EDUCATIONAL ADEQUACY REPORT

The School Funding Reform Act of 2008 (SFRA) made significant changes to the manner in which state aid is distributed to districts in New Jersey. Prior to SFRA, state aid was calculated according to the Comprehensive Education Improvement and Financing Act of 1996 (CEIFA) which required a Biennial Report on the cost of education to the Legislature. In a similar fashion, the SFRA requires that the Governor, beginning September 1, 2010, after consultation with the commissioner of education, issue an Educational Adequacy Report (EAR) to the Legislature. The EAR includes recommended updates pertaining to seven major components of the funding formula outlined in the SFRA.

This document fulfills the statutory requirement of N.J.S.A. 18A:7F-46(b) in recommending:

1. the base per pupil amount based upon the core curriculum content standards established pursuant to N.J.S.A. 18A:7F-46(a);
2. the per pupil amount for full-day preschool;
3. the weights for grade level, county vocational districts, at-risk pupils, bilingual pupils, and combination (at-risk and bilingual) pupils;
4. the cost coefficients for security aid and transportation aid;
5. the state average classification rate for general special education services pupils and for speech-only pupils;
6. the excess cost for general special education services pupils and for speech-only pupils; and
7. the extraordinary special education aid thresholds.

The following includes all elements statutorily required for the EAR. In assessing the components of the SFRA, it follows that there be a look at other changes that may impact these elements. In doing so, this report is broken out into three main sections. First, a look at the new state standards and the impact they might have on the resources provided in New Jersey's adequacy model, as created by the Professional Judgment Panels (PJP) convened during the creation of the SFRA and subsequent advisory panels. The second section includes a discussion and review of student performance over the period of SFRA implementation. Finally, the third section contains updated figures for each of the components listed above and how they were determined.

The purpose of the EAR, the SFRA, and the line of Supreme Court cases that spawned it, was not to create an education funding formula for its own sake, but rather to correct the unfortunate reality that New Jersey's public schools have failed many of our highest-need students, often at catastrophic levels. For decades, New Jersey has pursued a single-minded strategy to remedy this failure, first in the guise of *Robinson v. Cahill* and *Abbott v. Burke*, and later in the form of the SFRA. That strategy, stated simply, was to spend more money. The logic was compelling: close the spending gap between property-rich and property-poor districts and the achievement gap will narrow. Over time, that reasoning expanded from one focused on "equalization" to the substantive conclusion that high-needs students should be funded at significantly greater amounts regardless of comparative spending levels.

That argument won in the courts and Legislature, but not in the classroom. In 1973, at the time of the *Robinson* decision, the average annual per-pupil expenditure in the former-Abbott districts was nearly $7,000 (measured in 2010 dollars). By 2010, the average per-pupil expenditure in those districts had nearly tripled to $18,850, or $3,200 more than the state

average (excluding the former-Abbotts[1]) and $3,100 more than the state's wealthiest districts. But despite this historic funding level, the achievement gap between economically advantaged and disadvantaged students persists and, in some instances, has widened. For example:

- In 2011, 76% of economically advantaged third through eighth grade students scored "proficient" on the Language Arts Literacy portion of the New Jersey Assessment of Skills and Knowledge; only 45% of economically disadvantaged third through eighth grade students scored the same.

- More troublingly, the Language Arts Literacy gap in proficiency rates between economically disadvantaged students and those who are not economically disadvantaged has increased by 5 percentage points since 2005, from 26% to 31%.

- Since 2005, the gap between economically advantaged and disadvantaged students on the mathematics portion of the New Jersey Assessment of Skills and Knowledge (NJASK) has remained relatively constant at 24% to 25%.[2]

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

The conclusion is inescapable: forty years and tens of billions of dollars later, New Jersey's economically disadvantaged students continue to struggle mightily. There are undoubtedly many reasons for this policy failure, but chief among them is the historically dubious view that all we need to do is design an education funding formula that would "dollarize" a "thorough and efficient system of free public school" and educational achievement for every New Jersey student would, automatically and without more, follow. For this simple reason, continuing to address the educational deficiencies in our State by focusing on SFRA funding, without more, will not yield the improved educational outcomes that high-needs children deserve. Simply put, there is no magic funding formula that will improve New Jersey's educational outcomes.

Of course, schools must have the resources to succeed. To the great detriment of our students, however, we have twisted these unarguable truths into the wrongheaded notion that dollars alone equal success. How *well* education funds are spent matters every bit as much, and probably more so, than how *much* is spent. New Jersey has spent billions of dollars in the former-Abbott districts only to see those districts continue to fail large portions of their students. Until we as a state are willing to look beyond the narrow confines of the existing funding formula – tinkering here, updating there – we risk living Albert Einstein's now infamous definition of insanity: doing the same thing over and over again and expecting a different result.

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

[2] Note that changes in assessments in grades 3 and 4 in 2008-09 and changes in assessments for grades 5, 6, 7, and 8 in 2007-08 mean that longitudinal comparisons in those grades cannot accurately be compared over time.

The Adequacy Report, and the dialogue it requires between executive and legislative, presents the Administration and the Legislature with a unique opportunity to break free from the focus on education dollars alone, and finally marry the "how much" with the "how well," or, stated otherwise, to consider changes to the SFRA funding formula alongside much-needed policy changes.

To that end, the Department of Education (Department) created a roadmap for reform in the Education Funding Report. The Funding Report is a collaborative effort between the Department and some of the top education policy experts and thinkers in the country. The thesis of the Report is simple: New Jersey cannot spend its way to educational success; rather, sufficient funding must be partnered with fundamental policy changes. Some of those changes have already been made – most notably the State's historic revision of the teacher tenure law – while several others remain to be tackled.

It is the Department's hope that in considering changes to the SFRA funding formula, the Legislature will also address some of the Education Funding Report's recommendations. Three in particular are worth highlighting. First, notwithstanding the change to the State's tenure law, where budget or other constraints require school districts to lay off teachers, state law forces them to do so based on seniority, not classroom effectiveness. The result is a system that prizes longevity over student outcomes. Such a system is tragically unfair to disadvantaged children and cannot be permitted to continue.

Second, New Jersey does nothing to incent educational reform or innovation. In fact, historically, the worse a school district was performing, the more state aid it received. The Education Funding Report advocated for the creation of an "Innovation Fund" that would both reward high-performing districts and fund innovative programs and curricula. With it, New Jersey would become a laboratory of education reform, with school districts competing for dollars and New Jersey's students realizing the benefits of that competition.

Finally, there is one funding formula change that is essential, although not within the statutory purview of the Adequacy Report to address directly. When the SFRA was first enacted in 2008, it included a category of "Adjustment Aid" so that no school district lost state aid in the transition from the old funding formula to the new SFRA funding formula, even where the new funding formula called for fewer state dollars. The result is that, still today, a number of districts, including Camden and Atlantic City, receive windfalls in excess of adequacy and without any connection to educational needs. For example, although "fully-funded" under the funding formula, Camden received $47.6 million in Adjustment Aid in FY2013, while Atlantic City received more than $8 million in Adjustment Aid despite spending above adequacy. The Education Funding Report recommended a five-year phase out of Adjustment Aid between FY2013 and FY2017 – *limited to districts that are funded above "adequacy*." I encourage the Legislature to fully endorse the phase-out of Adjustment Aid through a statutory change to the SFRA.

1. Common Core State Standards

The State of New Jersey formally adopted the Common Core State Standards (CCSS) in June 2010. In doing so, New Jersey was the ninth state to adopt the standards. Since then, 46 states and Washington, D.C. have joined the Common Core State Standards Initiative.

A collaboration of teachers, school administrators, researchers and scholars, and representatives of both higher education and business and industry from all over the United

States developed the CCSS. The initiative is led by the National Governors Association's Center for Best Practices and the Council of Chief State School Officers, to provide a consistent framework across states to prepare students for college and career. Working towards this goal, the standards utilize respected models currently used across the country, as well as internationally. There is agreement among the education community throughout the country that these standards are precisely the ones that best represent what high school graduates need to know and be able to do to meet the college and career readiness demands of the 21st Century.

Moving New Jersey to Common Core

In transitioning to the CCSS, there will be many changes for school districts, teachers, administrators, and the Department. Moving to new state standards will require teachers and administrators to acquire various levels of professional development to both understand the subtleties of the standards and how to utilize new teaching methods. The teaching materials used in the classroom may need replacement or supplements to ensure they align with the revised standards. At the state level, the Department will be tasked with designing and deploying statewide assessments that correspond to the CCSS.

With the change to new standards comes the opportunity to modernize the deployment of student materials and the way in which professional development is provided. As the CCSS represent the cooperation of nearly all the states, there is a great deal of room for collaborative efforts on these fronts. Moving to online based professional development rather than face-to-face interaction is a prime example of the opportunity for both cost savings and greater flexibility in moving to the new standards. Similarly, the concept of a physical textbook to each student may be outdated with the advent of online resources and other educational materials now readily available to teachers and students.

Fiscal Impact of Common Core

Assessing the fiscal impact of this move is rather difficult as the standards have not yet been fully put into place. There have been two major studies that attempt to answer the cost question. The Pioneer Institute (Pioneer) issued a report in February of 2012 entitled "National Cost of Aligning States and Localities to the Common Core Standards." This study acknowledges the uncertainty of determining the implementation cost of CCSS, while highlighting the three areas that are anticipated to be most significantly impacted: 1) assessment, 2) professional development, and 3) textbooks and instructional materials. While underscoring the impact changing standards can have in these three areas, the study analyzes the potential costs using broad estimates at a state level, making it difficult to assess the comparison to New Jersey's adequacy model.

The second study assessing the cost of implementing CCSS comes from the Thomas Fordham Institute (Fordham) in May 2012, entitled "Putting a Price Tag on the Common Core." This study uses a comprehensive approach that lends itself to comparison to the resources provided in the New Jersey's adequacy model. Similar to the Pioneer study, the Fordham analysis found that the changing standards would impact assessments, professional development, and instructional materials. In assessing the components most impacted, the Fordham study offered three strategies of implementation for comparison. The first, "business as usual," relies on hard-copy textbooks and traditional in-person professional development. Second, "bare bones," takes the approach of heavy reliance on computerized

assessments and online professional development and teaching materials. Finally, the "balanced approach" combines some elements of the traditional approach while incorporating online training and other technology to reduce costs. Recognizing the value of both traditional approaches and the value to technology driven options, the balanced approach will serve as the preferred method from this analysis.

The Fordham study estimates the "gross" cost of moving to CCSS and then takes it a step further to find the "net" cost of implementation. For a study of all states, the approach taken in finding the net cost is appropriate; however, a New Jersey-specific approach is possible by using the resources provided in the adequacy model. Table 1.A below compares the Fordham gross cost estimates to those resources provided in New Jersey's adequacy model.

Table 1.A: Fordham Study Estimates and New Jersey's PJP Model Resources

Cost Driver	Fordham "Gross" Estimates	New Jersey PJP Model*
Assessments	$45 per pupil	Elementary - $52 per pupil Middle - $75 per pupil High – $40 per pupil
Professional Development	$560 per teacher	$1,626 per teacher $1,950 per administrator $4.26 per student supplement
Textbook & Instructional Materials	$35 per pupil	Textbook - $130 per pupil Supplies & Materials: Elementary - $390 per pupil Middle - $75 per pupil High - $520 per pupil

*Rounded to nearest dollar, corresponding to recommended FY2014 figures

As this comparison demonstrates, New Jersey's adequacy model provides significant resources in the areas most impacted in the implantation in CCSS. Indeed, the Fordham study found these resources to be those necessary in total, recognizing that school districts and states are already spending in each of these areas. To this point, the Fordham study attempted to estimate the impact of leveraging the funds already used in these areas to implement the new standards, thus shrinking the net new cost. Indeed, districts will be able to redirect resources already used in these cost areas to align with CCSS. Comparison to the resources provided in New Jersey's model, in fact, indicate that the generous allotments included in each of these areas exceed the Fordham estimates.

Moving to the CCSS is a significant transition for the schools, teachers, and students in New Jersey. This transition will usher New Jersey into a new era of education and will ensure each graduate is career or college ready. As New Jersey and other states move towards this goal, the costs associated with the transition will become more apparent. At this time, however, we must rely on limited information and the handful of attempts to assess the fiscal impact. In doing so, the resources provided in New Jersey's adequacy model represent sufficient resources for school districts to make this transition.

2. Performance Assessment

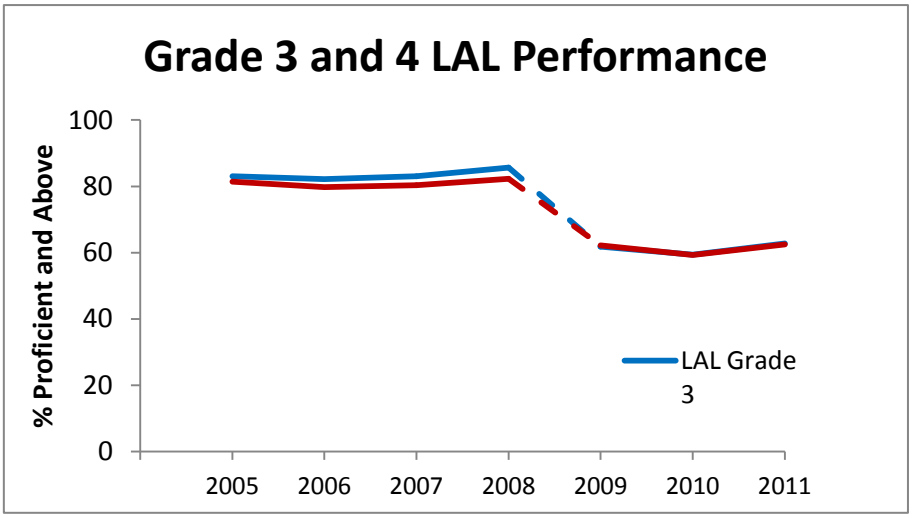
Assessing and monitoring student performance is a critical mission of the Department. While this report is largely fiscal in nature, it is important to never lose focus on the most important

job of our schools – teaching children and preparing them for college and career. To highlight this importance, the discussion below briefly examines the performance of students on statewide assessments over the last six years. As the charts below demonstrate, there have been gains in some areas, while the results of many of the exams have been largely consistent over those years it was administered. There is always room for improvement, which is why the Department will continue efforts to implement and improve upon those reforms that will bring about achievement gains.

The SFRA was first implemented for the 2008-2009 school year, coinciding with some new Statewide assessments that have been rolled out to accommodate changing standards and to implement new levels of rigor. For this reason, there is a "break" in the assessment data over time which means results from the different exams cannot be directly compared. The discussion below is broken out between two major subject areas: reading and language arts and mathematics.

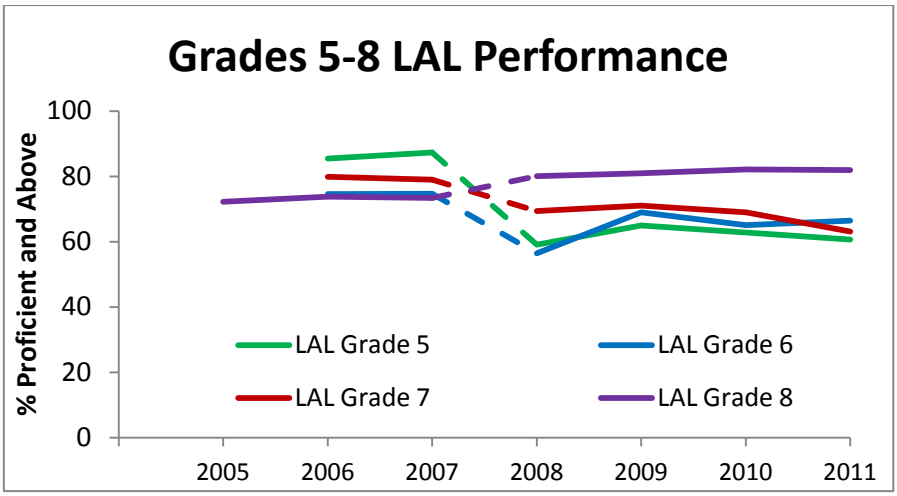
READING AND LANGUAGE ARTS

Chart 2.A



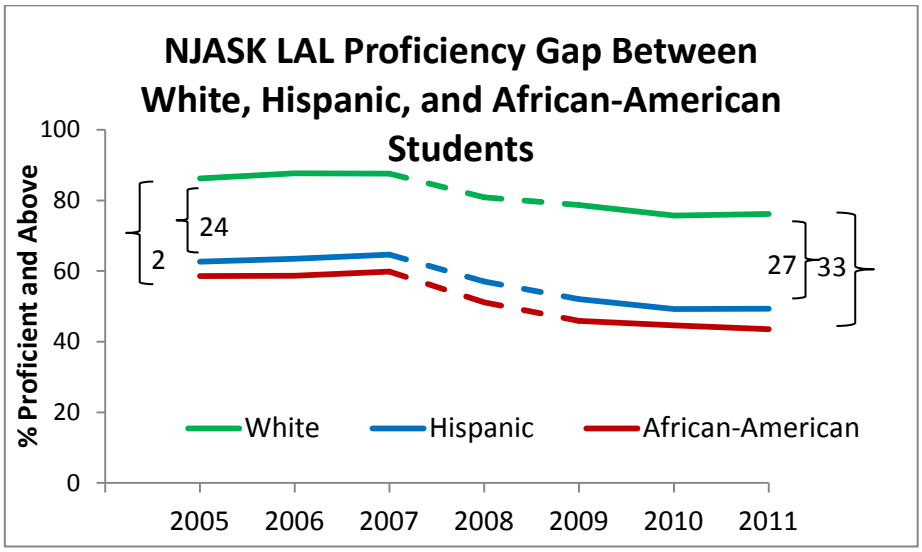
In 2009, the statewide assessment of student proficiency of state standards, called NJASK, in grades 3 and 4 underwent a revision. Thus, comparisons prior to 2009 are not appropriate. Beginning in 2009, NJASK grades 3 and 4 Language Arts results have been essentially flat at about a 62% pass rate (the percentage of students who score at or above the proficiency mark) Statewide from 2009-2011.

Chart 2.B



In 2008, NJASK grades 5 through 8 also underwent a revision. Thus, comparisons prior to 2008 are not appropriate. After an initial drop in 2008, results from NJASK grades 5, 6, and 7 have been essentially flat with a range of pass rates between 60 and 66% passing. Grade 8 has maintained its high level since the test's revision in 2008 at about an 82% pass rate.

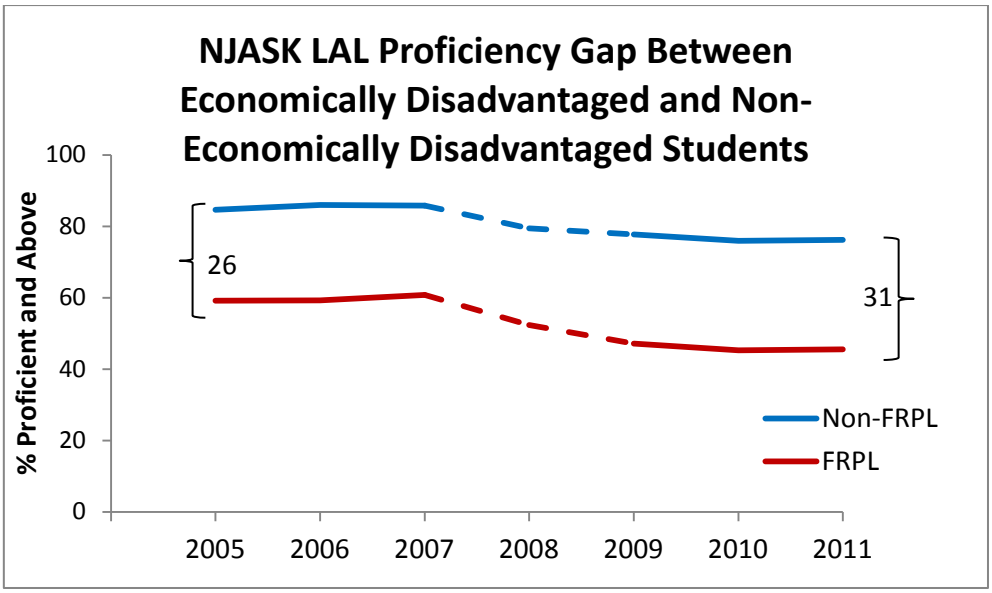
Chart 2.C



Gaps between demographic subgroups have persisted over time. Before the revisions to NJASK, about a 24% point gap existed between white and Hispanic students in 2005. In that same year, the gap in pass rates between white and African-American students was 28% points.

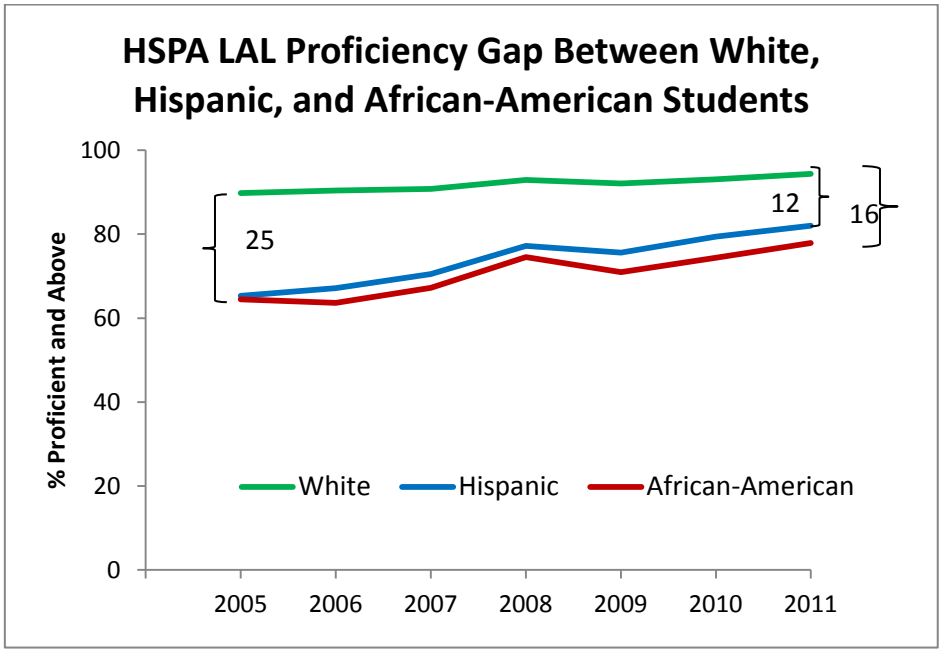
In the most recent year tested, the NJASK gap in pass rates between white and Hispanic students was about 27% points and the gap between white and African American students was about 33% points.

Chart 2.D



The NJASK gap in pass rates between economically disadvantaged students, defined as those who are eligible for Free or Reduced Lunch (FRPL) and those who are not economically disadvantaged has also persisted over time. In 2005, the gap was about 26% points. In 2011, the gap is about 31 points.

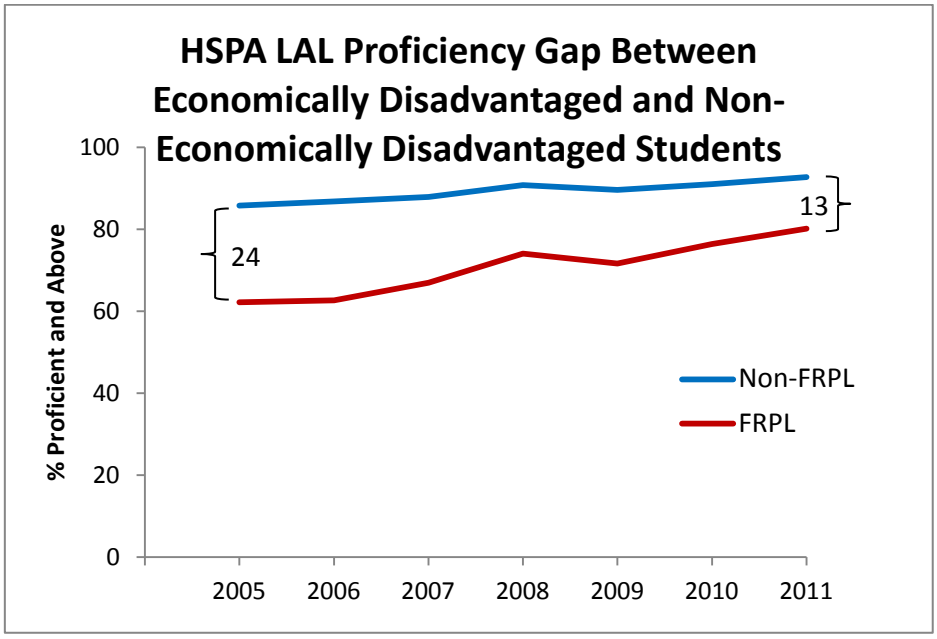
Chart 2.E



When looking at the State's High School Proficiency Assessment (HSPA), the gap amongst demographic subgroups is narrowing a bit. HSPA has not undergone a revision during this time period, so looking across the years, it is possible to conclude that the gap has narrowed by about 13% points for Hispanic students (from 25% points in 2005 to 12% points in 2011) and by about 9% points for African American students (from 25% points to 16% points).

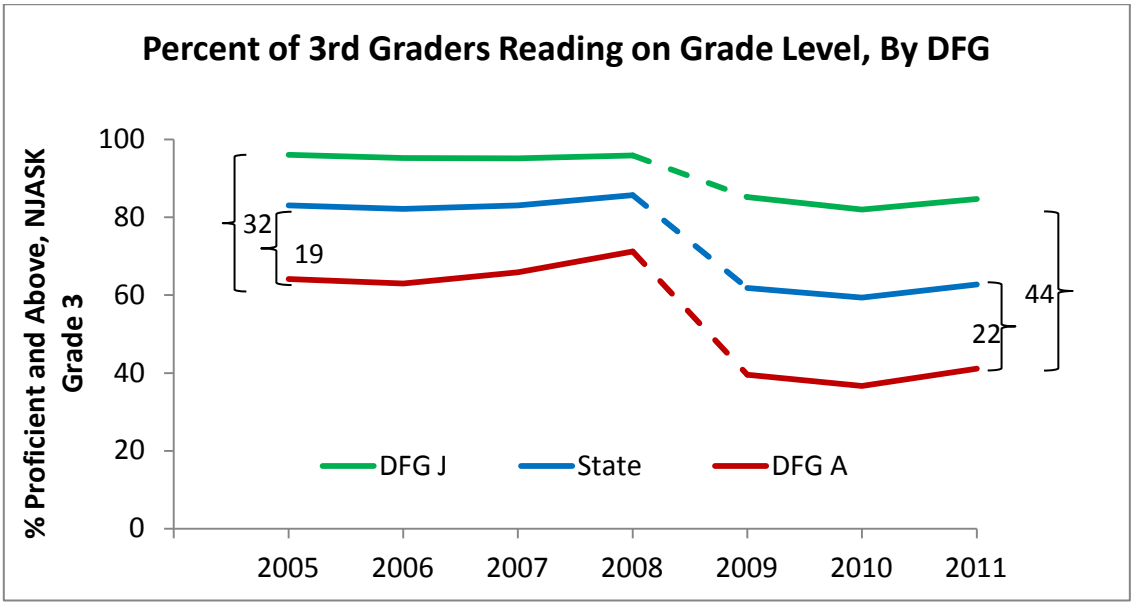
The closing of the gap can be attributed, at least in party, to a 'ceiling effect' for white students as approximately 90% of them passed the test in 2005 and about 94% passed in 2011.

Chart 2.F



Much the same conclusion regarding the narrowing of the gaps can be drawn from the analysis of the performance trends for economically disadvantaged students in HSPA. The HSPA gap in Language Arts is narrowing between these two categories, by about 11% points between 2005 and 2011.

Chart 2.G

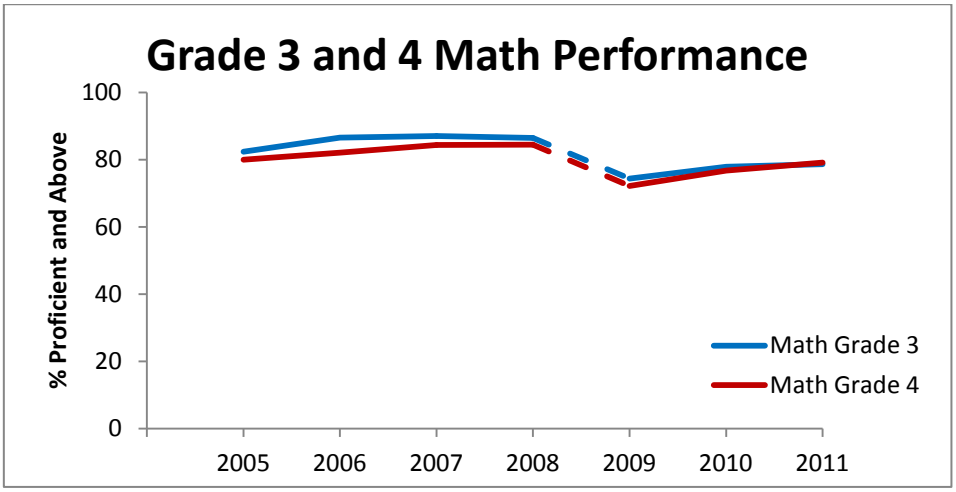


A specific early indicator of a student's long-term success in school is whether he or she is reading on grade level by third grade. Although not directly comparable as the test underwent

revision, a comparison of the gaps between the Statewide results and the results of students from District Factor Group ("DFG")[3] A show a fairly consistent gap between 2005 (a gap of 19% points in 2005) and 2011 (a gap of 22% points in 2011), but the gap between DFG A and DFG J has actually widened in comparison, beginning with a gap of 32% points in 2005 and ending with a gap of 44% points in 2011.

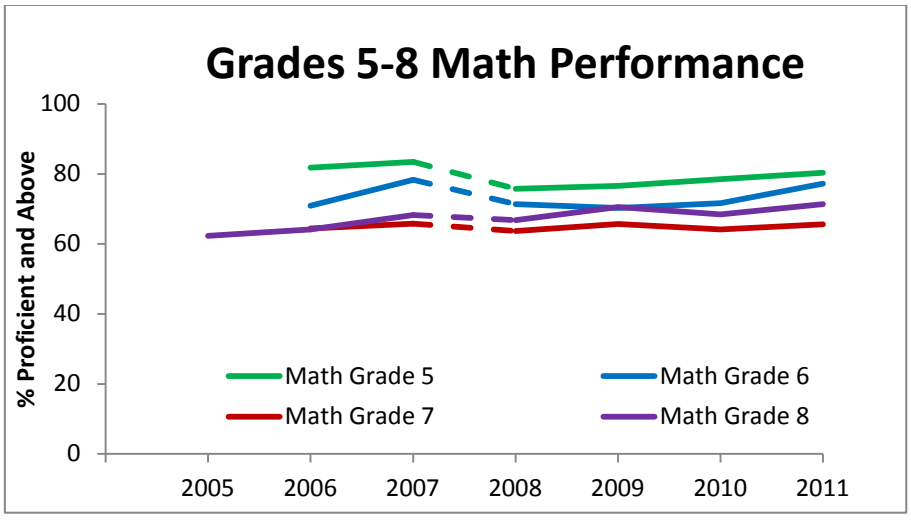
MATHEMATICS

Chart 2.H



As in Language Arts, the Math section of the NJASK grades 3 and 4 exam underwent a revision in 2009. Since that time, the results have shown some improvement in the last few years. In 2009, both grade levels demonstrated a pass rate around 73%, growing to a pass rate of about 80% in 2011.

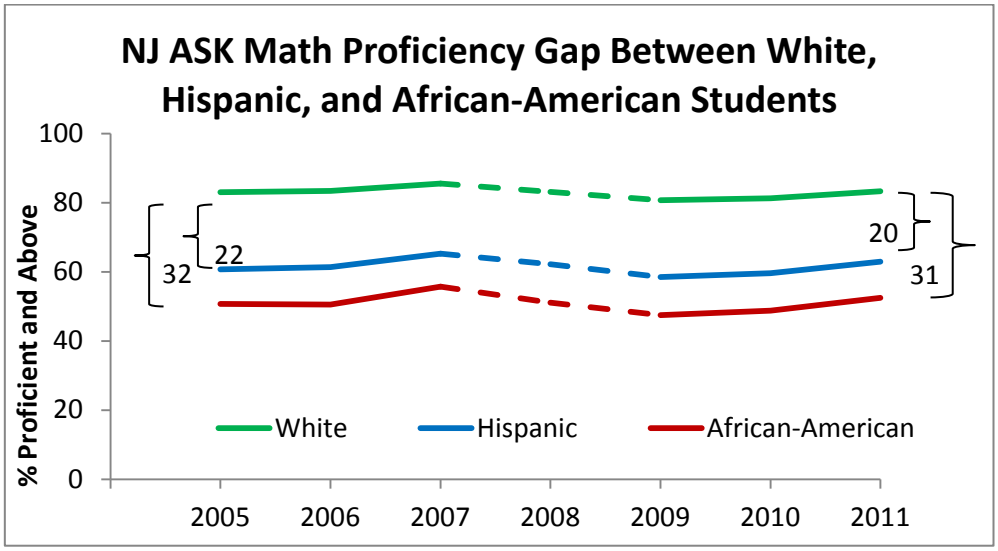
Chart 2.I



[3] District Factor Groups, or DFGs, represent an approximate measure of a community's relative socioeconomic status and allow for general comparisons across demographically similar school districts. DFGs are represented by letter groupings ranging from A to J, with A being at the low end of the socioeconomic spectrum and J representing the high end.

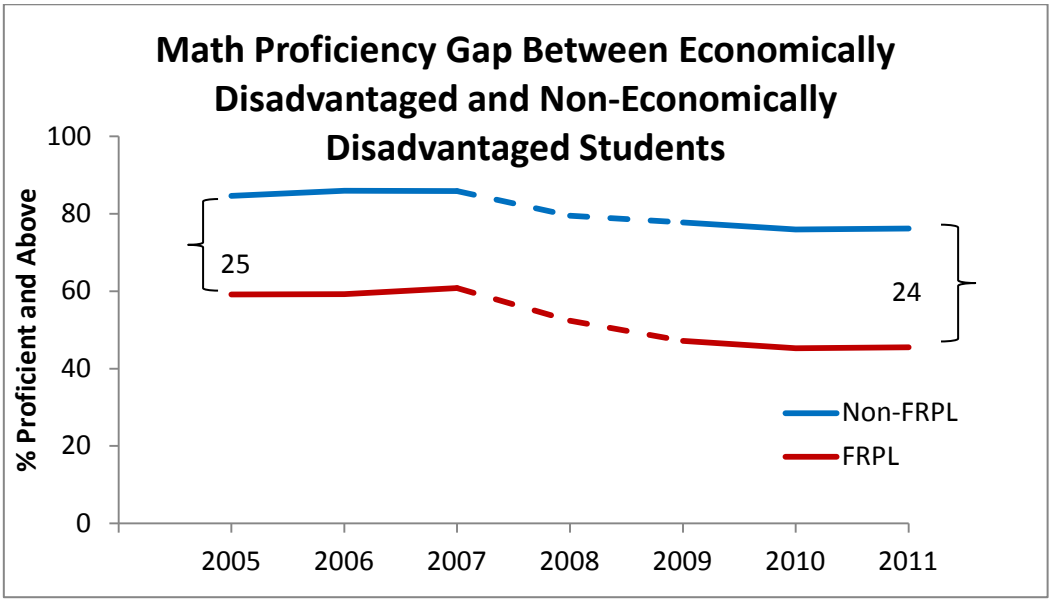
In grades five, six, seven, and eight, pass rates in NJASK Math have on the whole been relatively consistent since 2008. Outcomes for grades five and seven have been most consistent over time, while grades six and eight have seen some improvement from 2010 to 2011.

Chart 2.J



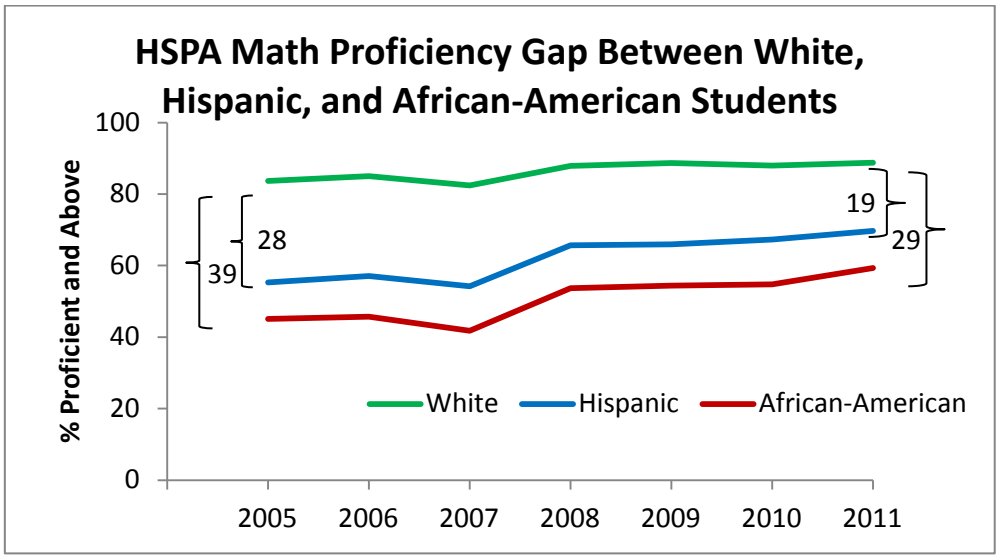
Despite some grade level improvements in the last year, gaps in math pass rates between white and Hispanics and whites and African Americans remain stubbornly wide. In 2011, the gap in pass rates was about 20% points between whites and Hispanics, compared to a gap of 22% points in 2005. In 2011, the gap in pass rate between whites and African Americans was nearly identical to 2005 at 31% points.

Chart 2.K



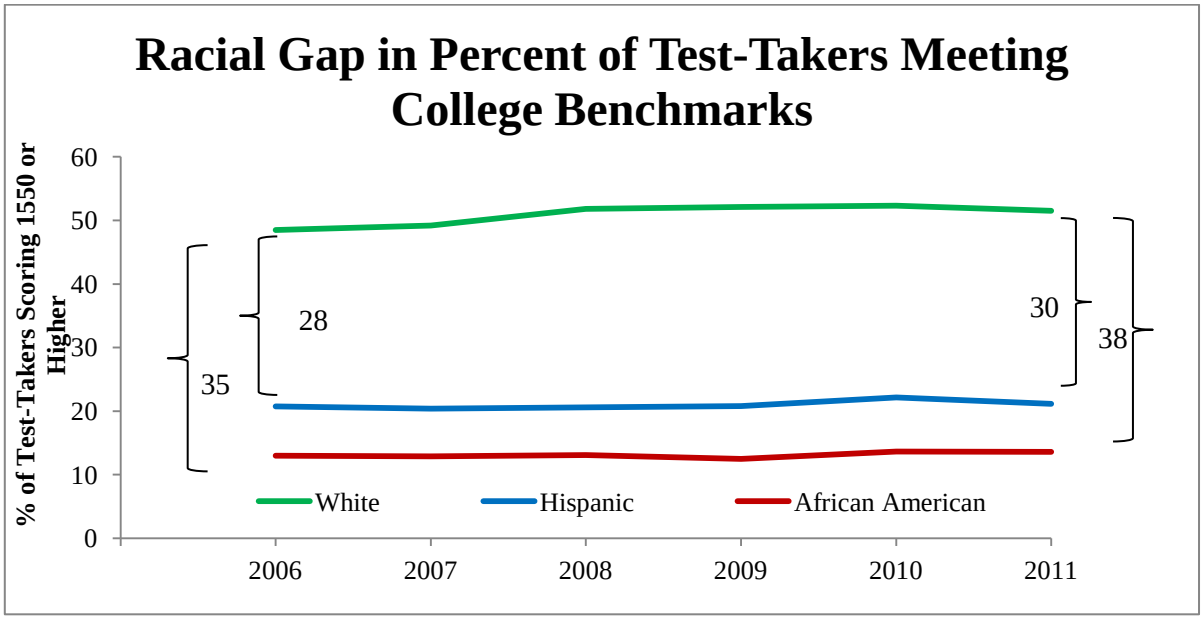
The gap in pass rates in math between economically disadvantaged students in 2011 stood at 24% points, nearly identical to the gap that existed in 2005 (25% points).

Chart 2.L



As shown above with HSPA results for language arts, the gap in HSPA math results has also narrowed over time for student demographic groups. For whites and Hispanic students, the gap narrowed by about 9% points (from 28% points in 2005 to 19% points in 2011). For African American students, the gap in pass rates on the HSPA math narrowed about 10% points (from 39% points in 2005 to 29% points in 2011). The white pass rates increased from about 84% in 2005 to about 89% in 2011.

Chart 2.M



In addition to State-administered exams, there is a persistent achievement gap present in measures of college readiness. The Chart 2.M above shows the Statewide gap. Over half of New Jersey's white students met the College-Readiness Benchmark in 2011, compared to

only 14% of African American students – a gap of 38% points – and only 21% of Hispanic students – a gap of 30% points.

3. School Funding Reform Act Update

Base Per-pupil Amount

The "base" per-pupil amount is determined through results of the Professional Judgment Panels (PJPs) convened during the creation of the SFRA and subsequent advisory panels. All of the additional weights (grade level, at-risk, and Limited English Proficient) apply to the base amount. Using the resources and staffing levels from the original model, cost updates were applied to find the revised base per-pupil amount. Among these cost updates are average salaries, benefits, and the application of the consumer price index (CPI)[4] to the non-personnel costs in the model.

In updating salaries, data comes from two sources, depending on the type of employee specified. The certificated staff data collection is conducted each year by the Department to compile detailed information, such as salary, of all district staff that hold a certificate. For positions that are included in the certificated staff data collection, the Department derived the average (mean) salary using actual reported salaries for staff employed during the 2011-2012 school year – the most recent data available. The salaries for non-certificated positions were found using the State Occupational Employment and Wage Estimates for New Jersey from the Bureau of Labor Statistics (BLS). The Department used the May 2011 data collection from the BLS, the most recent data available. Average salaries for all personnel were adjusted using the CPI to project FY2014 levels. The resultant salaries, by personnel type, can be found in Attachment B.

Health benefits were calculated using the average cost of the State health benefits programs, accounting for cost and use by coverage level, for the 2012 year (the most recent available). After CPI adjustment, the calculated cost of health benefits for FY2014 is $16,690 for each employee.

Using data from the Office of Management and Budget (OMB), the costs of other benefits were calculated. The Department applied a workers' compensation rate of 8.67% for maintenance staff and a rate of 1.54% of salary for all other personnel. For non-certificated personnel, the Department applied a Public Employees' Retirement System (PERS) rate of 11.14% of salary and a Federal Insurance Contributions Act (FICA) rate of 7.65%[5] of salary. The State pays each district's share of PERS and FICA for certificated staff, so these costs

[4] The CPI applied for all calculations, except utilities, is the combined New York and Philadelphia Urban Consumers index (CPI-U), as calculated by the New Jersey Department of Treasury. The rates applied for each fiscal year are shown in Appendix A.

[5] The FICA rate is 7.65% of salary up to $110,100 (in FY2012, most recent available), after which the marginal rate drops to 1.45%. None of the non-certificated staff have salaries that exceed this threshold. These are the anticipated rates for FY2014 according to current Federal law.

were excluded for these personnel. Total benefits for each personnel type can be found in Attachment B.

The PJP model that derives the base per-pupil amount (among other things) includes several cost components, such as utilities or supplies and materials, which are outside of salary and benefit costs. For these components, panelists determined a district-wide, school-wide, per staff, per square foot of building space, or a per-pupil dollar amount. To revise these numbers for FY2014, the Department used the original PJP dollar amounts, which correspond to FY2006, and inflated using CPI[6] to project FY2014 costs. This was done to utilize actual inflation data for the intervening years instead of relying on FY2009 projections.

As shown in Table 3.A, the base per-pupil amount for FY2009 was set at $9,649 by the SFRA. After accounting for a CPI increase, the FY2010 base per-pupil amount was $9,971. The CPI for FY2011 was set at 0% based on language included in the budget, so the base amount for FY2011 is equal to FY2010. For FY2012, CPI growth resulted in a base cost of $10,256. The FY2013 base amount was determined by the Department to be $10,555. Accounting for the revised salary, benefit, and other cost components described above, the FY2014 base per- pupil amount was determined by the Department to be $11,009.

Table 3.A: Base Per-Pupil Amount by Fiscal Year

Fiscal Year	Base Amount (Elementary)
FY2009	$9,649
FY2010	$9,971
FY2011	$9,971
FY2012	$10,256
FY2013	$10,555
FY2014*	$11,009

*Recommended for FY2014

PRESCHOOL PER-PUPIL AMOUNT

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

In the December 2011 audit of Preschool Education Aid (PEA), the New Jersey State Legislature's Office of Legislative Services reported that the electronic data submitted by

[6] Utilities costs are inflated by using the CPI-Energy, calculated using both New York and Philadelphia in the same manner used for the CPI-U calculation, described above.

school districts understated the amount of available and unbudgeted PEA carryover in districts receiving PEA. The Department has expanded this data collection to better track this trend and will closely monitor the district-reported data going forward.

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

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

Table 3.B: Preschool Per-Pupil Amounts, by Provider

Fiscal Year	In District	Private Provider	Head Start
FY2009	$11,506	$12,934	$7,146
FY2010	$11,890	$13,366	$7,385
FY2011	$11,890	$13,366	$7,385
FY2012	$12,229	$13,747	$7,595
FY2013	$12,460	$14,007	$7,739
FY2014*	$12,788	$14,375	$7,943

*Recommended for FY2014

Weights for Grade Level, County Vocational School Districts, At-Risk Pupils, Bilingual Pupils, and Combination Pupils

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

GRADE LEVEL WEIGHT

Updates to the cost components, as outlined in the Base Per-Pupil Amount Section above, derive per-pupil costs for students at the elementary, middle, and high school levels. Despite an increase in the elementary base cost since the first year of SFRA (FY2009), the costs for middle and high school increased largely apace. The resultant weights do not change from the base (1.0) for elementary school and a weight of 1.04 for middle school students. Consistent with the changes implemented in FY2013, however, the weight of 1.16 was derived for high school students. As defined in the SFRA, the elementary weight applies to students in kindergarten[7] through grade 5, while the middle school weight applies to students in grades 6-8, and the high school weight applies to students in grades 9-12.

COUNTY VOCATIONAL SCHOOL DISTRICT WEIGHT

The SFRA defines a weight of 0.31 for a county vocational student that is applied in addition to the high school weight. Using the latest audited expenditures data (from FY2011) the Department found the average cost premium of county vocational programs over high school to be 26%. The resulting weight of 0.26 for FY2014 is consistent with the weight derived and applied in FY2013. For FY2013 and FY2014 a new methodology for calculating this weight was used to improve the precision of the comparison by using actual data instead of the estimates used in the creation of SFRA. The most significant change is that the new weight compares actual county vocational district costs to actual high school district costs (rather than actual costs to model costs as was used in the original calculation in FY2009). Using actual data has the benefit of isolating accounting lines that target base regular education costs while excluding at-risk, bilingual and special education spending – these are addressed through separate weights, just as applied in all other school districts.

AT-RISK WEIGHT

The SFRA specifies at-risk weights, including a sliding scale based on district level concentration of at-risk students, which exceed those derived from the PJP model. The PJPs identified costs required to provide programs and services to at-risk students at certain concentration levels. The Department recommends utilizing the weights based upon the resources originally described by the panelists when creating the PJP model. This PJP model considered programmatic needs at 20% and 40% at-risk concentrations. Updating those data to reflect current costs, results in at-risk weights of 0.42 for concentrations of 20% and below, and 0.46 for concentrations 40% and above. The updated cost components reflect no change from those applied in FY2013. For those districts with at-risk concentrations between 20% and 40%, a sliding scale similar to the one described in the SFRA will be applied. The updated weights are reflected in Table 3.C below.

[7] For half-day kindergarten students the SFRA applies a 0.5 weight to the base per pupil amount. Preschool disabled students are included in the elementary enrollment.

Bilingual Weight

The SFRA specified a bilingual (also sometimes referred to as Limited English Proficient, or LEP) weight of 0.50. The bilingual weight used in SFRA was slightly higher than the weight derived from the PJPs. The Department recommends utilizing the weight derived from the resources included in the PJP model. Updating the cost components resulted in a weight of 0.46 based upon the inputs from the PJP results. The Department recommends use of this revised weight of 0.46, which is slightly revised from the 0.47 weight applied in FY2013. The updated weight is reflected in Table 3.C below.

At-risk and Bilingual Weight (Combination Students)

In the SFRA, students who are both at-risk and bilingual receive the district's at-risk weight plus what is called the combination weight. Since there is some overlap in those resources described by the PJPs for at-risk-only students and bilingual-only students, the combination weight reflects only those resources in excess of those for at-risk-only students. As outlined above and utilizing the data from the PJP deliberative process, the cost components related to students with these characteristics were updated to reflect current costs. The Department recommends use of the revised weight for combination students equal to 0.0981 plus the district's at-risk weight. The updated weight is reflected in Table 3.C below.

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

Characteristic	SFRA (FY09-FY12)	FY2013	FY2014*
At-risk 20%	0.47	0.42	0.42
At-risk 40%	0.52	0.46	0.46
At-risk 60%	0.57	0.46	0.46
LEP	0.50	0.47	0.46
Combination (plus at-risk weight)	0.125	0.1052	0.0981

*Recommended for FY2014

Cost Coefficients for Security Aid and Transportation Aid

Security Aid

The SFRA created a two component security aid calculation. The first component is a per-pupil security amount that applies to all students in the district. In addition, the security aid includes a component that applies to at-risk students only, with the per-pupil amount based on a sliding scale that increases with the district's at-risk concentration, capping at concentrations of 40% and above. For FY2013, the Department had determined the per-pupil amount that applies to all students to be $70. The revised figure for FY2014, accounting for salary, benefit, and CPI adjustments, results in a per pupil value of $75. Additionally, the Department calculates that the at-risk per-pupil cost increases to $428 for FY2014 from $402 in FY2013.

TRANSPORTATION AID

Similar to security aid, the SFRA defines a two part transportation aid formula which includes a calculation for regular students and one for special education students. For each regular and special education student, the SFRA describes a base per-pupil amount in addition to a per-mile average distance to school amount. The SFRA also calls for the creation of an incentive factor which only applies to the regular student portion of the calculation, and is applied after the other calculations in the formula have been completed. It is a final adjustment. For the years prior and including FY2013, the SFRA sets the incentive factor multiplier (IF) equal to one (1), which makes no adjustment. No change is recommended for FY2014.

The transportation aid formula has not been extensively studied in New Jersey since the issuance of a Deloitte & Touche Consulting Group report released in 1995. In lieu of a more comprehensive analysis, the Department is recommending the continued use of the SFRA cost parameters, with the addition of a CPI increase. Table 3.D outlines these changes.

Table 3.D: Transportation Aid Components

Fiscal Year	Regular Per-Pupil Base Amount	Regular Average Per-Mile	Special Per-Pupil Base Amount	Special Average Per Mile
FY2009	$383.88	$10.50	$2,675.77	$5.10
FY2010	$396.70	$10.85	$2,765.14	$5.27
FY2011	$396.70	$10.85	$2,765.14	$5.27
FY2012	$408.01	$11.16	$2,843.94	$5.42
FY2013	$415.72	$11.37	$2,897.69	$5.52
FY2014*	$426.65	$11.67	$2,973.90	$5.67

*Recommended for FY2014

STATE AVERAGE CLASSIFICATION RATE FOR GENERAL SPECIAL EDUCATION SERVICES PUPILS AND FOR SPEECH-ONLY PUPILS

The special education and speech-only components of the SFRA are census-based formulas. These formulas use the Statewide average classification rates of general special education students and speech-only students multiplied by the districts' total resident enrollment, then multiplied by the excess cost for the respective classification. For FY2014, the Department has determined, based on Application for State School Aid (ASSA) data, the Statewide average classification rate of general special education services to be 14.78% (from 14.7% in FY2013) and the Statewide average classification rate of speech-only students to be 1.72% (from 1.77% in FY2013).

THE EXCESS COST FOR GENERAL SPECIAL EDUCATION SERVICES PUPILS AND FOR SPEECH-ONLY PUPILS

The excess cost for general special education is determined using actual expenditures for special education students from the 2011 Audit Summary, the most recent data available. Inclusive of all pertinent costs, such as district-wide and mainstreaming costs in addition to special education specific costs, the Department determined the total average expenditure for special education students for FY2014 to be $27,033. Backing out the weighted average base cost of $11,696, yields a per-pupil excess cost for general special education services pupils of $15,337 for FY2014.

In contrast to the excess cost for general special education, the per-pupil calculation for speech-only pupils is based upon the resources outlined by the PJP model for "mild"[8] classification pupils. The updated cost components derive a per-pupil speech-only cost of $1,221 for FY2014.

Table 3.E: Special Education and Speech Per-Pupil Amounts

Fiscal Year	General Special Ed Amount	Speech-Only Amount
FY2009	$10,897	$1,082
FY2010	$11,262	$1,118
FY2011	$11,262	$1,118
FY2012	$11,583	$1,150
FY2013	$14,929	$1,187
FY2014*	$15,337	$1,221

*Recommended for FY2014

EXTRAORDINARY SPECIAL EDUCATION AID THRESHOLDS

Extraordinary special education aid provides assistance to districts for students needing educational services that incur a high cost to the district. In brief, extraordinary aid reimburses districts a portion of the eligible costs exceeding a given threshold for such high cost services.

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

[8] The "mild" classification category as used during the PJP process was defined as speech only.

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

The Department looked at the number and cost of applications for extraordinary aid received since the start of SFRA. In contrast to most State aid programs, extraordinary aid is run as a reimbursement program; districts submit applications in a given year for costs incurred in the prior year. For this reason, the number of applicants varies each year and is hard to project. Using the data available, it appears that the rising cost of special education services and the lack of a cost adjustment in intervening years have resulted in an increasing percentage of all special education students being eligible for extraordinary aid. Applying the metric that only the top 5% of special education students are among the highest cost, an adjustment to the cost thresholds should be implemented.

Table 3.F shows the recommended threshold change for FY2014. By increasing each of the thresholds by $5,000, the Department anticipates that this change will allow for only those students with the highest cost services to be eligible, and will help ensure that the State can reimburse those costs at the higher rate provided for in the SFRA.

Table 3.F: Extraordinary Aid Thresholds

Fiscal Year	In-District (90%)	Public Placement (75%)	Private Placement (75%)
FY2009	$40,000	$40,000	$55,000
FY2010	$40,000	$40,000	$55,000
FY2011	$40,000	$40,000	$55,000
FY2012	$40,000	$40,000	$55,000
FY2013	$40,000	$40,000	$55,000
FY2014	$45,000	$45,000	$60,000

*Recommended for FY2014

ATTACHMENT A

New Jersey Consumer Price Index FY2009-FY2014

Fiscal Year	New Jersey CPI	New Jersey Energy CPI
FY2009	2.89%	3.61%
FY2010	3.34%	12.58%
FY2011	1.60%	-6.08%
FY2012	1.23%	-1.01%
FY2013	1.89%	8.24%
FY2014	2.63%	6.05%

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

ATTACHMENT B

	FY2009 (Used for SFRA)			FY2014		
	Average Salary	Average Benefits	Total - Salary plus Benefits	Average Salary	Average Benefits	Total - Salary plus Benefits
Salaries - School Level Personnel						
Classroom Teachers	62,989	12,834	75,823	70,206	16,718	86,924
Other Teachers	62,989	12,834	75,823	70,206	16,718	86,924
Librarians	77,135	12,953	90,087	78,912	16,721	95,633
Technology Specialists	53,262	20,715	73,976	59,682	27,928	87,610
Counselors	78,563	12,965	91,527	78,858	16,721	95,579
Nurses	65,311	12,853	78,165	75,417	16,720	92,136
Psychologists	73,945	12,926	86,871	80,803	16,722	97,525
Social Workers	69,421	12,888	82,308	79,302	16,721	96,024
LDTC	79,107	12,969	92,076	87,665	16,725	104,389
Instructional Aides	24,921	16,240	41,160	28,095	21,980	50,075
Clerical/Data Entry	37,250	18,186	55,437	42,256	24,647	66,903
Principal - Elementary	119,503	13,308	132,811	129,833	16,742	146,574
Asst. Principal - Elementary	100,708	13,151	113,859	108,665	16,733	125,398
Principal - Middle	121,426	13,325	134,751	135,930	16,744	152,674
Asst. Principal - Middle	101,084	13,154	114,238	113,169	16,735	129,904
Principal - High	132,316	13,416	145,732	142,745	16,747	159,492
Asst. Principal - High	109,453	13,224	122,677	119,098	16,737	135,835
Substitutes	127	-	127	130	-	130
Security Guard	34,168	17,700	51,868	31,976	22,711	54,687
Reading Specialists	75,488	12,939	88,426	82,608	16,723	99,331
Speech Pathologists	71,853	12,908	84,761	79,451	16,721	96,173
Resource Teacher/In-Class	62,989	12,834	75,823	70,206	16,718	86,924
Self Contained/Pull-Out	62,989	12,834	75,823	70,206	16,718	86,924
Occupational Therapist	66,749	12,865	79,614	77,023	16,720	93,743
Physical Therapist	72,809	12,916	85,725	82,455	16,723	99,177
Media Aides	33,155	17,540	50,695	38,603	23,959	62,561
School Directors	107,373	13,207	120,579	120,064	16,738	136,802
Parent Liasion	26,048	16,418	42,466	28,808	22,546	51,354
Lunchroom Aide	7,732	7,373	15,106	16,168	11,632	27,799

ATTACHMENT B (CONTINUED)

	FY2009 (Used for SFRA)			FY2014		
	Average Salary	Average Benefits	Total - Salary plus Benefits	Average Salary	Average Benefits	Total - Salary plus Benefits
Salaries - Districtwide Level Personnel						
Superintendent (Has No Asst Sup)	149,397	13,560	162,957	165,953	16,756	182,709
Superintendent (Has Asst Sup)	184,502	13,854	198,357	205,694	16,772	222,466
Assistant Superintendent	115,323	13,273	128,597	165,281	16,756	182,037
Assistants to the Superintendent	53,033	20,678	73,711	61,985	28,361	90,346
Business Administrator	113,609	13,259	126,868	131,702	16,742	148,444
Assistant Business Administrator	68,165	12,877	81,042	79,021	17,907	96,928
Purchasing Agent	67,323	22,935	90,258	75,313	30,871	106,184
Purchasing Clerk	39,832	18,594	58,426	42,948	24,777	67,725
Accountant	76,440	24,374	100,814	87,831	33,228	121,060
Facilities Manager	108,505	13,216	121,721	119,555	16,738	136,293
Business Clerks	39,941	18,611	58,552	43,370	24,856	68,226
Clerical/Data Entry	37,250	18,186	55,437	42,256	24,647	66,903
Technician	53,262	20,715	73,976	59,682	27,928	87,610
Programmer	89,238	26,395	115,633	88,934	33,436	122,370
Director	122,287	13,332	135,618	134,433	16,743	151,176
Supervisors	108,505	13,216	121,721	119,555	16,738	136,293
Coordinators	88,733	13,050	101,783	88,588	16,725	105,313
Salaries - Plant Maintenance & Operations Personnel						
Head Custodians	44,287	19,297	63,584	46,926	28,872	75,798
Custodians	26,282	16,455	42,737	29,792	24,424	54,216
Maintenance	40,061	18,630	58,691	44,235	28,173	72,407
Grounds	28,515	16,807	45,322	29,728	24,407	54,134
Buildings/Grounds Supervisor	51,170	20,384	71,555	54,601	30,864	85,466