

Public Hearing

before

EDUCATION FUNDING REVIEW COMMISSION

"Components of an Education Funding Formula"

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LOCATION: Convention Center
Room 216
Atlantic City, New Jersey

DATE: October 27, 1993
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Albert Burstein, Esq., Chairman
Margaret E. Goertz, Vice Chairperson
Assemblywoman Priscilla B. Anderson
Dr. Robert Boose
Dr. Vito Gagliardi
Thomas P. Geyer
James Moran
Michael J. Perrucci, Esq.
Melody Sawyer Richardson, Esq.
Michael Ritacco
Dennis Testa
John Harris



ALSO PRESENT:

Kathleen Fazzari
Office of Legislative Services
Aide, Education Funding Review Commission

New Jersey State Library

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, 162 W. State St., CN 068, Trenton, New Jersey 08625-0068



ALBERT BURSTEIN, ESQ.
CHAIRMAN
MARGARET E. GOERTZ
VICE-CHAIRPERSON



New Jersey State Legislature
EDUCATION FUNDING REVIEW COMMISSION
LEGISLATIVE OFFICE BUILDING, CN-068
TRIDENTON, NEW JERSEY 08625-0068

KATHLEEN FAZZARI
SECRETARY

HON. PRISCILLA B. ANDERSON
DR. ROBERT HOOSE
DR. JOSHUA CHOW
DR. HENRY A. COLEMAN
DR. VITO GAGLIARDI
THOMAS P. GEYER
DAVID PAUL GOLDMAN
JAMES MORAN
MICHAEL J. PERRUCCI, ESQ.
MELODY SAWYER RICHARDSON, ESQ.
MICHAEL RITACCO
DENNIS TESTA
HELEN W. WALSH

NOTICE OF PUBLIC HEARING SCHEDULE

The Education Funding Review Commission will hold public hearings on the following dates:

1. October 11, 1993
6:30 P.M.
Toms River High School North
Auditorium
Old Freehold Road
Toms River, New Jersey
2. October 18, 1993
6:30 P.M.
Burlington County Special Services
School District
Woodlane Road
Mount Holly, New Jersey
3. October 25, 1993
6:30 P.M.
Union County Vocational School
1776 Raritan Road
Scotch Plains, New Jersey
4. October 27, 1993
10:00 A.M.
Convention Center
Room 216
Atlantic City, New Jersey

The public may address comments and questions to Kathleen Fazzari, Secretary to the Commission, or make scheduling inquiries to Mary C. Lutz or Bernadette Kmetz, secretaries, at (609) 984-6843.

The witness list for each public hearing will be limited to 20 persons and testimony will be limited to 5 minutes per witness. All persons who are testifying should submit 20 written copies of their testimony. Persons who are not presenting oral testimony may submit 20 copies of written testimony for consideration by the commission and inclusion in the record.

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ALBERT BURSTEIN, ESQ. (Chairman): Call the meeting to order. Please call the roll, Ms. Fazzari.

MS. FAZZARI (Committee Aide): Mr. Burstein?

MR. BURSTEIN: Here.

MS. FAZZARI: Dr. Goertz?

DR. GOERTZ: Here.

MS. FAZZARI: Ms. Anderson?

ASSEMBLYWOMAN ANDERSON: Here.

MS. FAZZARI: Dr. Boose?

DR. BOOSE: Here.

MS. FAZZARI: Dr. Chow? (no response) Dr. Coleman?
(no response) Dr. Gagliardi?

DR. GAGLIARDI: Here.

MS. FAZZARI: Mr. Geyer? (no response) Mr. Harris?

MR. HARRIS: Here.

MS. FAZZARI: Mr. Moran?

MR. MORAN: Here.

MS. FAZZARI: Mr. Perrucci? (no response) Ms.
Richardson?

MS. SAWYER RICHARDSON: Here.

MS. FAZZARI: Mr. Ritacco?

MR. RITACCO: Here

MS. FAZZARI: Mr. Testa? (no response) Ms. Walsh?
(no response)

MR. BURSTEIN: Ms. Walsh is probably held up in traffic. She lives five blocks from here.

DR. BOOSE: That's what they say -- the closest.

MR. BURSTEIN: All right, we have a quorum. The meeting of the Education Funding Review Commission is in order.

Has everybody taken a look at the minutes of the last meeting -- Wednesday's meeting? Any corrections, additions, amendments? (no response) If not, we will accept them as submitted.

First, I want to welcome a new Commission member, John Harris. John is new only in the sense of his official capacity. He's been with us, I gather, for most of the meetings that we've had so far, so he doesn't have much catch-up ball to play.

Welcome aboard, John.

MR. HARRIS: Thank you.

MR. BURSTEIN: This morning we're going to be devoted to hearing from the general public, I guess, embodied more specifically in school board members. We happen to hit upon this location by coincidence with your convention.

Is that right, Dr. Boose?

DR. BOOSE: I just looked this way and picked this out. (laughter)

MR. BURSTEIN: Very good. That's good. That's correct.

Okay, so let me just give some ground rules for your presentations this morning. If you have a written statement, please give the statement in advance to Ms. Fazzari as you are called to speak. Hopefully, you will have sufficient copies to spread around for the Commission members. If not, then we will just take notes with regard to your presentation.

Because of the numbers who are here and the numbers listed already to speak, we ordinarily try to limit it to 20 persons for 5 minutes each, which is a pretty good stretch of time, because we do have a business meeting this afternoon. So I would appreciate it if you would be cognizant of the time you are taking. If I begin to make all kinds of signals to you, please don't take umbrage. It's simply that we have a pretty packed listing here this morning, and I wish to hear all of you.

With that, we'll call the first presenter, Alyce Bowers, Atlantic County Public Library.

A L Y C E J. B O W E R S: Thank you. Where would you like me to--

MR. BURSTEIN: If you would sit down at that end, I guess. It's set up in that fashion so you can face the Commission -- If you can ever get there. (laughter)

I want to thank Dr. Boose for the room. It's very commodious, also well air conditioned. (laughter)

DR. GOERTZ: This should be a special needs building.

MS. BOWERS: Good morning. Nice to be here in this congenial, intimate atmosphere.

Good morning, members of the Education Funding Review Commission. Thank you for the opportunity to speak to you today. I am the Library Director in the Atlantic County Library System, which is one of the largest library systems in New Jersey.

Is this working? Can you hear?

MR. BURSTEIN: No. It's not amplified. These are just tape mikes, so you'll have to speak up.

MS. BOWERS: Oh, okay. Fine. I'll try and speak up.

Education for our students today is no longer a matter of teaching an established body of facts only, but rather to teach students how to learn. Education is teaching students how to use their brains not for a warehouse of facts that may become outdated with the next change of government in Eastern Europe, but how to read and understand, and how to make informed decisions.

In our new information society, the student today needs to learn how to learn. Technology is changing so rapidly that what is the state of the art in 1993 will be obsolete by the year 2000, when our students will be entering the workforce. My message to you today is, the public libraries in New Jersey are, therefore, an integral part of this educational infrastructure in our State. Libraries are a key factor in this process because students need access to more than a single

textbook on a subject. They need to learn to research a subject by reading a variety of viewpoints and developing the mental skills to analyze the information and gain a comprehensive understanding of the subject.

In libraries, we see more and more students assigned independent research projects, and they must choose a variety of information sources, including: books, journal articles, and databases. Every classroom does not have the reference materials to support this type of curriculum, and the students turn to their public libraries.

The Atlantic County Library System has established several innovative programs in conjunction with the local schools. The County Library has a computer system which includes the cataloging records for over 600,000 books and audiovisual items in the database. Five of the eight high schools here in Atlantic County have computer terminals in their school libraries which are connected to this computer system. Students in these high schools can and do place a request on any book in the Atlantic County System, and the book will be delivered to the high school by the County Library delivery van within 48 hours.

From January through September of this year, students borrowed over 5000 items from the County Library System with this program. The computer system also has an index to over 400 magazines and scholarly journals. Students perform on-line searches for up-to-date information on this electronic database. They can use key word and Boolean search techniques to locate exact information that they need, and the County Library subscribes to over 600 magazines and will provide photocopies of articles at the school. These articles are either delivered as part of our delivery service, or faxed if speed is critical.

The Atlantic County Library System has established several other programs for K - 12 students. These include bulk loans of books on a particular subject, which are sent to

a teacher to use with the class as long as needed. County staff selects the books, delivers them to the teacher when requested, and there are no overdue fines charged on these materials. When the class is finished, the County picks them up and returns them.

A recent program started at our main library in Mays Landing is a homework collection. Materials assigned to students at the local grade schools are shelved in a special collection in the Children's Room. The students can then read these books and complete their homework assignments during late afternoons, evenings, and Saturdays when their school libraries are closed. This has been a very popular service with both the students and their parents. The County Library also has a special dial-in phone line that provides access to the County Library's computer system to any student or faculty member with a PC computer and a modem. People can and do dial in from their home computers 24 hours a day, 7 days a week. They can look up information and reserve books and materials.

The problem faced by the Atlantic County Library System is the same problem faced by libraries throughout the State. We are being used by more and more people and providing more services, but the funding has not kept pace with the increase in demands. As members of the this Education Funding Review Commission, you are very aware of the current economic realities.

In 1993, for the first time that most of us here in Atlantic County ever remember, the assessed value of property in Atlantic County actually went down. Because libraries, like schools, receive much of their funding from the property tax, this meant that the same tax rate would actually result in less money. The local library tax is no longer sufficient to cover the cost for the Atlantic County Library System to be able to provide good service. Several committees have recommended that State funding should provide 25 percent of the cost for public

libraries. This would cost a total of approximately \$40 million a year, or an amount equal to 1 percent of the total State dollars allocated in education.

This would ensure public libraries had the funds necessary to continue providing information resources to students, schools, and citizens. It would also provide for new programs, such as linking schools, public libraries, and computer systems throughout the State. It could also be used to fund a statewide library card, so that students and residents could borrow materials from any library in the State and not just from the local library where they live.

My time is up now. In closing I just want to request that this Committee remember libraries are a vital part of the education team. What today's students need most is a good school, a good library, and time.

Thank you.

MR. BURSTEIN: Thank you. Your testimony reinforces my increasing view that the most organized group in the State is the librarians. They have been at every one of our public meetings.

MS. BOWERS: Thank you.

MR. BURSTEIN: Lou Ripatrazone.

L O U I S M. R I P A T R A Z O N E: Ripatrazone.
(indicates pronunciation)

MR. BURSTEIN: Ripatrazone.

MR. RIPATRAZONE: Yes.

MR. BURSTEIN: I was close. Welcome.

MR. RIPATRAZONE: Thank you. Yes.

Good morning, Chairman Burstein, members of the Funding Commission. Thank you for the opportunity to testify about why we believe the current New Jersey education funding formula needs significant change.

I am here on behalf of the Stanhope Board of Education, our students, our parents, our staff members, and our taxpayers. We are located in Sussex County, occupying 2.1

square miles at the southern tip of the County. Stanhope has been identified as a limited growth community in various master plans developed for the State of New Jersey by our municipality. We have a very small commercial business area and very limited industrial land use.

My purpose in testifying today is to share specific observations and data which will demonstrate that the use of Census Bureau per capita income statistics is not acceptable. The PCI statistics lack sufficient statistical reliability. Additionally, these statistics are self-reported data with no means to check their reliability. Quite simply, if income is used in any school funding formula or equation, a more accurate means of collecting and verifying the data must be created. The Quality Education Act I and II both utilize PCI statistics from the United States Department of Commerce, Bureau of the Census.

When Stanhope was identified as a transition aid school district in 1990 per QEA I, we knew something was awry with this new law. Upon close scrutiny and investigation, we identified that the PCI portion of the QEA local fair-share equation as the reason for the designation. It is our position that these statistics are not reliable for the following reasons: The PCI statistics used in the QEA were collected in 1980, utilizing the 1980 Census Questionnaire. The Census Bureau placed seven questions on the actual questionnaire pertaining to income. Respondents were not required to answer these questions.

The last page of the document that I gave you has a copy of the actual questionnaire. As you can see, on the right-hand side there are seven segments of question number 32 that were utilized to collect the information from individuals.

I do have a copy of the 1990 Census Questionnaire; I will pass it out later. Unfortunately, when you deal with the Census Bureau, they are not super-willing to give out

information, so I was faxed a copy of this late yesterday afternoon. I apologize for the quality of the copy. It has not significantly changed.

The data collected was actually 1979 data that was used by the Department of Education in 1990. The Census Bureau attempted to canvass 16 percent of the local populace in a given community. They took these seven questions from the completed questionnaire, then they multiplied the income amount by six, which would then be a representation of seven households. They then divided that number -- the income number -- by the total population to determine the PCI for a given community. The Census Bureau insists that these are only estimates.

The Census people were not able to verify whether two local towns that utilize the Stanhope Post Office were excluded in the pool of data that was collected. If they were not excluded, this certainly has the potential to add incorrect information to our data. I asked for a list of mailing addresses used by the Census Bureau for the Town of Stanhope, and I was told that this information was not available for approximately 25 years.

The most incredible fact about these statistics is, this is self-reported information. According to the Census Bureau, there is absolutely no way for them to verify the accuracy of the information. Plus, the seven questions had the highest nonresponse of all questions on the Census long-form questionnaire.

The only raw data that was used by the QEA to present was collected in 1980. A gentleman by the name of Mr. Patterson, in the Income Statistics Branch of the Census Bureau, said that they updated these figures -- and I quote -- "using rates of change developed by various administrative record sets and compilations, mainly from the Internal Revenue and the Bureau of Economic Analysis." I asked for an explanation; I never got one.

If these figures were self-reported, with no means to verify accuracy in the first place, the updates were meaningless in 1987. Extrapolation from a small data set exaggerates errors, as we all know. The Department of Education needed a vehicle to collect PCI statistics since they decided to include income.

Let me make it clear that we are not against the utilization of income. We are against using these kinds of statistics from the Census Bureau. They use this income in the local fair-share equation. After many, many discussions and over approximately a year, Mr. Cochran finally agreed that the utilization of these statistics was not proper. They should have come up with a better way because of the variability.

When I argued that these statistics were too variable, Mel Wynn, from the Department of Ed, Division of Finance, told me that in 1987 when the statistics were shared, each individual municipality had the opportunity to contest the statistical update. I checked with our town's Municipal Administrator, John Arntz, and he told me that there was never an opportunity, nor did he ever see these statistics, which I am sure would have been earmarked as being absolutely inaccurate.

Stanhope is the only community in Sussex County that did not have a Mount Laurel requirement for low-income housing. Our reevaluation, completed just last year, established that the average home at 100 percent valuation was \$108,000. It's a nice community. It's a middle-income to blue-collar community, and how we could be the fourth highest per capita income community in Sussex County is quite beyond me.

We believe many communities were wrongly identified as being able to pay more for their local fair share because the PCI statistics were not accurate. Our school district has had to deal with a significant decrease in State aid due to the QEA. Per Chapter 212, in '88 and '89 our State aid entitlement

was \$938,000. Per QEA in 1991 and 1992, it was \$636,000. This translates, folks, into staff cuts, program cuts, and a complete exhaustion of surplus.

We now hear that Senate Bill No. 2117 is a possibility. Per my understanding of this bill, there is a 5 percent overall increase in funding and another hold-harmless clause so no district would receive less than '94-'95, than they were entitled in '93-'94. As you can see above, we have experienced a significant impact from the QEA, and to continue another year under, for all intents and purposes, the QEA will have or will cause a very negative effect on our school district.

Ladies and gentlemen of the Funding Commission, we ask you to fulfill your charge to all the children in this State. Create a new funding law. Should you utilize income, please devise a more accurate way to collect the data, possibly utilizing the State Income Tax Form. We can live with the delay, and I know that I am speaking on behalf of many school districts. We can live with the delay through this year, but please don't make us live with the QEA II or Senate Bill No. 2117.

Thank you.

I'll pass around the 1990 portion, and if you take the time to look at it you will make note that some individuals clearly would have had a hard time understanding just exactly what those questions were asking.

Thank you.

MR. BURSTEIN: Thank you very much.

Kelly Hatfield.

P. KELLY HATFIELD: Good morning. It's very cozy in here.

My name is Kelly Hatfield, and I am testifying this morning as the President of the Summit Board of Education. I appreciate the opportunity to express our concerns to you regarding New Jersey's school funding formula.

Your recommendations to the Governor and the Legislature will determine the future of education in New Jersey. It will determine the future of our children. As I said to Mr. Burstein earlier, Solomon only had to split babies in half.

We believe that the funding formula, which resolves the inequities identified in the Abbott v. Burke decision and precludes a leveling down of qualified education programs in any district, is the challenge that lies before you.

I'd like to share with you some facts about our City and its changing demographics. Summit is a suburban city. We have a population of approximately 20,000, and our schools serve 2600 students. Our current enrollment shows our growing diversity. Twenty percent of our students are minority: 8 percent African-American, 7 percent Hispanic, and 5 percent Asian-American.

We are currently offering all of our students a quality education. Our quality is not based solely on SAT scores -- which, by the way, are quite good; they're 1059 -- or our college placements, but is founded on accountability driven by our parents, teachers, taxpayers, and the Board of Education that all our students will become productive and contributing adults.

We can all agree that money alone will not solve all the problems in public education, but without realistic and equitable financial funding, our society's problems will only be compounded.

We urge the Review Commission to recommend a funding system that is based on student performance outcomes. We urge the Commission to recommend a formula that incorporates the mandates of Abbott v. Burke. We urge the Commission to recommend, at minimum, spending levels set by the average of the I and J districts to assure a leveling up, not a leveling down -- a leveling up of the quality of education in New Jersey.

Each district cannot be painted with the same brush; therefore, we urge the Commission to allow for flexibility in the funding formula. Certain State and Federal mandates fix costs and categorical aid for which local districts have absolutely no control, and should be placed outside a budget cap.

We urge the Commission to recommend a funding formula which will reduce our reliance on local property taxes and will increase the use of State funds to support public education.

We strongly recommend to the Commission that categorical aid remain the responsibility of the State and should be based on the actual excess costs of these programs. We feel that compensatory education funding should be separate and in addition to at-risk moneys. Compensatory education should be defined as those dollars needed to provide the instructional support for students below grade level. At-risk moneys defined for disadvantaged students should be continued to support those programs and services for those students at risk for failure, and carry a funding formula that is broader -- much broader than free or reduced milk standards.

We have successfully implemented several such programs in the Summit public schools. We've developed monitoring programs at both our high school and our middle school, which offer our students shadowing opportunities with our local businesses. This provides students the opportunity to observe and evaluate both vocational and professional career options in the real world. We are currently collaborating with the Summit YMCA in developing a Black Achievers Program. We've developed after-school study centers, which provide student support and tutoring services, and a Parents' Institute to provide interracial, intercultural awareness and cooperation among our students, parents, teachers, and administrators.

We also urge the Commission to recommend that special education funding be funded by the State based on special education student numbers, their enrollment, and the average

excess cost of these programs. We need to ensure that all -- all -- the students receive a thorough and efficient education, and that handicapped children are prepared to lead the full and productive life that they are entitled to.

Again, the challenge is yours. We urge you to develop a formula that will be both flexible and equitable. It must guarantee that all the children of New Jersey will receive a high-quality education and prepare them to work in a global economy.

Thank you.

MR. BURSTEIN: Thank you very much.

Henry Goldsmith, of Absecon.

H E N R Y G O L D S M I T H: Good morning. My name is Henry Goldsmith, and I am Chairman of the Fiscal Affairs Committee of the Absecon Board of Education.

Absecon is a small community in Atlantic County which has suffered greatly during the past five years from a steady erosion of State aid for education at a time when depressed real estate values and lack of commercial ratables have placed an ever-increasing burden on our home-owner citizens. Our district's budgets have been defeated at the last two elections, and we've been required to cut both program and operating expenses from our budget each year to reach a compromise budget agreement with City Council.

Last April our proposed '93-'94 budget, which only increased total expenditures by 2.2 percent over '92-'93, was defeated by the voters. As a result, the Board had to negotiate with City Council. This resulted in an agreement to reduce expenditures by \$105,000. In order to achieve that objective, full-day kindergarten was reduced to a half-day program, two custodial positions were eliminated, the entire instrumental music program was dropped, and there were other cuts as well. As you can imagine, we heard from a lot of parents in the district who were unhappy with these programs cuts. We have no real alternatives.

During this past summer, we were made aware of the special needs student whose family lives in Absecon. The student is no longer in our K - 8 system, but is enrolled in Pleasantville High School. Under current laws, his needs were accessed by their child study team -- they're our receiving public high school -- and they produced an IEP, which recommended a residential placement.

The student has been placed in a program which will cost the taxpayers of Absecon about \$104,000 a year. Of this amount, the educational component is about \$22,000, and the balance is for residential and psychological services. We had no control over this decision, and we now face an annual obligation to provide for one child which will cost as much as the total cost of the full-day kindergarten program, which would benefit over 100 children, which was eliminated during our budget negotiations.

Clearly, there is something very wrong here. The State should create additional categories of specific State aid so that in situations such as ours, a district can look to a broader base for funding these extraordinary costs than our own local taxes.

In 1989-'90 State aid funded about 32 percent of our budget. This year State aid will only cover 16 percent of our costs. Mandated programs and our contractual commitments to labor, financing, and insurance costs mean that the Board actually only has discretionary spending control over less than 15 percent of our total annual budget of \$7 million plus. Thus, a mandated expenditure of \$100,000 means a reduction of 10 percent in all of our discretionary spending. This is neither fair nor wise.

Instead of being able to continue to provide a quality program, we are continually eroding the standards and quality that have been built up over the years. The logical but extremely unpalatable result will be that in a few years the

Quality Education Act and subsequent legislation will have succeeded in bringing Absecon's programs down to a level where we'll qualify for more aid, because we will have become substandard. What a ridiculous prospect.

We, in Absecon, are proud of our growing technology programs. Everyone here will agree that the adults of the 21st century must be both computer literate and trained in the latest technology. Unfortunately, however, the State has not yet recognized this pressing need; therefore, technology programs are not yet a part of the mandated curriculum. So when it comes to the final stages of budget refinement this year and the hard choices have to be made, we may find technology programs being sacrificed to provide mandated programs which do not benefit the general student body.

Another area where we, in Absecon, feel that we have been cruelly deceived by our legislators and the State Department of Education in Trenton deals with the issue of funding for lease-purchase agreements. Recognizing the need for additional facilities in the mid-1980s, Absecon decided to build a new school for grades K through 4 to replace a facility that was over 70 years old, and which no longer met the standards of the Department of Education.

We were encouraged by the Department as we developed an educational specification and building program to provide excellent facilities for the next 50 years. After two bond referenda had failed at the polls, we were actively encouraged by the County Office to consider lease-purchase as an alternate route to secure financing. Therefore, we chose to finance the building program using lease-purchase, which was at the time an accepted and approved form of financing.

Now we have a commitment to make lease-purchase payments for the next 16 years, but due to a change of philosophy in Trenton we are informed this expenditure of \$1 million a year, or roughly 15 percent of our total budget, no

longer qualifies for State aid. This arbitrary change of policy is not fair. Clearly, if the State had wanted to make lease-purchase unacceptable as a form of financing for schools, there should of have been a provision to grandfather in projects which have previously been not only approved, but already constructed and in operation.

Finally, one program that has been emasculated to a point of near elimination is our Gifted and Talented Program. With an overall student body of 930 students and 101 students qualified to participate, we can now only afford to spend \$37,000 a year for the entire Gifted and Talented Program, and even this amount may be in jeopardy next year. We feel that this should also become a specifically mandated and funded program so that we can afford to provide added educational services for our brightest and best students, the true leaders of tomorrow, so essential to restoring the United States as a leader in the world community.

Self-help is undoubtedly a key to survival in the '90s. In Absecon, we have taken steps to counter the cuts and losses of revenue. This year we established the Absecon Education Foundation, a nonprofit corporation, to involve the community, local businesses, and others with an interest in education to provide funding for peripheral activities which the Board has been unable to fund in recent years. We look forward to a positive effort, which will help fill the gap between our needs and our resources. Also, our Parent Teacher Organization has been a tireless supporter of school activities, providing funding for class trips, special programs, and other activities which the Board can no longer support.

All members of our educational family participate in fund-raising programs ranging from collecting supermarket receipts which pay for computer equipment, product labels, and bottle caps. Is this what education in New Jersey is coming

to, students having to save their soup labels and soda pop bottles to pay for computers and supplies? Ladies and gentlemen, there has to be a better way, and we look to you to find it.

Thank you.

MR. BURSTEIN: Thank you.

DR. GAGLIARDI: Mr. Chairman. Mr. Chairman?

MR. BURSTEIN: Yes, Mr. Goldsmith, did you want--
Okay, sure.

DR. GAGLIARDI: Before we go on any further, I have a question, sir. I address a point of order to you, Mr. Chairman.

MR. BURSTEIN: Yes.

DR. GAGLIARDI: I think there were two points that were made this morning that I would like, and perhaps the rest of the Commission members might like to hear some more from the Department of Ed, especially the Superintendent from Stanhope speaking about the per capita income statistics and how they're collected. I was very surprised to learn about this lease-purchase payment. I was not aware of it. I certainly would like to know how many that impacts and so on, because in this one particular paragraph, I think Mr. Goldsmith made an excellent point. I think it would help us to know the impact statewide on something like that.

MR. BURSTEIN: Absolutely. There were a number of nuggets of information in that presentation that require our attention. Those were just two of them that you pointed out. But we will contact the Department of Education to find out-- Well, I think they have a ready answer on the per capita income and the mechanism by which they use it. We've had testimony before this Commission which has criticized that use of income before.

DR. GAGLIARDI: But I've never seen the statement that was passed out.

MR. BURSTEIN: Yes, it leaves us less than firm in our belief that they have accurate statistics that they are working on.

DR. GAGLIARDI: Thank you.

MR. BURSTEIN: Those two elements we certainly will follow through on.

DR. GAGLIARDI: Thank you.

MR. BURSTEIN: Thank you, Dr. Gagliardi.

Next we have Dwight Pfennig, North Plainfield.

D W I G H T R. P F E N N I G: Good morning, Chairman Burstein, and members of the Commission. On behalf of the North Plainfield Board of Education and on behalf of all those concerned about the future of education in New Jersey, I thank you for the opportunity you provided me to present testimony in front of the Commission today. The issues about which I wish to speak are twofold.

First, I would like to support the position established by the New Jersey Associations for the Public School Coalition -- NJAPS -- which has been highlighted in several of your sessions prior to today. The suggestions they have made speak for themselves; however, a few should be emphasized again as you strive to strike a funding formula which serves the needs of all school districts in New Jersey as they provide sound learning experiences for all children.

First point: The pension and Social Security coverage for members of the TPAF should be the permanent responsibility of the State, and the appropriations for the same should be outside the State education budget. One only needs to review the confusion which ensued two years ago, when local school budgets were struck -- including the pension and Social Security figures -- to understand the negative impact suffered by school districts as they attempted to justify large budget increases to the voters.

We support the fact that current year enrollment should be the basis for all school aid. While districts have been diligent in providing the most accurate enrollment data possible, the continuously shifting demographics of the State caused several enrollment changes throughout the school year. Last year alone the North Plainfield School District, which has a total enrollment of 2500 students, experienced a shift of some 800 students, and we were merely the tip of the transient iceberg.

Point number three: The State needs to establish fair and equitable standards of determining student disadvantage. The formula should cease the use of a free and reduced milk or meal standard, which is currently being used. I haven't heard anyone who agrees with that at this point.

A local vote should be reformed markedly. It is long past time to stop voters from exercising their frustrations with all government spending on the local school districts. If other government agencies are not subject to the vote of the public, then the public schools of New Jersey should be treated with the same political dignity. We are not permitted to deficit, and yet we are more closely scrutinized than all government agencies which have caused great shifting of funds, spending down of surplus, and of course, the national deficit.

All budget items whose growth is determined by other government agencies or by factors outside of the direct control of the school districts should not be capped in any manner. Continuous capping has established the endless creation of spending cycles in curriculum, maintenance, and technology, which postpones important purchases and prohibits our students from remaining competitive in a more highly sophisticated employment market.

State revenues for education must be derived from sources other than local municipalities. All municipalities should receive a sound base for educational funding which is

realistic in nature, is drawn from a common tax base similar to income tax and/or lottery taxes, and provides a mechanism through which property-poor districts can fairly operate a competitive school system.

New Jersey should provide adequate funding for public schools to plan, as well as construct and renovate school facilities. Funding should be provided on an as-needed basis for districts which have the inability to enter the planning stages of facility rehabilitation, as well as those districts which have firm plans drawn and are ready to implement them immediately.

My second concern is based on the North Plainfield experience of having categorical aid frozen for two years. While efforts are in place to change the formula through which categorical aid is derived by individual school districts, there is no immediate plan on the horizon for immediate and emergent relief for school districts experiencing severe shifts in student populations eligible for categorical aid during the current school year.

Besides formulating a plan for current-year funding which falls in line with the NJAPS proposal, there needs to be a discretionary fund established to provide categorical aid relief during the current school year. The fund should be under the auspices of the Commissioner of Education and/or her designee, and be used only for the purpose of increasing categorical aid for districts experiencing substantial growth of student population in those programs funded with categorical aid.

The funding should be disseminated by application, which should have strict criteria for emergent relief. If the problem is not solved, the possibility of districts curtailing regular education programs, or substantially modifying them once they have already begun, becomes a reality during the school year.

A continued lack of additional funding in this area helps to foster negative attitudes toward participants in categorically aided programs, and makes the regular education budget a difficult selling point for all superintendents and boards of education. It is truly remarkable that no initiative has surfaced regarding the emergent relief for school districts experiencing rapid shifts in student population in a categorically aided funding programs.

Senators Ewing and DiFrancesco have been made aware of the problem through local town meetings and private sessions with school administrators. Assemblymen Bagger and Augustine, our representatives, have been made aware of the problem, and the general public has also been aware of the problem through local board of education meetings. If some relief is not given to those districts experiencing exorbitant costs in the categorical aid areas, the chance to provide a thorough and efficient education for all students in all districts in New Jersey will never occur.

Thank you.

MR. BURSTEIN: Thank you, sir.

Dr. Timothy Brennan, Parsippany-Troy Hills.

DR. GAGLIARDI: Do you think you can give some more testimony on these-- (laughter)

MR. BURSTEIN: Does anybody have 30 seconds of testimony? (laughter)

DR. GAGLIARDI: Will someone tell us when we violate the fire code in this room? (laughter)

MR. BURSTEIN: Well, that's why they're trying to tear this building down and put up a new convention center.

Dr. Brennan.

T I M O T H Y B R E N N A N, P h. D.: Good morning. Thank you for the opportunity to speak with you today.

What a job you have. The past quarter-century has seen possibly every permutation of tax base, income source, funding mechanism, and formula possible if we were to construct

a grid. All have been tried and found wanting. Perhaps the message here is that it is the underlying human dynamics which must be in place for any kind of funding formula to work.

I am Tim Brennan, Superintendent of the Parsippany-Troy Hills School District in Morris County. Our District is a Trustee of the Garden State Coalition of Schools. I also Chair the Commissioner's Ad Hoc Advisory Council on Curriculum and Assessment.

Germane to my presentation this morning: I hold membership on the Morris County Human Relations Commission; was formerly Chairperson of the Education Committee of the Monmouth County Human Relations Commission; helped organize the first ever Human Relations Day in New Jersey; and I am a member of the Committee to honor Raoul Wallenberg. We hope to build a sculpture in Parsippany honoring the Scandinavian diplomat who saved perhaps 100,000 Jews from the Holocaust.

I am here to urge you not to inadvertently create a climate favorable to racism. Before you become insulted, let me tell you that I know firsthand that that is easier to do than one might expect.

In 1990 the Quality Education Act, I thought, spelled doom for my then school district, Holmdel. We were a rich town which was, nevertheless, spending below the State average on per pupil expenditure. It wasn't the loss of minimum aid. My colleagues and I had virtually agreed that minimum aid was long overdue to be made illegal and go the way of the dinosaur. It certainly wasn't the funneling of the funds to the urban districts. We saw that as a real investment in human development and, again, long overdue.

It was the pension piece that made us decide to take action, and so a number of us formed an organization called Boston Tea '90. We saw ourselves as moderates. In fact, our tortured acronym stood for Boards Of Schools Together Organizing, Negotiating, The Education Act. We were shocked to

find that the media and others focus not on our call for a forum for discussion, but on the image of tea being dumped in the Boston Harbor.

On the good side, however, that media image led us to many speaking engagements, panels, and forums. At each one, we -- Boston Tea '90 -- would be careful to outline our position that we hoped that the funding for urban children would become what it had always been meant to be, their constitutional right; but that we did not see, in the midst of a huge tax increase, why that had to be done at the expense of other school children throughout the State. As carefully as we framed that position at almost every one of those hearings, people would come up to us at the end and say, "Congratulations. Those people don't need money. Giving those people money is like throwing it into a hole." These were people of responsible position, and I am choosing the most innocuous of the statements we heard, devoid of the racial epithets.

Racism is the belief that a person's racial characteristics are the most important. You can understand how antithetical that is to education. Why bother with curriculum, assessment, facilities, and this 12-, 14-year process if what really is important is a person's skin color or physical characteristics? The framers of the QEA of 1990 never meant to establish a climate favorable to racism, neither did we in forming Boston Tea '90, but inadvertently we both did. Sigmund Freud was right when he said, "Fear narrows perception."

Racism is unusually easy to trigger because it doesn't seem to rely on any logic. It seems to reside below the level of rationality, back there with the fight or flight response that got us through the caveman era. Perhaps the best example of the kind of convoluted logic that racists seem to use to think about urban school children-- I remember from the statement that it had nothing to with school funding. It was

an Environmental Protection Agency holding hearings on the pollution of the Great Lakes, and it was a corporate executive on the stand. He said, "You want to know what's polluting Lake Erie? I'll tell you. It's all those dead fish." Ending racism will be the work of many lifetimes.

I urge the Commission by your actions and by your reports to exercise caution to maintain and buttress the progress we've made since 1990. This progress is reflected in the greater understanding -- it seems to be on the part of all of us -- that we are in the same effort together.

For your information, I've included a 25-year retrospective juxtaposing our funding failures with our instructional successes. New Jersey has raised the bar on performance and content standards with great systematic achievement, and has failed repeatedly to put in place the funding part of that formula.

I urge the Commission to do nothing which would throw us back into the mini-dark age of 1990, when little was spoken about an education except whether we would each get our piece of the pie, and when the seditious tendency of racism was given a favorable environment.

From a person who jumped into the fray in 1990, to some people I admire for being willing to do so in 1993, I wish you the best of luck -- your efforts.

MR. BURSTEIN: Thank you. I'm told we need it.

Lynn John, Glen Ridge.

L Y N N J O H N: Good morning. I am Lynn John, Legislative Chairperson for the Glen Ridge Board of Education. You've heard testimony from the Garden State Coalition of Schools, of which we are a member, and from the New Jersey Association for Public Schools Coalition. I thought I could be most helpful by giving you specific information from our district that further supports their testimony.

Glen Ridge is a small suburban community that has felt the leveling down effects of QEA. We are currently an I district. Our community has demonstrated support for our schools by approving a budget that resulted in an average payment of \$4250 per household in property taxes for the schools. This is a struggle for many of our residents. Our tax rate per \$100 of equalized valuation was \$1.62 for '92-'93. This is well above the State average of \$1.09. Our per pupil expenditure of \$8475 is only \$400 above the State average of \$8051 for I and J districts.

Our total assessed valuation is declining, and we have no industry, few businesses, and no room for building. In short, we have no way to increase our tax base, thus we were hit hard when our transition aid was cut. Over 90 percent of our funding comes from local sources; less than 10 percent comes from the State and Federal government.

Although members of our community agree with the goal of providing greater financial aid to the State's poorest districts, in order to implement the mandate of Abbott v. Burke I think you will understand why they would not be willing to raise their property taxes in order to do this. We join the Garden State Coalition in urging you to recommend a formula which both supports equality and furthers higher levels of student achievement.

Glen Ridge has a tradition of quality education and high student achievement. Our high school's SAT scores are 15th in the State. If QEA had been fully implemented, we would have been forced to eliminate some of the educational programs and support services which contributed to this high level of achievement. We would have lost nearly \$1.25 million, or 10 percent of our total budget, in transition aid and in dollars diverted from education to replace State payments for pension and Social Security costs. Glen Ridge, like all districts, continues to be hit with the high rate of growth and fixed cost.

In the past year, health insurance costs for our employees rose 12 percent, and out-of-district special education tuition rose 29 percent. Our cap was 5.63 percent. Regular education programs get what is left over, rather than forming the heart of the budget. Strong consideration should be given to putting health benefits and special education outside the cap and focusing efforts at the State level in controlling these costs. It is very possible that the cost of health benefits will rise dramatically when Clinton's health plan takes effect. If health care costs are within the cap, regular education will suffer.

In the meantime, restructuring health benefits to reduce cost needs to be examined at the State level. I will talk more about special education when I address categorical aid. In addition to the work done by the Garden State Coalition of Schools, we applaud and support the efforts of the New Jersey Association for Public Schools Coalition. We heartily agree with NJAPS that money alone will not solve all the problems in public education. Many of the problems facing public schools today are societal problems.

Social service agencies must work in concert with the Department of Education. While it may make sense to have schools be the site for the delivery of some social services, the funding should come from the social service agencies, not from the education budget. We must translate the education dollars into those things that have been shown to improve educational outcomes, such as early childhood education and school libraries. Total education funding needs to be increased, including increased funding to the Department of Education to support research, to develop programs, and to monitor whether the programs and dollars are achieving the desired results.

All districts, not just special needs districts, need to continue looking at whether they spend money effectively. It is not surprising that Glen Ridge would support a formula

such as that put forth by the NJAPS Coalition that takes local tax effort into account. We agree with the NJAPS Coalition that categorical aid should be independent of local district wealth.

In the words of the Supreme Court, "Categorical aid helps meet the cost of educating students with special needs who reside in all districts." Special education aid covers less than half of our costs. Every time our Board votes to approve tuition and transportation for a special education student, I realize that the money could buy another teacher. We have to trust that our staff has been cost conscious in choosing the best alternative. As our ability to help children with disabilities increases, special education costs will skyrocket just as health care costs have.

The time may not be far off when the Board will have to choose to either reduce services required by children with disabilities -- which we cannot legally do -- or cut programs that are the foundation for the success of our regular education students. This crisis needs to be dealt with at the State level. As long as most of the cost for special education is borne by the local taxpayers, the State has little incentive to take into account the full impact of the regulations. We agree that there should be limits on local spending as long as some provision is made for those items over which we have no control, such as fuel prices during the energy crisis, health benefits, and special education.

Our Board has mixed feelings as to whether the public should vote on the budget. Yes, we want the community involvement, but it is the only budget voted on. Since over 90 percent of our budget comes from local revenue sources, our community seems to want to have a say in the budget process, not just when proposed spending exceeds statutory limits. We agree that the formula must provide for flexibility and allow for annual modification. We, too, share the Coalition's vision

of public schools as exciting learning centers where the children of New Jersey flourish and are prepared for the economic and social challenges of the 21st century.

Our core mission in Glen Ridge is to provide students with the educational opportunities and academic experiences that enable them to maximize their potential. We seek an understanding of issues affecting the world, while addressing the unique needs of each student in a changing world.

In closing, I would like to express our gratitude for the work you are doing. Your careful examination of how best to fund education in this State, combined with the reforms being carried out by the current Department of Education and the emergence of the NJAPS Coalition, should result in very positive outcomes for the children of New Jersey. I urge you please to take the time to do it right. I don't think we'll get this chance again.

MR. BURSTEIN: Thank you. Not through this Commission will there be another chance, or this Chairman.

Carolyn--

I'm sorry, yes?.

MR. GEYER: I guess it's too late.

MR. BURSTEIN: Yes, could you come back for a moment, Ms. John. One of the Commissioners would like to ask you questions.

MR. GEYER: I was just wondering. You said that your cost per pupil was about \$400 above the State average. Do you know what it would have been -- how much it increased since, say, five years ago?

MS. JOHN: No, because I haven't been involved that long. I got the figures from the Education Law Center, so they didn't actually agree with the figures on the report card either and--

MR. GEYER: As far as you know.

MS. JOHN: No, I could find out, but--

MR. GEYER: Has the Board made attempts to get some control over the inflation of health costs as businesses have, by having copays, deductibles, health managed-care plans, and so forth.

MS. JOHN: They did switch plans before I came on the Board. I've only been there a year and a half, and that did lower cost for the time being. My personal concern is that they need to do more and they need to restructure them.

MR. GEYER: Do you feel that that has to be done at the State level?

MS. JOHN: Well, my background is in health care administration. I really think it does need to be, because looking at our plan briefly, it does not cover really catastrophic illnesses. There is a lot of first-dollar coverage, and the employees and the health plan aren't going to change that on their own to get the coverage for the catastrophic illnesses and to not have so much first-dollar coverage, which is really costly.

MR. GEYER: Has the School Board proposed that?

MS. JOHN: Not at this point. We are getting ready to go into another round of negotiations.

MR. GEYER: So you will propose that?

MS. JOHN: I am not on the Negotiations Committee. I mean, I am certainly pushing for it.

MR. GEYER: I'm sorry, I misunderstood.

MR. BURSTEIN: Thank you, Ms. John.

Ms. Nunery.

C A R O L Y N T. N U N E R Y: I'm Carolyn Nunery, President of the Montclair Board of Education, and joining me at the table is Betty Hudson, who is the Legislative Chair for the Board.

Montclair is a moderate spending district, under a desegregation order, operating choice and magnet programs. As a School Board, we are hard-pressed to meet the increasing

needs of students with scarce Federal and State resources, limited means to raise funds, and overburdened taxpayers.

Betty will share with you our concerns regarding a school funding formula that can provide for all of the educational needs of our children.

B E T T Y H U D S O N : Thanks, Carolyn.

You know, it's tempting to react to issues like those before this Commission from one's own district's perspective and to take positions that basically protect one's perceived local interest. In Montclair, we have tried to resist that urge. We wanted to understand the issues on a statewide basis, and as a result, representatives from the Montclair Coalition of Board of Education members and the PTA have attended most of the meetings of your Commission during the course of the past six months. The sessions have been illuminating and thought provoking, and we've learned a great deal. We hope as a result our comments will be of some help.

First of all, let us say that we agree with the essential conclusion of the NJAPS proposal. Wholesale tax reform is, indeed, called for. Property tax is regressive and no longer works fairly and effectively. Other states grappling with the same issue seem to be coming to that conclusion. Now, we are not naive about how difficult that is politically, but it is essential. We will actively support a grassroots movement to mobilize all the parents of school-age children in this State to call upon their elected officials to take it on, and your Commission should do the same.

We also recognize that even if the will to reform taxes is there, the process is going to take some time. In the interim you should and must, no doubt, recommend a number of adjustments and new approaches to our current foundation formula. Perhaps you need to consider two separate structures of funding -- one for the special needs districts and one for the others.

It seems to us that it is impossible to craft a monolithic approach that is fair to all of our children when the fundamental realities of those children's circumstances are so different. It is disingenuous to claim that we have ever really achieved equalized spending when the tortuously arrived at formula immediately begins to make exceptions and adjustments off the base.

Now, we have already agreed and established there are at least 30 districts within New Jersey that have real and special needs that are dramatically and demonstrably different from those of other districts. It is almost oxymoronic to then attempt to find a single funding formula that can hope to deal with that disparity. You could perhaps create a model that funds building and facility needs and nonclassroom services outside of foundation aid, and then looks to equalize the in-class per pupil expenditure.

Now, we are certainly not suggesting that the special needs district can make do with any less money. But a dual structure might make -- more precisely and effectively address the needs of our diverse population. Whatever your approach, we would like to ask you to consider some suggestions:

The State should fully assume coordination and funding of special education services for a child who cannot be mainstreamed or requires out-of-district placement. The children in need of such services are randomly and disproportionately distributed throughout the State, and the cost of services to assist them are spiraling out of control. One or two additional children in a town can upend a school budget. We have a number of individuals in Montclair whose care costs in excess of \$175 -- \$100,000. One is at 175K. Our supplemental help from the State comes to \$2857 per child.

The State could establish regional centers, evaluate and place on a consistent criteria, and perhaps recover funds for the care from agencies such as Medicaid or Medicare. The

State has assumed a large responsibility for the vocational-technical schools by providing one in each county. We believe that model could conceivably also work in terms of special ed.

Now, we believe in accountability for funds received, and we believe in incentives. While we know incentive-based models are not practical ways to distribute all of the State's aid, we urge you to create a mechanism to reward improvement along the lines of the Kentucky model, which among other things established a multimillion dollar fund to reward individual schools for improvement over their own past records.

We also know that court decisions affect many aspects of schooling. Two decades ago, as a result of a Court order, many districts like ours were compelled to desegregate our schools. It is a good but costly undertaking. We are very proud of our resulting nationally recognized magnet system that has enabled Montclair to make great strides toward a fully integrated program. But 10 percent of our total current expense budget goes to implementing that desegregation initiative. The additional cost ranges from bus aides and increased transportation, to our full-day pre-K, minority achievement, and early and late room programs, among other things.

In 1980, we received approximately one dollar out of every three from the State or Federal government. Today it's one out of every five, and local taxes, which have increased more than 120 percent in the past 13 years, provide the rest.

Now, we believe passionately in the premise and the promise of desegregation, and do not want to see our district lose any of the hard-won progress made over the course of the last two decades. We think that desegregation is a special financial need that should be met through categorical aid apportioned by a set formula to those districts that have a formal desegregation plan. Change or remove State rules and

regulations that make it difficult for districts to innovate and solve their problems locally. Most wouldn't cost the State a dime, and many could save the district both time and money.

For example, State requirements for leasing space make it practically impossible for a district to rent classrooms, which may make more sense than trying to build or own facilities. Districts with growing populations should be able to explore new ways to utilize large space without huge retrofitting expense. Allow districts like Montclair -- with our nationally recognized but nonmandated full-day, pre-K program -- to charge tuition on a sliding scale, ability-to-pay basis so we can save that obviously important aspect of our system.

Encourage more regional sharing by rewarding districts that achieve breakthroughs. Multidistrict transportation and interactive television consortiums like the one in Bergen County are two examples of the many that exist. In the private sector, business units that find savings are sometimes given a percentage of what's realized in the savings as a reward. Maybe there is a way to stretch or something similar.

As you develop the ability-to-pay yardsticks for districts while we wait for tax reform, please consider incorporating a factor that takes into account the disparity in the tax burden to the individual property owner between districts that have commercial and industrial tax bases, and those that are primarily residential. As residents of a district that is 84 percent residential, we can attest to the growing resistance that our community has to further increases in our already substantial tax rate.

Despite the tax bite, we are a moderate spending district with a per pupil expenditure that is below average for our county and our factor group. We cannot overemphasize the growing crisis in the minimum aid districts under the current T and E formula. Local property values have fallen, further

increasing the tax burden. Our school population is increasing, and with it the number of at-risk and special needs children we must serve.

We ask that you take the time to review a document, which we circulated with our testimony, that was prepared by our PTA Legislative Task Force, that details the specifics of our situation in Montclair, which we've included in our testimony. We represent a community that we believe has made great strides in public education over the past two decades. Our system is today stretched to capacity and in danger of regression because of fiscal pressures. We need your help and we offer you ours.

Thank you.

MR. BURSTEIN: Thank you. Dr. Goertz has a question.

DR. GOERTZ: Just one quick question. Is Montclair continuing to receive State desegregation aid?

MS. HUDSON: Yes, we did this year.

MS. NUNERY: Yes.

DR. GOERTZ: You did this year. Okay, thank you.

MR. BURSTEIN: Thank you.

Dr. Daniel Mastrobuono, Fairfield.

D A N I E L R. M A S T R O B U O N O, P h. D.: Good morning and thank you.

I am the Superintendent of Schools in a District generally considered to be one of the poorest in the State of New Jersey. We are 70 percent African-American. We have two Indian tribes and a migrant population which changes depending upon what time of year it is. So I am here to speak to the plight of the rural, small, poor school district.

Let's be perfectly clear at the beginning that I am not casting aspersions upon our urban brethren. They have needs that have to be met as well.

We've been left out of the mix relative to the funding situation. The efforts made under the QEA I law were laudable, but they fell far short for those of us who are rural, small, and poor.

So I have three points I'd like to present to the Commission today. The first is that dealing with municipal overburden-- Municipal overburden in the rural municipalities, the small school districts, and the poor will result in an increasing disparity between the expenditure per pupil of the wealthier school districts and those in the poor, rural, small school districts.

Now let me quote something from Abbott v. Burke:

"Municipal overburden is the excessive tax levy some municipalities must impose to meet governmental needs other than education. It's a common characteristic of the poor urban districts, a product of their relatively low property values against which the local taxes is assessed, and the high level of government need. The governmental need includes the entire range of goods and services made available to citizens." That came from Abbott v. Burke. It continues with, "The underlying causes of municipal overburden are many and complex. Its consequences, however, are clear and simple. Municipal overburden is no less a characteristic of the poor, small, rural school districts than of the poor, urban ones."

In many of these rural, small, poor districts increased school taxes had to be raised based upon, in our school district, 9.25 percent commercial ratables. We couldn't do it, so we wound up cutting dramatically.

If you are going to look at a county, Cumberland County is the poorest county in the State of New Jersey. I heard someone ask earlier about per capita income. Well, we are 21st out of 21, so we would like that considered. In 1979, New Jersey's average per capita personal income was \$10,273;

Cumberland County's was \$7000. This demonstrates that under QEA we are going to get worse, not better. We hope under NJAPS that is not the same situation.

The second point I'd like to make to the Commission today has to do with the curriculum of these poor, small, rural school districts. Virtually every subject that ties a child to school is affected by this funding situation that we are dealing with. Thorough and efficient education means more than teaching the skills needed to compete in the labor market. It means being able to fulfill one's role as a citizen; a role that encompasses far more than merely registering to vote. It means the ability to participate fully in society, in the life of one's community; the ability to appreciate music, art, and literature; and the ability to share all that with friends. If you recognize that, you should. It's from Abbott v. Burke.

Rather than receiving more access to these educational resources, the students in the poor, small, rural school districts get less. Under the funding amendments of QEA II, we continue to get less -- less access to educational resources than the children in wealthier and urban school districts.

My third point for the Commission today has to do with many of the poor, rural, small school districts do not create an environment that is conducive to learning. That has resulted in many things happening to the buildings. Specifically, we defer maintenance, I think, better than anyone else in the State. Now, these schools then will not create an environment for education enjoyed by students in other school districts, but the quality of the educational environment has gone down and will continue to go down.

Clearly, just as the Court found that education afforded to the students in poor, urban school districts is deficient when compared to their wealthy brethren, the education afforded the students in the poor, rural, small school districts is deficient when compared to that of most

school districts in the State. Much of the reason for this deficient education is the lower expenditure for education in these districts.

Low incomes, municipal overburden, high unemployment rates -- ours is over 13 percent -- low growth rates make it impossible for local taxes to make up for the loss of State aid occasioned by the amendment to the QEA. Accordingly, the disparity in spending for education between the rural districts of Cumberland County and the wealthier districts of the State will not be overcome, and consequently neither will the educational deficiencies unless this Commission comes up with a realistic approach to dealing with all the students in the State.

If we don't do this, we will deny to the children of these rural, poor school districts of the entire State the thorough and efficient education which is required to enable those children to compete later in life with the children educated in wealthier school districts in our State. Therefore, I wish you great success and much luck, and please do not segregate our children based upon a municipal boundary line.

Thank you very much.

MR. BURSTEIN: Thank you. Just to make it clear, your Fairfield is Cumberland County, Fairfield?

DR. MASTROBUONO: Yes, sir.

MR. BURSTEIN: There is a Fairfield in Essex County.

DR. MASTROBUONO: There are four of them, sir.

MR. BURSTEIN: Oh, well. (laughter) See, my education has improved today, too.

Did somebody have a comment?

DR. GAGLIARDI: I do.

MR. BURSTEIN: Yes, Dr. Gagliardi.

DR. GAGLIARDI: Are you in favor of a fiscal incentive for regionalization, Dr. Mastrobuono?

DR. MASTROBUONO: Well--

DR. GAGLIARDI: Let me ask you first a question -- first. How large is your school district?

DR. MASTROBUONO: Eight hundred.

DR. GAGLIARDI: Eight hundred students, K through 8?

DR. MASTROBUONO: Pre-K through 8, yes, sir.

DR. GAGLIARDI: Would you answer the second question -- fiscal incentive?

DR. MASTROBUONO: As Mr. Moran knows, I've been doing research on small and rural school districts for the last 20 years, and if you look at the 1989 Cornell Study from New York, it clearly indicates with their research that that procedure does not work. However, if I am in favor of it, I'm in favor of consortium efforts and bringing together people to do similar kinds of things. The problem is, with the situation that exists in Cumberland County, with 70 percent African-Americans in my school district and the surrounding similarity, who do I merge with and not run into a desegregation problem?

DR. GAGLIARDI: So you're answering my question with a question, I guess. (laughter)

MR. BURSTEIN: It's a rhetorical question.

DR. MASTROBUONO: Well, I am certainly interested in dealing with the idea of regionalizing services. This past year we wrote a grant for the State for a transportation grant, and we got it for \$85,000. We put all 16 school districts together in one effort for special education transportation. I am not against it, but I think there are other ways of doing it.

DR. GAGLIARDI: Thank you.

MR. BURSTEIN: Thank you.

Dr. Murray Peyton, Warren Township.

M U R R A Y S. P E Y T O N, Ed.D.: Thank you for the opportunity to address you today.

I am the Business Administrator for the Warren Township Schools, a K through 8 district, a minimum-aid district, one of about 250 in the State. Any points I make today will probably, for the most part, underline the points that have been made very effectively up to this point by a number of other commentators. You should have copies of my one-page--

MR. BURSTEIN: We have them.

DR. PEYTON: The school funding system that you recommend will impact 600 school districts in New Jersey. I hope that you are successful in designing a system which will best meet the varying needs of all of them, as well as satisfying the Court mandates. I am concerned that the Court's focus on the 30 urban districts may impose unreasonable burdens on the 570 districts.

Decisions begin with a clear definition of the situation to be changed and a clear understanding of what should not be changed. From those understandings comes a decision framework, a set of criteria which defines the goals of the decision. These goals represent what is wanted and what is to be avoided. Consensus on the goals by those impacted is desirable, and I applaud the opportunities given to those in New Jersey public education to help you define and refine your decision framework. You've been hearing a lot today about what should be in that framework.

I hope that your goals for the school funding system include the following:

- 1) They will guarantee opportunities for all children to have access to a basic education, which will enable them to be competitive in jobs, higher education markets, without leveling down the quality of programs in "wealthy" districts.

- 2) That you will reduce dependency on the local property tax which "has less relation to a person's ability to pay than either the income or the sales tax". That was just a

quote that I picked out from the New Jersey School Boards' President, but it is supported by the doctoral research that I did a decade ago.

3) Distribute State aid inversely to ability to pay, measuring ability not by property, which correlates poorly with income, but by a per capita measure, which truly reflects what a community can pay, all of the revenues at its disposal, and one which reflects the full service burden which that community must address with its resources. So you are really looking for a measure that tells you what kind of money the community can take out of its pocket to pay the bills it has to pay. Income, other community revenues, all community services must be considered.

The study that I did 10 years ago compared four measures -- one that I devised, along with three other measures that were nationally recognized studies -- with the equalized valuation per pupil done in this State, and found the equalized valuation per pupil correlated very poorly, comparatively speaking, with the ability to pay of communities in this State. The four measures -- mine and three others -- were grouped right together and correlated better. They included other measures than simply the property tax, and they were per capita.

4) I would encourage efficiency in the use of resources without losing sight of individual district circumstances. The current budget caps are burdensome, but they do allow for some consideration for enrollment growth and increases in special ed -- not enough, some. I think they need to go further. They do not provide for the reality of out-of-control medical insurance costs, the need for facility improvement, or possible participation in the early retirement program. They really don't cover special ed costs, nor do they allow for much of any program improvement for "wealthy" districts.

Imposing, as does the NJAPS Coalition proposal, an arbitrary and inflexible 2 percent maximum on the amount by which a district -- with local permission -- may exceed its cap is simply wrongheaded. A cap has to be flexible in allowing for individual districts' circumstances and cost variables.

I guess I was misnumbering, but this would be point number five.

5) I would like to encourage facility improvement and maintenance. As you all know, we have, in this State, been deferring maintenance. Facilities play a central role in the effectiveness of instruction, yet they are the first area to see budget cuts since they don't protest immediately.

6) Provide for realistic -- what school districts cannot control -- service cost increases and annual State aid revenues, so that the State share does not decline over the years.

7) Eliminate the public vote except for that portion of the district budget which is above cap. There are a great many public safeguards in the present State oversight system, and the present defeated budget process is wasteful in terms of time and dollars. Appeals usually result in the State Department of Education, which approved the budget in the first place, supporting its initial judgment via restoration of most budget cuts.

8) Make the funding system dependable so that school officials can count on the figures given annually and not see figures manipulated annually as pawns in the political process. I've been 15 years as a business administrator; in almost none of those years have we been able to count on the figures that were given to us preliminarily, that we then turned and gave to the Board.

Warren Township is a "wealthy" K through 8 district, at about 1200 students. It has its '94 cap -- '94-'95 will likely be less than 5 percent. The salary contract for '94-'95

is one of the best -- from management's perspective -- in the State, with an increase between 4.3 percent and 5.9 percent depending on a C.P.I.-based formula. We've brought it down from the 10 percent, 9 percent of the preceding years. Seventy percent of our budget is for labor, a figure typical of school districts. The balance of our budget is dominated by special education, tuition, transportation, and utility costs, and is very difficult to control.

I estimate 90 percent of our budget is essentially beyond our control. State and Federal mandates play a major role. Ten percent of our budget is slightly controllable -- instructional materials, telephone, facility repairs and supplies, legal services, equipment, capital improvements, program improvement, in-service training -- but you can't knock all of those items out. We are a small K through 8 district without administrative layers, and administrators have to play all the instruments.

An additional 80 to 100 pupils are projected for next year for us -- a rise from 917 in 1984 to 1262 this year -- and enrollment is expected to continue to rise to 1650 in the next five years. Warren will have to increase its staff, its benefits, transportation, instructional supply, and facilities budgeting significantly. Our mandated special education costs are rising dramatically, and will most likely continue the trend.

In the past two years -- '91-'92 to '93-'94 -- between the newly mandated special education inclusion program and the out-of-district tuition and transportation obligations, our expenses for this area of the budget have increased from \$1.4 million to \$1.9 million approximately, or \$480,000 -- about 34 percent of our overall budget, which is approximately \$12.25 million.

Warren faces the possibility of program cuts without some recognition -- within the cap guidelines that you devise -- of its circumstances, and of the circumstances which I

maintain are typical of many, many school districts. You've already heard testimony to that effect. There are a great many other school districts -- approximately 230 minimum, I think it's maybe closer to 250 -- with similar circumstances. I hope that you'll make every effort to recognize the needs of all 600 districts in your final decision framework.

Thanks so much for the opportunity to talk to you.

MR. BURSTEIN: Thank you.

Yes, Dr. Coleman?

DR. COLEMAN: You mentioned in point 3, Dr. Peyton, that you had done some work looking at some other correlates with the ability to pay, but you, sort of, I guess, dismissed equalized property value. But I never got a sense of what the three other measures that you made reference to were.

MR. PEYTON: The measures that I looked at-- Incidentally, most of the State, I believe, even in the northeast area, has moved to some measure that goes beyond property value in itself. They've gone very often to per capita measures, and they've combined in some fashion, some form of income. I understand the concern that was expressed earlier here about the income. Whatever you use to measure, you've got to have accurate data. I, for one, cannot believe that we cannot, with the income tax in the State, secure accurate income data. If you don't have any accurate income data and you're using 1980's Census, I don't wonder at the concern that was expressed earlier.

I think you have to combine, and I did combine in the measures that I looked at. They looked at income combinations with property value. They kept-- In my case, it kept the commercial element of that intact. We simply modified the property tax value by a factor of income. Because if you look at it, you've got two houses in a town -- and this is fairly common. You can have a senior citizen living next door to a young couple, and they are in a house that is assessed at

\$200,000, let's say, or \$100,000 for tax purposes, let's say, and one makes a \$30,000 income and the other makes \$100,000 income.

Now, to say that those two houses are equally able to pay doesn't make sense to me. It's the dollars that you've got available to pull out of your pocket -- the community has to pull out of it's pocket -- that you've got to look at. How do you look at it? You look at income. You look at what the community can bring in; you look at from all sources in the community; and you look also at the burden that that community has to bear. Municipal overburden is something. It's service burden that has to be looked at.

I looked at it peripherally in my study and simply devised what I thought was a measure that could be examined. I don't know whether that is responsive to your question or not.

MR. BURSTEIN: Dr. Peyton, if you used the New Jersey gross income tax as your barometer, you're dealing with a gross tax not taxable income. How would you account for that?

DR. PEYTON: I believe the Division of Taxation has statistics that indicate the per capita income in each community based on income tax returns. If they don't, they--

MR. BURSTEIN: They may have your income, but it doesn't tell what your expenses are, except on the Federal return.

DR. PEYTON: No, I understand. I'm talking-- You asked about the income, and that's one that I could find. I am looking at the burden that a community has to bear.

MR. BURSTEIN: I understand. No, we are not getting into dialogue right now, okay. All right.

Thank you very much.

Carolyn Smith, New Jersey School Boards.

C A R O L Y N R. S. S M I T H: Good morning, I am Carolyn Smith, President of the New Jersey School Boards Association, and I would first like to thank the Education

Funding Commission for holding a public hearing in conjunction with our annual workshop.

As we all know, the problem of school funding is nothing new. Looking back at our own history, we see that back in the 1920s we were looking at school funding as related to a railroad tax. In the early '50s, we were looking at the lack of State support in response to the post-World War II babyboom, and still more than 40 decades later the debate continues.

Our Association's involvement in school finance over the years has gone far beyond simply lobbying for additional school funding. It has included exhaustive studies by several committees of local school board members and countless actions by our delegate assemblies. In 1992, we established a standing committee devoted exclusively to studying finance. Like your Commission, our Finance Committee is charged with developing a permanent school finance system.

One common principle has run through all of our efforts: Remove children and their education from the political arena. Whether our positions on funding came in 1981 as a result of the Abbott v. Burke decision, in 1991 as a result of the Quality Education Act, or through the efforts of our standing School Finance Committee, any solution must support four elements: quality, equity of programming, fairness to the local taxpayer, and accountability.

We support the school funding proposal presented to you by the NJAPS Coalition in September. That plan reflects several of our long-standing beliefs about school funding.

To ensure fairness, a funding formula must provide a higher level of State support for education; that is, we must increase the average level of 40 percent to 60 percent State contribution. There must be less reliance on property taxes to support public education so that all students in all communities have the same opportunities. We must ensure

quality, a guarantee that no district will have to or be forced to level down its instructional program. Finally accountability, both fiscal and educational, is essential.

An important factor for solving the school funding crisis in our State is to eliminate the overreliance on local property taxes. It is a major cause of inequity. It is a major cause of nonsupport for public education. Often overburdened home owners feel they have no choice but to oppose expenditures for schools. What we have is a regressive method of raising funds that has little correlation to citizens' ability to pay.

The New Jersey School Boards Association strongly urges this Commission to develop a funding system that will once and for all move our State -- move New Jersey away from the practice of using local property taxes to pay the majority of school costs.

I also want to focus on another very essential element of the NJAPS Coalition proposal, and that is accountability. It is a factor that all of you must take into account in developing a recommendation for a long-term school finance system. For too long, accountability has been a word that has been missing from the vocabulary of State education aid, and in fact, from many other areas of public education. We have taken many steps in this area.

For instance, in the past year we have sponsored two forums featuring Dr. Bruce Cooper, a school finance expert who has developed a method to track school expenditures to their conclusion. Individual school districts can use the Cooper Method to determine what proportion of State, Federal, and local funds reach the classroom, compared to how much of that money goes to administrative costs and overhead expenses.

The New Jersey School Boards Association also has a decade-old policy in support of a reporting system that would give parents and the community information about individual

schools in such areas as student achievement, the socioeconomic background of students, programming, and expenditures.

Undoubtedly, during your four public hearings this Commission has heard about the severe facility needs facing our State's school districts. We share that concern. It is one constantly expressed by board members from all districts -- urban, suburban, and rural. We commend the Commission for taking the time last Wednesday to visit three schools in Trenton and to witness firsthand the facility challenges facing a special needs school district.

However, many of the facility needs facing Trenton are not unique to that city. They are not unique to special needs districts. They are not unique to urban districts. Across our State over the years, budget crunches and State aid shortfalls have forced all types of school districts to postpone maintenance. Deferral of maintenance may sound sexy, but it isn't. It is doom for our children. Overburdened taxpayers have rejected building proposals. The day is long past due, and the piper must be paid. You must address the serious problems of facilities that face our State. Caring for the buildings in which our children learn is a challenge to school funding.

Another challenge will be to make sure they have the proper classroom tools to succeed in this era of technological advancement. In 1993, far too many of our children are learning in classrooms that are no different from when you and I went to school. Yet technology has advanced enormously, even in just the last decade after the first microcomputer entered some classrooms. We now have personal computers, CD-ROM technology, and interactive video to name just a few. They offer tremendous potential for transforming education for making our children's learning more effective and more efficient, as well as more cost-effective.

Technology also offers an opportunity to provide educational equity for all of our students, no matter where they live. It is essential that a permanent school finance system for New Jersey take into account our children's need for advanced technology to adequately prepare them for their future. We must also make sure that the people we entrust with our children's education -- our teachers -- are up to the task of educating in this highly technological environment.

Technology is changing so rapidly that it is more essential than ever that teachers keep up-to-date in teaching methods, subject areas, quality teaching, and learning, as well as how technology can be used to support their efforts. In developing a permanent school funding system, I urge you to take into account the need for the continuing education and in-service training of all of our teachers.

As we design our curriculum for the future, as we ensure technology and a well-trained teaching force, we have to make sure that our children attend schools in safe and modern facilities. Investing in our education infrastructure today is the most efficient recommendation that this Commission can make.

The New Jersey School Boards Association, which represents 100 percent of New Jersey's local boards, urges the Funding Review Commission to ensure that the principles of quality, equity, fairness through property tax relief, and accountability are all part of a new school finance system. Time has a way of passing very quickly, but in that time more than one million students annually are continuing to be educated or not educated. We urge you to remember our children and their needs as you reach your conclusions in a timely fashion. This is a recommendation that cannot be put off.

Thank you.

MR. BURSTEIN: Thank you.

MS. SMITH: I would also like to say that I know that it is very intimate in here. I was thinking about it, and I

realized that one of the things that as a Commission you have to remember, as we as school board members have to remember as administrators, is that we are one community. The closer together we are -- even if it's physically in this room -- is critical, because we are all in this together for kids.

Thank you.

MR. BURSTEIN: Thank you.

Charles Reilly, School Boards Finance Committee.

C H A R L E S R E I L L Y: Mr. Chairman, I'd like to initially concur in your thanks to Dr. Boose for providing this room this morning. I'd also like to thank him for the cups for the water. Perhaps the water will come sometime later for the speakers. (laughter)

DR. BOOSE: We couldn't afford it.

MR. BURSTEIN: We're on a very spare budget.

MR. REILLY: My name is Charles Reilly, and I am a member of the Ridgewood and Bergen County School Boards. As a representative of the New Jersey's School Boards Association's School Finance Committee, my purpose for speaking to you this morning is twofold.

First, I am here to present some concerns about school funding raised by school boards across the State. Second, I am here to convey to you the basic concepts of a school funding formula adopted by the New Jersey School Boards Association's School Finance Committee.

In 1993, several issues were raised concerning the compromised funding scheme imposed by the Public School Reform Act and its impact on local school boards. Many boards expressed concern about the negative implications for districts which budget below cap and then find that their subsequent year's expenditure level is reduced as a consequence. Boards that act to spend below the cap should not have their subsequent years spending level reduced as a "reward" for their frugality.

Additional cap concerns were raised by districts who sent students to special needs districts and experienced tuition increases that exceeded their budget cap levels. Still other districts expressed grave concerns about the cost of out-of-district placements for special education students relative to their budget cap levels.

In many instances, all the district's allowable growth is taken up by these costs. The current funding compromise, as well as the QEA before it, did nothing to address these concerns. Still other districts complain strenuously about the impact of the proration of debt service aid. In some instances, districts were forced to reduce other education program budget items because they anticipated full funding of the debt service aid component. Districts which entered into debt service agreements after opting out of lease-purchase arrangements to take advantage of reduced interest rates found that the net savings was less than anticipated because of reduced debt service aid.

New Jersey's School Boards' School Finance Committee has spent over a year grappling with the parameters of a school funding proposal that addresses the needs of all New Jersey school districts. In many respects, our School Finance Committee has operated in a fashion similar to that of the Education Funding Review Commission, having spent many sessions discussing the components of the Quality Education Act and the impact of the QEA on various New Jersey school districts. The School Finance Committee has heard testimony from representatives of various New Jersey school districts, as well as other members of the educational establishment, with recommendations concerning a new school funding mechanism that complies with the Abbott Court decision, while addressing the needs of foundation and transition districts.

This past September the School Finance Committee formally adopted the basic tenets for a school funding mechanism that we believe provides the basis for a formula that

satisfies the needs of all New Jersey school districts. The following are the main components of the model adopted by the School Finance Committee.

High-foundation formula: The Committee agreed unanimously that the State's school funding mechanism should be based on a high-foundation approach. This guarantees an emphasis on pupils rather than districts. The initial amount should be a figure which approximates the spending level for regular education for districts cited by the Abbott Court ruling. This level guarantees that there will be no leveling down in any district as a consequence of the high-foundation approach. Additionally, the Committee recommends that the foundation aid distribution be made first, before the distribution of categorical aid, as in the current QEA methodology.

Local levy requirement: The School Finance Committee also recommends a guaranteed local levy requirement to cover a portion of the cost of regular education. In order to address the Association's concern about the State's share of education cost rising to approximate the national average, it has recommended that the guaranteed local levy be set at a level that brings the State's share up to at least 50 percent. Districts that could fund their regular education costs below the established local levy amount would be allowed to do so. Districts desiring to spend beyond the established foundation amount for regular education could do so, within certain limitations, by increasing their local levy subject to the voter approval.

A second component is categorical program funding. Categorical funding would continue to be distributed without regard to local wealth. Funding for categorical programs would be calculated similar to the existing QEA method, using specific weights applied against the specific foundation amount. The School Finance Committee didn't make some

additional recommendations for categorical aid. Transportation aid should be revised to include some incentives for local districts to explore cooperative agreements to reduce the overall statewide cost of pupil transportation. Compensatory aid should be separated from at-risk program funding. The School Finance Committee believes that programs directed to students in districts throughout the State should be funded separately from creative programs geared to the needs of socioeconomically disadvantaged students.

Special education should be addressed separately from all other categoricals. Because of the magnitude of the cost involved for many districts, sufficient funding must be assured for special education. Otherwise, districts with high special education costs will be forced to compromise other equally important programs.

The School Finance Committee makes two further recommendations: 1) Full State funding for excess special education costs and; 2) a second student count for special education students should be incorporated into the new funding mechanism.

State revenue sources: Based on the assumption that partial shift from local property taxes to some other source of State revenue must occur to make our proposal viable, the School Finance Committee considered the following potential revenue sources listed in priority order. The Committee members agreed that the fairest way to generate the increased funds required by the State would be through an increase in the income taxes, both on individuals and private businesses. Because these revenues are generated based on ability to pay, they represent the fairest way to distribute the cost associated with the State's obligation to properly fund public education.

Other alternatives to be discussed by the School Finance Committee included increases in the sales tax, including the possibility of extending this tax to other areas

currently exempt; a statewide property tax; dedicated categorical programs; nonresident pension taxes; and miscellaneous user fees.

The Committee members expressed concerns that these taxes are regressive. In addition, the last two would clearly raise sufficient revenues to support the State's financial obligation.

Local leeway: The School Finance Committee agreed that within certain limitations, there should be sufficient local leeway to provide for a locally defined thorough and efficient education program. The local leeway should not be so extreme that it threatens the ability of the special needs districts to ever reach some level of parity with the highest spending districts for regular education.

Budget caps: The School Finance Committee agreed that there should be some limitation on annual budget growth, with the provision that certain items be excluded from cap. Items to be excluded include: lease-purchase payments; health benefit costs; tuition paid for special education programs; services to an educational services commission in excess of the previous year's tuition; satisfaction of judgments against the school district; new programs taught, of course; and cost associated with opening of new buildings or increasing classroom capacity by more than 25 percent in one year.

In addition, the Committee recommends that any budget increase due to a proration of debt service aid also be exempted from the local budget cap. Another important component is keeping the formula current. The School Finance Committee suggests that an independent authority be appointed with the sole purpose of analyzing factors driving the costs of public education in making specific recommendations on increases that neither the State supported foundation amount or the required local levy. This group would ensure stability

regarding the sufficiency of funding for public education, and provide some measure of certainty for local school boards at the beginning of each annual budget process.

In summary, the concept endorsed by the New Jersey School Boards Association's School Finance Committee represents the concensus of representatives from a wide variety of school boards from across the State. The basic tenets of this proposal are consistent with the parameters of the Abbott v. Burke decision, and are geared to the needs of students -- the main focus of our State's public education system, of course. The high-foundation approach guarantees a high standard for regular education for students throughout the State.

By reducing the overreliance on property taxes, this proposal addresses the concerns of many taxpayers who routinely vote against local school district budgets not because they oppose spending money to educate children, but because they want to keep their property taxes down. Shifting a portion of the burden from local districts back to the State brings New Jersey in line with what most other states are already doing, making a strong commitment to the future of all of our children.

Speaking as a local school board member and as a representative of the New Jersey School Boards Association's School Finance Committee, I urge you, as members of the Education Funding Review Commission, to seriously consider the content contained in our proposal.

Thank you very much.

MR. BURSTEIN: Thank you, sir.

MR. TESTA: Mr. Chairman?

MR. BURSTEIN: Yes.

MR. TESTA: Just one quick question. On page 5 of your report, one of the concepts that I don't think we've previously considered on the Commission-- When you say that the Committee recommends that the foundation aid distribution be made first before the distribution of categorical aid -- as

in the current QEA methodology -- would that be in light of a situation where all of the money necessary to fund the formula isn't available -- is a shortfall? Are you suggesting there that we fully fund the foundation formula and underfund the categorical aid, if anything has to be underfunded?

MR. REILLY: Well, we-- As I understand the current funding by the State Treasury, what they first do is finance the categorical categories and then whatever is left goes to foundation aid. The funding scheme that we proposed has as rock bottom that there ought to be a high-foundation amount proposed and funded to the districts, so that the regular education is sufficiently funded. Given that and the providing of that funding, then the State would provide the needs for categorical aid.

Obviously, our proposal also involves an increase in the amount of State funding, so that the categorical aid could be sufficiently funded. But the purpose of our comments here is to make sure that we emphasize that regular education be funded.

MR. TESTA: I would assume if enough money were available, we all agree that everything would be funded. But you are setting a priority of funding order and that the foundation formula would be the number one priority in that list of priorities.

MR. REILLY: That's correct.

MR. BURSTEIN: Good. Thank you very much.

UNIDENTIFIED MEMBER OF COMMISSION: Tom has a question.

MR. BURSTEIN: Oh, I'm sorry, Tom.

MR. GEYER: Sir, I was wondering about two things you said. One was that you thought it was possible to allow -- the districts to be allowed some degree of local leeway in deciding what they will spend; that this wouldn't be a problem with the Abbott issue. I'm not quite sure how this works. How do you

let the I and J districts spend more money if they want to, but not have to -- but still be able to have control over what the special need districts--

MR. REILLY: I think there have to be some limitations, yes, to how much the I and J districts-- But if you adopt a proposition that the high-foundation aid is the first component-- In other words, you set your foundation aid at an average of the I and J districts -- what they are spending. You already have a spending that should be sufficient to enable those districts to fund -- to continue to fund appropriately the I and J districts, and the special needs districts will be funded at that same average. So you then have a narrowing of the gap between--

MR. GEYER: In other words, Abbott doesn't provide the narrowing of the gap.

MR. REILLY: Well, Abbott-- You're right. Abbott concerns certain districts and -- but does speak to -- at least in the findings made and endorsed by the Court, that the disparity exists.

MR. GEYER: Do you think it would be a good idea to, sort of, head in that direction of conforming (indiscernible). What about your-- I'm interested in your notion that there are a lot of disincentives in the system -- which strikes me as being absolutely true -- to being thrifty, to being efficient, and to doing things that would under -- normally would make sense. Do you see ways to build into the funding formula incentives to do things efficiently, rather than inefficiently?

MR. REILLY: I think I do. I think there are-- There can be specific financial incentives, and we mention specifically here, for example, should a joint transportation scheme -- where districts that can show actual efficiencies in transportation would enjoy some financial incentives that the State would then pinpoint and aim at. There are other -- a host of other different areas where the State can afford help in that area.

MR. GEYER: Okay, thanks.

MR. REILLY: Thank you.

MR. BURSTEIN: Thank you.

Elaine Bey, School Boards' Urban School District Committee.

E L A I N E B E Y: Good morning, Chairman Burstein and members of the Commission. I am Elaine Bey, Chairperson of the New Jersey School Boards Association's Urban Boards Committee.

Our Committee represents 62 local boards of education in New Jersey, which includes the 30 special needs districts and the more than 400,000 children that they serve.

As a school board member and a parent in a special needs district, I have the advantage of working closely with parents and students in the community. I have seen the constant tug of inner-city temptations slowly consume the vibrancy of our young people. I have met with parents -- many of whom work multiple jobs -- who are frustrated that the cities that they have invested in are not investing in their children. I have organized activities with and for these children that by virtue of being urban or low income are misunderstood and, consequently, inadequately served by the educational system.

These children, like any child, have hopes, dreams, and needs. Among those needs is a permanent school funding plan that will provide them with the resources to receive an education comparable to that of their peers in the wealthiest school districts.

The urban child is much like the runner with ankle weights. Although he or she has the makings of a top competitor, the chances of winning the race are diminished by the extra baggage. Recent studies have shown that a large percentage of pupils enrolled in New Jersey's urban public schools require special assistance to compensate for environmental, social, and economic deprivations arising from a

combination of home, community, and school conditions. These children tend to come to school with a lack of readiness to benefit from the regular programs, and within a few years are characterized by low scholastic achievement, poor school attendance, and general maladjustment -- that is, if they do not drop out of school all together.

In most cases, the school is unable to provide the nurturing experiences which are ordinarily provided by stable, middle-income families. The schools also find it difficult to attract and hold competent teachers to teach our children. Unfortunately, the same communities which face serious educational problems are those least able to find the funds to provide the necessary programs for solutions.

Our urban runner does not have to lose that educational race. He or she only needs a school funding system that would modify the track so that all the runners would have the same chance of reaching the finish line.

Undoubtedly, any permanent funding formula should be in the best interest of the children. However, it is paramount to the education of the urban child that other elements be considered in the process as well.

For example, a permanent funding formula should:

- * Address the differing educational needs of pupils. The abilities of urban students range from disadvantaged to academically talented.

- * Recognize the variations in service costs and tax burdens of the municipalities.

- * Recognize the added cost of secondary education.

- * Include provisions for districts with rapid population growth or shifts; include components for summer school programs, programs for environmentally handicapped students, early childhood education, breakfast and lunch programs, training and recruiting of urban educators, and vocational education programs.

* Include the need for construction of school buildings and maintenance of school facilities. Lack of adequate facilities limits availability of programs, leads to increased class size, causes staff and students to be located in unsafe conditions and increases the operational cost.

* Include special education services broad enough to encompass medical treatment, counseling, guidance, psychiatric care, and all of the forms of therapy needed by handicapped pupils.

* Provide educational training for parents so that they are better prepared to help their children.

* Include provisions for annual increases to meet the rising cost.

* Incorporate the community into making policy decisions, given guidance through the educational organizations and parental input.

* And include a district's input in formulating the educational target, rather than developing targets for them.

Basically, with few modifications these elements are relevant to any district regardless of wealth. Our urban districts have proven that despite obstacles they are capable of improving student achievement. This fact was underscored at the NJSBA Urban Education Spring Conference held in May of 1993, which showcased model programs that work in the urban districts.

School districts such as Asbury Park, Atlantic City, Bloomfield, Camden City, Long Branch, Old Bridge, Penns Grove, and Carneys Point Regional displayed proven results of increased student performance in math, reading, science, preschool values, and creative arts. Also, joint projects between urban and suburban school districts like Plainfield and Westfield, and Pleasantville and Absecon posted noteworthy program results. It is not surprising, then, that these districts reported improvements in student motivation, attendance, and self-esteem.

Furthermore, the likelihood of failing to attain district standards has been reduced by the recent adoption of monitoring codes which give a blueprint for fulfilling the district needs. Special needs districts even have the added responsibility of establishing demonstrably effective improvements, strategies, and programs. So the foundation has been laid for achieving the thorough and efficient education of which we all speak and want. We only need the assurance of an ongoing funding plan that will support these initiatives.

I have focused my discussion on urban districts and the urban child because that is where my energies have been concentrated for a number of years, but my view is not myopic. I want all children in this State to receive the best education our dollars can provide. I hope that as this Funding Commission deliberates on a formula, it will consider the suggestions of concerned citizens from all types of school districts across this State. We want the best for our children; we want the best for our State; and we want the best for our tax dollar.

Thank you very much.

MR. BURSTEIN: Thank you.

MS. SAWYER RICHARDSON: Just one quick question.

MR. BURSTEIN: Yes, Melody.

One question, please.

MS. SAWYER RICHARDSON: Excuse me, just one quick question. Do the 62 urban districts in your organization represent all those in the State? Would that be a complete listing?

MS. BEY: Yes, 62 school districts in the State of New Jersey represented by New Jersey School Boards are urban districts. Yes.

MS. SAWYER RICHARDSON: Okay, thank you.

MR. BURSTEIN: Thank you.

Bernard Ruekgawr, Mr. Ruekgawr? (no response)

DR. GAGLIARDI: I don't see him. He's from Union County. I didn't see him.

MR. BURSTEIN: From Winfield Township.

DR. GAGLIARDI: Yes, I didn't see him.

MR. BURSTEIN: I guess he was intimidated by you, Vito. (laughter)

DR. GAGLIARDI: Well--

MR. BURSTEIN: Sally Hancock Crosby, or is it Crobsy, or is that a typo? Is it Crosby?

S A L L Y H A N C O C K C R O S B Y: Crosby, yes.

Okay, ladies and gentlemen of the Education Funding Review Commission, my name is Sally Hancock Crosby. I am the President of the Pemberton Township Education Association. I am not here to debate the funding formulas. I am here to talk about the children of Pemberton Township, let you know what a difference you have made in their lives, and what you can still do for them.

During the 1989-1990 school year, I can remember never going anywhere in the building on a rainy day without an umbrella. This wasn't because I may have had to leave the building and go out into the rain. It was because the rain flowed freely into many areas of the building. The students became quite accustomed to new leaks erupting in their classroom and having to move their desk and belongings without warning. Many of our schools had to keep an abundant supply of 55-gallon drums, buckets, or cans available for those rainy days.

However, despite these conditions the students and staff of Pemberton Township persevered and did the best job possible under these adverse conditions. The poor physical condition of our schools was caused by years of neglect. This neglect was not from apathy or lack of interest in education, but lack of funds. Year after year, what many districts would consider routine maintenance of facilities, our Board of Education had to trim from the budget.

The Helen A. Ford Middle School is still a sad example of where we come from. This 40-year-old building is having the roof worked on as we speak today, but it is still in desperate need of new windows and major renovation. The Middle School could even use an addition to provide adequate space for our seventh- and eighth-grade students.

Elementary class size has gone from about 34 to 23 students during the last three years. This combined with our Good Start Preschool Program for at-risk 4-year-olds, a breakfast program, and more avenues for parental involvement have all been positive steps towards improving education in Pemberton Township. Many of our buildings have libraries, but they have gone for 3 years without purchasing a single book to add to their shelves or to replace a single outdated reference source. We have started to gradually rebuild our libraries, and in a few years we should have a respectable media center that will finally provide the needed reference material to foster our students' success.

Our schools and students have gone for so long with so little that education has suffered. With the funds that our district receives, our students are able to have a good educational experience. Pemberton Township is still in the midst of a long, dark tunnel. Our students will be able to use the lamp of knowledge and scholarship to light their way into the future. We need you to help us continue to supply the fuel.

I am leaving a video for you to view at your convenience about some of the improvements that have been made in Pemberton Township during the last few years, and thank you for this opportunity to speak before you today.

MR. BURSTEIN: Thank you very much.

DR. BOOSE: Mr. Chairman?

MR. BURSTEIN: Yes, Dr. Boose.

DR. BOOSE: I know I've gotten a lot of ribs about the facilities. I've thought about some of the testimony that we have had today. It narrows it down to the same frustrations

that school administrators and children have when they are in a classroom just like this, so we as an Association have outgrown-- Our programs have outgrown this building and become a victim of your success, and this is the only available space.

This is the same thing that happens in school districts. This is the only available space, and when you put a lot of kids in the classroom, you are uncomfortable with some of the things that have to happen. That's what is happening on a day-to-day basis.

You pick up the morning paper, the casinos are concerned about not having first-class rooms for their clients that come in. It's going to be \$100 million going just like that by changing some rules and regulations. That's what I think I hear from testimony. We'd like to see some rules and regulations changed, too, that will allow first-class schools and first-class classrooms. So if we can do it for the casinos -- and they certainly bring in a lot of money -- we ought to be talking real hard about how we are going to do it for schools.

So I don't make any apologies for this room, because it is the only room that is available. If we want to go outside because we have more space, that's fine. But I think that's something that you ought to think about in the back of your mind, what happens in a day-to-day classroom situation when you have more kids than you have the space.

MR. BURSTEIN: That was a very clever rationale for having us in here. (laughter)

DR. GAGLIARDI: You could have said, "I'm sorry," anyway.

MR. BURSTEIN: Okay, thank you. I forgive you.

William Jenkins, Elsinboro.

E . W I L L I A M J E N K I N S : Ladies and gentlemen, my name is Bill Jenkins. I'm from Elsinboro, and I see a lot of blank looks. Most people have never heard of it, and it's not surprising. We are a very, very small school district.

I have no title; I'm not on the Board of Education; I'm not a teacher. I have nothing. I'm a grandpa. That's my title.

ASSEMBLYWOMAN ANDERSON: Hurray for Grandpa.
(laughter)

MR. JENKINS: But I am a very disturbed grandpa, because I see what's happening in our school. We have tried. People came forward when QEA was in the making. We were telling them, "It's no good. It's flawed." Nobody would listen. It went through. Now they admit, "Hey, it was flawed," but we are all locked in now. We are in a mess.

Now Elsinboro, believe it or not, is below the Mason-Dixon line. A lot of you think New Jersey is all north, but there is a south. We are right along the Delaware River, and the Delaware state line comes right up to our front yards.

Our town only has 1170 people in it. That's a total population, 234 of which are seniors 65 and over. Now, we've had a school in our little rural town for over 150 years, but QEA has almost ruined it to the point I don't know if we can survive any longer.

The Swedes first came to our area in 1600, and we have a new school building, relative. It's not a 150-year-old building, but it's leaking. The roof is leaking. We are doing all kinds of things. The only maintenance that we get performed is by volunteer fathers like myself, and a bunch of others who go over and try to keep it going. They can't afford to hire anyone.

Now, under QEA we're still suffering because they are still classifying us, when you come to your chapters, as a rich community. Then we'll get another piece of paper from the New Jersey School Boards Association that says we are a low to moderate income. It's wild. Where are you? What figures do you believe?

Governor Florio, he said that -- and I have a tape of this -- he said on the radio, "Under QEA, no school suffered any cuts." What a joke! It's an out-and-out lie. You hate to call your Governor a liar, but a lie is a lie, and that was a lie. We suffered under QEA -- in two years \$110,000 in cuts.

Now, I may go over a couple of things twice here because this is not my bag.

I wish to inform the Funding Committee of the way the rural schools and small schools throughout New Jersey have been put in a position that they have to eliminate programs. In the case of our small elementary school, K through 8, we have approximately 115 students. We had to eliminate Art, Shop, Home Ec, Physical Education to only one day a week for Phys Ed. We had to eliminate a fifth-grade teacher. We only had one; she's gone. Now we've combined classes. It doesn't work. They said it was a new idea. New idea -- it's backwards.

We could only afford to hire a janitor for four hours a day, and we did that so we could save paying his benefit package. We have a nurse on duty for a half a day, and after that the administrator or the secretary has to patch them up or call "911."

These are the cuts we've had to make because of reduced funding received by QEA. We all know it's been a disaster. The Court's latest decision by Judge Leven (sic) to help bring the 30 districts up to the rest of the State-- That's great. We all understand the urban plight and they need help, but not at the expense of the remaining districts. That is what he said this time, and that's an improvement over the previous ruling where it all went and nobody knows where it went.

If you could include the word "rural" in your funding formula and realize that the funding needs of rural schools should be addressed, not just included with a suburban and urban. You don't even mention them. I understand that it is

difficult, if not impossible, to get Federal funding because of the wording in the formula. Most State classifications are metropolitan and nonmetropolitan areas. These changes would help with getting funding for all areas.

Then, of course, seeking a separate funding system for education and removing it from the political arena would be a great step forward. We'd all cheer for that.

In some states -- and I am sure it is Kansas -- they actually fund the rural schools with more because of the few students that are there and the cost of the teachers and everything else is the same, so they help them. Rural and farm communities in the State are working hard to preserve the farmland in New Jersey. They are giving tax breaks and buying farmland to keep it that way, so we will have a Garden State. That's great, but how do you get young people to move in and become farmers if you have no schools?

Schools are the center of a rural town. Don't destroy the rural schools by regionalization -- making larger classes with less control -- just as we have seen happening in other communities here in New Jersey. In Elsinboro, 52.4 percent of our taxes goes to the school. I just checked, in Camden City 25 percent of their taxes go to the school. So there are a lot of things that don't add up in my book.

In these years of great technological advances, we should be able to offer more to our students instead of less and less. We are always hearing about these companies that are up in Trenton, and they are lobbying for increases and everything. Why can't they get in there and help? Let them reduce some of the charges -- New Jersey Bell. Let them cut the cost of operating over the phone lines. They want to make more. Let them help us that way. Let them reduce the rates, and then we can help hook into other schools with these technological systems, with the computer and everything. Let's use this and share the wealth, the leadership, and the workers and teachers of tomorrow -- our students.

Now, I know I am just one voice among the many you've heard and will continue to hear, but I hope some of my words and comments about the rural schools will remain with you and help you to create a funding formula that is fair to all the students in New Jersey.

Thank you very much.

MR. BURSTEIN: Thank you.

MR. MORAN: As another grandfather, I'd like to compliment you as a private citizen for coming down before the Commission and giving your viewpoint.

MR. JENKINS: Thank you, sir.

MR. MORAN: Thank you.

MR. BURSTEIN: Priscilla.

ASSEMBLYWOMAN ANDERSON: I wanted to say the same to you, Mr. Jenkins. But I also wanted to inform you -- I believe it's a pilot program in Trenton School District -- there is one teacher of science who is now -- has a program that you suggested, with AT&T, that is linking other school systems throughout the country with the youngsters in the use of computers in science classes. So it's a pilot program, but it's a good idea. We'd like to see it perhaps coming into-- I don't know if it's in districts such as yours.

MR. JENKINS: No, they don't even know where it is.
(laughter)

ASSEMBLYWOMAN ANDERSON: It's a new program. It just started.

MR. JENKINS: Thank you.

MR. BURSTEIN: Thank you. Thanks very much.

William Richardson, Waterford.

W I L L I A M R I C H A R D S O N, JR.: Good afternoon. My name is William Richardson, and I am a Board member from Waterford Township Board of Education in Camden County. It's my pleasure to be here to give testimony before the Funding Review Commission.

As a result of QEA II and the State's failure to fully fund debt service aid, the taxpayers of Waterford Township are being faced with an unfair burden of assuming an increasing share of the cost of the education for our children.

While I am here representing the children of Waterford Township, it is also my understanding, through recent legislative meetings with the 8th District legislators, that this problem is not unique to Waterford Township, but rather affects many school districts throughout the State in similar socioeconomic communities. Prior to the enactment of QEA legislation, the Board of Education received increases in State aid annually ranging from between 33 percent to approximately 10 percent.

With the inception of QEA, the district experienced a 1.2 percent decrease in State aid for the 1992-'93 school year and a mere 0.2 percent increase for 1993-'94. Based upon projections for the 1994-'95 school year, we estimate only a 1.18 percent increase in State aid. The Board has appropriated significant surplus into the 1993-'94 school budget in order to offset local levy; however, even with this large amount of surplus appropriated, the voters in this community were still faced with an approximate 33 cent tax increase. They voted down our budget by a 2 to 1 margin.

The Board was required to cut approximately \$173,000 from its operating budget as a result of that budget defeat. The bulk of our \$10 million budget is made up of salaries, health benefits, and debt service. We are in the second year of a 3-year negotiated agreement with our teachers' association and support staff association. For the coming year there is a negotiated 6 percent salary increase, as well as maintenance of existing benefits.

We also have two existing bond issues, which represent three-quarters of a million in debt service payments annually. Our dilemma is clearly a revenue problem, as our 1993-'94

budget has fewer dollars appropriated than the 1992-'93 budget. If the Board were to maintain the status quo and appropriate the exact amount of surplus in the 1994-'95 school year as it did in the 1993-'94 school year, we would only have approximately \$400,000 available for the 1994-'95 school year cost increases.

The Department of Education has held that districts may retain a 3 percent surplus even in cap waiver situations; therefore, reserving 3 percent of our general fund appropriations would leave us with a surplus available of approximately \$100,000 for the 1994-'95 school budget. Based upon existing negotiated agreements, to maintain the status quo in our school district we would need approximately \$550,000 new dollars in the 1994-'95 school budget. Anticipating a 1.2 percent increase in State aid will generate approximately \$62,000, leaving a balance needed from tax increase in excess of \$388,000. Based upon our ratables in our community, this would translate to a 22.8 cent tax increase.

The Board of Education in 1993-'94 had a debt service appropriation of \$754,165. The State's share of that appropriation would have been 55.38 percent; however, due to proration of debt service aid our anticipated was \$417,641. That was reduced to \$299,551, a shortfall of \$118,000, which translated to a 6.9 cent per \$100 tax increase on the local tax rate. This increased the taxes on an average home in Waterford Township \$31.46. We have been advised to expect debt service aid to be funded at 85 percent for the coming school year. This will once again shift an unfair tax burden to the local taxpayers of Waterford Township.

Our anticipated debt service for 1994-'95 is \$771,055. The State's share of that debt service at 55.38 percent would be \$426,994. However, due to the proration we can anticipate \$362,945. This will shift \$64,049 from the

State to the property taxpayers of Waterford Township, which will result in a tax increase of 3.76 cents per \$100 and cost the average home owner \$17.07.

In February of 1993, we wrote to the Governor of New Jersey, with copies to our area legislators, regarding this loss in State aid for debt service for the '93-'94 school year. In a letter of response from Governor Florio, he indicates there are about 16 districts, including Waterford, where the impact of State aid proration will be significant. As we reviewed the State aid increases for school districts in our legislative district with Assemblyman Shinn, it was obvious that the 8th District has been dealt a severe blow by QEA and debt service proration.

As indicated on the school report card for 1992, Waterford Township -- it is in the bottom 10 percent of all New Jersey districts in community wealth, which is a combination of property value and personal income. We feel it is unfair to the taxpayers of Waterford Township, to the present funding formula to be required to pay an ever increasing portion of the cost of education when statistics verify that we are the least able to pay those increases.

We ask for your assistance in enacting legislation that will fully fund debt service for the 1994-'95 school year, and that will revise the school aid funding formula so that the State will assume its fair share in the cost of educating students in Waterford Township and statewide.

We look forward to your cooperation and assistance in the area of school aid funding, and thank you for your willingness to help.

Good day.

MR. BURSTEIN: Thank you.

DR. GOERTZ: One quick question. Could you tell me a little bit about your district? Are you a K through 12, and how many students?

MR. RICHARDSON: We're a K through 6 district, approximately--

DR. GOERTZ: K through 6?

MR. RICHARDSON: K through 6, approximately 1200 students in Lower Camden County, which is basically rural. We have very few ratables in the Township at all. Basically, we are a bedroom community.

DR. GOERTZ: Thank you.

MR. BURSTEIN: What was your district factor group, if you know?

MR. RICHARDSON: E - F.

UNIDENTIFIED SPEAKER FROM AUDIENCE: D as in dog.

MR. RICHARDSON: D, excuse me.

MR. BURSTEIN: D, D as in dog. Who did this?

UNIDENTIFIED SPEAKER FROM AUDIENCE: I said doctor, somebody else said aardvark. (laughter)

MR. RITACCO: Well, I'm interested. Did anyone explain to you why that debt service was also diminished?

MR. RICHARDSON: If I can express it in layman's terms, the way I understand it the amount of money allotted for debt service is a set amount. With all the districts which are going from lease-purchase back into referendum, the money has to be divided up somehow because it has a set amount. The only way to do it was to prorate it to all the other districts. The district which -- we were one of which actually did float the referendum to fund our school -- are now being penalized by districts who went lease-purchase and now are going into referendum.

MR. RITACCO: I would think that the number 16 would probably be about, maybe, a very low estimate. Maybe 16 in your area because Ocean County, including Lacey Township--

MR. RICHARDSON: Well, that was the response we got from Governor Florio, that there were approximately 16.

MR. MORAN: They probably skipped one in your area.

MR. RITACCO: They probably said, like, from 10 square miles, because in Ocean County it killed everyone. Lacey Township lost a million dollars in debt service aid by just giving a letter like you did, and our school district lost about \$600,000. I think it's important that the Commission members continue to hear that the way the Department deals with these things as if there is no increase in money-- When the money runs out it gets divided up less and less and less, and that seems to be the way that it's been approached in the years past -- very, very difficult situation.

MR. RICHARDSON: The point that I'd like to make is, when we did go out to referendum, our voters approved a referendum with the anticipation that the State would fund its part of the bond referendum, and now it turns out the State can't come through on its obligation.

MR. BURSTEIN: Dr. Coleman?

DR. COLEMAN: You mentioned in several places the change in your school rate -- either that has already occurred, or that may occur if the continued pattern in terms of State debt assistance -- if, in fact, the pattern continues. I guess what I don't see is what the actual school tax rate is right now.

MR. RICHARDSON: It's approximately -- correct me if I am wrong -- \$2.00 -- \$2.06 -- a little over \$2.00 per \$100.

MR. MORAN: I just wanted to comment on Mike's commentary. That didn't cost the whole State \$6 million. That's grossly inaccurate. But the one comment made bothers me because it said-- I don't mean bothers me negatively, bothers me from a standpoint of saying the only alternative when there is this limited pot of money is to nonprorate. If you have a prior obligation and a commitment -- a long-term commitment -- to people to do a certain thing, then the proration has to cease. You have to go and back that commitment, because all you're doing is backhanding from the State level, which has

been going on for years by short funding -- backhanding it down to the local taxpayer. You're passing a tax on the local taxpayer in three-quarters of the districts of the State when you do that. That's terrible.

MR. BURSTEIN: Well, I think we are all aware of that, but the question is, are the legislators in that district, and in any other district in the State adversely taxed, prepared to put up the money, because if the shortfalls occur because of the budgetary allocation-- It's quite clear.

MR. TESTA: Mr. Chairman, it has another negative impact besides money, too. It destroys the credibility of the local board of education. They promote a referendum based on a certain tax levy at the local level, and then they -- when the State reneges on their obligation, the local board then, in effect, has to renege on their promise to the local taxpayers, destroying their credibility.

So the damage done to that school district goes far beyond just the loss of money in that particular instance. It goes into future passage of school budgets and the willingness of the community to trust in their school board and trust in their school personnel to tell them the truth. We've heard that over and over again. You know, "We would have been willing to support a program, but we can't believe anything they say. They've lied to us before. They'll lie to us again." Well, they didn't lie. They had no way of knowing what the State was going to do.

MR. BURSTEIN: Well, what Dr. Goertz and I were just talking about is that a number of questions have been raised by the testimony today, as well as what we've heard before at other public hearings, that compels us to ask the Department to come back -- Dr. Davis, particularly -- to testify before us with regard to a whole series of issues -- not only this one, but a series of issues that we will have prepared and have him prepared to respond to us. So we do thank you for your testimony. Thank you.

Judith Cambria, League of Women Voters.

You have five minutes, Judy.

J U D I T H C A M B R I A: No, no.

MR. BURSTEIN: Oh, I'm sorry.

MS. CAMBRIA: I've been listening to all the others.
(laughter) Actually, I had prepared for five, but that's a lot cut.

First of all, good afternoon. Thank you for allowing us the opportunity to talk to you today. I've been sitting for how many months looking at you, and you looking at me. It's nice to have a chance to speak to you and give our positions.

I would like to point out that I am representing the League of Women Voters of New Jersey, and that the positions that are expressed today are based on our positions in two areas, both education and fiscal policy. These positions are reached by League members after a method of study and consensus, which includes the members of New Jersey's many local Leagues. They're also the result of years of continuing study and action by the League.

For instance, our history and education spans half a century, and we have played an active role in every major education funding effort. I am going to-- For briefness' sake, I'm not-- I will provide you with a statement later, but it needs a little-- I couldn't get to the office to get it copied for you. But today I want to have some basic beliefs and philosophies, and then some specific recommendations regarding the formula.

Starting with basic beliefs and philosophy: Any school funding system must treat all children equitably and assure that each one has the equal educational opportunity that is demanded by the thorough and efficient education clause of the New Jersey Constitution. It must also meet the Court mandates spelled out in Abbott v. Burke. Just because the

Court could only deal with the poorer districts -- because that's the testimony only -- we cannot ignore, we must deal with all districts.

Second, the parity which is required by the Court between the special needs districts and the high socioeconomic districts not only is a constitutional requirement, it makes educational sense. Children with backgrounds of fewer advantages and lesser resources devoted to their development clearly require, at a minimum, similar fiscal resources for regular educational programs.

Then, in addition, the League believes that the same rationale should apply to other children in other districts in the middle. They have lower socioeconomic status, less advantages in some ways, and it's not reasonable not to put them in the same category. I guess the only reason you would have, as you said, if we're spending, the educational programs being provided in the wealthiest districts are more than are necessary and are wasteful. I've heard a lot of people say that we spend too much money for education. I don't think I've ever heard, or seldom heard anybody say we are providing too good an education anywhere.

Third, State equalization aid must have at least as high a priority and annual State aid allocations as any other funding category. This was addressed earlier by one of the other people who said it should have the highest priority. I think there might even be reason to do that, but certainly it cannot be as it has been for the last three years under QEA -- as last in line, only what's leftover after you fund everything else. That just flies in the face of equal education opportunity.

Fourth, the League -- based on its fiscal policy, as well as its educational positions -- agrees that the new school funding system should reduce the use of local school property taxes for funding education by increasing the proportion of

State aid. The general overreliance on property taxation, including the high level of property taxes to pay for the schools, is without a doubt seriously eroding public support for public education. The property tax is the most regressive of the major sources of taxes, and virtually any State tax which we might replace it with would allocate the tax burden more equitably than continued overuse of the property tax.

Dr. Reock pointed out in the materials that he provided to you that a major reduction in the school tax rate produces significantly greater increases in State aid to the wealthier districts in the first year. However, a much larger proportion of aid goes to the special needs districts and the districts in the lowest three-sevenths in subsequent years. Some people might question that, the League does not.

The significant decreases in wealthier school districts are an appropriate result, given the fact that the State taxation, which would be required to replace the reduced property tax funding and to increase total aid, should be through taxes which will fall more heavily on those taxes -- taxpayers with greater personal and disposable income, and they will be in those wealthier districts. We have that kind of system in New Jersey.

As to specific proposals on features of the funding system, we urge you to include the following major features: Use of a foundation system rather than a reward-for-effort system as the basic program for allocating State aid. The foundation system is the only one that keys money to educational programs rather than to the local taxing effort. We have long gone past the day -- with court cases, monstrous disparities between districts -- of keying our education aid to what people locally decide they can or can't afford, or are willing to afford to pay for schools. We must base it on the educational needs of children everywhere, and the foundation system best does that.

Secondly, you should recommend a high-foundation level. It is better capable of meeting the educational needs, providing the adequate resources for high-quality education in every district. It's better equalizing of resources among districts, and it has the added benefit of making eligible a larger number of school districts to receive State aid. That's a benefit, because it enlists more districts in caring about what that level of foundation aid is and fighting for it, rather than polarizing them where one fights against-- We don't want more State aid, because we don't get any. So, you know, we don't fight for it.

In light of much of testimony from several of the earlier people, I think this next one is very important, and you've indicated just a few minutes ago your concern. But the League calls for significantly increasing the annual State aid for facilities in the annual school budget -- not in some other way -- and provides such capital construction aid to every school district on a sliding scale based on district wealth. You know, many districts have not been eligible in the past if they got above a certain threshold.

The truth of the matter is, New Jersey has failed to address this problem for more than two decades. The League of Women Voters believes that continued reliance on the local school property tax to fund a huge proportion of our building needs is the major cause of New Jersey's \$6 billion backlog in these needs -- yes, \$6 billion behind already. Yet as it has been pointed out here, in the past three-- It isn't just a reallocation of money; it isn't just what you were talking about before. In the past three years, debt service aid has decreased in this State. I don't know why the formula does. I don't know what happened. I can tell you it's decreased. In 1990, it was \$100 million. It's down in the 50-something range. At the same time, public school enrollment has increased yearly over that period of time.

In addition, demographic projections indicate that school enrollment -- pupil population -- will increase by over 300,000 students within a very short time. That is 12,000 classrooms of 25 students, and we know that some of them have to be smaller classes for special ed. The League believes that a responsible school funding system should provide a minimum of \$200 million to \$300 million annually in capital funds for the foreseeable future to deal with our backlog, and to deal with the coming students who will be in our schools in the next few years.

The Legislature this spring passed legislation -- it was signed by the Governor -- which set up a program which we feel does not responsibly deal with the capital needs problem. They set up-- I think it's about \$200 million in short-term loan funds. It wasn't quite that high. It was \$50 million for the-- That wasn't loan funds that went to the special needs districts if they can use it in one year. If they couldn't, they lost it. Loan funds depend on local property taxes to pay them back.

The State hasn't provided a dollar, except some dollars to reduce the interest rate somewhat. But they have to come back, so the facilities as a whole are not being supported by the State. That money -- it is coming -- going to come out of the local property tax again.

Secondly, they have very short repayment periods -- 10 years. This is totally inappropriate for major capital construction. It's totally inappropriate. And secondly, because of the need to pay it back quickly, it significantly disadvantages all but the wealthy districts. Most poor, middle-income districts simply will not be able to take advantage of it, because they can't pay it back on that kind of a schedule.

Next, provide separate State aid programs for compensatory education and at-risk programs. These programs address different student needs and conditions, and the

commingling of them masks the inadequacy of State aid to meet the needs of either group. You know, compensatory aid for nonspecial needs districts got back into the formula in 1990 through a hold harmless provision. So that means that you only get -- districts only get the same amount of money that they got in 1990.

Well, that's crazy. It fails to reflect the annual changes in the number of children who would fall into this category under the regulations. Those children have to be served. They are there, but there is no change in the book that compensatory education be separate, and children should be identified appropriately each year and paid for based on their service needs.

Secondly, the special-needs districts, which have just been vilified for failing to create new programs to meet the special needs of the poor, disadvantaged student -- the at-risk student -- have no other source of revenue to underwrite the required compensatory education program. They have to use the at-risk money to pay for those services, and they therefore do not have it for early childhood education, for parent programs, for all of the other things that we say they are supposed to do. Look at the proposed legislation, put in bill form, requiring those districts to provide massive new programs -- massive new programs -- without a dollar's aid. Special at-risk aid is needed.

We also would recommend that if we split them, this would obviously -- don't cut the weighting for at-risk. This would provide more money next year if you had the comp ed program and you had the at-risk program -- not cutting either of those, making them separate. But we also would recommend that if there is no review and no change and the at-risk weighting takes place in this next year, that in 1995-'96 you call for an increase in the weighting and an increase in those funds, because the needs are massive and they are not being taken care of.

Finally, adopt current year funding. This is absolutely crucial now that public school enrollment is increasing each year, rather than declining. The ability of poorer districts -- and that's suburban, urban, rural -- to improve education programs is seriously undermined by a prior year funding, which forces the district to fund 100 percent of the cost of a new program or increased enrollment during that first year.

We recognize that we have not addressed a lot of major issues. Maybe I'll get more into this before it gets to you. But we do want to thank the members of the Commission for giving your time and your effort to this very crucial endeavor.

We urge you to make equal educational opportunity and a high-quality education for every child the basis for every decision and recommendation. We also urge you to build into your report recommendations for programs that increase accountability. The League does not just talk about money. We want that money appropriately well-spent.

Programs that would derive educational dollars into educational programs and services rather than other places; support for programs that would support and properly fund State-level activity to monitor educational spending; and to provide technical and other support to assist districts in improving educational processes, programs, and outcomes.

Thanks a lot.

MR. BURSTEIN: Thank you.

Yes, Dr. Gagliardi.

DR. GAGLIARDI: If you want, I'll put it in your paper when we get it. That's fine. But what is the League's position, if you know it, on the vote on the budget?

MS. CAMBRIA: We have not addressed that issue. I can tell you personally that I cannot -- it's very hard to countenance voting on this when you vote on nothing else; and

that our future, in many ways, is in jeopardy because that's the only place that people can register their lack of confidence and their concerns.

I cut out one part in talking about the erosion of public support because of the overuse of the property tax. I mean, it's outrageous that people have to choose between food and medical care to pay their property taxes.

DR. GAGLIARDI: Well, maybe you could include that in your position paper when you send it to us. I think it would be important, at least for me, for an organization like the League of Women Voters--

MS. CAMBRIA: We are not for vote just because it's a vote. We are a vote that has -- you know, that is also responsible, too.

DR. GAGLIARDI: Sure, thank you.

MR. BURSTEIN: Dr. Goertz.

DR. GOERTZ: Judy, very quickly, under the State fiscal policy, can the League support a statewide property tax as one source of State funding for education?

MS. CAMBRIA: It could. The reason it could is, even though the property tax as a whole is a regressive tax, locally, use of the local property tax with the huge variations is more regressive than using it across the board. It could, yes.

DR. GOERTZ: Thank you.

MR. BURSTEIN: Does that mean that your answer -- being in the conditional phrase -- that the League has not come to consensus about that?

MS. CAMBRIA: No, we could possibly do that, but what we would--

MR. BURSTEIN: It still sounds conditional to me, Judy.

MS. CAMBRIA: No, no. What our position would be -- that other sources which are less regressive as a whole would be more acceptable to us. Those would be our first choice.

Possibly a proposal that included a small piece of that, maybe that would pass muster. We would look at that when that came out. It is not something that would be said, "No," out of hand, no. It is a potential because it is -- it does more equally spread the burden across the whole State rather than the differences in burdens between different localities.

MR. BURSTEIN: Jim.

MR. MORAN: I would like to ask a question of Peg in reference to this whole dialogue. You're talking about a statewide, broad-base property tax -- and maybe we are under the assumption -- but what I am assuming, then, is 100 percent funding of education by the State and the elimination of the local property tax in entirety for the funding of education. At least that would be the way, we have looked at it in the past.

I am just wondering is that what you're talking about, Peg? Because there is a big difference between a broad-base property tax as a source of revenue, and then a local tax besides, as opposed to 100 percent funding of education by the State of New Jersey, and part of that 100 percent funding the creation of a rational, broad-base property tax, of course.

DR. GOERTZ: It's not an either/or. I guess what I am thinking about if you're talking about shifting from local sources of revenue to State sources of revenue -- let's say from 40 to 50 percent or 40 to 60 percent, which are the two proposals we've heard -- that would place an incredibly high burden on our current State taxes, our State income tax, which is already basically going to lose competition soon with surrounding states, and the State sales tax. So the issue of a statewide property tax, if you make it a State tax, this becomes a State revenue. It would depend-- The answer to that is, it would depend on what level of the State property tax would be.

MR. MORAN: All I'm saying, Peg, is I perceive local taxation for education to really be, in the final analysis, State revenue. If you were to set with a foundation formula a maximum amount for circuit breaking purposes -- 80 cents, 75 cents, 50 cents, a dollar, some number that a district would have to expend in order for them to be eligible for State aid and funding -- that is a backhanded, broad-base property tax.

DR. GOERTZ: The difference being, however, if a very wealthy community can raise the foundation with less than 80 cents, you know, if you have a nuclear power plant or Harry Galinski shopping malls.

MR. BURSTEIN: Strike that comment. (laughter)

MR. MORAN: Anywhere in Mercer County.

DR. GOERTZ: Mercer, Mercer-- Quakerbridge Mall in my county. That, then, is not shared with the rest of the State. What a statewide property tax does is essentially, as Judy was saying, spread the burden.

MS. CAMBRIA: Well, Mr. Moran--

MR. MORAN: It provides for recapture, though, does it not?

DR. GOERTZ: You used that word and I didn't.

MS. CAMBRIA: Mr. Moran, since you and I live in the same -- exact same area -- we both live within a few miles of each other -- we would be affected by what you were talking about in terms of the fact that our total school tax rate between the elementary, secondary, and our high school -- little high school -- is less than the numbers you were quoting.

MR. MORAN: Well, I understand that.

MS. CAMBRIA: So you and I, and the taxpayers -- where we are would have to increase our-- That would be captured from us and used statewide, as you understand.

MR. BURSTEIN: I don't want to cut this short, excuse me, but I am trying to meet a 1:00 p.m. deadline.

MS. CAMBRIA: Yes, sure. We're almost there.

MR. BURSTEIN: Because we have a 2:00 p.m. speaker. We have two other speakers, however.

MS. CAMBRIA: Yes, I know. I just wanted to say that in terms of Mr. Moran's original question, it would be a heck of a lot easier, if you were having 100 percent State funding, to use a property tax as part of it. It would be easier politically to do than if it's only part of it.

MR. BURSTEIN: Well, the partial is really essentially what the Cahill Tax Commission proposed originally.

MS. CAMBRIA: That's correct, absolutely.

MR. BURSTEIN: Okay, Ernest DuBay.

Thank you.

E R N E S T D u B A Y: Chairman Burstein, members of the Commission, my name is Ernest DuBay. I live at 317 Hilltop Lane East in Columbus, New Jersey, which is a part of Mansfield Township in Burlington County.

In the "Capital Update" from the New Jersey Principals and Supervisors Association for 1993, it is stated that the immediate results of the plans would be a substantial reduction of school property tax for the vast majority of New Jersey's home owners. This would especially benefit the growing numbers of senior citizens who own their homes, but live on a fixed income. I would like to apprise the Committee of a situation that exists in the Township of Mansfield in Burlington County.

According to the 1990 Federal Census, Mansfield Township has a population of 3874. The population of residents 65 and over is 995, or approximately 26 percent of the total population. The senior citizen population has no impact on the school system of which there are two: the Mansfield Elementary School District and the Northern Burlington County Regional High School District, attended by students in grades 7 through 12. My concern is with the Northern Burlington Regional District.

Mansfield Township pays 38 percent of the Northern budget. Mansfield has a tax levy of \$1,857,472.54, while North Hanover -- one of the constituent districts -- pays \$697,417.54 or 15 percent of the total tax. Mansfield Township sends 257 students to Northern, which is 18 percent of the total enrollment. North Hanover sends 302 students, or 22 percent of the total enrollment. McGuire Air Force Base, which is a part of North Hanover, sends 428 students, or 31 percent of the total enrollment at Northern.

North Hanover and McGuire send 730 students to Northern, which comprises 53 percent of the total enrollment. The Federal government, through P.L. 874, Impact Aid, allots \$900,000, or approximately \$2000 per student. It costs Mansfield Township residents approximately \$7350 to educate each child going to that school, while North Hanover only pays slightly over \$2000, seeing an inequity of about \$5000 per student. Much of this disparity is caused by the Federal government not paying their fair share.

With the expansion of McGuire Air Force Base, the gap will become wider and wider if this isn't resolved. I'd like to quote from a newspaper article in The Trenton Times, "The Federal aid the district, which is Northern, gets to support 436 military dependents from McGuire Air Force Base does not fully cover the cost of educating those students whose parents do not pay property taxes." Another article from The Trenton Times quotes Mayor Eldridge from North Hanover, "We also have a large military population in Northern at McGuire Air Force Base. The impact aid the district, which is Northern, receives from the Federal government for civilians of people in the military is not sufficient for the district's -- which is Northern's -- needs."

Mr. Pat Kennedy, a North Hanover Committeeman, has urged the Northern Board of Education members to make a trip to Washington to plead their case for more Federal impact aid.

I'm sure this problem is not unique to Mansfield Township. The Federal government must live up to its responsibilities, give school districts more funding for impact aid, and lighten the load for the local taxpayer who must pick up the shortfall created by the Federal enclaves that exist not only in our school district, but I'm sure in other school districts in New Jersey.

In closing, I would like to remind you that Social Security benefits will increase only slightly over 2 percent for next year. Interest of deposits, certificates of deposits, which many senior citizens depend on for income, have been drastically reduced. Copayment of prescription drugs has risen, in some cases, over 50 percent, and some school budgets will rise over 6 percent in some school districts for the 1994-'95 school year. This will make it extremely difficult for senior citizens to keep up to the rising costs and increases in property taxes. Some senior citizens are fighting a losing battle due to the fact that there is no cost of living increasing their pensions. We need your help.

Thank you for giving me this opportunity to speak to your Commission.

MR. BURSTEIN: Thank you, sir. It's another task that we have. In addition to battling Trenton, we now have added Washington to our list.

The final speaker is Kathleen Dreyer.

KATHLEEN DREYER: Good afternoon, or evening, or wherever we are. Mr. Chairman and distinguished members of the Commission, I thank you, as well, for affording us the opportunity to address you as you contemplate your most serious and difficult task. My name is Kathleen Dreyer. I am a member of the Board of Education in Ramsey and a member of the Bergen County School Board Executive Committee.

I would like to address you on an area of increasing concern for my district: the funding for special education.

You have heard similar testimony today, and I hope you find what I have to say reinforcing rather than redundant.

As I am sure you are aware, the special education umbrella covers a wide and varied range of services from support for students with mild learning disabilities to comprehensive care for children with severe neurological, emotional, or physical disorders. It is the catastrophic cost for severely handicapped students which has proven to be of serious concern to us. The costs for these mandated programs have increased at a rate which far outpaces their budget caps.

It is the very nature of the care which these students require that causes the problem. Some of the services include physical therapy, occupational therapy, and psychological or psychiatric therapy. Clearly, these are medical interventions over which the school districts have little if any control of costs. No matter how much the cost of these services increase -- and some have increased by 25 percent over last year -- they must be provided for within a capped budget, which in my district last year was 3.2 percent.

The treatment which these children require is not in question, but it does blur the lines between health, social, and educational services. I doubt that those who established the codes mandating this care could have foreseen the situation in which we find ourselves today. One student can cost a school district \$100,000 per year when placed in a residential facility for emotionally disturbed adolescents.

My district has had three new severely handicapped students added to our rolls since July. Two of the children have cerebral palsy and require extensive care, which will cost approximately \$50,000 per child, per year. The third child was diagnosed with autism in September, turned three in October, and the parents have come to the district requesting that we take on the full expense of his care.

Our hearts go out to these children and their families. Theirs is a very long and difficult road, and they deserve our support. I do not mean to suggest that the needs of these children should not be met. In fact, I'm the parent of two classified students, and I understand firsthand some of the heartache that that brings. I am asking only that we attempt to find an equitable means of providing for the needs of these children without negatively impacting on the educational services we are committed to provide to all the students.

I realize that there are no simple solutions, there are no easy answers. But I ask you to please consider options, such as perhaps excluding the catastrophic special education costs from the budget caps, or formulating a partnership with Health and Social Services to help provide for the needs of the children.

I look forward to your final report. I don't envy your job, and I thank you sincerely.

MR. BURSTEIN: Thank you. Thank you very much.

Okay, this will terminate the morning part of our session. Hopefully, we can all get back here and reassemble at 2:00 p.m. By courtesy of Dr. Boose, your luncheon is on your own. (laughter) So wherever you can find--

DR. GOERTZ: Can Dr. Boose recommend-- He's left.

MR. BURSTEIN: He's gone.

DR. GOERTZ: So he can't recommend fine eating places.

(HEARING CONCLUDED)