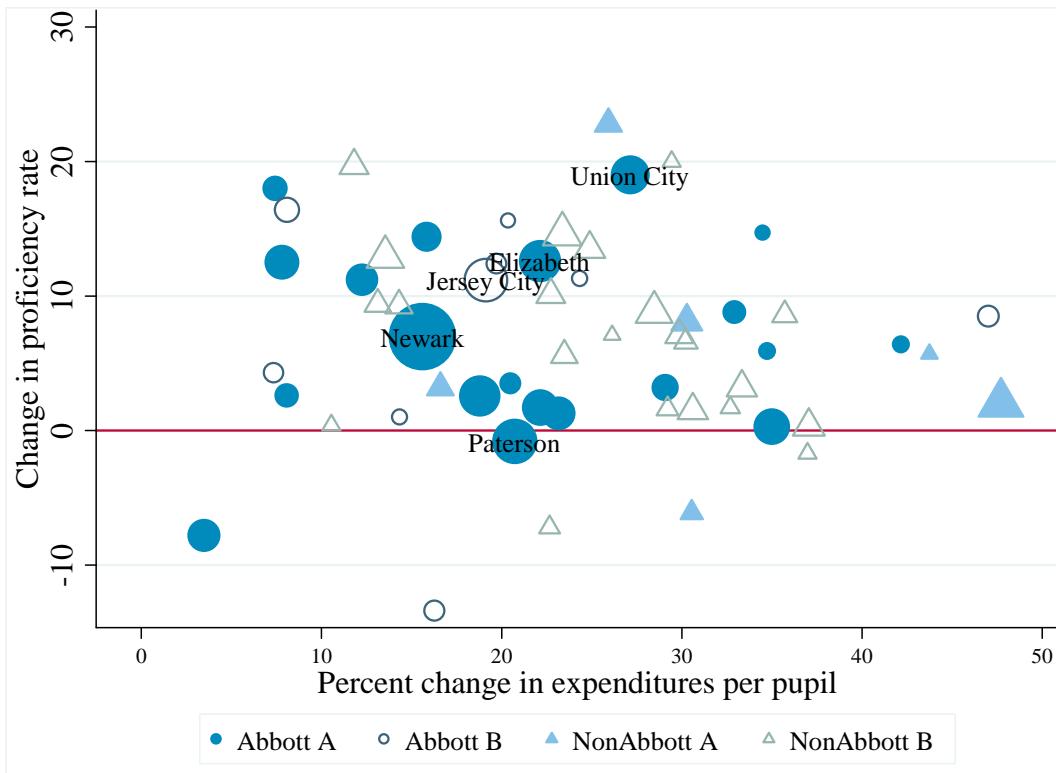
**Grade 8 Reading, 2002 - 2007:**



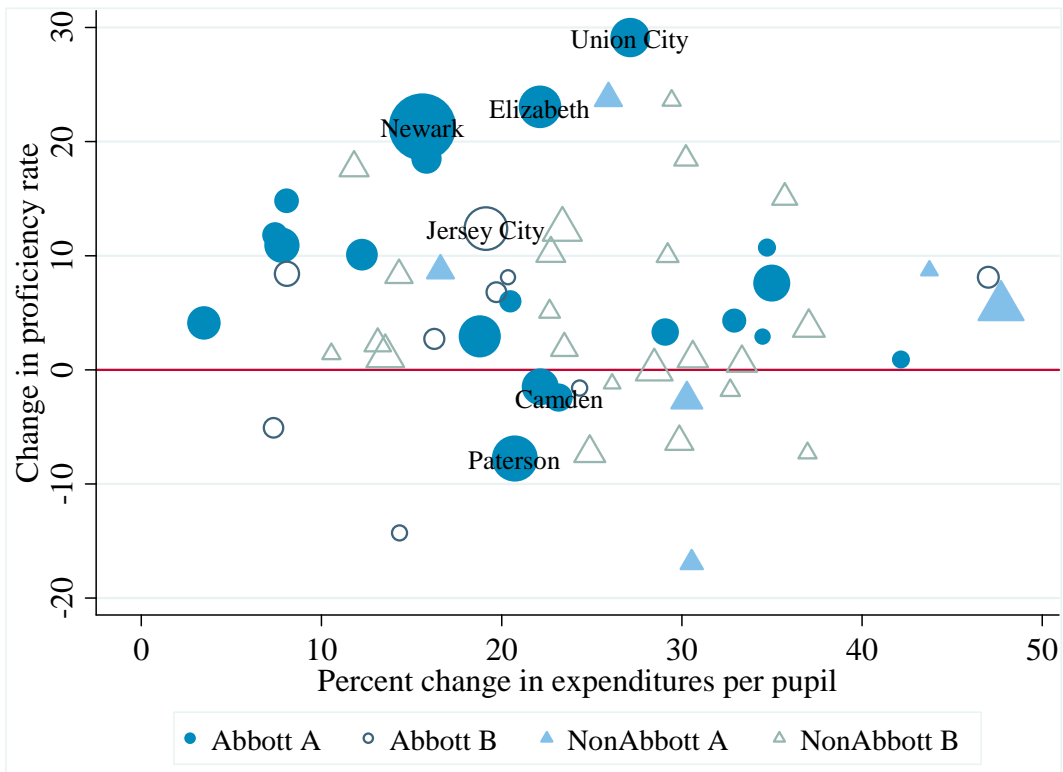
**Grade 8 Mathematics, 2002 - 2007:**



### High school English 2002 – 2010:



### High school Mathematics 2002 – 2010:



While the above analysis is not sufficient to say whether new spending has had a positive impact on student achievement, it makes clear that financial resources are not the only – and perhaps not even the most important – driver of achievement. On the one hand, we observe economically disadvantaged districts that perform at a level higher than that of their counterparts, but at a substantially lower cost per-student. On the other hand, some of the highest-spending districts made almost no progress closing the achievement gap with the rest of the State. After decades of evidence, it is clear that money alone is not the solution to the persistent and unacceptably low performance in our State’s neediest districts. In addition to assuring our districts and schools have sufficient resources, we must ensure those resources are put to good use. We must discover what works from our most successful districts, and what does not from those that fail. A coherent strategy for the education of our State’s children requires both sufficient resources and sound educational policy.

## PART II – ESSENTIAL POLICY REFORMS

### A. INTRODUCTION

As reflected in the figures, charts, and graphs in Part I, the legacy of *Robinson* and *Abbott* is disappointing. While we may take some measure of comfort that urban and suburban education spending has been equalized, we must be clear: equalization is a means, not an end. That is, equalization is only as valuable as the student achievement results it begets. Unfortunately, the State’s achievement gap remains, and our most disadvantaged students continue to lag far behind. As importantly, the courts’ intensive focus on money distracted policymakers and the public from a simple, albeit essential point: how much you spend cannot be considered in isolation from the context in which it is spent and how targeted that spending is on reforms that actually make a difference in student learning.

To give one example, investing millions in reducing class size or adding teacher aides while ignoring State law that *requires* districts to preserve the jobs of demonstrably ineffective teachers and dismiss superior ones will not yield a different result for students. The research could not be clearer that great teachers are more important to learning outcomes than class size. To go one step further, we would have done more to preserve the true purposes of *Abbott* – reducing the achievement gap – by enjoining laws that actually inhibit student achievement than by merely demanding higher and higher spending.

Before the nation had access to mountains of research showing that school spending and student achievement are not well correlated, it was widely assumed that increasing the former would automatically lead to growth in the latter.<sup>xxi</sup> The logic, though impossible to support empirically, is at least straightforward: high-performing districts are generally affluent; low-performing districts are often impoverished; lift spending in low-income districts, and they will begin performing like high-income districts.

This faulty logic burrowed its way into the minds of advocates and eventually the courts during the *Robinson* and *Abbott* arguments. The courts were likely further persuaded to focus on money for another, more pragmatic reason: increasing spending is an easy and more or less administrable solution that falls within courts’ competence to enforce. With insufficient district budgets defined as the problem and more spending defined as the remedy, the courts could declare, “mission accomplished” by the simple act of increasing funding.

In contrast, addressing via policy and practice the longstanding, systemic dysfunctions of failing districts and schools is a far harder task – a task that the elected branches are better positioned to design and implement. To be sure, reasonable funding levels are a necessary condition for success. As Part I demonstrates, by any objective measure, New Jersey has long since passed that threshold. Changing the way that money is spent, however, is by far the most important means of actually changing the behavior of schools and school systems. If we are to have a meaningful and lasting influence on student learning, we must engage in the challenging work of setting new policy priorities, changing laws and regulations, altering classroom practices and district contracts, raising expectations, and much more. If we want to ensure that all students succeed, we need to start pursuing a slate of bold reforms and stop chasing the promised, but mythical, funding formula that will solve our educational woes.

What follows is a discussion of several reforms needed to finally close our achievement gap and help ensure that all students graduate from high school prepared for college and career. The proposed changes in policies and practices are not intended to be all-inclusive. Rather they are offered to illustrate a basic point: if we are to close the shameful achievement gap in this State – that is, if we are actually to fulfill the true purpose of the *Abbott* litigation – there are critical steps that we can take now to achieve that end. Unless we think about funding levels as merely one element of a comprehensive reform strategy, we will continue to fail our most disadvantaged children.

## **B. ORGANIZATIONAL CHANGES**

No amount of money will achieve the core objectives of the *Abbott* litigation if the State's resources, focus, and organizational capacities are not aligned with the goal of accomplishing those same ends. That work begins at the Department of Education itself, which has redefined its mission as ensuring that all children, regardless of life circumstances, graduate from high school ready for college and career. To achieve that goal, the Department has transformed the way it is organized, how it works with struggling schools, how it engages with districts, and much more.

Specifically the Department has restructured around four levers of reform – levers that the Department believes are essential to substantial and lasting improvement, especially for our poorest performing schools and students. They include:

- **Academics:** Ensuring all schools adhere to challenging content standards, administer rigorous assessments specifically tied to college and career readiness, and have access to high-quality curricula and instructional supports;
- **Performance:** Overseeing a unified academic accountability system that accurately measures school and district performance and triggers high-impact, tailored interventions and supports at the student, class, school, and district levels;
- **Talent:** Ensuring that all New Jersey educators are effective by improving policies and practices related to recruitment, preparation, evaluation, compensation, development, retention, and recognition; and
- **Innovation:** Identifying, recruiting, incubating, and supporting diverse, high-quality delivery systems for K-12 education, especially in our persistently lowest-performing school communities.

Each building block has its own division, and each division is led by an experienced executive with expert staff.

The Department has also completely changed how it supports struggling schools. For too long, the Department’s “school improvement” work was uncoordinated at best and incoherent at worst. Though many good people were doing good work, the Department’s goals were undefined, progress was not measured, too many schools continued in a state of underperformance, and the Department’s various projects and initiatives seemed completely untethered from one another.

To solve these problems, the Department is building a new system of seven field-based Regional Achievement Centers (RACs), which are charged with driving improvement in New Jersey’s lowest-performing schools. These offices will be led by master educators who will be held accountable for student achievement gains in their regions. They will be staffed by over one hundred professionals, whose efforts will be coordinated and aligned around a single objective: elevating the academic performance of our lowest-performing schools and students.

The Department is also changing what it means to be a State department of education. The Department is de-emphasizing its traditional role as a compliance monitor and transitioning

into a performance-based organization and high-quality service provider. Through a survey of the State's district superintendents, the Department learned that those on the ground saw too little value coming from the Department's central office when it comes to what matters most: improving student learning. The Department was adept at sending directives and requiring reports, but did far too little to actually help educators advance academic achievement.

This philosophical shift can be seen in practice in numerous ways. For example, the four new reform divisions were designed not around federal programs, State funding streams, or hoary practices, but around the activities and services most likely to help improve student learning. Similarly, the new RACs will not be a wagging finger; they will be a helping hand. Instead of being charged with a wide array of compliance and monitoring functions, the RACs will focus exclusively on helping schools improve.

The Department has also adopted a new way to engage with schools and districts. Rather than a scattershot approach of limited, piecemeal programs aimed across the entire State, the Department will focus its scarce resources on those schools in a perpetual state of underperformance and those with the most troubling achievement gaps. This change in focus is reflected in New Jersey's waiver from the federal No Child Left Behind Act. Now, rather than identifying more than 1,000 schools a year as needing improvement and crafting interventions in each, the State will have a fairer and more nuanced approach to assessing schools and a more tailored set of interventions for those truly in need. It is also prepared to employ its full array of powers to require transformational interventions (such as changes in staff or leadership) and even close or replace failing schools that continue to elude efforts to transform them.

Undergirding this reprioritization is a critically important shift in the State's philosophy. For nearly 20 years, New Jersey has sought to improve low-performing schools primarily by working through districts. The State has taken over several districts, embedded State monitors in others, and created complex systems for assessing district capacity. In too many instances, these tactics alone have not transformed our most persistently under-achieving schools. We believe that though district-level interventions have value, the unit of change must be the school. As such, most of our new activities associated with our most troubled schools will be directed at the level of the school. That is, instead of investing more resources toward school boards and central bureaucracies, we will focus on teachers and principals and the students they serve. Along these lines, the Department will also spend more time recognizing and learning from our highest-

performing schools, including finding ways to give them greater autonomy as they continue to excel.

In total, then, the Department has sought to build an environment in which reform and improvement can thrive. We have set the highest expectations for students, reorganized the Department so the most important work can be undertaken, fundamentally altered our posture toward districts, and changed our approach to intervening in the most persistently underperforming schools. It is in this context that our priorities should be viewed.

### C. THE WORK

For decades now, in the minds of New Jersey's public and policymakers, "*Abbott*" and "funding" have gone hand-in-hand. While dollars certainly dominated these decisions, it is essential to remember that money itself is not the ultimate goal. The courts were not invited into education policymaking because funding, in and of itself, is a public good. In fact, the heart of the matter, the true core of this issue, is not even district improvement, *per se*. The genesis and continuation of these cases is rooted in the fate of low-income boys and girls. They were not getting a quality education, and therefore they were not getting a fair shake in life.

It is far more than semantics to draw a distinction between money, districts, and students because the starting point of this conversation will determine the path forward. That the courts quickly settled and have remained fixed on money is unquestionable. But if we remain focused on the ultimate goal – closing the State's achievement gap – money need not be our only, or even our primary focus.

That is, our guiding question should not just be, "How much money is needed?" although there is no doubt that we must fund our schools at appropriately high levels. The right question instead is, "What integrated strategies of funding reforms, substantive interventions, and legal changes must be accomplished to improve the life chances of students in our most persistently underperforming schools?" At their core, these policies, practices, and changes in the legal environment in which schools operate must directly impact what decades of research and educators across New Jersey already know matters most in school reform – improving the quality of teaching and learning in our classrooms. These reforms have four interrelated components:



- Develop policies that enable districts to recruit, prepare, evaluate, compensate, develop, retain and recognize outstanding educators, and eliminate legal and contractual restrictions that impede schools from assuring a highly effective teacher in every classroom;
- Provide educators with the tools they need to be successful by setting high standards for what students should know and be able to do, developing model curriculum to support educators as they teach those standards, and providing real time feedback through formative assessments so teachers can modify their work and differentiate instruction in real time;
- Provide rich data reports to identify how well schools are meeting their mission of improving student outcomes, to identify specific areas for improvement, and to trigger differentiated interventions at the State level such as mandated curriculum and human capital practices; and
- Intervene in schools that do not create an environment conducive to high-quality teaching and learning by providing support through Regional Achievement Centers, requiring targeted turnaround strategies, and aggressively using existing authority to close or replace schools with new management and teachers if they do not improve within two academic cycles.

## **1. EDUCATOR EFFECTIVENESS**

No in-school factor is more important to closing the achievement gap than the effectiveness of the men and women teaching in our classrooms and leading our schools. To ensure the success of all of New Jersey's students, we must attract and retain the nation's best educators through an array of activities associated with recruitment, preparation, certification, evaluation, development, and more.

A substantial body of research now demonstrates the impact that high-quality educators can have, not only on the current achievement of students, but also on their futures. One study found that a highly effective teacher can move students ahead by a year and a half during a single school year, while an ineffective teacher only generates a half-year of learning gains.<sup>xxii</sup> Great teachers can dramatically improve the educational outcomes of students from even the most

disadvantaged backgrounds. Having a highly effective teacher for three to five years can erase the deficits that the typical disadvantaged student brings to school.<sup>xxiii</sup> Evidence from the Harlem Children's Zone provides a similar demonstration of the power of schools to close the black-white achievement gap existing in New York.<sup>xxiv</sup>

Students with effective teachers learn substantially more than students with weaker teachers, and those learning gains have positive long-term implications for students' life success.<sup>xxv</sup> Early elementary school teachers greatly affect students' learning paths, and the impact persists such that years later, when these students enter the labor market, they earn higher wages. A recent study estimates that students earn 3.5 percent more per year, if they had an above-average (75<sup>th</sup> percentile) teacher in kindergarten than if they had had a below-average (25<sup>th</sup> percentile) teacher.<sup>xxvi</sup> Put another way, the study estimates that a standout kindergarten teacher is worth approximately \$320,000 a year – the present value of the additional money that a full class of students can expect to earn over their careers. Douglas Staiger, a Dartmouth economist who studies education said of the study, “The worry has been that education didn’t translate into earnings . . . but this is telling us that it does.”<sup>xxvii</sup>

If New Jersey is to close the achievement gap – the core purpose of *Abbott* – the State must do everything in its power to attract and support the best teachers. It must also responsibly evaluate them as a basis for targeted professional development and removal. To refuse to do so, while intoning soaring clichés about “putting children first,” is more than just dishonest. It is a formula for indiscriminate spending that cannot possibly yield the return we need and that our disadvantaged students deserve.

In any profession, whether doctors, engineers, architects or lawyers, there is a natural variation among levels of effectiveness. Not surprisingly, research could not be clearer that the same is true for the teaching profession. Yet across the nation and in our State, evaluation systems treat teachers like widgets, acting as though they are essentially interchangeable.<sup>xxviii</sup> Virtually all are rated “satisfactory” and virtually none, once tenured, are at professional risk on the basis of competence. A system that does not properly differentiate teachers' levels of effectiveness fails to recognize those excelling in the classroom, fails to identify those in the greatest need of support, fails to direct the best teachers to the most struggling students, fails to inform our most important personnel policies like tenure and compensation, and so much more. That kind of system fails not only students but educators as well.

A successful evaluation system assesses teachers regularly, uses student performance and educator practice as components, clearly differentiates between varying levels of performance, and informs everything from tenure and reduction in force decisions to compensation and professional development.<sup>xxix</sup> Unfortunately, as U.S. Secretary of Education Arne Duncan recently observed, “teacher evaluation today is largely broken and dysfunctional. No one can say who the great teachers are, how teachers in the middle can improve, or which teachers should be dismissed if they fail to improve, even after receiving help and support.”<sup>xxx</sup>

If implemented in a thoughtful and sophisticated way, the benefits of a strong evaluation system are legion. For example, by using available technology, the results from teacher observations can be collected and stored electronically, providing real-time feedback to teachers and their administrators. Systems can automatically analyze these findings and integrate them with student performance results and other data. This information can then serve as the foundation for professional development offerings. Each educator’s strengths and weaknesses can be identified, and he or she can be matched with the training or mentoring needed. If a teacher’s students regularly struggle with reading comprehension, his department chair can team him with a colleague strong in this area or target additional resources to support him. If a teacher’s English language learners are falling behind, her principal can engage an experienced coach. In these ways and many more, a high-quality evaluation system can quickly help improve our teaching corps and therefore the achievement levels of New Jersey’s students.

A fair and effective evaluation system also enables us to assess and then improve our recruitment and preparation strategies. The State can identify which institutions of higher education produce the most effective teachers, including which programs are contributing the teachers most successful in our highest need communities. We can then seek to learn from these programs and expand them. We can also identify those with disappointing results and intervene accordingly.

Effective evaluations also enable the State to use its authority over certification and licensing in more targeted ways. By setting a high bar for entry into the profession, the State can ensure that only the most promising individuals have the opportunity to teach and lead schools. By setting an even higher bar for continuation, the State can ensure that only successful educators stay in the profession. The right sets of rules will take into account input considerations, such as an educator’s training, as well as her results, namely her ability to

improve student achievement. This work of carefully regulating the teaching and leading professions can have a profoundly positive influence on New Jersey's schools.

The goal of assuring an effective educator in every classroom does not end with creating a fair, learning-centered, and rigorous evaluation system. If New Jersey is to achieve the ultimate goal of *Abbott* – equal educational *outcomes* for all – several significant policy barriers must also be removed. Again, it is simply not reasonable or ultimately effective to continue to invest in our disadvantaged schools at these extraordinary levels while disregarding the embarrassing reality that New Jersey has actually codified practices that inhibit our collective ability to ensure that every student has a top-flight teacher in front of his/her class. If the ultimate goal is to graduate all children from high school ready for college and career, a rational observer must fairly ask why the urgent demands for additional funds are not accompanied by an equally strong insistence that we reform laws that demonstrably prevent us from meeting that goal.

The State's antiquated tenure law is one of the biggest obstacles. It gives teachers, after only three years of service, virtual job security until retirement. Shockingly, a teacher can earn tenure without proof that his students are learning, and a teacher can retain tenure despite evidence that his students are not learning. It should come as no surprise that a number of New Jersey superintendents have been openly and harshly critical of this law.

To be sure, a teacher's tenure can be revoked, but the process is so byzantine, so time-consuming, and so expensive that it is seldom pursued by districts. Every hour a superintendent spends building a case to remove a tenured teacher is one less hour she can spend improving student results. Perth Amboy's superintendent put it bluntly:

Because of the current tenure process – one that can take as long as three years and cost more than \$100,000 in legal fees to remove a [single] teacher – I must engage in a rarely successful process to remove these individuals. No district should have to bear that burden. And most, as a result, do not challenge tenure. Even if we make our case thoroughly and successfully, and a judge agrees to let me dismiss a teacher, he or she can still appeal to the [C]ommissioner of Education, the state Board of Education, the Superior Court of New Jersey and, potentially, the state Supreme Court.<sup>xxxix</sup>

The numbers bear this out. Over the last ten years, districts have initiated only 404 tenure proceedings, of which a mere 33 were pursued for reasons of incompetency or inefficiency. Of those, only 21 resulted in the teacher's tenure being revoked. There are approximately 94,218 tenured teachers in New Jersey. That means that over the past ten years, .00022% of tenured teachers have been removed for incompetency or inefficiency. Whatever the number of teachers in our highest-needs schools who are not up to the job of adequately serving their students – and we should assume that it is low – it is certainly higher than .00022%. So long as we lack the political will to address this issue, no amount of resources is likely to bring about the improvements that these children deserve.

To be sure, providing schools with adequate funds to hire and retain sufficient qualified instructional staff is critical. But to do so while turning a blind eye to structural barriers that undermine the goal of consistent excellence in our classrooms severely compromises the likelihood that these funds will yield the return on investment *Abbott* set out to achieve.

The infamous “last in, first out” rule provides another example of a law that directly impedes the fundamental objective of maximizing learning for disadvantaged children. When a district conducts a reduction in force, it must, *by law*, ignore considerations of teacher effectiveness or quality to focus exclusively on years of service. A teacher with the fewest years in the system is the first to be dismissed even if it is universally agreed that she is the superior educator.

The consequences of this policy are stupefying. If we are serious about closing the achievement gap – not just paying lip service to an abstract idea or throwing money at it indiscriminately – how can we possibly justify dismissing a highly effective teacher simply because she is junior to another teacher who is, nevertheless, among the district's lowest-performing? This is obviously an affront to children and families. It is also an affront to the teaching profession, strongly signaling to the world that, in this line of work, we do not prize those who excel at their craft.

Two other onerous practices also frustrate our efforts to improve teaching in New Jersey. District collective bargaining agreements almost invariably require that teacher compensation be based on years of experience and education credentials – two factors research tells us bear little relationship to effectiveness (none in the case of credentials; and virtually none after the first five years of experience).<sup>xxxii</sup> Accordingly, we cannot pay more to a highly effective teacher. We

cannot pay more to a great teacher who chooses to work in a troubled school. We cannot pay more to a great teacher who teaches in a high-need or “shortage” area, such as science or bilingual special education. Again, if closing the achievement gap were truly our goal, how do we justify the continuation of policies that inhibit its accomplishment? One must ask whether we have pursued funding strategies as a balm to salve our consciences rather than address head on the difficult policy and legal decisions that so clearly would help our children succeed.

In a similar vein, most collective bargaining agreements and district policies effectively require “forced placements,” whereby a school board or superintendent places teachers in a school against the wishes of that school’s leader, and often of the teacher himself. Teachers usually have tenure in systems, not individual buildings. If no principal wants to hire a particular teacher, the district must nonetheless pay his or her salary. The district’s only fiscally rational response to these irrational rules is to place the teacher in a building whether or not it is a good fit. This practice inhibits the ability of school leaders to build and maintain high-quality faculties and develop a culture conducive to excellence. In every field, executives need the ability to build teams with shared sets of values and aspirations. It is no different – and it may be even more important – in education. How can we possibly hold school leaders accountable for student achievement if they have no say in selecting their teachers? How is that in the best interest of disadvantaged children?

There is no denying that the most important building block for educational improvement is ensuring that the State’s corps of teachers and leaders is effective. Achieving that goal requires action on many fronts – evaluation, recruitment, preparation, credentialing, tenure, compensation, retention, placement, etc. While funding is of course an important part of the equation, the policies and practices that provide the operational context in which those funds are spent are easily as important, if not more so. If we are to fulfill the goal of a quality education for all, we must turn our attention from what is easiest to administer to what matters most.

## **2. TEACHERS MUST HAVE THE TOOLS TO SUCCEED**

To succeed, effective educators need access to appropriate instructional supports. Some such tools do indeed cost money, as does the professional development teachers need to learn to use them effectively. Such expenditures, however, will have little impact in advancing student

learning in the absence of several critical conditions for success. Most importantly, teaching and learning must be organized around a shared understanding about what students should know and be able to do at critical life milestones in order to be on track to graduate from high school ready for college and career.

While New Jersey has long endorsed such a “standards-based” approach, a significant – some would argue, revolutionary – new development in those standards holds out great promise for a steep increase in academic attainment, especially for our most disadvantaged students. The newly-adopted Common Core State Standards, now endorsed by New Jersey and 45 other states, provide clear and rigorous standards for learning at each grade level. Described as “fewer, clearer, and higher” than their predecessors, they focus far more heavily on critical-thinking, analytic and writing skills. But what makes them “revolutionary” is that they are structured as sequential learning progressions that, when mastered, prepare a student for graduation and beyond.

With a particular focus on supporting our most persistently failing schools, the State is engaged in a comprehensive implementation initiative to assure that the Common Core standards become what they are designed to be: the cornerstone of the classroom. By the fall of 2012, the State will have developed and made available a number of instructional supports, most notably a model curriculum with standards-aligned learning objectives and assessments. A Statewide professional development campaign is already well underway, and top educators from across the State are collaborating in the design and execution of instructional materials aligned with the Common Core. Perhaps most significantly for this Report, our Regional Achievement Centers are specifically charged with working with the State’s lowest performing schools to support effective implementation of the new Common Core based curriculum.

While we must be clear about what is expected, and we must have instruction and materials anchored to these expectations, we must also measure whether what was taught was actually learned. New Jersey is on the governing board of a multi-state consortium, supported with over \$150 million in federal funds, that is developing “high stakes” tests aligned to the Common Core to replace our existing testing regime. Such “summative” tests and the accountability systems they inform are critically important. Because results come long after students have moved to the next grade, however, they are unable to help teachers help students along the way.

That is why we are also targeting existing funds to assure that teachers in Title I schools have a constant flow of “real time” information on student learning – data that is collected, analyzed, and shared in a way that enables continuous improvement. The State will use its newly won Race to the Top funds to help schools access such “formative” assessments and instructional options needed to understand student progress throughout the school year – not just at the end of the year when its often too late.

Aligned with this effort, the State is working with principals, teachers, superintendents and other practitioners to develop systems that enable educators to use student-level data to inform and differentiate instruction. This is a particular focus in failing schools. Whether supported by “data coaches” or organized “professional learning communities,” effective schools have a framework that connects standards, curriculum and formative assessment data to instruction.

In addition to student-level data for informing and differentiating classroom instruction, the Department is producing a variety of student reports focused on growth and college- and career-readiness measures. For example, student-level, year-over-year growth scores in language arts and mathematics, grades 4-8, will be available so schools and districts can analyze student progress. The Department will also define, measure, and provide analysis to each school so students who are at risk of not graduating from high school ready for college and career can be identified early in their academic careers. Finally, to help schools and districts understand whether their high school graduates are graduating college- and career-ready, the Department will begin collecting course and grade-level information in the fall of 2012 to develop reports that allow schools to measure their success for preparing students for post-secondary education, including degrees earned in addition to college enrollment and attendance.

In short, providing teachers with curricular tools linked to high academic standards and with student-level information to use them effectively is essential to the task of turning around failing schools. To create conditions conducive to success, the Department is ensuring that such schools embrace the new Common Core standards and their associated learning progressions. Similarly, we are working with schools to deploy formative assessments and create instructional infrastructure to ensure more effective interventions for struggling students.



### **3. RICH DATA REPORTS AS A BASIS FOR POWERFUL INTERVENTIONS IN FAILING SCHOOLS**

As described in greater detail in New Jersey's successful application for a waiver from the federal No Child Left Behind act, the Department has adopted new and more effective school accountability metrics as a predicate for aggressive interventions in schools that are showing persistently poor results for disadvantaged children. New Jersey cannot identify failing schools and meaningfully target resources to them without data: specifically, data on graduation rates, results of State- and nationally administered examinations, and trends in college readiness metrics to name a few. More generally, accurate and timely data help policymakers, superintendents, principals, and others to keep track of how funding is spent, its impact on student achievement, and, therefore, progress on closing the achievement gap. Data-driven evaluation of educational strategies helps direct resources to the most effective uses and avoids expenditures that are not yielding their desired returns. In short, New Jersey's most challenged schools will not improve unless there is a serious and regular evaluation effort that is built into decision-making from the beginning.

A robust, Statewide data infrastructure provides researchers and policymakers with macro-longitudinal information on students as they progress through school and allows for the evaluation of educational initiatives, such as charter schools. The best of these systems, now in place among leading states, includes a unique student identifier that allows decision-makers to link student records across schools, districts, and higher education institutions; they also allow decision-makers to link students to information about teachers and principals.




New Jersey's statewide data warehouse – New Jersey Standards Measurement and Resource for Teaching (NJ SMART) – is moving aggressively to become a critical tool for driving change. NJ SMART will soon have the capacity to collect student-level transcript data, including courses taken and grades earned. This important collection will also establish the link between teacher and student, so that student outcomes can be tracked back to districts, schools and classrooms. And to a far greater extent than ever before, the State will make available to the public critical, readily comprehensible data on the performance of schools and districts. From new measures of student progress to sophisticated “peer school” comparisons, the State will

provide tools and information that will allow local educators, leaders, and stakeholders to set goals, identify areas of need, and focus on continuous improvement.

The heart of New Jersey's new accountability system is a data-rich school- and district-level performance report that provides clear, meaningful information on student performance and college- and career-readiness. Influenced by the work of leading states, such as, Florida and Massachusetts, and top school systems, such as Montgomery County, Maryland, the performance report will provide a wealth of targets, attainment and growth metrics, composite rankings, and peer-to-peer comparisons to assist schools and stakeholders to fully understand performance and customize supports and interventions.

The performance report will include not only traditional information, such as third through eighth grade reading and mathematics scores and high school graduation rates, but also measures that give a clear indication of college- and career-readiness, such as AP and SAT scores. The performance report will also allow observers to compare each school's or district's performance to a group of peers with similar demographics. Finally, the report will enable educators and parents to see, at a glance, whether and to what degree each school is meeting its performance targets, including narrowing achievement gaps.

As illustrated in the sample high school performance report below, the report describes performance in four areas: Academic Achievement, College and Career Readiness, Graduation Rate and Post-Secondary Outcomes, and Progress toward Closing Achievement Gaps. For each area, the report presents the percentage of the performance targets met, how the school's performance compares to schools that are educating a similar student population, and how the school compares to the State as a whole. For example, in this school scorecard, the school met 50% of its Academic Achievement Targets. Meeting 50% of the targets places this school in the 82<sup>nd</sup> percentile Statewide, but only in the 17<sup>th</sup> percentile when compared to its peer school group.

School Score Card			
Performance Indicators	Statewide Ranking	Peer School Ranking	% Performance Targets Met
Academic Achievement	82%	17%	50%
College/Career Readiness	82%	78%	25%
Graduation/Post Secondary	95%	10%	25%
Closing Achievement Gaps	65%	5%	33%
Improvement Status:	<b>Focus</b>		
Rationale:	<b>Achievement Gaps</b>		
Change since last year:	 Improvement	 No change	 Decline

To facilitate targeted and comprehensive State interventions, the performance report also provides each school's formal designation (Priority, Focus, etc.) in accordance with the State's new, federally-endorsed accountability system. In this example, this school has been labeled as a Focus School because it has among the largest within-school achievement gaps in the State.

As shown in the next table demonstrating results for Language Arts Literacy, the school's overall and subgroup performance targets will be displayed as part of the Academic Achievement subsection of the performance report. For each subgroup in each school, in both Language Arts Literacy and mathematics, the report shows: the current pass rate, the target that the school was required to meet, and whether the target was met or exceeded, was not met, or was within the range of the standard error of the measurements.

<b>Performance Targets - Language Arts Literacy**</b>			
This table presents the annual proficiency targets, as measured by the High School Proficiency Assessment (HSPA), established for this school under New Jersey's Elementary and Secondary Act Waiver.			
<b>Subgroup</b>	<b>2010-2011 Pass Rate</b>	<b>2010-2011 Target</b>	<b>Met Target</b>
Schoolwide	64.6%	65.0%	YES
White	78.0%	73.0%	YES
Black	81.0%	76.0%	YES
Hispanic	65.0%	74.2%	NO
American Indian	72.0%	78.0%	NO
Asian	93.0%	92.0%	YES
Native Hawaiian	N/A	N/A	N/A
Two or More Races	58.0%	74.0%	NO
With Disabilities	60.0%	68.0%	NO
Limited English Proficiency	70.0%	67.0%	YES
Economically Disadvantaged	69.0%	73.4%	NO

In the “Graduation and Post-Secondary Enrollment” subsection of the performance report, four indicators will be displayed: the school’s graduation rate, the graduation rate via passing the State’s standard high school exam, the rate of remediation required by the graduates of the school in institutions of higher education in New Jersey, and the percent of students who are enrolled in post-secondary institutions within 6 or 18 months of high school graduation.

<b>Graduation and Post-Secondary Enrollment*</b>				
Graduation and Post-Secondary Performance Indicators	School	Peer Schools	Statewide Targets	Met Target
<b>Total Graduation Rate</b>	82.0%	88.0%	90.0%	NO
<b>Graduation via HSPA</b>	74.3%	72.0%	85.0%	NO
<b>Remediation Rate in NJ Post-Secondary</b>	10.0%	15.0%	N/A	N/A
<b>Enrolled in Post-Secondary within 6 months</b>	35.0%	47.0%	48.0%	NO
<b>Enrolled in Post-Secondary within 18 months</b>	53.0%	50.0%	55.0%	YES
<b>Total</b>	<b>244.3</b>			<b>25%</b>

Finally, and central to *Abbott*'s core objective, the report will include "Closing within School Gaps" indicators. For high schools, the gap will be measured between the scale score points earned by the student at the 25<sup>th</sup> percentile and the student's score at the 75<sup>th</sup> percentile.

<b>Closing Within School Gaps*</b>				
Closing Within School Gaps Indicators	School	Peer Schools	Statewide Targets	Met Target
<b>Bottom 25th Percentile v. 75th Percentile HSPA LAL Scale Score</b>	55	60	35	<b>NO</b>
<b>Bottom 25th Percentile v. 75th Percentile HSPA Math Scale Score</b>	60	55	40	<b>NO</b>
<b>Total</b>	<b>210</b>			<b>33%</b>
*The table above displays the difference in scale score points between the student at the 25th percentile and the student at the 75th percentile (the interquartile range) in each content area of the New Jersey High School Proficiency Assessment (HSPA).				

#### **4. AGGRESSIVE, COMPREHENSIVE INTERVENTIONS IN PERSISTENTLY FAILING SCHOOLS**

The Department is confident that the path outlined to this point will lead to substantial improvement in our most underperforming schools. If we have effective educators, arm them with rigorous standards and helpful resources, and facilitate their continuous improvement through data-rich information, then we have set ourselves up for success. The Department is now organized around ensuring that these conditions for success are established in those schools that have defied prior efforts at improvement – many of which have been the principal focus of the *Abbott* litigation. When our best efforts have failed, however, and we still have boys and girls assigned to persistently failing schools, the State must have both a sense of urgency and a quiver full of arrows.

As outlined in our successful No Child Left Behind waiver application, the first course of action is a series of State-level, school-focused interventions. It begins with an improved system for identifying the schools truly in need of support. Under NCLB, inflexible rules lumped

together all targeted schools in a catchall category of “schools in need of improvement.”

Whether it was a school with virtually all of its students performing well below proficiency or a generally successful school with one struggling subgroup, the school was publicly labeled as troubled.

Moreover, federal law required the same set of supports and interventions for all schools, regardless of their true needs, as long as they were in the same year of improvement status. All schools missing Adequate Yearly Progress for two years were treated the same, and all schools missing for five years were treated the same. NCLB was all but blind to the fact that there could be enormous differences among these vast classes of schools. A school could have drastically different levels and types of needs than another that happened to fall in the same category.

The law also labeled entirely too many schools as requiring intervention. Though we should have high expectations for all schools and demand continuous improvement, when more than half of the State’s schools are identified, there is a troubling disconnect between policy and facts on the ground. Furthermore, no state department of education has the capacity to develop and implement meaningful improvement strategies in more than 1,000 schools each year.

New Jersey’s new accountability system corrects these flaws by differentiating schools based on their needs, targeting supports accordingly, and limiting the number of schools facing the most stringent interventions. The State’s most persistently underperforming schools, those with long track records of very low achievement and showing no indication of growth, are designated as Priority Schools. Those in which certain subgroups are struggling mightily or large achievement gaps between subgroups exist are labeled as Focus Schools.<sup>xxxiii</sup>

After being identified by the State’s accountability systems, each Priority and Focus School will undergo an intensive “Quality School Review” (QSR). A team of highly-skilled and experienced educators will conduct an on-site study of the school, including classroom visits, interviews with teachers and administrators, reviews of data, and more, to glean the school’s strengths and weaknesses. The team will then develop a detailed action plan for the school, which will include a wide array of services and supports provided by the State and tailored to the school’s specific needs.

The QSR team will conduct its needs analyses and generate improvement plans guided by key “turnaround principles,” research-based interventions to improve a school’s academic

health. These principles include school culture, leadership, curriculum, instruction, use of time, use of data, staffing practices, and family engagement.

Assessing schools, developing improvement plans, and delivering supports will all fall to the State's new Regional Achievement Centers. These new field offices, described above, will have expertise in these turnaround principles and extensive track records of improving underperforming schools. After the completion of the QSR and the development of an intervention plan, the staff will work closely with school and district personnel to ensure that the necessary actions are taken. For example, the team will make sure that the school is following a rigorous, standards-aligned curriculum; they will require that the principal be a high-quality instructional leader; and they will help the school develop the capacity to collect and analyze student performance data.

It is our expectation that this process will lead to fruitful collaboration between the State, districts, and schools. The Department is committed to bringing about significant change in these schools, however, no matter the obstacles faced. Should instances arise where the State-mandated course of action is thwarted, the Commissioner will use his broad statutory and regulatory authority, for example his power to direct or withhold funds, to ensure that the prescribed activities are successfully implemented.

We are confident that this new process for identifying and intervening in a limited number of truly troubled schools will be successful – that it will substantially improve performance in Priority and Focus Schools. Our ultimate concern is the educational fate of disadvantaged students, however. If we are to turn around the State's lowest-performing schools – a goal that simply has not been achieved via *Abbott* or by any other means over the years – we must adopt a sense of urgency, a no holds barred approach that is indifferent to political concerns or objections. When a district proves itself unable to turn around the fortunes of a persistently failing school, despite the State's support and direction through the RACs, our question becomes, “what do we do for those boys and girls right now?”

Our answer must be aggressive and may entail an end to our general deference to district and local officials. One option is, in effect, to restrict the authority of the district to operate the school. Although the district may retain the deed to the building, the school would be managed by another entity or leadership team. The new management team would gain authority over the school's staffing, budget, governance, and more. The recent passage of the Urban Hope Act

provides a similar avenue, whereby a district partners with another entity to run a struggling school.

Another option along the “replacement” continuum is the State’s power to close failing schools and open new ones. The Department’s authority to charter new, independent schools gives the State a powerful tool. By recruiting high-quality school operators, directing them to high-need areas, and enabling them to develop new programs absent restrictive district rules and collective bargaining agreements, the State can strategically replace low-performing seats with high-performing ones.

A final set of options includes making other existing alternatives available to the students assigned to failing schools. The State’s inter-district choice program can play an important role here. Through this program, the State can help direct students in troubled schools to higher performing schools in neighboring districts. Nonpublic schools could also become options; the Administration strongly supports the Opportunity Scholarship Act, a tuition tax credit program that would help low-income students in failing district schools transfer to higher performing private schools.

Whether the State directly intervenes in a school, changes its management, or makes other options available to needy students, the underlying principle is the same: no school has the right to fail students in perpetuity. The State has limited patience and will take bold action to ensure that all students, regardless of zip code or birth circumstances, have access to an education that will prepare them for success.

#### **D. CONCLUSION**

Each of the initiatives detailed in this section is critical to the future success of our most persistently struggling schools. Again, this list of interventions and supports is not meant to be exhaustive. For example, one could easily have added such initiatives as: (1) ending the practice of promoting children to fourth grade even if they still cannot read; (2) a migration to increased amounts of technology-delivered instruction keyed to the individual needs of each child; or (3) community-based strategies to support students in overcoming their out-of-school challenges. Rather, the list is meant to be illustrative, offered to make a point: our collective focus on money as the defining characteristic of effective reform has yielded meager results. We will not succeed



unless we couple that focus with an integrated set of actions to be undertaken by lawmakers, State and district officials, and educators. If we are to have any chance of delivering on the promise of public education – ensuring that all students regardless of background have the opportunity for a lifetime of success – we must acknowledge that funding alone is not the solution, that it is not only “how much” we spend but “how well” we spend it that matters.

### PART III – FUNDING REFORMS

Having addressed the “how well,” it is time to consider the “how much.” Since the 2008-2009 school year, State aid has been allocated to school districts through a formula, the School Funding Reform Act (SFRA) formula. There is much that recommends the SFRA. For example, it is overall generous, providing billions of education dollars to districts and recognizing public education as a priority in New Jersey. But, of course, the SFRA funding formula is far from problem free.

First, in certain areas, it is generous without justification and in one – Adjustment Aid – the formula is actually generous in contravention of itself. That is, a number of school districts receive more State aid (in the form of Adjustment Aid) than the formula requires – and more even than the formula-defined level of “adequacy.” The formula also provides districts with the wrong incentives, allocating State aid without concern for innovation or even success, and discouraging districts from focusing on and improving attendance rates. And these formula-based problems have created an implementation problem: the State has been “off formula” since the 2009-2010 school year. The confluence of a too generous funding formula and a weak economy forced the State to vary from the SFRA for several years.<sup>xxxiv</sup>

The recommendations below are designed to correct these problems, while preserving the overall generosity of the SFRA funding formula. Specifically, the Department recommends reducing certain weights used in the formula to the levels actually recommended by the Professional Judgment Panels (PJP), eliminating Adjustment Aid in part, and measuring district enrollment using average daily attendance rather than the current single count day. Importantly, the Department also recommends full funding of this “new” funding formula over the course of five years. A five-year phase-in has several benefits. It will allow the Treasury to appropriately budget for the increased State aid over several years, provide districts receiving less State aid with sufficient time to adjust to their new aid numbers, and, perhaps most importantly, ensure that the State actually funds the formula.

In addition to full funding of the SFRA as amended, the Department recommends creation of a new pot of education dollars – an Innovation Fund. The Innovation Fund would be used both to fund district- and school-initiated reforms and innovations and reward the State’s highest-performing districts and schools.

Taken together, these proposed reforms: demonstrate a renewed State commitment to funding education; place all school districts on a path to adequacy; restore the State to the sound policy of “funding the child” (thus allowing fairer funding for high-growth districts); reward innovation and success through the new Innovation Fund; provide districts with much needed transparency and predictability in budgeting through the State’s commitment to fully fund the formula; incent districts to focus on and improve attendance rates; and, when combined with the reforms described in Part II, begin to close the achievement gap.

#### **A. A BRIEF PRIMER ON THE SFRA**

To understand the recommended changes to the SFRA funding formula, some background on the SFRA itself is necessary.

The SFRA was built using the Professional Judgment Panel (PJP) approach.<sup>xxxv</sup> At its most basic, the PJP approach uses panels of experts to identify the resources needed (and, later, the costs of those resources) to reach certain predetermined performance standards. In New Jersey, those performance standards were the State’s Core Curriculum Content Standards (CCCS). Accordingly, the question governing New Jersey’s PJP process was: what resources are needed to meet the CCCS? In answering that question, the PJPs were counseled not to design their “dream school,” but were also instructed “not to be overly constrained by concerns about cost.”<sup>xxxvi</sup>

The New Jersey PJP process used three rounds of expert panels. The first panel consisted of seven Department employees. The second included participants nominated by various stakeholder groups, including panelists from the Education Law Center, the New Jersey Education Association, and the New Jersey School Boards Association. The final panel contained eight members – five superintendents, a school board member, a school business administrator, and a professor from Kean University. Importantly, later panels were unrestricted in their ability to alter the work product of earlier panels, whether by addition or subtraction. Ultimately, the process yielded a set of resources necessary to achieve the CCCS in a model elementary school, middle school, and high school.

Thereafter, costs were assigned to those resources using actual cost data from the 2005-2006 school year maintained by the Department, and were inflated to estimate the costs for the

2008-2009 school year. So, for example, the PJPs determined that in a model elementary school of 400 students, 22 classroom teachers were needed. The Department multiplied the mean estimated teacher salary/benefits package in 2009 (approximately \$75,822) by 22 to determine the total classroom salary costs. Likewise, the PJPs listed certain supplies and materials needed by the students in the model elementary school. The Department determined that those supplies and materials cost roughly \$353 per student, or just over \$141,000 across the model elementary school.

At the end of the cost-assignment process, for each model school, there was a total budget. Those budgets, in turn, were divided by the estimated school size (400 for the elementary school, 600 for the middle school, and 1,640 for the high school) to arrive at the cost per-pupil for an “average” elementary, middle, and high school student, where “average” was defined as a student who was not at-risk, LEP, or in need of special education services. The cost to educate an “average” elementary school student at the level contemplated by the CCCS was \$9,649; \$10,035 for an “average” middle school student (or 4% above the cost of educating an “average” elementary school student); and \$11,289 for an “average” high school student (or 17% above the cost of educating an “average” elementary school student).

In addition to determining the resources needed to educate “average” students at the level contemplated by the CCCS, the PJPs also opined on the additional resources necessary to educate at-risk, LEP, and special education students to the CCCS. They identified, among other things, additional teachers, instructional aides, and enhanced security as required for such students. Those additional resources were also “costed out,” and, based on those costs, weights were assigned to at-risk and LEP students – those weights representing the costs beyond the “average” costs per-pupil needed to educate those students to the CCCS.

Following the PJP process, the Department retained a series of experts to review the recommendations and to assist in drafting the SFRA. Public hearings were held by the Department and by a special legislative committee. This complex and lengthy review process led to major changes to the PJPs’ work that would substantially increase the costs of the original proposal. The end result was a series of costs, weights, and coefficients that form the heart of the SFRA funding formula.

### **Table 3.1: SFRA Funding Formula Costs, Weights, and Coefficients**

<b>Student Type</b>	<b>SFRA Input</b>	<b>SFRA Input in Actual Dollars</b>
“Average” elementary school student	\$9,649	--
“Average” middle school student	\$10,035	--
“Average” high school student	\$11,289	--
Special education census amount	\$10,898 (additional)	--
Speech-only special education student	\$1,082 (additional)	--
At-risk student	47%-57% (plus base grade amount)	\$14,184-\$15,149 (elementary) \$14,751-\$15,755 (middle) \$16,595-\$17,724 (high)
LEP student	50% (plus base grade amount)	\$14,474 (elementary) \$15,052 (middle) \$16,934 (high)
Combination at-risk/LEP student	59.5%-69.5% (plus base grade amount)	\$15,390-\$16,355 (elementary) \$16,006-\$17,009 (middle) \$18,006-\$19,135 (high)

While the costs for an “average” elementary, middle, and high school student are self-evident from Table 3.1, the other categories require some explanation. First, to prevent districts from over-classifying their students as special education, the SFRA funding formula assumes that 14.69% of every school district’s student population is special education, and an additional 1.897% of every district’s population is speech-only special education. These rates were determined by finding the average classification rates for all districts Statewide. The \$10,898 figure is the additional cost to educate a special education student to the CCCS beyond the cost of educating an “average” student to the CCCS. The PJP’s estimated an additional \$1,082 for students needing speech services alone.

Under the SFRA, an at-risk student is one enrolled in the federally-administered Free and Reduced Price Lunch Program. Where a school district has a low concentration of at-risk students, the cost of educating an at-risk student to the CCCS is 47% more than his “average”

counterpart. Where the concentration is high, the cost is 57% more. The cost of educating each LEP student to the CCCS is 50% more than his “average” counterpart. And, finally, the cost of educating each combination at-risk/LEP student is between 59.5% and 69.5% more than his “average” counterpart, again depending on the concentration of at-risk students in the district. These various student categories are combined into a formula as follows:

**Cost to Educate to the CCCS = “Average” Cost + At-Risk Cost + LEP Cost + At-Risk/LEP Combination Cost + Special Education Cost + Speech-Only Special Education Cost**

To understand the SFRA funding formula in practice, let’s assume a 1,000 student model school district, where there are 200 “average” elementary school students, 300 “average” middle school students, and 300 “average” high school students, along with 50 at-risk elementary school students, 100 LEP middle school students, and 50 at-risk/LEP combination high school students. Because the district has a low percentage of at-risk students, the lower at-risk and at-risk/LEP combination percentages apply. The SFRA funding formula would work as follows:

**Cost to Educate to the CCCS in Model District = ((200 \* \$9,649) + (300 \* \$10,035) + (300 \* \$11,289)) + (50 \* \$14,184) + (100 \* \$15,053) + (50 \* \$18,006) + (1,000 \* .1469 \* \$10,898 \* 2/3) + (1,000 \* .01897 \* \$1,082)<sup>xxxvii</sup>**

Thus, in our model district, the cost to educate all 1,000 students to the CCCS is \$12,521,705.94.<sup>xxxviii</sup> In funding formula parlance, this number is known as the district’s “Adequacy Budget,” or the amount necessary – at least according to the PJP’s – to provide all 1,000 students in the district with a “thorough and efficient” education.

Significantly, however, the Adequacy Budget is not the amount of State aid provided to the district. Before that amount can be calculated, the district’s “Local Fair Share” must be determined; Local Fair Share is the Department’s estimate of the district’s ability to raise local levy based on the district’s equalized property and income wealth. A district’s Adequacy Budget, less its Local Fair Share, is the amount of State aid due the district in the form of “Equalization Aid.” It is called Equalization Aid because it takes into consideration districts’ relative ability to contribute to their Adequacy Budgets; property or income poor districts are expected to contribute less – and therefore receive more Equalization Aid – than property or income rich districts.

But Equalization Aid is only one of three streams of State aid paid to districts. The other two – “Categorical Aid” and “Adjustment Aid” – are unconnected to districts’ relative ability to

pay. Categorical Aid is provided to districts for various education expenses, including: (1) one-third of the costs for special education (the Adequacy Budget only includes two-thirds of special education costs); (2) security aid; (3) preschool aid; (4) extraordinary aid for special education; and (5) transportation aid. Extraordinary aid is a reimbursement for a portion of districts' actual costs incurred for students with extraordinary special education needs. For each of the other categories, the amount of State aid is calculated by multiplying the cost per-pupil for the aid category by the number of students in the district eligible for the aid category. Adjustment Aid, on the other hand, is completely unmoored from district size or even student needs.

Under the SFRA funding formula, where the sum of a district's Equalization Aid and Categorical Aid is less than the district's 2007-2008 spending (the school year prior to implementation of the SFRA), plus two percent, the district is provided with Adjustment Aid covering the difference. This is a critical point and worth restating: under the SFRA funding formula, no school district can receive less State aid than 102% of its 2007-2008 spending, even where the SFRA itself declares that less State aid would be "adequate" to provide a "thorough and efficient" education for the district's students.

## **B. PROPOSED CHANGES TO THE SFRA FUNDING FORMULA**

With this background, it is clear that the SFRA funding formula has much to recommend it: the formula was developed over a number of years, and provides generous, overall funding to school districts. But, as with most things, there is room for improvement.

First, from PJPs to enactment by the Legislature, several of the funding formula's weights were adjusted upward from where the PJPs originally set them. Adjustment Aid also crept in, not because there was an educational need for it, but rather to ensure that no district lost State aid in the transition from old funding formula to new. Third, the SFRA funding formula funds districts based on their enrollment on a single day, October 15, and, thereby, fails to account for mid-year enrollment changes, underfunding some districts, while overfunding others. Finally, the formula's reliance on participation in the Free and Reduced Price Lunch Program as a proxy for measuring a district's at-risk population is flawed and should be reconsidered.

## 1. RETURNING TO THE WEIGHTS ORIGINALLY ESTABLISHED BY THE PROFESSIONAL JUDGMENT PANELS<sup>xxxix</sup>

As noted above, the PJP process involved a number of education experts and stakeholders, and from beginning to end, extended over several years. The final product was a number of costs, weights, and coefficients required to educate – at least according to the PJPs – both “average” and at-risk, LEP, and at-risk/LEP combination students to the CCCS. But importantly, the PJP-determined weights were not the weights that made their way into the SFRA funding formula as enacted by the Legislature. Rather, the funding formula enacted by the Legislature includes weights higher than those determined by the PJPs.

**Table 3.2: PJP Weights vs. Actual SFRA Weights**

	<b>PJP Weights</b>	<b>Actual SFRA Weights</b>
<b>At-Risk Students</b>	42%-46%	47%-57%
<b>LEP Students</b>	47%	50%
<b>Combination At-Risk/LEP Students</b>	52.5%-56.5%	59.5%-69.5%

Unsatisfied with the reasons for the inflation of the PJP-determined weights upward, the Department recommends that the at-risk, LEP, and combination at-risk/LEP weights in the SFRA funding formula be adjusted downward to where they were originally set by the PJPs. In doing so, New Jersey will both remain true to the original intent of the PJPs and continue to be one of the most generous state funders of at-risk, LEP, and at-risk/LEP combination students in the country.

**Table 3.3: New Jersey Funding of At-risk, LEP, and At-Risk/LEP combination Students as Compared to Other States<sup>xl</sup>**

	<b>At-Risk</b>	<b>LEP</b>
<b>New Jersey (as amended)</b>	42%-46%	47%
<b>Maine</b>	20%	30%-60%
<b>Vermont</b>	25%	20%
<b>Texas</b>	25%	10%



## 2. REDUCING ADJUSTMENT AID FOR DISTRICTS AT OR ABOVE “ADEQUACY”

Adjustment Aid was a political add-on to the PJP process. It served no purpose other than to hold all districts harmless in the transition from the old funding formula to the SFRA. It is a symbol of the old Trenton; a paean to the longstanding tradition of refusing to make hard choices even when hard choices are in order and failing to make hard choices will cost taxpayers greatly.

The PJPs spent years deciding on the resources necessary to educate New Jersey’s students to the CCCS, costing out those resources, and finally deriving the appropriate costs, weights, and coefficients to be used in the SFRA funding formula. When the formula was run, and the sum of Equalization Aid and Categorical Aid due a district was less than what it received from the State under the previous funding formula, the Legislature was presented with a choice: it could uphold and remain true to the work of the expert PJPs or it could succumb to political expediency. It chose the latter.

Today, the result is that a number of districts already funded at their Adequacy Budgets – the level, according to the PJPs, at which a district has sufficient funds to provide its students with a “thorough and efficient” education – receive huge windfalls from the State in the form of Adjustment Aid.

**Table 3.4: Examples of Districts above Their Adequacy Budgets Receiving Adjustment Aid**

	<b>FY13 Spending Amount Over Adequacy</b>	<b>FY13 Adjustment Aid with No Change</b>	<b>Adjustment Aid Fully Phased-In (Projected FY17)</b>
<b>Camden City</b>	50,979,158	62,692,792	37,203,213
<b>East Orange</b>	26,328,061	44,748,412	31,584,381
<b>Atlantic City</b>	23,431,847	13,093,816	1,377,892
<b>Asbury Park</b>	22,581,329	26,993,617	15,702,952
<b>Vernon Twp.</b>	19,714,964	10,960,741	1,103,259

The Department recognizes that eliminating Adjustment Aid altogether, which equaled nearly \$571 million in FY12, would be a shock to districts that have come to rely on the

additional revenue stream. Instead, for all districts at or above their Adequacy Budgets, the Department recommends reducing Adjustment Aid by 50% of the amount the district is over adequacy, and to phase in that reduction, like all funding formula changes recommended in this Report, over five years.

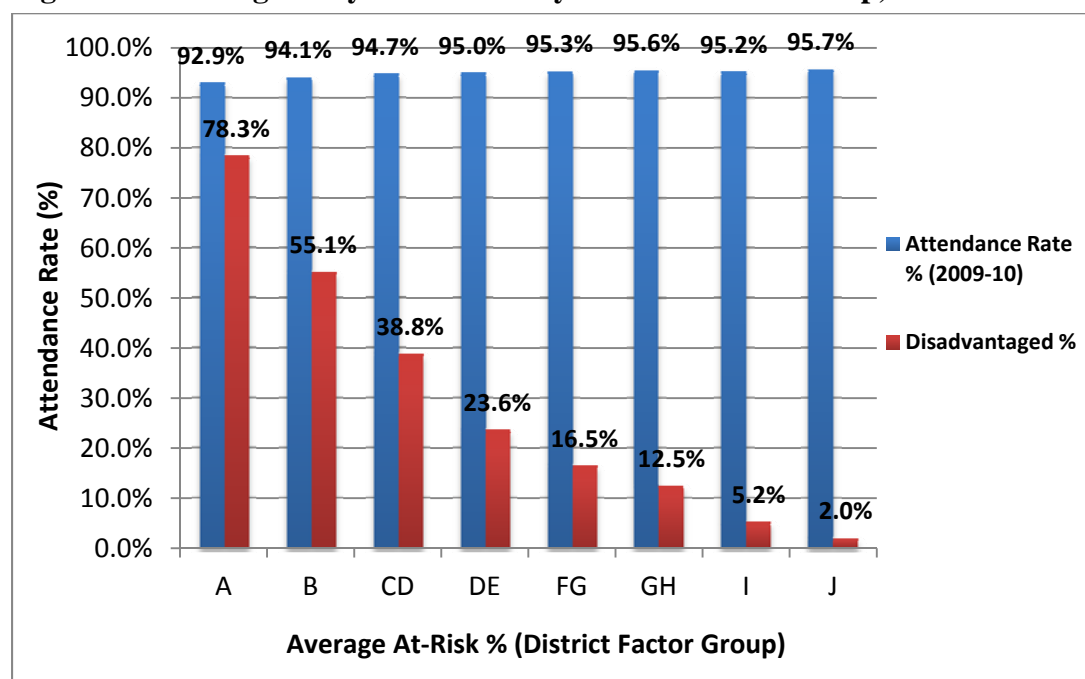
So, by FY17, after giving districts five years to adjust to this new reality, the State will have taken a strong step in correcting a gross inequality and undoing a political giveaway of the past. Districts that were used to receiving these add-on dollars will no doubt cry foul, but even with the reduction in Adjustment Aid, they will still have more money to educate their students than called for by their respective Adequacy Budgets, *i.e.*, be over-funded from the perspective of the PJPs.

### **3. MOVING FROM A SINGLE COUNT DAY TO AVERAGE DAILY ATTENDANCE**

The SFRA funding formula determines district enrollment based on single count day, October 15. The single count day policy breeds a number of perversities and inequities, including: both under-funding and over-funding of districts when mid-year enrollment changes are not considered, and a lack of concern for encouraging attendance because districts receive funding based on their October 15<sup>th</sup> enrollment, regardless of attendance rates before or after that date. It is this last statement that is the most troubling.

Although New Jersey funds based on a single count day, it does collect more complete attendance data at the end of every school year. That data reveals that the former-Abbott districts and the low-wealth DFG A districts have considerably lower daily attendance rates than their wealthier peers.

**Figure 3.1: Average Daily Attendance by District Factor Group, 2009-10**



If New Jersey is to close its persistent achievement gap, it must find a way to encourage districts – especially low-performing districts – to increase attendance. Research, not to mention commonsense, demonstrates that attendance matters. The National Center for Children in Poverty, for example, found that chronic absenteeism in kindergarten is a significant cause of low academic performance in elementary school.<sup>xli</sup> In middle school, the more a student is absent, the more likely he is to drop-out of high school.<sup>xlii</sup> And, in high school, poor attendance is one of the strongest predictors of drop-out rates.<sup>xliii</sup>

Moreover, no matter how successful the Department is in improving teacher quality through the reforms highlighted in Part II of this Report, none of it will matter if students are not daily in their seats. If John F. Kennedy High School in Paterson, for example, increased its attendance rate by just one percentage point, its students would benefit from 20,000 hours of additional instructional time per year. Statewide, among large high schools, a one percentage point increase in attendance would result in nearly 4.2 million hours of additional instructional time per year.<sup>xliv</sup>

By moving away from a single count day, and instead funding based on average daily attendance, the State will encourage districts to focus on attendance, develop novel ways to increase it – from swipe cards to track attendance to automatic text messages, e-mails, and

voicemails when a student is truant – and, thereby, win back much needed instructional time for our State’s at-risk students. Accordingly, the Department recommends that the SFRA funding formula fund based on average daily attendance rather than a single count day. Of course, the Department recognizes that 100% daily attendance is an impossibility given illnesses, vacations, and emergencies, and therefore encourages the Legislature to adopt 96% as the equivalent of 100% attendance for funding purposes. A 96% attendance rate represents the 75<sup>th</sup> percentile of district attendance rates in the State, which the Department believes is an aggressive but achievable target for all districts.

#### **4. DEVELOPING AN ALTERNATIVE TO PARTICIPATION IN THE FREE AND REDUCED PRICE LUNCH PROGRAM**

Recently, the Office of the State Auditor released a report estimating that as many as 37% of the participants in the federally-administered Free and Reduced Price Lunch Program are fraudulently enrolled in the program.<sup>xlv</sup> An even more recent *Star-Ledger* article seemed to confirm the fact when it reported that the President of the Elizabeth Board of Education, along with the spouses of two Elizabeth school officials, were arrested for misstating their incomes to qualify for the Program.<sup>xlvi</sup> Such a high error rate in a program so consequential for education funding gives the Department considerable pause.

As discussed above, the SFRA funding formula uses participation in the Free and Reduced Price Lunch Program as a proxy for measuring New Jersey’s at-risk student population. And each at-risk student/Program participant is funded at between 147%-157% (or 142%-146% if the Department’s proposed weight changes are adopted) of his “average” counterpart, and for combination at-risk/LEP students, at between 160%-170% (or 153%-157% if the Department’s proposed weight changes are adopted) of their “average” counterparts. In short, the State distributes huge sums of education dollars based on a Program that appears, given the Auditor’s report and anecdotal evidence, readily susceptible to fraud or error.

While the Department is not prepared to recommend an alternative way to measure New Jersey’s at-risk student population, it does recommend that the Governor convene a task force to explore the issue, including: (1) whether a poor student should be presumed to be educationally at-risk, or whether there is a more precise way to define at-risk students; (2) if a poor student

should be presumed to be educationally at-risk, is there a truer (and less error prone) measure of poverty than participation in the Free and Reduced Price Lunch Program; and (3) if a poor student should not be presumed to be educationally at-risk, how can at-risk students be more precisely defined?

## 5. CONCLUSION

Taken together, the above-described changes to the SFRA funding formula will result in a formula truer to the original intent of the PJPs, a formula designed to value – and, more importantly, cause districts to value – attendance, and a formula funded at historic levels each successive year.

### C. INNOVATION FUND

If the recommendations of this Funding Report are adopted by the Legislature, the State will provide roughly one-third of the total State budget to school districts in FY13. Those dollars will flow based, almost exclusively, on district enrollment (ideally average daily attendance) unconcerned with success, innovation, or reform. If a district is failing its students, but failing more students than it did the previous year, it will receive more State aid. Likewise, two districts of the same size, one reform-minded and forward-thinking, and the other wedded to the status quo, will receive the same amount of State aid. The result is an education system where success goes unrecognized, innovation unrewarded, and New Jersey's near 600 school districts serve as mere implementers of State-directed policies rather than incubators of innovation and partners in reform. This system must be changed, and creation of a modest "Innovation Fund" would do much to work that change.

While straightforward in concept, an Innovation Fund would be anything but in practice. For the first time in New Jersey's history, State education aid would be merit-based. The Innovation Fund would be used in two ways. First, a portion would be used to provide financial awards to the highest-performing districts and schools as determined by the Department of Education. For example, awards might be given to the elementary school that achieved the biggest one year increase in third grade literacy for disadvantaged students, the district with the

largest improvement in its attendance rate, or the high school with the biggest jump in its graduation rate.

The remaining portion of the Innovation Fund would be application-based, accessible to districts and schools that have identified problem areas – e.g., low graduation rates, poor-performing LEP students, or low scores in fourth grade mathematics – and designed reforms to target those problems. The Department would fund the best reforms and monitor their implementation and impact, ultimately identifying and bringing to scale Statewide the most efficacious. New Jersey would quickly become a laboratory of reform, where the Department of Education, as well as all 600 school districts, had a common purpose: identifying reforms that work. Additional recommendations for the workings of the Innovation Fund are detailed below.

## **1. SIZE OF THE INNOVATION FUND**

The Department recommends an Innovation Fund of \$50 million, a portion of which will be used to recognize and reward the most successful districts and schools and a portion of which will be application-based. No monies from the Innovation Fund would be disbursed in FY13. Instead, in the case of the award-based portion of the Fund, the Department would establish award categories in school year 2012-2013, and recognize the winners in the fall of 2013.

Likewise, for the application-based portion, districts and schools would submit their applications in school year 2012-2013, with grants awarded in the summer of 2013. This would allow the Department sufficient time to thoroughly review all applications and proposals and fund the most meritorious. The remainder of this section concerns the application-based portion of the Innovation Fund.

## **2. ELIGIBILITY AND REQUESTS FOR FUNDING**

In order to qualify for a grant from the Innovation Fund, an applicant would have to, among other requirements: use data to identify a high-priority need consonant with Departmental priorities; propose a reform targeted to meet that need; provide research, data, or other information that supports the efficacy of the proposed reform; demonstrate collaboration among

stakeholders, including teachers and parents; identify any matching funds; and work with the Department of Education to rigorously evaluate the impact of the proposed reform.

### **3. COMPLEMENT IDENTIFIED DEPARTMENTAL PRIORITIES**

This Funding Report has made the Department of Education’s priorities clear – collecting and better using data, improving teacher and principal quality, turning around low-performing schools, incenting attendance, and, of course, closing the achievement gap. Any application to the Innovation Fund would have to demonstrate how the applicant’s identified need and proposed reform is aligned with one or more of those priorities, and applications unaligned should be immediately rejected. Simply, if New Jersey is to realize the Department’s priorities, then all components of the educational system – individual teachers, principals, schools, superintendents, districts, and the Department itself – must understand those priorities, value them, and work in concert to achieve them.

### **4. DEVELOPING, VALIDATION, OR SCALE-UP**

The Department recommends establishing three differential funding categories for Innovation Fund applications: developing, validation, and scale-up. The “developing” category would be for those applications proposing reforms that, while promising, have limited empirical or other support. Grant amounts would be appropriately capped. The “validation” category would be for proposed reforms supported by a body of empirical evidence or that have been successfully employed inside or outside of New Jersey, but on a limited scale. Grant amounts would again be capped, although at levels higher than the developing category. Finally, the “scale-up” category would be for reforms with a demonstrated record of success across multiple districts or schools. The scale-up category would be limited to district applicants looking to implement a reform district-wide. Grant amounts would be uncapped.

## **5. KEY STAKEHOLDER COLLABORATION AND RESOURCE COMMITMENT**

Critical to any reform effort is ensuring that key stakeholders – parents, teachers, principals, and community partners, among others – are aware of the reform and given both time and opportunity to provide input on its design and implementation. Accordingly, Innovation Fund applicants should demonstrate how key stakeholders were given meaningful opportunities to provide input on the application, and how they will support the implementation of any proposed reform.

## **6. EVALUATION AND DISSEMINATION**

The Department of Education is committed to evaluating all reforms funded through the Innovation Fund. Only through rigorous evaluation can the Department and applicants determine what worked and what did not, bringing the former to scale and never again funding the latter. Each Innovation Fund applicant must commit to partnering with the Department to develop a research methodology that not only evaluates the overall effectiveness of the funded reform, but also allows for mid-implementation review and adjustment if needed.

Once all Innovation Fund reforms have been evaluated, the Department will aggregate the evaluations into a single report and distribute the report to the public, school leaders, and districts across the State. The report will be used to both inform future Innovation Fund applications, as well as practices and policies across all of New Jersey's school districts.



## PART IV – CONCLUSION

For decades, New Jersey has waged the right battle, but done so with the wrong tools. Closing the achievement gap and ensuring that all students – be they economically advantaged or disadvantaged, urban or suburban, white or black – are prepared for college and career is the single highest calling of any state department of education. And, indeed, the New Jersey Department of Education has reaffirmed that calling in this *Education Funding Report*. But the Department declines to reaffirm the failed mantra of administrations, legislatures, and courts past that “more money will cure all that ails us.” Part I of this Report debunks that notion. Despite per-pupil spending that has outpaced New Jersey’s wealthiest districts and is among the very highest in the country, many of the former-Abbott districts remain mired in mediocrity, unable to convert dollars into classroom success.

This should be unsurprising. Pumping more money into our worst-performing districts has provided us with moral cover, persuading us that we have met our obligation to the students in those districts while allowing us to under serve them. More money has permitted past governors and legislatures to avoid the politically difficult reforms – like implementation of an educator evaluation system, tenure reform, and ending the pernicious “last in, first out” policy – so critical to turning around our lowest-performing schools. And more money has likewise allowed the Department of Education to be satisfied with a role as district compliance-monitor rather than district partner, collaborator, and, where necessary, instigator of seismic reform.

Part II highlighted the changes already made in and to the Department, the changes soon to come in the form of the Regional Achievement Centers, and the several school-based and system-wide reforms that are necessary conditions for closing the State’s devastating achievement gap. Those changes will ensure that the Department and the RACs confront the hard issues – and even close schools where necessary – rather than papering over them. We urge the Legislature to do the same, beginning with swift passage of tenure reform.

In focusing on essential substantive reforms, however, the Department also reaffirms the State’s longstanding commitment to funding its schools and students generously. The reforms in Part III would increase the total amount of State aid provided to districts over FY12, result in

record high levels of education funding each successive fiscal year, and finally accomplish what no Governor has yet been able to do – put us on a clear and defined path to fully fund the SFRA.

We end where we began. New Jersey will close its achievement gap only if it combines the “how much” with the “how well.” This *Education Funding Report* provides a blueprint for doing so. The Department of Education stands ready to work with the Governor and Legislature to see that it is implemented.

## APPENDIX

In addition to the changes to the SFRA funding formula's costs, weights, and coefficients described in Part III, the Department recommends the following additional changes.

### A. BASE PER-PUPIL AMOUNT

The "base" per-pupil amount is determined through results of the Professional Judgment Panels (PJPs) convened during the creation of the SFRA and subsequent advisory panels. All of the additional weights (grade level, at-risk, and Limited English Proficient) apply to the base amount. Using the resources and staffing levels from the original model, cost updates were applied to find the revised base per-pupil amount. Among these cost updates are average salaries, benefits, and the application of the consumer price index (CPI)<sup>xlvi</sup> to the non-personnel costs in the model.

In updating salaries, data comes from two sources, depending on the type of employee specified. For positions that are included in the certificated staff data collection, the Department derived the average (mean) salary using actual reported salaries for staff employed during the 2010-11 school year – the most recent data available. The salaries for non-certificated positions were found using the State Occupational Employment and Wage Estimates for New Jersey from the Bureau of Labor Statistics (BLS). The Department used the May 2010 data collection from the BLS, the most recent data available. Average salaries for all personnel were adjusted using the CPI to project FY13 levels. The resultant salaries, by personnel type, can be found in Attachment B.

Health benefits were calculated using the average cost of the State health benefits programs, accounting for cost and use by coverage level, for the 2011 year (the most recent available). After CPI adjustment, the calculated cost of health benefits for FY13 is \$14,502 for each personnel. Using data from the Office of Management and Budget (OMB), the costs of other benefits were calculated. The Department applied a workers' compensation rate of 7.57% for maintenance staff and a rate of 1.4% of salary for all other personnel. For non-certificated personnel, the Department applied a Public Employees' Retirement System (PERS) rate of

11.14% of salary and a Federal Insurance Contributions Act (FICA) rate of 7.65%<sup>xlviii</sup> of salary. The State pays each district's share of PERS and FICA for certificated staff, so these costs were excluded for these personnel. Total benefits for each personnel type can be found in Attachment B.

The PJP model that derives the base per-pupil amount (among other things) includes several cost components, such as utilities or supplies and materials, which are outside of salary and benefit costs. For these components, panelists determined a district-wide, school-wide, per staff, per square foot of building space, or a per-pupil dollar amount. To revise these numbers for FY13, the Department used the original PJP dollar amounts, which correspond to FY06, and inflated using CPI to project FY13 costs. This was done to utilize actual data for the intervening years instead of relying on FY09 projections.

As shown in Table 1.A, the base per-pupil amount for FY09 was set at \$9,649 by the SFRA. After accounting for a CPI increase, the FY10 base per-pupil amount was \$9,971. The CPI for FY11 was set at 0% based on language included in the budget<sup>xlix</sup>, so the base amount for FY11 is equal to FY10. For FY12, CPI growth resulted in a base cost of \$10,256. Accounting for the revised salary, benefit, and other cost components described above, the FY13 base per-pupil amount was determined by the Department to be \$10,555.

**Table 1.A: Base per-Pupil Amount by Fiscal Year**

<u>Fiscal Year</u>	<u>Base (Elementary) Amount</u>
FY09	\$9,649
FY10	\$9,971
FY11	\$9,971
FY12	\$10,256
FY13*	\$10,555

\* Recommended for FY13

## **B. PRESCHOOL PER-PUPIL AMOUNT**

Preschool education aid (PEA) was determined for the SFRA using a calculation of budgeted expenditures instead of a resource specification model similar to the one used for the K-12 portion. Specifically, budgeted expenditures from the districts that were already running preschool programs were used to determine the per-pupil amounts, based on placement. While this methodology has been highly regarded, the use of expenditures data combined with the fact that the State covers 100% of the preschool costs, does not allow for an update by simply examining current expenditures; in simple terms, districts spend the aid they receive, so a calculation of expenditure will yield the aid amount.

In the December 2011 audit of Preschool Education Aid (PEA), the New Jersey State Legislature's Office of Legislative Services reported that the electronic data submitted by school districts understated the amount of available and unbudgeted PEA carryover in districts receiving PEA. The Department has taken steps to improve this data collection and will closely monitor the data submitted going forward.

The data from each district's budget was compiled by the Department to show the districts' ability to meet the high standards of the preschool program with the funding provided. Given that districts have continued to meet code requirements with the funding levels established in the SFRA, it is our recommendation that the Department continue to fund preschool programs based on annual CPI increases to the base per-pupil amounts listed in the SFRA.

Additionally, we recommend a future study to create a resource specification model for preschool which would allow for assurance that resources are being provided commensurate with those needed to meet preschool education standards. This proposed future study is particularly necessary in light of the fact that many providers are currently experiencing a significant decrease in amounts received from the New Jersey Department of Human Services for wraparound care. The base per-pupil amounts from the SFRA were calculated according to a structure where funding from the wraparound program covered a portion of each provider's fixed costs (rent, utilities, etc.). As enrollment in the wraparound program declines, so will providers' funding from the wraparound program and their ability to meet fixed costs necessary to run the

Department preschool program. A resource specification study would allow modification of the base per-pupil amounts to adequately cover fixed costs for the program.

**Table 2.A: Preschool per-Pupil Amounts, by Provider**

	<u>In District</u>	<u>Private Provider</u>	<u>Head Start</u>
FY09	\$11,506	\$12,934	\$7,146
FY10	\$11,890	\$13,366	\$7,385
FY11	\$11,890	\$13,366	\$7,385
FY12	\$12,229	\$13,747	\$7,595
FY13*	\$12,460	\$14,007	\$7,739

\* Recommended for FY13

### **C. WEIGHTS FOR GRADE LEVEL, COUNTY VOCATIONAL SCHOOL DISTRICTS, AT-RISK PUPILS, BILINGUAL PUPILS, AND COMBINATION PUPILS**

In the SFRA, weights are applied to students with various characteristics to account for the additional resources and services necessary for students with greater needs. The weighted enrollment, accounting for all such factors, is applied to the base cost (*see* Section A). The SFRA applies additional weights to students in the following five categories: (1) grade level; (2) county vocational school district; (3) at-risk students (free or reduced priced lunch); (4) bilingual students; and (5) at-risk and bilingual students (referred to as combination students).

#### **1. GRADE LEVEL WEIGHT**

Updates to the cost components, as outlined in Section A, derive per-pupil costs for students at the elementary, middle, and high school levels. Despite an increase in the elementary base cost since the first year of SFRA (FY09), the costs for middle and high school increased largely apace. The resultant weights do not change from the base (1.0) for elementary school and a weight of 1.04 for middle school students. However, there is slight change to 1.16 for high

school students. As defined in the SFRA, the elementary weight applies to students in kindergarten<sup>1</sup> through grade 5, the middle school weight applies to students in grades 6-8, and the high school weight applies to students in grades 9-12.

## **2. COUNTY VOCATIONAL SCHOOL DISTRICT WEIGHT**

The SFRA defines a weight of 0.31 for a county vocational student that is applied in addition to the high school weight. Using the latest audited expenditures data (from FY10) the Department found the average cost premium of county vocational programs over high school to be 26%. The change in the resulting weight of 0.26 for FY13 is largely due to improving the precision of the comparison by using actual data instead of the estimates used in the creation of SFRA.

## **3. AT-RISK WEIGHT**

The PJPs identified costs required to provide programs and services to at risk students at various concentration levels. That cost data only addressed programmatic needs at 20% and 40% concentration. Updating that data to reflect current costs and endorsing the same sliding scale, those data yield at-risk weights of 0.42 for concentrations of 20% and below, and 0.46 for concentrations 40% and above with a sliding scale for concentrations in between. We recommend those weights in this Report. The existing record reflects no cost or programmatic analysis at higher concentrations. Accordingly, we recommend that the State evaluate such costs in successful school districts with very high concentrations of at-risk students to determine whether a factual case can be made for increasing these weights. Similar to the results of the grade weight, and based upon the data identified by the PJPs, the updated cost components yield changes to the at-risk weights. The SFRA specifies at-risk weights, including a sliding scale based on district level concentration of at-risk students, which are above those derived from the PJP model. The updated cost components slightly influenced the PJP model weights, the Department recommends utilizing the weights based upon the PJP model. Using the same sliding scale, and accounting for updated cost parameters, the PJP model derives a weight of 0.42

for up to 20% at-risk and a sliding scale up to an at-risk concentration of 60% at which point the at-risk weight peaks at 0.46. The updated weights are reflected in Table 3.A below.

#### 4. BILINGUAL WEIGHT

The SFRA specified a bilingual (also sometimes referred to as Limited English Proficient, or LEP) weight of 0.50. Based on input from expert panels and others, the bilingual weight used in SFRA was slightly higher than the weight derived from the PJPs. Updating the cost components resulted in a change to the weight calculated in the PJP calculation to 0.47. The Department recommends use of this revised weight of 0.47. The updated weight is reflected in Table 3.A below.

#### 5. AT-RISK AND BILINGUAL WEIGHT (COMBINATION STUDENTS)

As outlined above and utilizing the data from the PJP deliberative process, the updated cost components influenced the weights associated with specific student characteristics. As such, the Department recommends use of the revised weight for combination students equal to 0.1052 plus the district's at-risk weight. The updated weight is reflected in Table 3.A below.

**Table 3.A: At-risk, LEP, and Combination Weights**

	<u>SFRA (FY09-FY12)</u>	<u>FY13*</u>
At-risk 20%	0.47	0.42
At-risk 40%	0.52	0.46
At-risk 60%	0.57	0.46
LEP	0.50	0.47
Combination	0.125	0.1052

\* Recommended for FY13



## **D. COST COEFFICIENTS FOR SECURITY AID AND TRANSPORTATION AID**

### **1. SECURITY AID**

The SFRA created a two component security aid calculation. The first component is a per-pupil security amount that applies to all students in the district. In addition, the security aid includes a component that applies to at-risk students only, with the per-pupil amount based on a sliding scale that increases with the district's at-risk concentration, capping at concentrations of 40% and above. For FY13, the Department has determined the per-pupil amount that applies to all students to stay the same at \$70. Additionally, the Department calculates that the at-risk per-pupil cost drops to \$402 for FY13 from \$406 in FY09. Much of the decrease can be attributed to slightly lower salaries for security personnel, a main driver of security costs.

### **2. TRANSPORTATION AID**

Similar to security aid, the SFRA defines a two part transportation aid formula, which includes a calculation for regular students and one for special education students. For each regular and special education student, the SFRA describes a base per-pupil amount in addition to a per-mile average distance to school amount. The SFRA also calls for the creation of an incentive factor which only applies to the regular student portion of the calculation, and is applied after the other calculations in the formula have been completed; it is a final adjustment. For the years prior and including the 2011-2012 school year, the SFRA sets the incentive factor multiplier (IF) equal to one (1), which makes no adjustment.

The transportation aid formula has not been extensively studied in New Jersey since the issuance of a Deloitte & Touche Consulting Group report issued in 1995. In lieu of a more comprehensive analysis, the Department is recommending the continued use of the SFRA cost parameters, with the addition of a CPI increase. Table 4.A outlines these changes.

**Table 4.A: Transportation Aid****Components**

	<u>SFRA</u> <u>(FY09)</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13*</u>
Regular per-Pupil Base Amount	\$383.88	\$396.70	\$396.70	\$408.01	\$415.72
Regular Average per-Mile	\$10.50	\$10.85	\$10.85	\$11.16	\$11.37
Special per-Pupil Base Amount	\$2,675.77	\$2,765.14	\$2,765.14	\$2,843.94	\$2,897.69
Special Average per-Mile	\$5.10	\$5.27	\$5.27	\$5.42	\$5.52
Incentive Factor	1.0	1.0	1.0	1.0	1.0

\*Recommended for FY13

#### **E. STATE AVERAGE CLASSIFICATION RATE FOR GENERAL SPECIAL EDUCATION SERVICES PUPILS AND FOR SPEECH-ONLY PUPILS**

The special education and speech-only components of the SFRA are census-based formulas. These formulas use the Statewide average classification rates of general special education students and speech-only students multiplied by the districts total resident enrollment, then multiplied by the excess cost for the respective classification. For FY13, the Department has determined, based on Application for State School Aid (ASSA) data, the Statewide average classification rate of general special education services to be 14.7% (from 14.69%) and the Statewide average classification rate of speech-only students to be 1.77% (from 1.897%).

#### **F. THE EXCESS COST FOR GENERAL SPECIAL EDUCATION SERVICES PUPILS AND FOR SPEECH-ONLY PUPILS**

The excess cost for general special education is determined using actual expenditures for special education students from the 2010 Audit Summary, the most recent data available. Inclusive of all pertinent costs, such as district-wide and mainstreaming costs in addition to special education specific costs, the Department determined the total average expenditure for

special education students for FY13 to be \$26,139. Backing out the weighted average base cost of \$11,213, yields a per-pupil excess cost for general special education services pupils of \$14,929 for FY13.

In contrast to the excess cost for general special education, the per-pupil calculation for speech-only pupils is based upon the resources outlined by the PJP model for “mild”<sup>li</sup> classification pupils. The updated cost components derive a per-pupil speech-only cost of \$1,187 for FY13.

**Table 5.A: Special Education and Speech per-Pupil Amounts**

	<u>SFRA (FY09)</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13*</u>
General Special Ed Amount	\$10,897.00	\$11,262.00	\$11,262.00	\$11,583.00	\$14,929.00
Speech-Only Amount	\$1,081.61	\$1,118.00	\$1,118.00	\$1,150.00	\$1,187.00

\* Recommended for FY13

## **G. EXTRAORDINARY SPECIAL EDUCATION AID THRESHOLDS**

Extraordinary special education aid provides assistance to districts for students with needs that require educational services that incur a high cost to the district. In brief, extraordinary aid provides districts with a portion of the costs for high needs students that exceed a certain cost threshold.

The SFRA made two main changes to the extraordinary aid calculation. First, was the inclusion of support services costs, in addition to direct instructional costs, to the total allowable cost. The allowable cost is used to determine the amount in excess of the threshold to be included in the aid calculation. Second, was to delineate students into three placement categories, with different aid calculation parameters for each. The three placement categories are an in-district public school program, a separate public school program for students with disabilities, and a separate private school for students with disabilities. For in-district programs, the SFRA calculates extraordinary aid as 90% of the allowable costs that exceed \$40,000. Students in separate public school placements are calculated including 75% of costs that exceed

\$40,000. Finally, for those students in private placements, the calculation includes 75% of costs exceeding \$55,000.

The Department looked at the number and cost of applications for extraordinary aid received since the start of SFRA. In contrast to most State aid programs, extraordinary aid is run as a reimbursement program; districts submit applications in a given year for costs incurred in the prior year. For this reason, there are only three years, FY09 to FY11, that the changes of SFRA (described above) have been implemented. This data suggests significant changes to the thresholds are not necessary at this time. For each of these years, approximately 5% of special education students have applied for extraordinary aid. This signifies that the current thresholds capture students with costs at or above the top 5% of all special education students. Additionally the average cost of these students has remained relatively consistent across these three years. For these reasons, the Department is not recommending any changes to the extraordinary aid thresholds that are described in the SFRA.

## ATTACHMENT A

<u>Fiscal Year</u>	<u>New Jersey Consumer Price Index</u>
FY09	2.89%
FY10	3.34%
FY11	1.60%
FY12	1.23%
FY13	1.89%

\* The New Jersey CPI is the combined New York and Philadelphia Urban Consumers index (CPI-U), as calculated by the New Jersey Department of Treasury.

## ATTACHMENT B

	<u>FY2009 (Used for SFRA)</u>			<u>FY13</u>		
	<b>Average Salary</b>	<b>Average Benefits</b>	<b>Total - Salary plus Benefits</b>	<b>Average Salary</b>	<b>Average Benefits</b>	<b>Total - Salary plus Benefits</b>
<b>Salaries - School Level Personnel</b>						
Classroom Teachers	62,989	12,834	75,823	68,730	15,464	84,194
Other Teachers	62,989	12,834	75,823	68,730	15,464	84,194
Librarians	77,135	12,953	90,087	77,663	15,589	93,252
Technology Specialists	53,262	20,715	73,976	56,592	25,928	82,520
Counselors	78,563	12,965	91,527	77,726	15,590	93,316
Nurses	65,311	12,853	78,165	73,506	15,531	89,037
Psychologists	73,945	12,926	86,871	79,364	15,613	94,977
Social Workers	69,421	12,888	82,308	77,666	15,589	93,255
LDTC	79,107	12,969	92,076	86,225	15,709	101,934
Instructional Aides	24,921	16,240	41,160	26,720	19,897	46,617
Clerical/Data Entry	37,250	18,186	55,437	39,382	22,453	61,835
Principal - Elementary	119,503	13,308	132,811	127,575	16,288	143,863
Asst. Principal - Elementary	100,708	13,151	113,859	107,540	16,008	123,547
Principal - Middle	121,426	13,325	134,751	131,921	16,349	148,270
Asst. Principal - Middle	101,084	13,154	114,238	110,190	16,045	126,235
Principal - High	132,316	13,416	145,732	140,685	16,472	157,157
Asst. Principal - High	109,453	13,224	122,677	117,712	16,150	133,862
Substitutes	127	-	127	123	-	123
Security Guard	34,168	17,700	51,868	30,697	20,700	51,397
Reading Specialists	75,488	12,939	88,426	79,779	15,619	95,398
Speech Pathologists	71,853	12,908	84,761	78,064	15,595	93,659
Resource Teacher/In-Class	62,989	12,834	75,823	68,730	15,464	84,194
Self Contained/Pull-Out	62,989	12,834	75,823	68,730	15,464	84,194
Occupational Therapist	66,749	12,865	79,614	74,683	15,548	90,230
Physical Therapist	72,809	12,916	85,725	80,524	15,629	96,153
Media Aides	33,155	17,540	50,695	33,670	21,300	54,970
School Directors	107,373	13,207	120,579	117,350	16,145	133,495
Parent Liasion	26,048	16,418	42,466	26,388	19,830	46,218
Lunchroom Aide	7,732	7,373	15,106	8,591	8,986	17,577

## ATTACHMENT B (CONT.)

	<i><u>FY2009 (Used for SFRA)</u></i>			<i><u>FY13</u></i>		
	<b>Average Salary</b>	<b>Average Benefits</b>	<b>Total - Salary plus Benefits</b>	<b>Average Salary</b>	<b>Average Benefits</b>	<b>Total - Salary plus Benefits</b>
<b><u>Salaries - Districtwide Level Personnel</u></b>						
Superintendent (Has Asst Sup)	184,502	13,854	198,357	175,000	16,952	191,952
Assistant Superintendent	115,323	13,273	128,597	162,547	16,778	179,324
Assistants to the Superintendent	53,033	20,678	73,711	58,496	26,312	84,809
Business Administrator	113,609	13,259	126,868	127,435	16,286	143,721
Assistant Business Administrator	68,165	12,877	81,042	76,461	15,572	92,033
Purchasing Agent	67,323	22,935	90,258	72,523	29,144	101,667
Purchasing Clerk	39,832	18,594	58,426	41,646	22,910	64,556
Accountant	76,440	24,374	100,814	84,222	31,506	115,728
Facilities Manager	108,505	13,216	121,721	116,671	16,135	132,806
Business Clerks	39,941	18,611	58,552	41,508	22,882	64,391
Clerical/Data Entry	37,250	18,186	55,437	39,382	22,453	61,835
Technician	53,262	20,715	73,976	56,592	25,928	82,520
Programmer	89,238	26,395	115,633	87,586	32,186	119,771
Director	122,287	13,332	135,618	131,355	16,341	147,696
Supervisors	108,505	13,216	121,721	116,671	16,135	132,806
Coordinators	88,733	13,050	101,783	88,670	15,743	104,413
<b><u>Salaries - Plant Maintenance &amp; Operations Personnel</u></b>						
Head Custodians	44,287	19,297	63,584	47,876	27,122	74,998
Custodians	26,282	16,455	42,737	28,465	22,005	50,471
Maintenance	40,061	18,630	58,691	42,386	25,675	68,061
Grounds	28,515	16,807	45,322	28,836	22,103	50,939
Buildings/Grounds Supervisor	51,170	20,384	71,555	53,662	28,647	82,310

<sup>i</sup> The Department of Education would like to thank Professor Sean Corcoran of New York University, Professor Eric Hanushek of Stanford University, Professor Susanna Loeb of Stanford University, and Professor Cecilia Rouse of Princeton University for their contributions to this Education Funding Report.

<sup>ii</sup> The 31 former-Abbott districts include: Asbury Park, Bridgeton, Burlington City, Camden, East Orange, Elizabeth, Garfield, Gloucester City, Harrison, Hoboken, Irvington, Jersey City, Keansburg, Long Branch, Millville, Neptune Township, New Brunswick, Newark, Orange, Passaic, Paterson, Pemberton Township, Perth Amboy, Phillipsburg, Plainfield, Pleasantville, Salem, Trenton, Union City, Vineland, and West New York.

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<sup>iii</sup> Note that changes in assessments in grades 3 and 4 in 2008-09 and changes in assessments for grades 5, 6, 7, and 8 in 2007-08 mean that longitudinal comparisons in those grades cannot accurately be compared over time. As seen in the two charts representing this data, these changes account for the slight overall dip in NJASK scores in these two years as represented by the dotted line.

<sup>iv</sup> The College-Readiness Benchmark is a combined score of 1550 across the Verbal, Math, and Writing sections of the SAT (out of a total possible score of 2400).

<sup>v</sup> New Jersey's relatively high expenditure is in part a reflection of its high wages and cost of living. However, even after adjusting for wage differences, New Jersey's state ranking remains largely unchanged. See Taylor (2006) and <http://www.edsource.org/data-per-pupil-spend-compare-using-cwi.html>.

<sup>vi</sup> Disentangling the effects of school resources from those of other influences on achievement is a difficult task. At least one study found a positive impact of court-ordered aid to former-Abbott districts on eleventh grade test scores between 1994 and 2001 (Resch, 2008). This study relied on 23 comparison school districts that were similarly disadvantaged, but not part of the original *Abbott* litigation.

<sup>vii</sup> These figures were calculated using the Digest of Education Statistics from various years. "Year" refers to the fall of the academic year. All dollar amounts are expressed in 2009 dollars.

<sup>viii</sup> Expenditures are current operating expenditures, which excludes capital expenditures. Revenues are from local, state, and federal sources, and finance both current and capital expenditures.

<sup>ix</sup> These figures were calculated using the Digest of Education Statistics from various years. "Year" refers to the fall of the academic year. All dollar amounts are expressed in 2009 dollars.

<sup>x</sup> See Digest of Education Statistics (2010).

<sup>xi</sup> See Digest of Education Statistics, various years.

<sup>xii</sup> Most, although not all, of the former-Abbott districts are in DFG "A." For comparative purposes, the per-pupil amounts in this section rely on data consistently available across all the years displayed. As the recently released Taxpayers' Guide to Education Spending (TGES) relies in part on data available only in recent years, these figures will differ from those reported in the TGES.

<sup>xiii</sup> See F-33 Survey of Local Government Finances: School Systems, 2008-09, conducted by the U.S. Census Bureau. Only districts with an enrollment of at least 500 were compared.

<sup>xiv</sup> New Jersey Department of Education data. Means are weighted averages over districts, using average daily enrollment as weights. All dollar amounts are expressed in 2009 dollars.

<sup>xv</sup> New Jersey Department of Education data. Means are weighted averages over districts, using average daily enrollment as weights. All dollar amounts are expressed in 2009 dollars.

<sup>xvi</sup> See NAEP state profiles (<http://nces.ed.gov/nationsreportcard/states/>). New Jersey's fourth and eighth grade scores in reading were 231 and 275, versus the U.S. averages of 220 and 264. New Jersey's fourth and eighth grade



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scores in mathematics were 248 and 294, versus the U.S. averages of 240 and 284. The maximum possible scale score for both reading and mathematics is 500.

<sup>xvii</sup> See NAEP data explorer ([http://nationsreportcard.gov/data\\_tools.asp](http://nationsreportcard.gov/data_tools.asp)). In eighth grade reading, the test score gap between students eligible for the National School Lunch Program and those not eligible was 28 points. The comparable gap in eighth grade mathematics was 29 points. In fourth grade reading and mathematics, the gaps were 25 and 24 points respectively.

<sup>xviii</sup> Means are weighted averages over districts, using the number of test-takers in the particular grade and subject and weights.

<sup>xix</sup> The eighth grade test changed in 2007-08, preventing any direct comparison with later years.

<sup>xx</sup> Proficiency rates are weighted averages of districts, using the number of test-takers in the particular grade and subject and weights. Because the 4<sup>th</sup> and 8<sup>th</sup> grade tests changed in 2008-09 and 2007-08, respectively, proficiency rates are not comparable in later years.

<sup>xxi</sup> See Jonathan Kozol (1991). *Savage Inequalities: Children in America's Schools* (New York: Crown Publishers) and National Commissioner on Excellence in Education (1993). *A Nation at Risk: The Imperative for Educational Reform*. See also Hanushek, Eric A. (1997). "Assessing the Effects of School Resources on Student Performance: An Update." *Educational Evaluation and Policy Analysis* 19, no. 2 (Summer): 141-164 and Hanushek, Eric A. (2003). "The Failure of Input-Based Schooling Policies." *Economic Journal* 113, no. 485 (February): F64-F98.

<sup>xxii</sup> Hanushek, Eric A. (1992). "The Trade-off between Child Quantity and Quality," *Journal of Political Economy* 100, no. 1 (February): 84-117.

<sup>xxiii</sup> See the discussion in Dick Startz (2010). *Profit of Education* (Santa Barbara, CA: Praeger).

<sup>xxiv</sup> Dobbie, Will and Roland G. Fryer (2011). "Are High-Quality Schools Enough to Increase Achievement among the Poor? Evidence from the Harlem Children's Zone," *American Economic Journal: Applied Economics* 3, no. 3 (July): 158-87.

<sup>xxv</sup> See Hanushek, Eric (2011). "The Economic Value of Higher Teacher Quality," *Economics of Education Review* 30: 466-479; Hanushek, Eric (2011). "Valuing Teachers," *Education Next* 11(3).

<sup>xxvi</sup> Chetty, Raj, John Friedman, Nathaniel Hilger, Emmanuel Saez, Diane Schanzenbach, and Danny Yagan (forthcoming). "How Does Your Kindergarten Classroom Affect Your Earnings? Evidence from Project STAR," *Quarterly Journal of Economics*.

<sup>xxvii</sup> See <http://www.nytimes.com/2010/07/28/business/economy/28leonhardt.html>.

<sup>xxviii</sup> See [http://www.nctq.org/stpy11/reports/stpy11\\_national\\_report.pdf](http://www.nctq.org/stpy11/reports/stpy11_national_report.pdf) and <http://widgeteffect.org/downloads/TheWidgetEffect.pdf>.

<sup>xxix</sup> See <http://www.ed.gov/news/speeches/fighting-wrong-education-battles> (U.S. Secretary of Education Arne Duncan endorsed using test scores as one element of teacher evaluation system).

<sup>xxx</sup> See <http://edreform.blogspot.com/2012/02/arne-duncan-at-harvards-ed-school.html>.

<sup>xxxix</sup> “Perth Amboy Superintendent: Tenure Laws Keep Bad Apples in the Classroom,” *The Star-Ledger*, November 23, 2011.

<sup>xxxix</sup> See Hanushek, Eric et al (1994). *Making Schools Work: Improving Performance and Controlling Costs* (Washington, D.C., Brookings Institution Press); Hassel, Bryan (2002). *Better Pay for Better Teaching* (Washington, D.C., Progressive Policy Institute); Frederick M. (2002). *Revolution at the Margins* (Washington, D.C., Brookings University Press); and <http://articles.latimes.com/2011/oct/02/opinion/la-oe-winters-teachers-pay-20111002>.

<sup>xxxix</sup> The State will also identify top performers as “Reward Schools” and will closely monitor all schools not falling into one of these three categories. However, Priority and Focus Schools will receive the lion’s share of State attention.

<sup>xxxix</sup> In the last *Abbott v. Burke* decision, the Supreme Court ordered that the former-Abbott districts alone be fully-funded under the SFRA.

<sup>xxxix</sup> For purposes of completing this Report, the Department accepts the work of the PJPs as a method of determining the “how much.” It does not, however, attach talismanic significance to the PJP process or the results of that process. Rather, the Department believes that the education dollars called for by the PJPs, when coupled with the policy reforms enumerated in Part II, are more than sufficient to teach all of New Jersey’s students to the Common Core Standards and begin to close the State’s persistent achievement gap.

<sup>xxxix</sup> *Abbott v. Burke*, 960 A.2d 360, 365 (N.J. 2008).

<sup>xxxix</sup> For special education students, only two-thirds of special education costs are funded through Equalization Aid. The other one-third is funded through Categorical Aid. A fuller explanation is provided later in the section.

<sup>xxxix</sup> The SFRA funding formula applies a Geographic Cost Adjustment (GCA) to the Adequacy Budget to account for differences in wage markets throughout the State by county. For simplicity, however, the GCA is not considered in this example.

<sup>xxxix</sup> Additional changes to the costs, weights, and coefficients of the SFRA funding formula are included in the Appendix to this Education Funding Report. However, because the recommendations described in this section are significant, the Department thought it important to highlight them both in the body proper of the Report, as well as in the Appendix.

<sup>xl</sup> The combination at-risk/LEP student weight was excluded from this table because New Jersey is the only state to use this construct.

<sup>xli</sup> Chang, H.N. and M. Romero (2008). “Present, Engaged, and Accounted for: The Critical Importance of Addressing Chronic Absence in the Early Grades,” *National Center for Children in Poverty* (Mailman School of Public Health, Columbia University); “Attendance in Early Elementary Grades: Association with Student Characteristics, School Readiness and Third Grade Outcomes,” *Applied Survey Research*, May 2011.

<sup>xlii</sup> Balfanz, Robert, Lisa Herzog and Douglas J. MacIver (2007). “Preventing Student Disengagement and Keeping Students on the Graduation Path in Urban Middle-Grades Schools: Early Identification and Effective Interventions,”

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*Educational Psychologist* 42(4): 223–235; “Destination Graduation: Sixth Grade Early Warning Indicators for Baltimore City Schools, Their Prevalence and Impact,” *Baltimore Education Research Consortium* (Baltimore, Maryland).

<sup>xliii</sup> Allensworth, E. M. and J.Q. Easton (2007). “What Matters for Staying On-track and Graduating in Chicago Public High Schools: A Close Look at Course Grades, Failures, and Attendance in the Freshman Year,” *Consortium on Chicago School Research* (University of Chicago).

<sup>xliv</sup> This takes a 1% increase in each New Jersey regular high school’s attendance rate in 2009-10 converted to additional students \* minimum instructional days (180) \* school’s instructional time.

<sup>xlvi</sup> New Jersey State Auditor. *Department of Agriculture Report* issued on June 27, 2011.

<sup>xlvi</sup> Sherman, Ted. “School Lunch Investigation in Elizabeth Leads to 3 Arrests, Including School Board President,” *The Star-Ledger*, September 20, 2011.

<sup>xlvi</sup> The CPI applied for all calculations, except utilities, is the combined New York and Philadelphia Urban Consumers index (CPI-U), as calculated by the New Jersey Department of Treasury. The rates applied for each fiscal year are shown in Attachment A. Utilities costs are inflated by using the CPI-Energy, calculated using both New York and Philadelphia in the same manner used for the CPI-U calculation, described above. The calculated increase was 84.3% from FY04 through FY13.

<sup>xlvi</sup> The FICA rate is 7.65% of salary up to \$106,800, after which the marginal rate drops to 1.45%. None of the non-certificated staff have salaries that exceed this threshold.

<sup>xlvi</sup> For FY11, the CPI was set in accordance with Section 2 of P.L. 1999, c.168 (C.52:27D-442).

<sup>l</sup> For half-day kindergarten students, the SFRA applies a 0.5 weight to the base per-pupil amount.

<sup>li</sup> The “mild” classification category as used during the PJP process was defined as speech only.