
Committee Meeting

of

SENATE EDUCATION COMMITTEE

“The Committee will meet to receive testimony from invited guests regarding the school funding formula. The Committee will also accept written testimony from members of the public”

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

DATE: March 14, 2024
11:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Vin Gopal, Chair
Senator Shirley K. Turner, Vice Chair
Senator Angela V. McKnight
Senator M. Teresa Ruiz
Senator Andrew Zwicker
Senator Kristin M. Corrado
Senator Owen Henry
Senator Vincent J. Polistina



ALSO PRESENT:

Amanda Bastelica
Jacquelyn N. Corsentino
Office of Legislative Services
Committee Aides

Aislinn Brennan
Senate Majority
Committee Aide

Matthew Martins
Senate Republican
Committee Aide

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

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Chair

Shirley K. Turner
Vice-Chair

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SENATE EDUCATION COMMITTEE

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COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE EDUCATION COMMITTEE

FROM: SENATOR VIN GOPAL, CHAIRMAN

SUBJECT: COMMITTEE MEETING - MARCH 14, 2024

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The Senate Education Committee will meet on Thursday, March 14, 2024 at 11:00 AM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The committee will meet to receive testimony from invited guests regarding the school funding formula. The committee will also accept written testimony from members of the public.

Issued 3/7/24

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SENATOR VIN GOPAL (Chair): Apologies for the delay.

We are at the Senate Judiciary Committee (*sic*).

Let's do a roll call.

MS. CORSENTINO: Senator Henry.

SENATOR HENRY: Here.

MS. CORSENTINO: Senator Corrado will be joining shortly.

Senator McKnight.

SENATOR GOPAL: She's here.

MS. CORSENTINO: Senator McKnight is here.

Senator Turner. (no response)

Senator Gopal.

SENATOR GOPAL: Here.

MS. CORSENTINO: Also in attendance is Senator Ruiz.

Senator Polistina will also be attending.

SENATOR GOPAL: Maybe others, too, coming in and out.

Why don't we do the Pledge of Allegiance.

(Pledge of Allegiance recited)

SENATOR GOPAL: Thank you all for being here for this important hearing on SFRA, the School Funding Formula.

We had a good-- I had a good conversation with Acting Commissioner Dehmer earlier this week, and I think it's important that we try to gather as much feedback as we can today. We're working closely with Chairwoman Lampitt. With S2 essentially coming to an end, with the reconfigurations of the numbers this year, and more than a decade's worth of data on how the formula has impacted districts, I think it's critical we start taking the steps to modernize the formula.

The core of the formula established under the 2008 SFRA has not changed since the legislation was signed into law, but New Jersey has changed dramatically since 2008. Areas like special education, mental health, and a number of other areas are taking up more in a school district's budget than it did in 2008.

We also acknowledge that the impact of SFRA has been incredibly uneven among districts. The formula stabilized many districts that have long struggled to fund their schools, but it's also forced a significant portion of the State's districts to wrestle with an unsustainable fiscal volatility. So, that is part of our conversation today.

In my hometown of Long Branch, they gained about \$600,000 last year and lost \$10 million this year. That's a \$10.6 million swing in one year. And, to get that information in early March and to be told you have to do a budget to cut \$10 million -- 20% of your budget -- in a couple of weeks I think is very not practical at all. So, I think there's a lot that we need to do as far as looking at it.

I would ask our speakers today-- We don't want to hear about the past. I understand what challenges-- If you're a district that has lost, what challenges you've had. You've submitted written testimonies. I want to really focus on the future; what you feel confident has worked and is important; what you feel is *not*. We know that all of our school districts in all of our 600 communities are very different. That is our goal today.

We had over 60 school districts request to testify today. We apologize that we were not able to accommodate them all. We tried to select a handful from the north, the central, the south; we tried to pick a handful that gained, that lost, and that were a little bit of both. So, for those other

districts that are here or that had wished to testify, I am sure there will be more opportunities. The Senate Budget and Assembly Budget Committees will also be holding hearings. Chairwoman Lampitt will be having upcoming sessions, and you're always welcome to submit your written testimony, and I'm sure our Senate Education staff will always be happy to meet with you.

So, we apologize for those who we could not include today, but we tried to get as many as possible.

Before we start, I just want to see if there's any comments.

I want to thank Majority Leader Ruiz for sitting in today for a bit. Senator Polistina is going to come by, and I believe Senator Zwicker is going to come by.

Any questions from any of the -- or comments -- from any of the Committee before we start?

Ok; good.

SENATOR HENRY: Senator, you know my comments from the last meeting that we were here.

This needs to be fixed. You have a discussion today; this discussion needs to continue. And, these districts that are continually getting cut need to be at least held at a zero. And, we're going to talk--

SENATOR GOPAL: That is the goal of today.

SENATOR HENRY: That is the goal.

Thank you.

And, I echo your comments.

SENATOR GOPAL: Thank you.

Senator Ruiz.

SENATOR RUIZ: Chairman and members of the Committee, thank you for inviting me. I am here to listen and learn some more.

But, I think in your opening remarks, you alluded to something that the Chairman of the Budget Committee and I have talked about. It is ludicrous to get numbers and then seven days later-- There really is no opportunity to budget. Let's just say, even if we wanted to make a recommendation to the line item in the ed. State budget, you can't because of what it would do instantaneously.

So, there should be a deeper dive as to whether we can do forecast budgeting, two-year budgeting. At least you know what the baseline is. I don't know if it's constitutional I'm hearing or whatever it is that we need to do, but it's certainly not practical.

SENATOR GOPAL: Thank you, Majority Leader.

All right, let's start with the New Jersey School Boards Association.

JESSE YOUNG: Hi, everyone.

Jesse Young; New Jersey School Boards Association.

So, I've got six ideas to throw at you guys and three minutes to do it, so I'm going to do my best to limit myself to the CliffsNotes version, but always happy to take any questions or continue this conversation with anyone who is interested.

So, first thing I'll throw out there: Moving away from the census method of funding special education in SFRA. I know this Committee has already approved a bill back in January that would move away from the census method, so I don't want to rehash all the issues you've already heard back in January. So, I'll just say I think there's a lot of room for improvement

in how the formula aligns special-ed. funding to actual district needs and by using the statewide average classification an average excess cost, the formula doesn't always get that balance right, of ensuring that funding is based on a district's current actual needs. So, we think there's a lot of room for improvement there, whether it's a tier-based formula or some other method of measuring district needs. That's the first idea I'll throw out there.

Second: Using a multi-year average for equalized evaluation in the calculation of the district's local share instead of the current method that uses a one-year snapshot. So, in the last couple of years, we've seen more and more dramatic examples of the impacts that a one-year increase in property values can have on a district's State aid. I'm sure most if not all of you have heard that feedback from districts in your Legislative Districts about the impact of those increasing property values.

And, a quick datapoint I'll throw out to back that up: Four years ago, in Fiscal Year '21, there were 21 school districts in the state that saw an increase in their equalized valuation of 10% or more -- 21 school districts statewide. Last year, Fiscal Year '24, that number skyrocketed to 322 school districts that saw an increase in their equalized valuation of 10% or more. So, that significant impact of increasing property value is driving up the local share, in turn driving down equalization aid. We're seeing it more widespread and more significant around the state.

So, to mitigate those swings, we do support the Chairman's bill, S2071, and Assemblyman Freiman has it in the Assembly to use a five-year average for equalized valuation in local share instead of the one-year snapshot.

Number three: Transportation aid for athletics and extracurriculars. So, the current formula-- Transportation aid is based on a per-pupil and a per-mile funding amount: one set of amounts for general education students; another set of amounts for special ed. But, the formula is limited to transportation to and from school. It does not include transportation for sports or field trips or other extracurricular activities. So, we think to better align that transportation aid formula to a district's actual transportation needs and transportation costs, it could be expanded to include transportation for kind of other than just between home and school -- for extracurricular activities and athletics.

Number four: Security aid. The current formula provides a just flat per-pupil amount of security aid for every student, and then it provides an additional per-pupil amount for low-income students. But we've heard from school districts that security costs and security needs are greater for high schools compared to middle schools and elementary schools -- basically our older students. The cost and the types of programs districts need to implement to ensure school security in the upper grades are more costly than in the lower grades. So, we recommend that the security aid formula provide greater funding for older students than for younger students.

And, then, the last two ideas are not kind of technically core SFRA formula, but they are an important part of kind of bigger picture of the resources that school districts have to meet their students' needs.

Number five: School district tax-levy growth cap flexibility -- particularly for school districts that are experiencing State aid reductions. That 2% cap in their tax levy often prevents our districts from getting the resources that they need to make up for those state aid losses.

Quick data point there: Last year -- Fiscal '24 -- there were 46 school districts in the state that lost more funding that year than they were allowed to make up for in their local tax-levy increase. So, we advocate for a tax-levy adjustment that would allow the district to get up to its local share. Local share is the formula's measure for what a community can "afford" to contribute to the school district's budget. So, we'd like to see the law allow the school district to get to that local share.

And, then, last idea: Fully funding extraordinary special-education aid. I know, Chairman, you've sponsored budget resolutions in the past to do just that.

Some data points there; In Fiscal Year '24, the budget provided \$420 million in extraordinary special-education aid, but the statewide cost that districts were eligible to be reimbursed were \$586 million. So, districts - Every district's award for extraordinary aid had to be prorated by 72% last year. That's down from 84% the year before that; down from 90% the year before *that*. So, special-education costs are rising, but the line item is not keeping up with those rising costs. So, to fully fund extraordinary special-education aid, we recommend \$586 million in this year's budget that would match what the costs were last year.

So, that's all I've got for you.

Thank you very much.

SENATOR GOPAL: Thank you.

I think it's important to understand that special ed. piece, because Senate President Sweeney -- Former Senate President Sweeney -- worked hard on this, and we've actually gone backwards on this. We were

almost at 90% funding extraordinary special ed.; now we're almost 70%, correct?

MR. YOUNG: Exactly, yes. Two years ago we were at 90%; this most recent year we were at 72%.

SENATOR GOPAL: And, I think it's imperative that the State considers taking this on, because families should not be going district to district based on the special-education situation. And, that should not be a line item. It's a complete lack of predictability and lawsuits and everything every single year, just based on the special eds.

Any intelligence from your members on why special-education costs have been going up so much in the last few years?

MR. YOUNG: I think the dynamics are going to look a little bit different in different districts.

But, some common themes we see: Tuition for out-of-district placements for some students who require placement in an approved private school for students with disabilities out of the district, some of the cost might be either a greater number of students requiring those placements, and tuition can run as high as \$100,000-120,000 per year for these students. So, in some cases, we might see tuition for those out-of-placement districts going up, or the number of students. Like, year to year, if you get an extra -- I don't know, one, two, or three students who need that out-of-district placement - - that could run you hundreds of thousands of dollars in tuition.

So, it could be that; it could be a matter of just enrollment increases. I think there are a lot of different factors that might be at play. It could be a transportation-- There's a relationship between your transportation costs increasing and special-education costs, because if you do

meet a student who has to go to an out-of-district placement, you need to provide transportation to that placement. So, as transportation costs go up with inflation or whatever other factors are driving transportation costs, that's going to bleed into your special-education costs.

SENATOR GOPAL: For clarity, for the Committee, what is the cost right now for extraordinary special education per student?

MR. YOUNG: So, in Fiscal '24, which is the most recent data we have--

SENATOR GOPAL: Cost per student, \$40,000, or \$35,000?

MR. YOUNG: How much--

SENATOR GOPAL: Yes--

MR. YOUNG: --can they be reimbursed?

SENATOR GOPAL: Yes.

MR. YOUNG: It depends on the placement. If you are in-district, educated alongside general-education students, you get 90% of the cost above \$40,000.

SENATOR GOPAL: Above 40.

MR. YOUNG: Above 40.

SENATOR GOPAL: And, do you-- Forty has that been the number for--

MR. YOUNG: It's been the number for at least a few years, I believe.

The DOE does -- is technically charged with updating and revising that number every three years, in the Educational Adequacy Report. I don't have the history of those numbers in front of me--

SENATOR GOPAL: I've heard from a lot of districts that that \$40,000 is not truly representative of an extraordinary special-ed. case, that you do have folks in the 30s that are costing them, that are pretty severe cases as well. Is that accurate?

MR. YOUNG: Yes, I mean, I think the numbers are set by the DOE every three years.

So, whether we see extraordinary special-education costs increasing every year, and so-- Certainly any adjustments that can be made to direct more of that funding to get districts a higher reimbursement rate would be appreciated.

SENATOR GOPAL: Thank you.

Any questions for the members from the school boards? (no response)

Thank you.

MR. YOUNG: Thank you.

SENATOR GOPAL: All right, New Jersey Education Association.

DEBORAH E. CORNAVACA, Ph.D.: Good morning Senator and members of the Committee; it is a delight to be here today.

With your permission, I would like to have one of our member leaders, the President, start with his testimony, and then I'll speak briefly.

HENRY GOODHUE: Good morning, Chair, members of the Committee.

Thank you for your time today.

My name is Henry Goodhue. I have been a Special Educator for 20 years, all of which has been in Hillsborough. For 10 of those years, I've also been a union leader in this district.

One of the few constants that I have seen throughout education is the chaos that comes every March as numbers are released and we're unsure as to what our budget will look like. And, ultimately, throughout all of that, we have endeavored to protect the programs and the positions that are there to ensure that students continue to receive an excellent education, but that gets more and more difficult each year.

The unpredictability and volatility of the funding formula has created chaos for these districts, like mine. Mostly important, it creates uncertainty and stress for staff -- many of whom choose to apply to other districts during the budget season, which serves to only exacerbate the impact of the educator shortage and leave students further disadvantaged. We must recognize the negative impact of the funding formula; the flaws in its calculation; the conflicting factors that make it near impossible for districts to meet their fair share.

While S2 sought to compel districts to meet their fair share, the 2% cap prevented them from doing so and created a perpetual cycle of funding loss for these districts. This, combined with the manner in which the funding formula assesses property valuations, have put districts in a position where property taxes may decrease, but so do the supports for their students, their overall staff, and the course offerings. In conjunction with increased class sizes, these factors threaten to undermine the quality of public education offered in these districts and compromise the future success of the students.

Given that we are in the final year of S2 and the State has prioritized fully funding SFRA, it is due time for us to revisit and revise the school funding formula. We must seek to create a formula that is not only balanced, but is also predictable, so districts know what to expect each year and can plan accordingly. In the short term, we have taken steps to address funding volatility through adjustment aid and bills like S2434 -- all of which are deeply appreciated, and may -- excuse me -- may be necessary for the immediate solution in the current year.

But, we must seek long-term solutions that would include property-valuation calculations that are an average of years to avoid unpredictable fluctuations from year to year; a formula that takes into consideration the limitations of the 2% cap when assessing a district's fair share; recognition that the 2% cap prevents S2 districts from even accounting for basic inflation when creating their operational budgets; the means to account for costs associated with areas like transportation and special education, which vary greatly from year to year; assessment of development in communities, and the influx of students this creates, most often after the enrollment count has been finalized; and, most importantly, revisions to the formula that account for the reality of the current situation and markets, not one that is mired in a reality that existed over a decade ago.

Working and living in an S2 district, I have seen firsthand the conflicting aspects of legislation and how it can place a district in this perpetual cycle of cuts and job loss. More so, I have seen how this cycle undermines the education of students in districts and deprives them of the opportunity to thrive. Districts like Hillsborough and many others cannot account for the swings in the funding formula, and have reached a budgetary

breaking point where there is simply nothing left to cut beyond teaching positions, programs, and supports for students.

I wholeheartedly believe the intent of S2 and the funding formula was -- excuse me -- was *not* to limit local decision-making and cause reduction in staffing, but that is the current reality of this situation.

I commend the Legislature for taking decisive action in past years to lessen the impact of volatile funding changes and protecting the education of all of New Jersey's students. I ask that you join us in seeking changes that have an enduring positive effect beyond this funding year, and allow for more predictability in funding so districts can responsibly create budgets that reflect our core state value of protecting and supporting public education and students.

Thank you for your time.

DR. CORNAVACA: Thank you very much for the time this morning; and, Senator, for your leadership in bringing this forward.

As always, the best legislation and the best solutions come when we really have the time to dig in and discuss issues before there's bills on the table.

Having said that, it is also a delight to be surrounded-- And, I feel the power of all the knowledge behind me of people who can discuss aid in much more detail than I would propose to do today myself. So, I really have three fundamental messages.

The first is, we believe strongly that the formula is constructed with good bones. In its foundation, it remains one of the strongest formulas in the nation, and, in New Jersey, we should be very proud of what we have and what we can build upon.

The second is that it's done a really good job at differentiating and recognizing differences of individual students and differences of individual communities. That doesn't mean it got all the pieces right, but in its core, it's recognized those issues as important to address in a formula.

And the third piece -- really most important to us -- is that the formula was focused not on equality but on equity. And, that was done at a time when the distinction might not have been clear, but it sets us up for success today, if we take a look at a 16-year-old formula and look at it holistically for how we need to approach it.

And, that's really my second message from us, on behalf of NJEA, is that we need to take a holistic look at the formula and make the adjustments as a package. I agree already with what I've heard today, and I suspect I would leave here agreeing with all the recommendations. We do not believe that they should be done piecemeal; however, because there's inputs; there's outputs; and there's expectations placed upon the formula of what it should provide for education. And, each time you change one piece, you change the impacts of the other.

And, so, our strongest recommendation is not to do individual bills, fixing a little bit here and a little bit there, but to take the time to do a holistic evaluation; come forth with comprehensive recommendations, understanding the way one piece impacts the other and put forth solutions that will set us up for success for the next decade or 15 years.

Specifically, I think that we need to focus on a couple of things. The first is expectations. In 2008, we were not faced with technology as we are now -- security issues. We have raised standards; we have new Federal mandates. There is a little bit of wiggle room within the formula -- and we

would be happy to get rid of some of those Federal mandates -- there's a little bit of wiggle room within the formula, especially with the adequacy report, to adjust things here or there. But, really, fundamentally, the education of 2024 is very different than when it was created in 2008, and we need to take a look at what the expectations of an adequacy budget are and the expectations of the outcomes we want our students to perform at when we're funding school. So, we would begin at that level, that very fundamental level. What do we think the formula and the funding is meant to accomplish?

The second thing we need to look at carefully are the inputs. These are issues like the local fair share volatility -- and, I am not going to pretend to be a real estate expert here, but the things that have happened to the real estate market and property values and valuations and personal wealth since the inception of the formula were probably not within the realm of consideration. The impact that climate change has had on property values; the impact that the pandemic has had-- All of these things have shown us that volatility that have to get smoothed out, in a way, to give some predictability.

And, another one you'll hear more from other experts -- I won't go into it -- are the enrollment issues. Enrollment may change -- your fixed costs don't always do that. And, oftentimes, especially when we're still coming out of a decade of underfunding the formula, you are being asked to make the choice, when funding is reduced, between cutting staff or cutting class size. Cutting class size is what's in the best interest of our students; cutting staff is what's being demanded of the bottom line.

So, again, we need to take a look not just at what the numbers say, but at what the achievement towards equity is telling us needs to be

done. And, we have enough experience using the formula, even before it's fully funded this year, to gain that knowledge and to say, "Where do we need to put up the guardrails," so the districts have that predictability you've already heard about, and, I think, will be a theme today, and some protections from having to choose between what's in the best interest of the student and the bottom line.

And, in addition, when changes do need to be made, such as reconfiguring your school district because of decreasing enrollment, those require funds to do that. And, so, we cannot ask them to make those adjustments unless we're willing to say, "You need those funds to make the necessary changes to be more efficient." Again, we need to build these pieces into the formula.

And, the third thing I would say is with respect to outputs, which ties back to the standards piece, what are the expectations of an adequacy budget? What are the expectations of special-education funding, and how are we basing it? What are the weight -- so, the appropriate weights -- that we want to have to actually achieve this? And, key within this space, I would say we need to take a really deep look at the achievement gap with respect to the school-funding formula. We talk about the achievement gap all the time, and we know that investment; that resources; that adequate staffing; that good facilities will help close that gap.

But after decades of underfunding, the gap has not decreased the way that this formula *should* allow, but I would argue probably needs an increased investment through the formula to address what we know are persistent problems within an achievement gap that are reflected, first of all, in the resource starvation that so many districts face when they're choosing

between patching a leaky roof or buying textbooks. So, we think that that output needs to be looked at very carefully.

Fundamentally, I agree with you, Senator -- Chairman -- this is the right time to do it; it's the right time because, after years, you've fulfilled your commitment through a pandemic to fully fund the school formula. It is also the right time -- apropos of the conversation you've had with our Interim Commissioner -- because at the helm of the DOE, you probably have, if not *the* top -- because I don't want to cast shadow on any of the people sitting behind me who are also experts on the formula -- one of the top experts in the state on this formula, he understands it. Kevin Dehmer understands it better than most, and with him at the helm, we are asking two things:

One, do something this year to help the S2 districts who are outliers in loss, and even some non-S2 districts that may really have suffered, so that they have stable funding. And, as part of that, learn from that lesson. So, Number 2: Invest the money in this year's budget -- you know, probably a million or two -- to put together a full-fledged commission of study; bring in the experts to work with Kevin Dehmer and the Department of Education and proper stakeholder engagement to do the holistic work necessary so that we're not fixing this piecemeal and knocking one piece here and causing other unintended consequences. Come back to you in time for recommendations for next year's budget to adjust the formula. We think that if we do those two things, we will be setting ourselves up for another generation of success.

And, finally, I would just say -- and, you'll hear this throughout today -- the calendar needs to be looked at. The injustice of having to set your school budget when you don't know what your final numbers are from the state -- the pink slips that we go through at the end of May -- April or

May -- May. The stress that is put into the system every year over that-- Those things are within our control. They're not easy or obvious solutions, because I doubt you're actually going to get to solve a budget in May instead of June. But, it is incumbent upon us as the people who have control of the calendar to say, what are we going to do differently to stop what I call the season of insecurity -- from the time the budget is proposed and the numbers go out, to the time the schools have to finalize their budget; send out a bunch of pink slips; cancel programs that they can't reinstitute when they find out they're actually getting more money than they had to budget until the State budget is done. That is within the control of the Legislature to help fix, either through guarantees of funding or through calendar dates, and there is no revision to the formula that should be done that doesn't address that piece.

We thank you for your time, we look forward to working with you, and, as I said, we were going to be in staunch agreement with everything you hear today, but we ask that we do this comprehensively and holistically so that we get it right in one fell swoop.

SENATOR GOPAL: Thanks, Deb.

Any questions from the Committee?

Senator McKnight.

SENATOR McKNIGHT: Hi, thank you so much.

Question: What do you feel is a suitable time for the districts to submit their budget? Because, you brought up there is a conflict when the State has to do the budget and you have to do your budget.

So, do you have any--

DR. CORNAVACA: I've not-- I don't sit on a school board or haven't, so I don't know. The timeline that they've laid out is a compressed but, I think, reasonable one, but it's misaligned with the State budget.

So, either they need to be given a guarantee -- for example, that your budget will not fluctuate more than 1% -- so that they know, "OK, there might be some increase or some decrease, but I am within this guardrail, so I can plan accordingly," or we need to adjust the timelines and be able to give them some guarantee of what their funding is at the time that their budgets are due.

And, I just think if we take a look at all the dates that they have to follow and the dates of the State budget, we can do a better job at aligning them.

So, I'm not sure it's how long I would defer to superintendents -- how long they actually have for their process -- it's that it's misaligned with our process.

SENATOR McKNIGHT: All right, thank you.

SENATOR GOPAL: Thank you.

Welcome, Senator Zwicker.

Any other questions? (no response)

Thank you, guys.

As I mentioned, we have a wide array of school districts. Let's mix it up and bring some of them up. I am going to bring up three districts that I believe have all fluctuated, which means that they've all gained funding for years, and now that they're losing funding.

So, if I could ask Red Bank, Long Branch, and River Edge -- three of you come up. There's two sets of tables.

Thank you.

FRANCISCO E. RODRIGUEZ: Good morning, Senator.

Francisco Rodriguez; proud Superintendent, Long Branch Public Schools.

A lot of what we're going to say today, obviously, is going to remain very consistent. But, I think they're very much very key points, and the consistency for us really sends a message that something has to be done.

So, we're here today to advocate for what I would call the great city by the sea, which is Long Branch.

So, good morning. Thank you for this opportunity to address this very distinguished panel.

Long Branch Public Schools is truly a district that has risen from the ashes of poverty and proclaimed victory among the many developing great school districts in this great state. Thanks in part to the Abbott decision and the current leadership funding SFRA, we have been able to achieve great things for our children in Long Branch.

As you may or may not know, although our city has grown in both property wealth and income wealth, we still serve some of the poorest and most needy children in our state. With almost 80% free and reduced, multi-language learners that compromise about 30% of our population -- an increase from 631 students to 1,559 students -- and that's only from 2020 -- and our special-education population who account for 728 students and represents 13.4% of our student population, it is very evident, and we have the data to prove that our children continuously require more significant support.

I know many districts in our state feel the same way, so please understand I am not only advocating for Long Branch Public School students, but for all students here in New Jersey who require the support that only our public school system can provide. This support necessitates oversight and educational excellence, yes, but it also requires a stable and predictable financial formula that addresses potential changes in cities such as ours, ensuring that no adjustment in one year -- up or down -- produces instability for our children.

Please help us not to regress to times when we could not provide our children with what they needed, but instead, let's build upon the great message of our Governor and this Committee and fund us with the financial stability that all of us need.

Having State aid go from an increase of \$600,000 in FY2024 to losing \$10 million the next year creates instability for both local taxpayers and the Board of Education and Administration, who are tasked with delivering a thorough and efficient education year after year. Our Board, like many in our great state, try to project out two to three years regarding tax rates, budgetary increases, and state aid to ensure we create a stable environment for our children and staff. It continues to be very difficult when it's easier to predict several years out on the evaluation and potential taxes of one city compared to the subsequent year of financial support from our state.

Please collaborate with us to create a state aid system that is more predictable, ensuring no district is forced to make critical decisions such as cutting educational programs and letting go of compassionate staff members within a three-week timeframe. Let's strive for stability for our children in this great State of New Jersey.

Thank you.

SENATOR GOPAL: Thank you, Pete.

Anything? (no response)

Moral support?

A couple questions, because I think it's important.

Just so-- You said 80% free and reduced lunch in Long Branch School; 30% English as a second language.

MR. RODRIGUEZ: Yes, multi-language learners.

And, I want to bring that-- So, since 2021, we've increased from 631 students to 1,559. And, that's only from 2020 to 2024.

So, as our income has grown as far as wealth and property tax, values have increased; the needs of our students have also gone up. And, as we look at what's happening with State aid, although our income, our property values have increased in Long Branch -- which I believe is a rags-to-riches story -- the needs of our students continue to increase with -- so we're asked to do more with less.

SENATOR GOPAL: You've gained funding every year until this year, correct?

MR. RODRIGUEZ: Yes, up until last year -- up until this year -- we did take a \$10 million loss. Last year, we had \$600,000.

SENATOR GOPAL: What did you gain in the first year of S2, do you remember?

MR. RODRIGUEZ: Two-point-three million.

SENATOR GOPAL: So, \$2.3 million, and your enrollment overall-- Where is your enrollment now versus five years ago?

MR. RODRIGUEZ: About 200 children less from then.

SENATOR GOPAL: Two hundred less; OK.

And, so you lost \$10 million this year.

MR. RODRIGUEZ: Yes.

SENATOR GOPAL: What are you going to do?

MR. RODRIGUEZ: Everything is on the table. Our programs, our staffing, mental-health services, learning loss, you name it -- it's on the table. So, anything that's going to address-- We just heard about achievement gap; throw on learning loss; throw on the fact that our student population as far as special ed. is 13.4%; transportation; security; you name it -- it's all on the table.

SENATOR GOPAL: Class sizes likely to increase?

MR. RODRIGUEZ: Class sizes will *definitely* increase.

SENATOR GOPAL: Layoffs?

MR. RODRIGUEZ: Absolutely.

SENATOR GOPAL: What were you expecting to gain or lose this year?

MR. RODRIGUEZ: Based on last year, looking at the-- Well, there's no predictability for us, but just based on the patterns and looking at past years, we did anticipate some sort of loss just because we were on the decline. But, to go from \$600,000 to \$10 million -- no one in this room could predict that.

SENATOR GOPAL: How much time do you have to put that budget together?

MR. RODRIGUEZ: I have to submit a budget to the county next week.

SENATOR GOPAL: So, you had about three weeks to figure out how to cut \$10 million when you've gained funding every single year.

MR. RODRIGUEZ: That is correct.

SENATOR GOPAL: That's pretty insane.

MR. RODRIGUEZ: Absolutely.

SENATOR GOPAL: In a district that's 80% free and reduced--

MR. RODRIGUEZ: Correct--

SENATOR GOPAL: --serving some of the kids who need the most.

MR. RODRIGUEZ: Absolutely.

SENATOR GOPAL: And, if we look at Monmouth County alone -- look at Long Branch, Asbury Park, Neptune, Red Bank, four communities that are the most diverse -- all took significant hits in funding.

Meanwhile, the wealthiest communities, including Deal and Colts Neck, went up over 100% each.

MR. RODRIGUEZ: Yes, that is correct.

I believe the four districts you just named -- we took a \$25 million loss, altogether.

SENATOR GOPAL: How the State or the Governor can celebrate this is beyond me. It's very clear that a \$10 million loss would have beyond a devastating impact--

MR. RODRIGUEZ: Absolutely--

SENATOR GOPAL: --to the kids, in a district -- again -- that I emphasize is 80% free and reduced lunch.

MR. RODRIGUEZ: Yes.

SENATOR GOPAL: Why do you-- I mean, and for those who haven't visited Long Branch, it's two very different communities--

MR. RODRIGUEZ: Yes--

SENATOR GOPAL: --you have a lot of folks who are buying properties on the waterfront in the Pure Village, in the Ocean Avenue area. A lot of folks who are doing second homes--

MR. RODRIGUEZ: Yes--

SENATOR GOPAL: --or buying homes that aren't sending kids to the school system, buying those condos for hundreds of thousands of dollars more -- similar to Asbury Park.

MR. RODRIGUEZ: Yes.

SENATOR GOPAL: One-point-seven, \$2 million, \$2.3 million -- all second homes from folks in New York. And, that is one of the primary drivers of why, in the SFRA, why you are losing \$10 million this year.

MR. RODRIGUEZ: Absolutely.

In Long Branch alone, the wealth went from \$850 million to \$1 billion based on the dataset -- the dataset being used to determine what State aid looks like right here.

SENATOR GOPAL: Because the formula is assuming that everybody in the town is the same.

MR. RODRIGUEZ: Absolutely.

SENATOR GOPAL: Which is completely incorrect.

MR. RODRIGUEZ: A tale of two cities.

SENATOR GOPAL: On a *lot* of our shore communities.

MR. RODRIGUEZ: Yes.

SENATOR GOPAL: Committee, you have any questions? (no response)

Thank you.

Rivers Edge -- River Edge, sorry.

MATTHEW J. MURPHY, Ed.D.: Good evening -- or, good evening; good afternoon.

Matthew Murphy, Interim Superintendent of River Edge. In fact, I came out of retirement the day that I received the State aid and a loss of over \$500,000.

And, ironically, because of that loss, we're going to have to eliminate staff which means we will not be eligible for any health-care waivers. So, this \$500,000-plus loss is really close to a \$700,000 loss in a small K-8 district where our budget is only about \$22 million.

I am here, obviously-- You know, one solution is more money for everyone, but that isn't what I want to talk about. I want to talk about the timing issue and the formula issue. And, you're going to hear this repeatedly -- and, I was a superintendent before I retired for 15 years, so putting together a budget is not something new for me -- but it just seems crazy that we have less than two weeks to put a budget together when you have such a dramatic loss in -- like ours.

So, there are a lot of smart people in this state -- a lot smarter than I. Why don't we come up with an online calculator in which we can forecast -- districts can forecast -- gains and losses for our State aid? That seems that we can do that.

Number two: Allow districts a grace period for those of us who have to scramble for a major decrease. Why don't you just allow us more

time in the budget calendar? Give us another month or two. I know, Senator, you asked previously how long. Any amount of time would be helpful for districts. And, I would also say it would be helpful for those districts that received \$100 million out of the blue. How are they going to adequately put a budget together in three weeks to spend \$100 million? So, I think if you can come up with whatever the percentage is and give someone some grace period, I think that would be great.

Also, what's ironic in a town like us, in which we lost because an enrollment five-year period is down about 50 students even though we're only down five from this year to last year and our perceived wealth went up, our ability to raise revenue-- We have no ability to raise revenue. So, could there be a mechanism in which the community wants to raise revenue in a short period of time? Maybe if the town council agrees to it and the school board agrees to it, that they can maybe make up that deficit? Again, this is about solutions; I'm here throwing ideas out for you.

The last-- Number two: Students are very different. The Chairperson mentioned that in his opening remarks; I concur. I've been President of West Bergen, one of the largest mental-health nonprofits in Bergen County for well over a decade. I'm a mental-health first aid trainer. You don't have to be classified to have a mental-health or behavioral issue, yet there are no adjustments in the State aid for that. Our students are very different. Every educator here will attest to that. So, please think about modernizing the formula as you move forward.

And, last but not least, I want to thank the Senate and the Chair for allowing us the opportunity to talk. Simple solutions.

SENATOR GOPAL: Thank you.

And, to your point, I talked to one superintendent who had been losing money every year, gained over a million dollars, was stunned -- not asking questions how he gained it, so.

Thank you.

DR. MURPHY: Thank you.

SENATOR GOPAL: Any questions from the Committee? (no response)

Red Bank.

J A R E D J. R U M A G E, Ed.D.: Good morning.

I am Jared Rumage, I am the Superintendent of the Red Bank Borough Public Schools.

Thank you, Senator, for having me here today.

It's great to understand that this problem is actually acknowledged and something is going to be done about it. It's clearly not isolated to specific types of districts throughout the State of New Jersey.

So, our story is pretty similar to Long Branch -- a little bit redundant, but I hope you'll bear with me. Prior to S2, what we had was a situation of haves and have nots. We had overfunded and underfunded school districts. As S2 ran its course, we saw different districts forced to navigate incremental but large reductions in State aid. And, now that S2 is fully implemented, the temperamental manner in which the formula has impacted so many different districts has become painfully apparent over the past two years.

Red Bank in particular, we are home to 1,244 pre-school through grade 8 students. Over 80% of our students are Latino, and nearly the same percentage are economically disadvantaged. We serve a population of more

than 500 multi-lingual learners. A school community of this makeup requires extra support, yet from 2013-2014 through '21-'22 we were have nots; we were underfunded by \$44 million and drastically understaffed. We were tremendously grateful for S2 legislation that placed us on a road to recovery, and it was gratifying to be able to provide our students with a thorough and efficient education and the programs and staffing that they deserved -- particularly those specialized populations.

In the first year of S2, we were only receiving 58% of our State aid, which amounted to less than \$3,000 per student than we were due. After five years of improved funding, last year we unexpectedly saw a decrease of over \$500,000, equitable to 6% of our State aid. With S2, we began to slowly recover, but the chronic underfunding is very difficult to overcome. And, while part of this funding last year was eventually restored, it was very difficult to overcome that.

It was shocking to many that Red Bank -- really, the poster child for what needed to be fixed with the formula -- was so indescribably underfunded, and we lost \$1.7 million now this year again after last year, which is 20% of our State aid. We know the revenue sources for us are limited to public -- to State aid and local tax revenue, so while we lost \$1.7 million, our maximum tax levy this year is about \$385,000. That's a \$1.4 million difference before we even consider any cost-of-operations increases.

So, "What doesn't work," you asked, Senator. One thing that doesn't work in Red Bank is we're a 2-square-mile community with about 1,400 K-8 students overall, but we have two public school districts: Our district and a publicly funded charter school. Inexplicably, the charter school is fully funded annually and consistently, and receives more than \$3 million

of our funding each year. This year, while we lost 20%, the charter school only lost 5% -- same community, different outcomes. You can't find a community in the entire State of New Jersey with this type of educational system. It's inefficient; it's inequitable; and the funding of charter schools must be addressed.

Our district is under adequacy with no way of closing the gap locally, yet we're still responsible for making sure that the charter school is whole. Are those students to be understood more important or more deserving than the students in the Red Bank Borough Public Schools? I would say no.

So, moving forward, we certainly need to stabilize the formula and make an adjustment. We need stability so we can design and effectuate long-term planning. We need a cap on the amount of State aid that can be lost in a given year, which would enable us *and* the State to plan accordingly. And, I agree with New Jersey school boards -- a multi-year average of calculation per property value would be effective. And, to truly achieve equalization of school funding for all public schools, we also need a mechanism to address the difference between the calculated local fair share and the actual revenue districts are able to generate. And, while the ability to exceed the 2% cap could be part of this solution, it cannot be the only solution.

And, lastly, as was said several times today, we need to address the immediate challenges facing districts such as Red Bank, Long Branch, and address the unexpected loss that is critical to our '24-'25 budget.

So, I want to thank you for the time. I am excited the Committee is considering all these options, and optimistic that we can come up with some short-term solutions, and also some long-term solutions.

Thank you.

SENATOR GOPAL: Thank you.

How are you going to make up a \$1.7 million loss? What's on the table?

DR. RUMAGE: Everything. I echo Superintendent Rodriguez's comments -- staffing; programs; everything; borrowing from reserves to fund next year, which puts you in a predicament if things happen moving forward.

So, everything.

SENATOR GOPAL: What is your average class size right now?

DR. RUMAGE: Average class size is 24, but going to increase.

SENATOR GOPAL: And, what is your percentage of free and reduced lunch for the district?

DR. RUMAGE: Eighty percent.

SENATOR GOPAL: And, what is your -- again -- your Latino population?

DR. RUMAGE: Eighty percent -- 83%, actually.

SENATOR GOPAL: OK.

Any questions from the Committee? (no response)

OK.

DR. RUMAGE: Thank you.

SENATOR GOPAL: Thank you, guys.

Next, let's bring up New Jersey Association of School Business Administrators.

SENATOR POLISTINA: Chairman, can I just say something?
I am going to bounce in and out while you're bringing them up.

SENATOR GOPAL: Yes, Senator.

SENATOR POLISTINA: I just wanted to say thank you for doing this.

Obviously, I think all of our districts are impacted by what is going on. As I just was listening -- and, I'm going to be bouncing in and out -- to try to get myself more educated on the topic.

Something is not right with the formula. It is just not being treated-- All districts are not being treated fairly with the way this is being administered. So, I think we all have an obligation to try to figure this out and fix it and I really appreciate the opportunity to hear from everyone to get their perspectives; for you to hold the hearing to try and get a handle on this.

We have districts -- like we all do -- that, for no reason whatsoever, are dealing with such significant cuts, and it happens in a timeframe that they have no time to prepare. And, they are like, freaking out about having to lay off teachers; about increasing class sizes; about all of the impacts that this is going to have on the educational system, and, so, I just think that we've got to work hard on this one. I think that every child should be treated equitably; that every child should be given an equal opportunity to succeed. And, the way this is being administered is not currently doing that.

So, again, I thank you for doing it. I am going to bounce out, but be back as much as possible, because I want to get as educated as possible.

And, thank you to my colleagues for being here. Hopefully we can work together and try to address some of this situation.

SENATOR GOPAL: Thanks, Senator.

All right, guys.

S U S A N Y O U N G: Good morning, Senator Gopal and Committee.

Thank you for convening this. I am Susan Young, I am the Executive Director of the New Jersey Association of School Business Officials, and with me is Michael Vrancik, our Legislative Advocate.

Our group are the folks who are the numbers people. They are the people who are panicking right now, trying to make the numbers work; working with their superintendents and their boards. I am not going to repeat all the aspects that the others before me have commented on about the timeline, about the difficulties with projections and the massive swings. It's impossible; it's absolutely impossible.

But to your opening remarks, I will try to be brief. We have shared with the Committee -- we have extra copies here as well -- we convened a group of business administrators back in the fall from representative districts, very experienced individuals, with the charge that they should come up with recommendations that were as equitable as possible; as objective as possible for *all* school districts. We addressed both the formula and other elements of costs that came up during the discussions. So, you have a copy of our report; you also have a copy of our testimony today, which touches on aspects of that report as well. So, I will not go into minute detail today.

However, when we are talking mostly today about the formula, a lot of the conversation is focused around *part* of the formula. And, I want to make that clear. So, there is an equalization portion -- I describe it simply as two buckets: The equalization portion of the formula and categorical aid. When we say that the formula is fully funded, this piece, the equalization

piece, is fully funded this year. There are other aspects: Transportation aid; special-education aid; extraordinary aid; security aid. Those elements have been increasing dramatically from year to year, those costs. We have the numbers and the statistics in our report. Those are not fully funded. So, we need to talk about both aspects of the formula.

In addition to that, we need to talk about the fiscal pressures that are occurring that also are not developed and embedded into that formula. And, some of these things are not apparent on the surface to individuals, so I want to touch on some of these, but also stress the fact that we are at the fiscal cliff. We have been talking about it for years -- we are there. Our SFRA money is going away. I have talked to districts who have said, "I can't provide mental-health services going forward, I funded it with that SFRA money. There are things I just can't do when those funds go away."

Transportation costs in the years that we analyzed went up 37% and the funding went up 2%. Special-ed. costs, extraordinary aid -- and, Senator, I know you mentioned it, and you have the figures. That funding for this coming year would be the third year that it's remained level, so what districts are getting reimbursed is actually decreasing from 90% to 80% to 70% to I don't know what next year will be, probably 60%.

Chapter 44: Those health benefits, those costs have been skewed from a shared investment to the districts and the taxpayers. So, those increases are getting skewed to the districts.

Another interesting element that came out when we talked about having all this Federal money -- if that money was spent on teachers' salaries, almost 50% of that money had to be sent back to the State of New Jersey for pensions and Social Security. So, business administrators tried very hard to

shift things around so not to use that on TPAF salaries, because you would only get 50% bang for your buck. PERS assessments go up -- have gone up on average 5% a year. And, districts find out what their figures are *after* the budget is submitted. So, these are things that are going on in the background in addition to the things that we're seeing, the swings in the equalization aid portion of the formula.

So, I will shift to touching on, very quickly, some of our recommendations. And, again, you have the detail. We've talked about transportation costs and we've talked about perhaps having a spending growth limitation for that, in addition to, obviously, funding it more fully and adequately. But, interestingly enough, we have had difficulties for the last two years getting a CDL bill passed that would -- I believe -- dramatically reduce some of the transportation costs of our school districts. It is not unusual to have a \$500-per-day charge for a bus for a special-ed. student to go out of district -- that's one child.

Tax-levy cap -- you'll hear a lot about that today. I think we all understand that SFRA and the tax-levy cap laws do not work well and play together well in that sandbox. They are in conflict with each other; it doesn't work.

You'll hear about equalization and income factors. I won't stress that, but obviously we are behind that. We've talked about health benefit costs; there are aspects of that that should be tweaked even though there is an adjustment for it.

Special education -- fully funding that extraordinary aid. If we can't do those things -- if we can't do those things -- cap adjustments for some of these really significant cost drivers. It just is unsustainable to have an over

3% -- close to 4% -- salary settlement, and benefits which is 85% of your budget, and have a 2% tax-levy cap which, in reality, could be 1% if 50% of your funding is coming from tax levy.

Expanding the use of preschool funds-- We are absolutely 100% behind that-- wonderful initiative. But, there has to be more flexibility. Districts cannot handle the transportation cost for the preschool students. You can only put a few of them on a bus because of car seats. You need to have aides on the bus. The preschool funds are not allowed to be used for that after the first year. The district has to pick up those costs.

And, I talked previously about the pension reimbursement being 50%.

So, those are just -- there are other recommendations as well in our testimony and in our report, but I just wanted to touch on some of the more significant ones, and I am going to ask my partner here if there is anything I missed.

MICHAEL VRANCIK: Thank you.

Mr. Chairman, members of the Committee, I think, with respect to the timing issue, the budget calendar for the State and for school districts is really designed to benefit the State.

I believe it was calendar year 2002, legislation was passed that moved the State budget delivery from the third Tuesday in January to the third Tuesday in February, and now it's actually the last Tuesday in February. The budget calendar for school districts presumes that there's still a vote on school budgets, which has been changed by statute.

So, I'm pretty sure that the municipal budgets are due April 15. I see no reason why you could not move back the submission of local district

budgets. It creates a bigger time crunch for the approval process at the State Department of Education, but it would certainly smooth out this process, given that it's unlikely the State is going to move their budget delivery back.

The other concern that I think we need to point out is that, as Sue mentioned, the equalization aid is fully funded. I can count on one hand the times that the State has fully funded an education formula, going back nearly 50 years. The categorical aids, however -- transportation aid -- the costs of transportation have gone up somewhere in the vicinity of 35%-plus over the last several years; the aid for transportation has gone up by 2%.

Another important factor to note is that -- and, it was mentioned previously -- with regard to extraordinary special education, the reimbursement for extraordinary special education is for education. It doesn't include transportation costs. Oftentimes, the biggest expense of districts for the out-of-district placement for extraordinary placements is the transportation cost for those students. I think that needs to be addressed.

Generally speaking, the categorical aid programs, although part of the SFRA formula, have factors that were grafted onto the formula from previous school-funding methodologies. One of longer-term recommendations is to reconvene the professional judgement panels which serve the basis for putting together the factors that go into calculating what an adequate budget is per student. We think that it would be a great idea, since the formula has been referenced as 16 years old, to reconvene the professional judgement panels to come up with a look at what adequacy should look like, what it should cost.

And, a conversation needs to be held, obviously, about how the local fair share is calculated. The shock that occurred this year for the local

fair share is significant for a variety of reasons. Local property values, obviously, have gone up across the state, but the calculation that DOE uses for the local property wealth is an equalized calculation that's certified by the Director of Taxation. So, in other words, taxation takes the property values and creates a formula to equalize the values by comparing districts to districts. So, the State needs time to do that, but that is based on calendar year 2023. In the context of the Fiscal Year '25 school-aid allocation, the income factor is based on calendar '22 income.

So, I submit that, given the fact that we've just started to come out of the pandemic, people are back to work, the income next year for the Fiscal Year 2026 projections is liable to create a shock as well. So, legislation that would smooth out or average out the equalized valuation probably should consider the income factor as well.

I'll stop there--

SENATOR GOPAL: Can I just ask for clarity on that?

So, are you recommending that they do the panels instead of the Education Adequacy Report, or in addition to?

MR. VRANCIK: I think that the Education Adequacy Report was a provision that was added into the SFRA to take the original recommendations that were put forward by the professional judgment panels that became the basis for the initial adequacy calculations built into SFRA. And, the Education Adequacy Report is a requirement that the Department of Education adjust those original calculations.

I think after 16 years, it's time to reconvene the professional judgement panels to take a look at adequacy; to take a look at the nature and the makeup of districts. There's been demographic changes across the state

that I don't think the formula originally anticipated, and I think some of those things need to be addressed at a larger -- with a larger panel of experts than just the staff at the Department of Education.

SENATOR GOPAL: Thanks.

Any questions from the members? (no response)

Thank you, guys.

Let's bring up ASAH and Save Our Schools -- two groups together.

Go ahead, John.

JOHN J. MULHOLLAND, Jr., Esq.: How are you?

Good afternoon, Chairman Gopal, Vice Chairwoman Turner, and honorable members of the Senate Education Committee, and other distinguished guests today.

My name is John Mullholand, I am the Executive Director of ASAH. Our nonprofit association serves over 90% of the 135 specialized schools who partner with public schools across the state to educate disabled students with complex special-education needs.

By partnering, it's crucial to recognize that all of these students are educated pursuant to IEP referrals to meet public school districts' obligations under Federal and State law. So, they are in no way recruited; we are ultimately partnering with school districts to assist them in meeting their own needs.

I think as we all should take notice of-- We went through a very traumatic period of time where there has been an increase in, of course, behavioral disabilities; mental-health disabilities. It is commonly reported on that the incidents of autism-spectrum disorder are increasing. I mean, this

is-- We see this reported locally and nationally. That's in addition to other developmental-disability referrals; medically fragile referrals. So, all those exist or increase. And, what we're also seeing with referrals that are being made out of district, the acuity of those referrals are increasing, or we're witnessing a lot of co-occurring conditions. So, perhaps a student that has ASD but also has a behavioral disability, or a mental-health disability, or an intellectual disability-- So, some of that is what is contributing to the cost driver for special-education funding.

So, to support the formula in its current formulation or any future formulation, I think -- as we've heard today a couple of times, but it bears repeating -- it requires a commitment to fully funding extraordinary special-education aid. Without fully funding extraordinary special-education aid, no school district will fully benefit from any improvement to the school-funding formula.

As we've heard again, public school districts had expenses eligible for reimbursement in the amount of \$586 million last year, and there's only currently \$420 million of funding in the Governor's budget proposal. Last year, their actual reimbursement was reduced by 18% in just two years. So, in a few years, this reimbursement has went from approximately 90% to 72%. Quite frankly, another year of flat funding will be very hard to recover from, and we don't really want to see the daylight go between what the formula says should be provided to school districts and what is in fact being provided to school districts.

I just have two other specific suggestions related to the formula. I, of course, want to thank the Senate Education Committee for their leadership on this, but it's important to get this across the finish line, which

is eliminating the census approach so school districts are funded based on their exact number of special-education students instead of the State average.

The current approach, as you're all aware, has routinely underfunded school districts with a higher number of special-education students. This particularly harms those public school districts most committed to meeting their Federal child find obligations. We should fully support those school districts doing right by their students and families by providing appropriate resources to them, and that's what moving to the actual count would do. And, then, also, we should really strongly consider making special-education funding 100% categorical. This would be a change from the current approach of one-third categorical and two-thirds wealth equalized.

In short, the level of State special-education aid provided to a district should be based on the students' needs, not a district's ability to pay. Any link between special-education aid and local school district wealth has a negative impact on students with disabilities, as it disincentivizes districts with resources from developing quality special-education programs and services.

So, with that, I want to thank you again, on behalf of the over 10,000 public-school students with special needs from the ages of three to 21 who are served by ASAH schools for the opportunity to provide this testimony.

Thank you.

JULIE LARREA BORS T: Good afternoon.

Thank you, Senator Gopal, and to the Committee for taking the time to hear from the public-school community today.

I am Julie Borst. I am the Executive Director of Save our Schools New Jersey Community Organizing. I am also a special-ed. mom, and that last scenario you talked about was exactly my experience many years ago.

My testimony in front of you is about the special-education funding formula. The census-based formula was created with the intention of reducing the cost for the State of New Jersey. And, what that has done, effectively, has pit every single special-education parent against their district and other gen.-ed. parents in those districts since this came to be.

I make very specific suggestions here, but I want to put something in your head to think about. We have been in this scarcity mode for so long everybody feels like it's normal, and it's not. We need to fix this.

I think, more than anything, you need to be taking a look at what other states are doing. So, the bill that's currently floating around that gets rid of the State average multiplier is certainly a step in the right direction, but it still treats every disability as though it costs the same to educate, and it does not.

I think tiers are probably the way to go. In the testimony that you have in front of you, I have several pages of charts with what other states do, and they have what are essentially tiers -- they're weighted tiers. Some of that is based on the Federal classifications; some of that is based on the amount of time that a student spends inside of a specialized classroom, or not inside of a specialized classroom. Some of that is mixed with categorical aid; some of that is mixed with extraordinary aid. And, I think probably, if we can get to what students' disabilities are and get a handle on what that costs to educate them, you're probably going to end up needing less of the extraordinary aid at the end of the day.

DOE has these numbers. They know how many children in New Jersey have a disability, and exactly what they are. This could be run a million different ways, and that should be reported to the public so we have an idea of what this is. Because, I don't think anybody has a real handle on what special-education funding could cost if it was done in such a way that it was actually providing services. And, I agree, it should not be based on wealth of a district. It's too easy for wealthy districts to not do the right thing, and I was caught in that particular hell in Bergen County for many, many years. It's not OK.

The other thing I just want to point out is that the U.S. Department of Education just got their proposed budget for the next fiscal year. In that is a bump up of \$200 million in Title I funding; \$200 million in IDA funding; and another \$50 million into the full-service community school grant funding -- so that's now up to \$200,000. We need you guys to be pushing our Federal delegation to bring that money back to New Jersey. IDA has never been funded more than 17% in its entire history, which is why every state struggles with those extraordinary costs for those students who require that super specialized schooling. We need that money to come back to New Jersey; we need IDA to be fully funded, but \$200 million is a really good step. But, we need to push for more of that, clearly.

I can answer any questions you have. I am happy to do more. I think it's really interesting that there really has not been a national look at special-education funding since 2000, but I did give you two links in the testimony to why money is important in public education specifically. One is just a general overlook, and one is specific to New Jersey.

Thanks so much for your time.

SENATOR GOPAL: Thank you both.

Any questions from the Committee? (no response)

Thank you.

Let's bring up a few more-- Let's bring up a few more districts.

Dr. Tom Farrell, Superintendent of Brick Township Schools; Dr. Kwame Morton -- I apologize if I didn't pronounce that right -- Acting Superintendent of Cherry Hill Public Schools; and, Michael Citta, Superintendent of Toms River Regional School District.

Go ahead, Tom.

T H O M A S F A R R E L L, Ed.D.: Good afternoon.

I am Tom Farrell, Superintendent of Brick Schools.

And, I want to thank you, Senator Gopal and the Committee for listening to the practitioners here on such an important and urgent issue.

I am going to try to be very brief; be proactive; be positive; and try to make some things a little simpler when talking about our funding.

The school funding formula focuses on an adequacy budget as its baseline. The adequacy budget is the funding level necessary, and the State's base threshold, established for a constitutional, thorough and efficient -- T and E -- education for every student. With S2, some districts were faced with major reductions in State aid, and no mechanism for relief in order to meet adequacy.

No adequacy aid -- a form of State aid to provide relief and subsidy to fill the gap for those school districts that are under adequacy and cannot exceed the 2% tax levy cap -- was provided for any of us. Every year S2 is active, these districts were driven further away from adequacy.

I want to make this a little simpler than normal and give you a little scenario. Brick Schools is almost \$27 million *under* adequacy -- the baseline that the State sets for us to provide that thorough and efficient education.

Since the State Funding Formula emphasizes an Adequacy Budget, and Brick Schools is under adequacy, we have cut, over the last five years with S2, over 250 jobs and have almost 34 in a class in grades 3-5. If you looked at the formula from this perspective, and that the formula is emphasizing the adequacy budget, maybe the formula should start with that goal in mind, and, thus, a district's adequacy budget minus their local fair share -- which could be looked at even deeper -- to look at the tax levy ratables and some type of CPI or inflation rate.

But, that difference -- that gap -- if it's under adequacy budget, the State should fund through adequacy aid. It's that simple. More funding for adequacy aid -- to fully fund adequacy aid -- could be made into the formula. The local Fair Share calculations in the SFRA -- a decades-old formula based on property values and income levels -- has proven to be unpredictable and unstable. You've heard that from people who have lost money, and those people who have gained money.

The State must reevaluate the school funding formula so as to provide this thorough and efficient education to all public schools. More Title III monies on the Federal level could be afforded to those districts that have had a substantial increase in the ELL student population or immigrant status. That is one form of an at-risk student population that has been growing, and they require additional support services, which has a much

higher cost per pupil -- sometimes four or five times higher than our average cost per pupil.

As this population has increased, revenues and subsidies associated has not. For example, in Brick Schools, the ELL population has more than quadrupled in the last four years, yet Title III -- Federal funding that subsidizes a student population -- is extremely low. Additionally, the current lack of funding to support our at-risk student populations is inadequate, to say the least, on the State level. The State sets expectations on students' performance, but doesn't provide the necessary funding for us to meet those.

The recent changes in the demographics to both our ELL populations, our classified students, and our socio-economically disadvantaged students are not constituted in the current wealth factor of the formula -- nor do we receive that funding from the State level, because it's in the weighted calculation for the cost per pupil, and the difference is that made up an equalization aid which we do not receive in Brick Township.

Thank you.

SENATOR GOPAL: Thank you, Superintendent.

JAMES EDWARDS: Thank you.

James Edwards, Brick Township Schools as well; Business Administrator.

My only comment is in regard to the timing. I've been doing school budgets now for -- I hate to say 27 years -- but 27 years doing them.

We have to -- so, make sure everyone is aware -- we have to submit a tentative budget to the County Superintendent of Schools in March, next week. That budget, in Brick Schools, never reflects what our actual

budget -- which is done at the end of April -- is actually going to look like. That tentative budget gets advertised in the newspaper. It is, in my opinion, false information that is then given to the taxpayers, because they're given that information as what they *think* they're coming to the public hearing to hear about, when we actually don't have all our information actually figured out by that point. So, the tentative budget is really not worth the piece of paper that it's written on.

To give you another idea of how short budgets are in regards to when they need to be submitted to the Department of Education, I just want to talk about the preschool budget real quick. We were given the Preschool Budget Information Workbook last Monday, and it was due *this* Monday. We were given one week to determine the preschool budget for \$7.2 million for Brick Township Schools. One week. That's, in my opinion, ridiculous. Three weeks for the regular budget -- which is due next week -- again, a tentative budget that we're going to submit because we're statutorily required to.

It has never made sense to me in regards to when the budget needs to be submitted. There is no reason, in my opinion, that that budget could not be due at the end of April: One budget -- not two submissions, but one submission that is finalized either at the end of April or the early part of May to give districts more time.

SENATOR GOPAL: Thank you.

How much did Brick lose this year? Like, \$2 million or something?

MR. EDWARDS: So, if I may, I've been joking with Dr. Farrell about this.

We feel like degenerate gamblers, because we only lost \$112,000.

SENATOR GOPAL: Oh. It's a good year.

MR. EDWARDS: So -- yes -- that seems like not a lot.

But \$26 million since S2 has started.

SENATOR GOPAL: How many students have you gained or lost in the last five years?

DR. FARRELL: Our student population since S2 has only decreased 7%, yet our funding has decreased 30%.

So-- And, the enrollment has gone down. The last two years, our enrollment has been static.

SENATOR GOPAL: Correct, but you were -- you did, under S2, you were gaining funding even though in the early years under the Christie Administration, there was no adjustments on enrollment. So, this was a makeup for that, correct?

MR. EDWARDS: Yes, so I could talk to that.

So, yes, through no fault of our own we were given an incentive in regards to State aid by State aid being flat and losing enrollment. So, that is true. And, that artificially suppressed our tax levy at that same time, so then now we get to a point in S2 where we're capped at 2%, and we can never make up that--

SENATOR GOPAL: So, let's go back to that.

How long have you been an administrator?

MR. EDWARDS: In Brick Township? Seventeen years.

SENATOR GOPAL: Seventeen. So, you were there the whole time.

MR. EDWARDS: Correct.

SENATOR GOPAL: So, in the beginning -- from 2009 to 2017 -- there was adjustment aid and some stuff, but you were basically held flat, correct?

MR. EDWARDS: Correct.

SENATOR GOPAL: Even though your enrollment was going down.

So, you had that extra money, and I guess the theory behind S2 is that you shouldn't have had that money, so reallocated it to those who had been increasing funding.

So, what happened between 2009 and 2014 when you had that extra money?

MR. EDWARDS: It's a great point.

So, we had the extra money coming in through State aid. We had a decrease in enrollment, so we did not have to raise tax levy, and the Board of Education, at that time -- for the 10-year period -- chose to not raise taxes. We went to 0%, and, in fact, one year we went down .9%.

SENATOR GOPAL: How is that fair to the -- I don't want you to think I'm just beating up on the other side--

MR. EDWARDS: No, I--

SENATOR GOPAL: --how is that fair to the districts that are -- weren't in that position, like Red Bank and Chesterfield--

MR. EDWARDS: Well, let's go back to saying what I said before, it was through no fault of our own. I mean, that was the cards we were dealt--

SENATOR GOPAL: It was the State.

MR. EDWARDS: Yes, the State was giving us State aid that, in theory -- like you're saying on the formula -- was adjustment aid that the district wasn't entitled to, but we were given it. We didn't have to raise taxes; weren't raising taxes. And, then, S2 hits, and now we don't have the ability to raise taxes because of the 2% levies--

SENATOR GOPAL: Did you think there was any possibility that it could have happened down the road, where the State was going to try to reallocate this?

MR. EDWARDS: Sure, but there's no mechanism within your budget process to account for it.

SENATOR GOPAL: You couldn't put it in surplus funds?

MR. EDWARDS: There's -- you're only allowed to keep 2% in reserve.

SENATOR GOPAL: You're only allowed to keep 2% in reserves?

MR. EDWARDS: Correct.

Yes, 2% is your fund-balance limitation, so anything else that goes above that each year needs to go back either in tax relief -- which, under S2 we couldn't do--

SENATOR GOPAL: I'm sorry.

So, you have a few accounts, right? You have your reserve funds; you have capital funds; you've got three or four accounts, if I remember correctly.

MR. EDWARDS: That's correct.

SENATOR GOPAL: I thought there was a lot more than 2% in a lot of those accounts.

MR. EDWARDS: You are correct, but in your general fund balance, 2%. But, you do have a capital reserve that you can put money into for future capital projects, which it can't exceed your long-range facility plan; you have a maintenance reserve that you can put money into; and, if you're a sending district, you have a tuition reserve, and now--

SENATOR GOPAL: What is the maintenance reserve for?

MR. EDWARDS: Future maintenance costs of the district.

SENATOR GOPAL: You can't use it-- You can't use it for payroll; you can't use it for staffing -- nothing like that?

MR. EDWARDS: You could if it was maintenance staff. Not teaching staff though, no; it's not for instructional staff.

SENATOR GOPAL: So, you have your maintenance account; you've got your capital account; you've got your-- What are the other accounts you have?

MR. EDWARDS: There's a tuition reserve and there's an emergency reserve.

SENATOR GOPAL: What do you-- Relatively, what do you have in all those accounts right now?

MR. EDWARDS: We only have the capital reserve right now. We have \$4 million that we're using for HVAC projects on the SVA grants that we just received.

SENATOR GOPAL: And, those were all accounts where you had funds prior and you've just been drawing down every year with the S2 losses?

MR. EDWARDS: No, so, that account -- at one point -- had more money in it that we were able to do a lot more HVAC projects; roof

projects; windows; doors. But, we have not been able to do that in recent years because of the S2 reductions.

SENATOR GOPAL: Got it.

Do you -- were you assuming you were going to lose \$112,000 this year? Did you think you were going to do worse or better?

MR. EDWARDS: We thought we were going to do worse.

SENATOR GOPAL: Why?

MR. EDWARDS: Based on our projections of the S2 formula.

SENATOR GOPAL: What did you think you were going to lose?

MR. EDWARDS: We thought it was going to be about \$800,000.

SENATOR GOPAL: What's your explanation on why you only lost \$112,000?

MR. EDWARDS: So, our-- In Brick schools, the difference is the increases in the per-student amounts for the categorical aids. There were slight increases in those amounts that -- because we don't get any equalization aid -- Brick schools, by the funding formula, is considered too wealthy to be-

SENATOR GOPAL: So, it wasn't enrollment. You weren't gaining students or anything like that--

MR. EDWARDS: Correct--

SENATOR GOPAL: --or losing at-- OK.

MR. EDWARDS: It was not enrollment; it was slight increases in the categorical amounts.

SENATOR GOPAL: Thank you.

Any questions from the Committee?

Sir; Tom, go ahead.

DR. FARRELL: I'm sorry, Senator.

If I could just add, since 2009, though, Brick schools has closed three schools. So, they did close three schools and repurpose for pre-K.

To simplify this even more for you, for about every \$90,000 -- which is the average salary and benefits for what's called a full-time equivalent teacher -- every time you're cutting, we're not cutting supplies, we're cutting teachers.

And, just to add to that, under Title I on the Federal -- the State of New Jersey has a statute that a Title I district which has more than 50% of Title I schools cannot have more than 23 in a class in K -- in one -- in grades one through five. Brick schools has five of their schools that are considered Title I, but not considered a Title I district. And, we average 34 in a class in our tested grades and elementary grades, 3-5.

So, to go back is that what we've done -- and, this is prior to my tenure here at Brick -- but what we've done prior to S2 was the district self-insured; closed three schools; repurposed and started, one of the first to start pre-K, which is a great endeavor for us that helped saved jobs in the long run, but also have cut 250 jobs. We've kind of been doing our diligence and doing exactly what the state has offered. And, then we get to the last year, kind of, where we're not one of the big losers as we were in the last four years, and people are looking again at yearly snapshots.

But, this is cumulative, and there's other districts in Ocean County along with me that, over the course of those five years, the cumulative results would take a district like ours seven to nine years just to get back even close to adequacy.

Thank you.

SENATOR GOPAL: Just, again, can you just walk me through what are your overall losses for -- since SFRA started? How many students has Brick schools lost?

DR. FARRELL: I have that in my one report I printed out last year.

So, we went-- We're about 8,500 now; we were 10,000 in 2009.

SENATOR GOPAL: I mean, that's a pretty big loss. That justifies some reason of losses there. You lost a lot of students.

DR. FARRELL: And, I always try to equate it to a dollar sign, Senator. If you look again at the percentage of enrollment loss, the State budget has gone up 40% in the last few years. The Department of Ed. budget has gone up 33%. Brick Schools District's budget has decreased over that same time period, and the tuition -- the enrollment -- has only gone up 15%.

So, when you look at it equitably about what the actual relief was from S2 and what the result was for us losing money, it doesn't equate, it really doesn't. Plus, the cost per pupil were one of the lowest in the state at 15,500, that cost per pupil.

So, I think you need to look at it from that basis over that period.

SENATOR GOPAL: Thank you.

Senator Ruiz.

SENATOR RUIZ: Thank you, Chairman.

I'm just going to step back to Judiciary.

I don't know if I'll have time to come back, but I wanted to thank everyone who has testified today.

I mean, I think we're hearing some consistent things, which we've echoed in the past -- special aid for special education; timing of the budgets; a broader explanation.

But, I don't want to lose sight in all of this conversation. We have to be sure that when we're doing this that it continues to be a balanced approach, because before S2 started running, there were districts that were woefully underfunded for decades in specific ZIP codes. I mean, experiencing everything that we're hearing now from other districts but consistently getting compounded over, and over, and over again.

So, I look forward to working with you as we do a deeper dive in all of this at a time which, quite frankly, the fiscal crisis facing the State and this country is looming as well. But, we have to think about this more permanently as an investment, and not allow for individuals to say that there isn't enough money. We're not even talking about facilities, and that's something that I am going to be vested in and committing in calling for bonding, at a time when we still have buildings that were built before Abraham Lincoln took office -- all of this plays into expenditures in our local school-district budget.

So, thank you to the members, and thank you to you, Chair.

SENATOR GOPAL: Thank you, Senator, for being part of this.

Any questions for Brick Township?

DR. FARRELL: If I can, just one more highlight that I would-- And, I think this is something that you could look at on a statewide basis, I know as it pertains to Brick.

So, when you're looking at-- We don't receive equalization aid as I indicated earlier. Our local fair share this year, in accordance with the

formula, says Brick Schools should be at \$180 million local fair share, which is too much for us; our adequacy budget is only \$152 million, but, yet, our local tax levy is only \$122 million and we, by 2%, can only go--

SENATOR GOPAL: Yes, the cap--

DR. FARRELL: --so we're capped.

SENATOR GOPAL: I got it.

DR. FARRELL: There's no mechanism currently--

SENATOR GOPAL: Can't even fix what we're asking you to fix; I got it.

DR. FARRELL: Yes.

SENATOR GOPAL: What's your free-and-reduced population?

DR. FARRELL: Thirty-three percent.

SENATOR GOPAL: Got it.

Thank you; thank you, guys.

Cherry Hill.

KWAME R. MORTON, Ed.D.: Good afternoon, Chairman Gopal and members of the Senate Education Committee.

My name is Kwame Morton, and I am the Acting Superintendent for Cherry Hill Public Schools.

I greatly appreciate the opportunity to speak before you today.

Much of what I have to share will echo what you've already heard, but I appreciate the opportunity to give you a practical understanding about how these budget deficits impact our local school district.

So, Cherry Hill is the 11th largest school district in New Jersey, and one of the largest employers in South Jersey, with approximately 1,700 professional staff. We serve a diverse student body of 10,700 students in

grades pre-K through 12 who speak 72 different languages. Over a period of five years, our English Language Learner enrollment has increased 266%, and nearly 2,000 of our students receive special-education services; that represents slightly over 18% of our student enrollment.

The historical underfunding of Cherry Hill Public Schools has posed significant and enduring challenges for the district, with one of the most critical issues being the inability to adequately upgrade and maintain district facilities. In October 2022, the Cherry Hill community demonstrated its commitment to our children's future by passing a \$363 million bond referendum to provide much-needed facility repairs and improvements. This was the largest school bond referendum in the state's history, and our taxpayers overwhelmingly approved and passed the bond knowing that it would mean a \$386 tax increase on the average assessed home. After several years of increases to our State aid, including an increase of \$6.7 million last year, we were optimistic that our concerns about the years of underfunding had been heard and were being addressed.

However, this year we were stunned to learn that we would be receiving a reduction in our State aid in the amount of \$6.9 million. And, there were no indications that Cherry Hill would sustain the second-largest aid cut in the state. Facing the financial challenges brought on by this deficit, we now find ourselves in an untenable position. We must approach our taxpayers and once more request that they increase taxes beyond what they've already generously agreed upon via the bond referendum. To compound the problem, even if our Board of Education goes to its maximum tax and authority, we still find ourselves approximately \$2 million short, which will force us to reduce positions.

Senator Gopal, you have asked for how this tangibly lands on school districts, and I can tell you these cuts will also require that we increase class sizes; cut resources and programs; possibly eliminate valuable extra-curricular activities and other support services that holistically support the development of our students. So, I have a few requests, and I humbly submit these requests.

There are two major things that we need, and, again, they echo and repeat what we've heard consistently. We need predictability, and we ask for fairness. The drastic changes that we've had to endure make it nearly impossible for us to effectively plan a budget. Further, these cuts represent unprecedented challenges to our district's operational and strategic goals. We recognize that there is a crisis in our teacher pipeline across this state and across this country. Our Board was poised to address our teacher retention and recruitment efforts, but, with these cuts, we are unable to do so.

So, absolutely, I definitely request that there will be some type of guardrails put into place around how much a district may lose on a given year. We also ask that we take a look at how we address district incomes and valuations.

And, in the manner of fairness, it's important that we definitely re-evaluate the State's criteria for determining state aid, particularly the use of district income as a measure of community wealth. The State Equalization Report for Cherry Hill listed increases in district income and property valuations. However, as we audit our district and we reflect on our student enrollment, we recognize that not only do we have growth in our ELL populations and special-education populations, but we've also seen a rise in the number of children qualifying for free and reduced lunch. The growth in

our low socio-economic population challenges the claim of overall increased wealth in our district. It also suggests that there's a potential uneven distribution of wealth amongst our residents. And, our responsibility is to provide support for all of our residents and not just a few. Cuts in our State aid will impact the district's ability to provide quality support for our students in need, and, therefore, we believe that the use of district income as an indicator of community wealth is a flawed metric.

So, Mr. Chairman and members of the Committee, again, I appreciate the opportunity to address you today. I thank you for considering additional funding for Cherry Hill Public Schools and the other districts that you've heard from today who are facing similar challenges as us. Your support will assist all students without overburdening our taxpayers.

Thank you.

SENATOR GOPAL: Superintendent, thank you.

How much did you lose last year?

DR. MORTON: Well, last year, we actually gained \$6.7million. This year we're poised to lose \$6.9 million.

SENATOR GOPAL: So you gained \$6.7 last year -- six-point-whatever, and then you lost-- So, you had almost a \$14 million swing in one year.

DR. MORTON: Absolutely, yes.

SENATOR GOPAL: And, what were you-- Did you gain in the years prior to last year?

DR. MORTON: Yes, so, after many years of underfunding we had experienced three years of gains; 2021 we gained approximately \$4 million; and then, last year, into '22-'23 it was about \$6.7--

SENATOR GOPAL: What were you expecting this year?

DR. MORTON: So, at a minimum, we were expecting to at least be flat. If we came out flat, we figured that we could take a look at our teacher retention and recruitment efforts and would not have to go into making programmatic cuts--

SENATOR GOPAL: Why did you think that you were not going to gain anything? Did your enrollment go down?

DR. MORTON: So, year-to-year, our enrollment hasn't necessarily changed. Over a five-year period, our enrollment has decreased about 200 students or so, but the enrollment has pretty much remained consistent.

SENATOR GOPAL: Do you know the percentage of free and reduced in your district?

DR. MORTON: Percentage of free and reduced lunch is approximately 19%.

SENATOR GOPAL: Nineteen. Is this a wealthy district?

DR. MORTON: Well, so, similar to what Long Branch communicated, there is wealth in pockets in our community. But, then there are many in our community who are at the other end of the SES continuum.

SENATOR GOPAL: What's your minority population?

DR. MORTON: So, minority population.

So, we are about 51% white, 17% Asian, 16% Hispanic, 9% African American, 6% two or more races.

SENATOR GOPAL: And, everything is on the table this year?

DR. MORTON: Absolutely, unfortunately.

SENATOR GOPAL: What is your classroom size right now?

DR. MORTON: So, classroom size varies. In our lower grades, we try to hold it to about 22 students; grades four and five are about 26; and our secondary schools' classroom size has been very large, there is not necessarily a cap. But we'll be forced to take a look at our classroom size.

SENATOR GOPAL: Got it.

Any questions from the Committee?

(no response)

DR. MORTON: Thank you.

SENATOR GOPAL: Toms River.

M I C H A E L C I T T A: Thank you, and thank you to the Senate Education Committee for having us, Chairman Gopal.

My name is Michael Citta, I am the Superintendent in Toms River.

And, just to give you a snapshot, we are, I believe, the seventh largest district in the State of New Jersey, servicing about 15,000 -- just under 15,000 -- students in a population of a regional district of about 120,000 residents.

To echo what has been going on with Long Branch and Cherry Hill, and you hear these dramatic swings-- And, I appreciate this Committee's focus and recognition of where the issues are and what needs to be done to move forward. And, I think that's what today is about: How do we move forward to benefit all of our children in the State of New Jersey equitably and equally?

So, just to put a cap on what has happened to Toms River over the last seven years, we have cumulatively lost \$137 million in State aid; we've lost every year. I do understand that -- and, Senator, before you ask

me the question, how many enrollment losses have we had over the years -- it's about 1,300 students over those seven years. We have leveled off and started to creep up, but I think when you look at enrollment -- and, it speaks to some of the other categorical aids that we talked about before -- our special ed. has increased, special-ed. population has increased 20% and the budget with that special-education population has increased 45% to the tune of \$17.6 million. Our ESL population has increased 343% -- to the tune of an extra \$1 million. Our free and reduced lunch is 5,000 students in Toms River, so, yet, we are about 40% free and reduced in our district and we have a minority rate of 41% in our district. Our numbers are so large, so we have that anomaly of being that seashore town with some high valuations and low-income residents throughout the district.

But, through the years and \$137 million cumulative loss, we in Toms River are at a point where we are over the fiscal cliff. We lost \$14.4 million last year and another \$2.8 million this year. So, the stabilization aid helped us to keep our doors open without basically going bankrupt or rendering a loan from the Department of Education. But, we are in that position *this* year. We are facing a \$26.5 million shortfall in our budget. We are the lowest-spending district in the State of New Jersey, so it is-- That's nothing to brag about. That means we spend the least amount of money on kids in the entire State of New Jersey in our category K-12. So, the Department of Education has already recognized that we are in a position where we cannot cut anything more. Our enrollment is in the 30s in our elementary schools, and higher than in our secondary schools.

Although we have cut hundreds of positions over the last year to close classrooms, closing the school isn't on the table. When you reduce

about 45 classrooms with 1,300 students enrolled in the last seven years, our special-ed. population has added an additional 45 to 50 classrooms. So, space is still at a premium in Toms River Regional Schools.

So, we look at these cuts and we look at our solutions. And, you asked when you started, Senator, "What works and what doesn't work?" So, let's start with what doesn't work. I think historically-- And, I don't mean to-- And I'm not looking a gift horse in the mouth, because the stabilization aid did allow us to stay afloat last year. But, it also created an additional \$14.4 million hole in this year's budget because it showed back up. So, structural revenue loss is solutions, whether they be stabilization aid or State loans from the Department, or the State of New Jersey, to keep our doors open add to a structural deficit. So, if we have to do a \$26.5 million loan in this year's budget, what are we looking at, \$53 million next year? And, so on and so forth?

So, we in Toms River do believe -- and in our testimony that I'll hand out to all of you in a few minutes -- we believe there are some solutions in this year's -- with the current funding formula -- to be addressed to kind of stop the bleeding and make it equitable. And, I think focusing on adequacy and focusing on our cost per pupil and those different categorical aids like adequacy aid and equalization aid, if there are few caveats that are changed to account for those districts that are very much lower than the state average in cost-per-pupil spending, and have been, and will maintain being under adequacy-- If districts get credit towards those for their local fair share, that will increase equalization aid for those districts and basically get us to flat; get us to zero; get us to our minimum open-the-door number until this budget is ready to move forward and the funding formula is addressed.

You know, you both-- I think Senator Henry and Senator Gopal, you also mentioned in the beginning that we're looking to get back to zero on the last cuts. If you take the last two years and you make it zero right now, stop and reiterate the formula, I think 90% of the problems behind me will stop at the moment and we can move forward to work collaboratively to address these issues.

So, there are ways that we can adjust this budget with the current funding formula to be equitable, especially for the districts that are in this situation, including districts like Long Branch, Red Bank, Toms River, and many more. And, I look forward to working with you to do so.

SENATOR GOPAL: Thank you, Superintendent; thank you.

Any questions for Toms River or any of the districts? (no response)

Thank you, guys; I appreciate it.

Let's bring up two districts who have both gained throughout S2, one suburban and one urban.

Tony Trongone, Superintendent of Millville Public Schools and John Niesz, Superintendent of the Bayonne School District.

Uh oh, Tony's got charts.

T O N Y T R O N G O N E: Good afternoon, everyone, and Senator Gopal, and the Committee.

Thank you for allowing me to have this testimony.

I am Tony Trongone, Superintendent of Millville Public Schools. I am in my 14th year as a superintendent, and I am the immediate past President of NJASA. I am also Vice President of Great Schools, which is an organization that supports high-needs districts. And, I am also the

Commissioner for New Jersey for Military Connected Kids, where I help with the transition when they transfer from one station to another and make sure they have a smooth landing. I am also on the Child Labor Board, and also I am on the Advisory Board for NJ4S, dealing with mental health -- all volunteer positions.

That being said, going back to Millville -- Millville is about 5,500 students -- 77% free and reduced lunch. It's rural poverty, so, again, thank you for that increase in State aid; I'm appreciative, but I wanted to just explain the funding formula to the Committee.

And, please excuse me if you already know it -- that's why I have the charts. And, so, my focus will be on--

UNIDENTIFIED SPEAKER: You want me to hold those for you?

MR. TRONGONE: I'm right handed; I'm going to do it right here.

Thank you for asking.

So, when you look at the school funding formula, we talked about the enrollment just now -- right, Senator? So, you can see there's 4,768 students times the cost. So, that's a number for enrollment, OK. And, then you have free and reduced lunch. So, 2,005 students times the base cost; you have \$26 million for Millville. Then we have six students who are limited proficient, and they extend that. And, we have 96 students who are both free and reduced lunch and limited English proficiency, and they extend that cost. And, then they have special ed. -- and, we talked about that, and people talk about the census data.

So, in Millville, we have 1,100 classified students, but, according to the formula, we can only count 15.9% of our total enrollment in the adequacy. So, 719 becomes the number, not 1,100, and it's two-thirds -- two-thirds of that, times the cost to educate special-ed. kids, and that's an extension there. And, then we have speech only -- 73 kids at that cost and extends it. And, then, from there, when you total it all up-- I'm purposely not saying budget, because this is not-- This isn't money, this is what takes it theoretically to provide a thorough and efficient education in Millville, as per the formula. So, you take it all together, it's over \$101 million in adequacy -- what it theoretically costs to educate.

Then you take that green box that was theoretically what it cost, and what we're talking about today is that local fair share, and that's subtracted from that number, that \$101 million, and that's how Millville got its equalization aid. And, then we move over, and you can see, OK, we have the equalization aid, and then as Ms. Young from ASBO talked about categorical aid-- Every district gets categorical aid based on enrollment. So, they get security based on enrollment, transportation, and then also the other third of special ed. So, then, when you move that over, your school state aid -- that's your money right here. You take that out, add this, add these three categories, and that's your State school aid.

And, one thing that has been mentioned -- only 55% of the districts receive equalization aid; 45% do not, because their local fair share surpasses their adequacy.

And, finally, another reason why I'm here. This is Millville -- again, last year's local fair share equalization aid. And, we did get a gain. But, Millville was a flip flopper the previous five years; we lose some, gain

some; lose some, gain some. And, then, this year, our adequacy increased but our local fair share didn't increase that much in property value or aggregate income. So, we saw another gain.

Now I am going to give you an example of Runnemede -- small district, small district, about 30% free and reduced lunch. They're losing 57% of their State aid. So, this is last year -- equalization aid, local fair share. Their local fair share went up so drastically that it pretty much almost eliminated their equalization aid. So, they are the biggest loser; 57% of their State aid gone. Not in dollar amount, but percent of State aid. And, the reason being, is that it's the aggregate income. Last year, \$144 million was the aggregate income in Runnemede. And, they went up to \$356 million. I don't know if Bill Gates moved into Runnemede and then had \$212 million income tax, but this is either an error or there could be somebody who won the lottery. And, we checked, I'm not being silly. There was a lottery winner, but not in the year that we counted this income -- \$2 million winner. But these are the things you need to dig into to find out why all these drastic impacts are happening to these school districts.

So, then, when you see Cherry Hill -- because I worked in Cherry Hill for five years -- they had had both significant increases in their property value and their aggregate income. And, that's why they had a significant decrease in theirs. Wildwood -- another one; property value, all along the shore -- we all know that all along the shore the property values went up, and therefore it usurped all their equalization aid. And, that's why I had the visual, to show you what it looks like what it theoretically should have been, and then what everybody talked about, the volatility of the local fair share, and why we have to put the measures that are put in not only for the

equalized property value -- look at dividing it over five years -- but, also the aggregate income. And, also, you have to mention the transparency in these numbers. There's a bunch of drama about how these numbers are calculated, so that also has to be delineated to the public.

And, finally, I didn't mention the education adequacy report. That needs to be done so we can do it, because I'll end with -- the SFRA, I feel it meets its constitutional obligation to provide our kids with a thorough and efficient education. But, like any document, it needs amendments. It needs amendments, as we mentioned -- special ed.; you have mental health. I was fortunate that we secured grants for our mental health. Transportation is a big one. Millville has 5.4 -- expenses of \$5.4 million in transportation. We have a little bit of courtesy busing, and we get State aid at \$1.6. And, it's been at \$1.6 million for the last nine years.

So, when Ms. Young talked about there isn't funding in the categorical aid, that also has to be addressed as far as the transportation.

I thank you for this time.

Again, I am worried about all kids, because, again, Millville is a winner. But, I am also worried about Millville being a Cherry Hill next year with this volatility. And, that's why I'm here, for all kids in New Jersey and all school districts.

So, thank you.

SENATOR GOPAL: Thank you, Superintendent.

Just quick questions here.

So, let's talk about equalization aid and local fair share. So, the assumption is that the property values are going up, so the school district is getting more money. Correct?

MR. TRONGONE: That's how -- in '08-'09, that's the spirit of the law.

SENATOR GOPAL: So--

MR. TRONGONE: But, with the 2% cap, that's what put that -- curtailed that ability for districts to raise their local fair share.

SENATOR GOPAL: Right, but when we're saying people are moving in -- wealthier people -- the district ideally would get more money.

MR. TRONGONE: Yes.

SENATOR GOPAL: Are they always getting that money?

MR. TRONGONE: No, they are not. No, they are not.

And, there is an evaluation. The Ed. Law Center has the data online for everyone to look at, see the ability for each district to raise their local fair share, although there is a cap, and how over time those gaps have increased over time.

SENATOR GOPAL: What happens-- Do you know what happens as it relates to tax abatements, if there's a tax abatement somewhere? Is the district getting that money? Because it looks like the equalization aid number is going up. Is that adjusted? Because we have dozens of municipalities around the state that were-- For example, in Long Branch they had tax abatements up and down throughout the 2000s everywhere on the water.

MR. TRONGONE: I don't know the exact law, but I know that when I was in Pemberton -- five years, another high-needs district -- and they had a tax abatement, I had a relationship with the mayor, and, so, when he needed support we negotiated what the district should get from that abatement and we worked hand-in-hand--

SENATOR GOPAL: That was a -- something between you and the mayor. But, there's nothing in the formula that addresses that.

MR. TRONGONE: Yes, it was transactional between personalities and not law.

SENATOR GOPAL: Right, so, OK.

Is there -- anywhere in the formula, as far you know, does it give -- what is the State's expectation as far as how many sports programs, music programs, arts programs-- So, let's say, hypothetically, School District 1 has 15 sports programs and they want to add a second lacrosse program or whatever, and School District 2 has seven. What is the State's responsibility of what the State is supposed to fund in the formula versus what the local district is supposed to fund?

MR. TRONGONE: I do not believe that's in the Educational Adequacy Report. Every three years they're supposed to update it, and all they've done in every iteration was increase the cost per pupil per CPI, but they didn't address your question--

SENATOR GOPAL: So, we don't have a bar in New Jersey across our 600 school districts. What is our expectation in music; in arts; in this, and what is the State's responsibility versus the local school districts?

MR. TRONGONE: To my knowledge it doesn't exist, Senator.

SENATOR GOPAL: What about mental health? We've got 600 school districts. We know that we have the NJ4S program; we know that some school districts have therapists on site; we know some school districts contract to a third-party; we know that we have school-based youth service programs that's from a State grant program.

Is there an expectation in the formula that there is a State standard on what mental health funding is proper in a school district?

MR. TRONGONE: No, it does not exist.

SENATOR GOPAL: Wouldn't you think all of these things make the formula incredibly flawed?

MR. TRONGONE: That's why we need these amendments to add mental health, Senator.

SENATOR GOPAL: Thank you, Superintendent.

JOHN J. NIE SZ: Thank you.

Good afternoon, my name is John Niesz; I am the Superintendent of the great City of Bayonne School District.

I want to thank Chairman Gopal, Senator McKnight, for the invitation to come and testify.

I am in a unique position because I've been in Bayonne for the past four years, and, four years prior to that, I was a superintendent in Keansburg. I've actually seen both sides of S2. Bottom line: It's about children and educating them and giving them the best education they can.

Notwithstanding, we spoke about -- from my colleagues in reference to enrollment. And, Chairman Gopal you've mentioned that, "What is your enrollment?" The enrollment in Bayonne is we're up a thousand students. And, if you take that per-pupil cost from last year, the \$18,838 per pupil, that would equal-- I'm not a math person, but I'm pretty sure it's close to \$20 million, and that's what the City of Bayonne received in funding.

However, I would like to point out something really interesting in reference to 10 years ago, in June of 2024 in -- I'm sorry, in June of 2014,

an article was written by the Ed. Law Center entitled, “Bayonne: The Portrait of an Underfunded District.” And, the article stated, in reference to Bayonne’s challenges and being underfunded, and now we’re sunsetting on S2; we’re looking for more funding options; and what do you think the biggest concern for a district of Bayonne’s size is? What happens next?

Precariously, we are -- if we take out two schools in our district that were recently built in early 2000s and in 1999, we are -- our average age is about 120+ years old in our school districts. Coincidentally, as all of the speakers have spoken about: Special education; transportation costs; what do some of the standards look like in education for each district? And, it’s concerning. It’s concerning when we go to do a budget. Great-- Great problem to have when you’re getting money, but what do you do? Our biggest question is: Is this sustainable? What happens next year? Can we hire? And, we have hired faculty, staff; we’re upgrading our buildings; we’re applying for ROD grants. We’re doing all those things, but we’re not in the position of what -- or, we are in the position of asking ourselves, “What comes next?”

My question is, again, where are we going with this? And, Number 2, furthermore, we must work on policies that promote fairness and equity in education funding, not by ZIP code but by working together to create a brighter future for all students in New Jersey. One where every student has the chance to thrive and succeed.

I am proposing a formula that promotes funding for all of pre-K funding; special education; at-risk students; economically disadvantaged students; high-performing districts; security; graduation rates; and school infrastructure. There’s so many loose ends all over the place, and to tie all

that in, I'm proud to say in Hudson County we are probably one of the lower per-pupil cost districts in the entire county. But, again, it's looking a few years ahead, and where are we at? We'd love to be part of that conversation.

In conclusion, fair funding is not just a matter of policy, it's a matter of justice. It's up to each and every one of us to ensure that every child in New Jersey receives the education they deserve.

Again, I would like to thank the Committee, all our elected officials, for having this exchange of information; exchange of ideas. This will only continue to make us a better place for all our kids.

SENATOR GOPAL: Thank you, Superintendent.

This might have been a better question for the NJEA, but let me ask you. All across our school districts, obviously, the locally-negotiated union contracts on teacher pay-- We have some districts in Monmouth where they're paid very well, and then two districts nearby, not at all. And, I wouldn't even say "very well," because I don't think teachers are paid well at all, but I think-- Is there anything, do you think, that should be a factor in how State funds are attributed on those local funding of employees in that district, or do you think that should have no impact?

MR. NIESZ: You know, it's a really, really challenging question. Now, I can tell personally, I mean, the teachers who are leaving Keansburg - - where do you think they're coming? Bayonne. We're pitting district against district right now--

SENATOR GOPAL: Because you're able to pay more because of your funding increases?

MR. NIESZ: Yes. Yes, we're able to give you credit for time in your district, and seven or eight or 10 years in District XYZ -- well, that

equates at our pay scale -- of a different pay scale. *Or*, if you're teaching -- one of the math or science or STEM teacher -- well, you're in high demand. I will take-- Sign language. You're teaching sign language, we'll give you \$108,000, right at the top of the pay.

SENATOR GOPAL: Wow.

MR. NIESZ: But that's becoming-- We're becoming frenemies, because we're hunting talent. And, that's not where we need to be.

And, think about the incumbent teachers who look at a colleague coming in and they're making more money. It's-- This is not where we want it to be.

SENATOR GOPAL: The Superintendent, for those of you who know, is a former well-respected police officer in law enforcement who went into education. So, I'll ask you, what was an easier industry to navigate? I'm joking.

MR. NIESZ: (laughter)

SENATOR McKNIGHT: Thank you.

Through the Chair, thank you so much for coming.

I may have to leave a little earlier -- for the rest of everyone who is testifying, because I have another committee.

But, just listening to what everyone has said so far-- And, John, thank you so much for the graphics, you have done an excellent job on that, so thank you.

But, listening to what everyone has said so far, I see, and through the Chair, would love to continue to work with you. I see we need more time, like a grace period, for schools to submit their budget. I see, I hear, that we need more funding for special education; for mental health; for security; for

transportation. And, I believe Deb said earlier, “We need to do this as a holistic approach.”

And, this is why our Chairman put this together -- to listen to the people who are impacted day in and day out from the school formula.

So, thank you to everyone with all your recommendations. I have a whole lot to read, but, listening to what you’re saying, you all want a quality education for all of our children.

So, thank you, and you have a partner in me.

And, through the Chair, I look forward to working with *all* of you to make sure that we come up with a formula that is suitable for all districts.

So, thank you.

And, John, thanks for being here today.

SENATOR GOPAL: Thank you, Senator.

Any other questions from our Committee?

Senator Henry.

SENATOR HENRY: Yes, I, too have to be at another committee.

I just want to thank everyone for coming out today and testifying.

As with my colleagues, we see it on your faces, we hear it on your voices. And, I think what you’re telling us -- colleagues, we have an opportunity here, but also we have a responsibility *and* an obligation to fix this with a short-term, to get us through this next year, but in a long-term solution to put some stabilization back in the education system.

And, that's what I think. You can't take a cut one year and get a big bump one year, then take another cut -- no one wants to see your charts. Everybody likes to see slow climb -- not up -- it's not good for any industry.

So, I want to thank you, and, believe me, I've only been here nine weeks now, but I think we can fix this, I really do. There's enough money in the pot to fix this.

So, colleagues, thank you so much. I look forward to working with everyone.

SENATOR GOPAL: Thank you.

SENATOR HENRY: Thank you, Senator.

SENATOR GOPAL: Thank you, guys.

Next up, let's bring up the New Jersey Council of County Vocational-Technical Schools and the New Jersey Public Charter School Association.

JACKIE BURKE: Good afternoon.

I am so sorry that we -- I have already left a couple of -- lost a couple of members, so I'll be quick.

Chairman Gopal and the members of the Education Committee, thank you for inviting me to testify here today on behalf of New Jersey's 21 county vocational-technical school districts.

Senator Turner, you may remember that I staffed the Joint Legislative Committee on Public School Funding Reform way back in 2006 in this very same room. At that time we heard from many state and national experts, government officials, and many advocates with recommendations for the formula. The thoughtful deliberation and collective input formed a report

with funding recommendations -- some of which were put into the formula, but some of which were not.

One of the recommendations that came out of that report was to institute categorical aid for vocational-technical school districts that recognizes the effect that aid for our school districts has on local districts and the pressure it can put on their budgets.

Eighteen years later -- not that Senator Turner and I have aged -- we are gratified to see this Committee beginning the process of soliciting input to review the formula and evaluate what is working and where improvements are needed.

So, county vocational-technical schools appreciate your recognition of the crucial voice we have in these deliberations. Career and technical education, as you all know, is more popular than ever and continues to grow. Students who want a jumpstart on their careers and businesses that need a highly trained workforce continue to drive demand even higher. Providing that highly focused education requires sufficient resources to ensure that career programs are aligned with industry standards and students are well-prepared to meet workforce needs.

These resources are vital for our districts to be able to attract talented teachers from industry; to keep technical equipment and curricula up to date; and to provide opportunities for students to participate in workplace learning. We simply cannot prepare students for tomorrow's jobs if we are using outdated technology equipment and training.

However, providing these resources is especially challenging for our districts. Unlike local school districts, county vocational-technical school districts have *no* taxing authority. They receive their local funding from their

counties and sending school districts. Because they are unable to raise tax levy to make up for any loss of State aid, and counties have historically provided very limited funding increases -- especially since they're under a cap as well -- any reduction in State aid to our districts would likely trigger increases in tuition for students sent by local districts. For example, one of our school districts just had to increase tuition after seven years of flat State aid and minimal increases in county aid. Even with this increase, they are still going to have to cut two or three career programs. Conversely, State aid increases generated by county vocational schools result in tax relief to local districts, which occurred when long underfunded county vocational school districts that receive significant increases under SFRA lowered the tuition charge to sending districts.

As you review your options for short- and long-term adjustments to SFRA, we ask you to give careful consideration to the unique circumstances facing county vocational-technical school districts.

Thank you again for inviting me to testify, and we welcome the chance to engage further in these deliberations.

SENATOR GOPAL: Thank you.

Harry.

H A R R Y L E E: Thank you, Chairman Gopal, members of the Senate Education Committee.

Harry Lee; I lead the New Jersey Public Charter Schools Association.

I am here with Brian Diamante, who is our Director of Data and Research, if you have any questions.

I want to thank you for the opportunity to speak.

We serve 62,000 students across 85 charter schools throughout New Jersey. Eighty-eight percent of our 62,000 students are located in SDA districts; 85% are students of color; and 70% are economically disadvantaged. And, we represent one in five students in our SDA districts. And, our schools operate in some of the most under-resourced communities throughout the state.

The Governor and the Legislature's commitment to adding more than \$3 billion into the funding formula over the last six years has undoubtedly helped both district and charter schools in our SDA districts. However, there are still major inequities for our charter schools in those districts. Currently, charter schools on average receive about \$4,600 less per student than their district counterparts. On top of that, charter schools do not receive any facilities funding through the school funding formula, which is another \$2,000-3,000 per student less for our schools.

So, there are two major fixes that need to happen to increase equity for our public charter schools. First, charter schools only receive 90% of State aid in certain aid categories, which means that many of our schools are receiving 70-80% of per-pupil funding compared to their district peers. The major category that charters still do not receive funding for is adjustment aid. Even as S2 removed adjustment aid for many districts, as you heard today, any under-aided districts that were receiving adjustment aid kept on receiving it year after year instead of having that money transition into other formula aid categories. Even in the latest Fiscal Year 2025 aid projections, many districts are *still* scheduled to receive adjustment aid in lieu of aid in the SFRA formula aid categories. So, in cities like Camden, Vineland, East Orange, Irvington, and Trenton -- for example, where many charter schools

operate -- this equates to a combined total of \$147 million that charters will never have access to based on the current law. And, that's each year. Over the last six years -- it's about \$900 million for those particular districts because of this technicality -- charters won't get access to that funding.

If that same aid was provided according to SFRA through equalization aid or other categorical aid categories, charter schools would be getting their proportional share. And, this must be remedied in a new and improved school funding formula. Charters should also be eligible for all aid categories, including adjustment aid.

The second fix that impacts every charter school in the State of New Jersey is a lack of funding for facilities, which we've talked about in this Committee. We are a national outlier in this respect. Since 2001, the State has provided nearly \$20 billion to districts for school construction and zero dollars to public charter schools for that same purpose. In New York, for example, you get your own school or \$5,000 per student annually. In D.C., you get \$3,500 per student annually per pupil through the formula; and in Massachusetts they get \$1,200 per pupil every single year. And, I could go on and on.

And, so, this inequity needs to be fixed in a new funding formula. That is money that is operational dollars. That is coming out of teacher salaries; classroom supplies; and technology. And, any changes to SFRA impact charters, as charter school funding is derivative of district funding. When adequacy budgets are calculated, since charter schools are public-school students their counts are included in those calculations. And, we must be at the table for any future discussions on the formula, because any changes will impact our schools.

And, I want to thank you for your time. We'll take any questions.

SENATOR GOPAL: Thank you.

Senator Turner, any questions?

SENATOR TURNER: You indicated that you do not receive any money for facilities.

MR. LEE: That is correct, Senator.

SENATOR TURNER: And, I think that's because when the charter schools were initiated here in New Jersey, you weren't supposed to receive facilities funding. Is that correct?

MR. LEE: Yes, in the charter law there is no mechanism for facilities funding.

But, with the new State law which establishes charter and renaissance school facilities loan program, there is an opportunity, with a new law on the books, to provide funding for charter schools.

SENATOR TURNER: And, you weren't supposed to receive 100% of what the traditional public schools were receiving. Is that correct, too?

MR. LEE: Yes, the law states 90%, but in only certain aid categories. And, so, we do not receive certain aid categories, and, so, it's closer to 75-80% for many of our schools.

SENATOR TURNER: All right.

And, I remember when the law was enacted. You indicated that you were going to be able to teach our students here in New Jersey less than what they were being taught for in the regular districts, but that hasn't

happened. And, also, it was indicated that you would increase the scores in the traditional districts. I haven't seen that happen in the City of Trenton.

MR. LEE: We would love to have that conversation with you, Senator Turner.

What we've seen across the state is that a rising tide has lifted all boats, especially in places like Newark, where those district and charter schools have improved. And, would love to continue the conversation on Trenton as well.

SENATOR TURNER: All right, well, I do believe that they may have happened in some other counties, but, in Mercer County, it has not happened. It really created a lot of havoc in the regular districts, because we had so many of them that have closed, and then the district had to absorb those students more or less overnight.

MR. LEE: Yes, those were major challenges around authorization; I would agree with you that that was a chaotic environment six, seven years ago when a bunch of schools closed.

Trenton is really interesting. Their student populations have increased, both in the district and the charter. I believe over the last seven years, there have been 2,000 more students coming into Trenton district schools and about 500 coming into the charter schools.

So, there is overcrowding in the district, and we think charters can be part of that solution, so we would love to continue that conversation with you.

SENATOR TURNER: The regular district, I believe right now, is more than 50% Hispanic. Is that the case with the charter schools in Trenton, do you know?

MR. LEE: It is an increasing number -- I can get you the exact number -- but it is similar; the populations are very similar.

SENATOR TURNER: And, are your students receiving subsidized lunches?

MR. LEE: Yes, more than 80% are free and reduced-price lunch.

SENATOR TURNER: Eighty?

MR. LEE: Yes, more than 80% in Trenton.

SENATOR TURNER: And, what's the diversity in your charter schools?

MR. LEE: It mirrors the diversity within the district, within Trenton. It's very similar.

SENATOR TURNER: OK, thank you.

MR. LEE: Thank you.

SENATOR GOPAL: Thank you, Harry.

Just confirming -- you said enrollment is included in the public school State aid configuration?

MR. LEE: Within the adequacy budgets, yes. Charter and district school students are included, absolutely.

SENATOR GOPAL: Think?

MR. LEE: They are.

SENATOR GOPAL: They are, OK--

MR. LEE: Absolutely, they are.

SENATOR GOPAL: OK, got it, got it.

Were you able to listen to the Superintendent of Red Bank's testimony earlier?

MR. LEE: I was.

SENATOR GOPAL: He had mentioned -- and, he's still here -- but he mentioned that they lost about 20% versus the charter school 5%. Is that common, where the public school is losing -- gaining -- losing less every time there's a school funding cut in a district, where there are charters and public schools that the public is losing at a higher percentage than the charter?

MR. LEE: That is not the case. Charter schools are derivative of districts-- I'd love to address the comments by the Superintendent. I have a tremendous amount of respect for the Superintendent of Red Bank, and am empathetic about the challenges that they are facing.

But, I also believe that to scapegoat Red Bank Charter is a red herring. Red Bank Charter School is currently receiving about 75% of per-pupil funding compared to Red Bank Borough. They are also spending \$262,000 annually on facilities and get zero support from the State. Last year, Red Bank Borough received \$160,000 for facilities bonds, and through the great work of your work, Chairman, \$360,000 was restored to Red Bank Borough last year. The charter didn't receive any of that money.

And, so, I would really like to have a fact-based conversation--

SENATOR GOPAL: Wait, just go back to the last place -- \$360,000 was restored, you mean in the--

MR. LEE: Stabilization aid.

SENATOR GOPAL: Stabilization. And, the charter does not get any of that?

MR. LEE: They do not receive that.

SENATOR GOPAL: Gotcha.

MR. LEE: So, there are different points here where we can talk about funding, and I want to make sure that we understand--

SENATOR GOPAL: And, why is that? Because in the stabilization aid bill, charters do not get anything?

MR. LEE: No.

SENATOR GOPAL: And, that's not unique to Red Bank, that is across the state?

MR. LEE: Across the state, yes.

But, typically, we're in SDA districts, so we were not in that position.

SENATOR GOPAL: Got it.

There's no one else, it's just me and Senator Turner.

Go ahead.

SENATOR TURNER: It's been said that you actually cherry pick the students who are enrolled in your charter schools. Is that true?

MR. LEE: That is not true. There is a random selection process through a lottery system. You cannot ask for test scores; GPA; special-ed. status.

In fact, we have more than 20 of our schools preferencing students who are economically disadvantaged or students with disabilities or English learners in their lotteries -- so they get *increased* chances to get into the school.

So, if there-- If you've heard that, there should be an investigation. But, that is against the law.

SENATOR TURNER: And, it's also been said that the salaries of your administrators are far above what the salaries are in the regular districts. Is that true?

MR. LEE: I don't believe, on average, that is true. I would have to look at that, but I do not believe that is true.

SENATOR TURNER: Thank you.

MR. LEE: Thank you.

SENATOR GOPAL: Thank you.

Welcome, Senator Corrado.

Judiciary is over?

SENATOR CORRADO: (indiscernible)

SENATOR GOPAL: Oh, wow, I might actually make it back for it; good.

Thank you, guys, very much; appreciate it.

All right, let's bring up three more districts. South Brunswick, Lenape Regional High School, and Pitman.

Middlesex, Burlington, and -- where's Pitman? Gloucester, right?

Whomever would like to start, feel free.

S C O T T F E D E R: First, Chairman, thank you so much for the opportunity.

It's late. A lot of what I have has been said -- probably more gracefully than I would say it. I am going to focus on one point and try to make one--

SENATOR GOPAL: Can you just introduce yourself?

MR. FEDER: Oh, sorry.

Scott Feder; South Brunswick Public Schools.

Thank you; sorry about that. Superintendent.

David Palowski is here with me; he is the Business Administrator.

The one point-- We talked about Long Branch. Long Branch, Asbury Park has the nice shoreline. And, the results of various things related to equalized evaluation.

South Brunswick does not have a shoreline, but if you go through South Brunswick we have one really cool thing: We have warehouses; lots of warehouses. And, the warehouse market has of course exploded -- very similar to the shoreline, in a different way. So, what we are facing is what happens is when a warehouse sells that was purchased maybe for \$2 or \$3 a square foot and sells for \$30 or \$40 a square foot. Obviously what happens, it comes into the equalization and ba-boom.

Some of the questions you were asking some of the other superintendents-- We were in a situation similar to where we had a flat funding for many years. And, that probably is our appropriate funding except until you apply \$3.5 billion of new value in the formula. And, so, what's happened with that is -- like everybody else -- it swings the numbers.

The one thing I just want to make a point of, because I know you've heard all this part already, is the valuation has absolutely no correlation to collected tax. Not by the schools, not by the town. There's no correlation.

SENATOR GOPAL: Can you explain that?

MR. FEDER: Sure.

So, when a warehouse-- Let's just say the valuation goes up a billion dollars. So, I'll just refer to my chart real quick. It goes up a billion dollars. So, in the year that happened -- that was in '18, '19 to '20 for us -- a billion new dollars shows up on the valuation. There's not a billion new dollars; it shows a worth. The money isn't collected because all we collect is

a 2% increase; that's all we collect. So, what happens is, the value of those rateables -- which were also like, a hundred million in new rateables -- it spreads the money.

So, the best example I can give you is if you have a 20-kid school; a 20-kid classroom with a \$100,000 teacher. The cost for the classroom per child is \$5,000. That's easy; easy math. If two more kids move in, and now you have 22 kids, the cost hasn't changed; it's still only \$100,000 to run the class. Everybody is going to still pay their equal fair share, they'll just pay less money. That's how the taxes have been working in South Brunswick.

The last six years, even with maximizing our tax impact, our local taxpayer of the average assessed home has had a decrease in their taxes by \$54 over six years. Not because of us. I'd love to say that we did that, "Look at us, look how good we are." Nope, we didn't do anything. We raised taxes to the max every year, which is the 2% -- unless there was a waiver, a little bit higher. It had no impact on the taxes because of the rateables. Not because new money was collected -- just because the same money was needed with more money available. It just gets spread. People pay less. That's how it works.

So, when the State--

SENATOR GOPAL: I'm sorry, but you're still getting your percentage of your total rateables is going to the school district. It's the same percentage.

MR. FEDER: The 2%.

SENATOR GOPAL: Two percent.

MR. FEDER: So, it doesn't matter that the town moves up by a billion dollars in value. What that did is that told the formula, "Hey, that's a pretty wealthy town. Let's recalculate the formula every year--"

SENATOR GOPAL: I got you.

MR. FEDER: So, I agree with the idea of the five-year scroll instead of a one-year, all those things.

The unpredictability for us is the killer. We're, right now-- We're right now spending time talking to our community of how we're going to cut \$6 million worth of humans for the coming school year. So, that's where we are. And, other people are in worse shape -- some in better shape - - but the merging of the 2% cap, along with an S2, causes, you know, an uncontrollable amount of loss each year, and it's perpetual. So, we have only lost every year for six years and that's now put us in a position where the \$6 million that we're going to cut are going to be humans. And, that's the unfortunate situation.

Positively, for South Brunswick, that's not going to put us as in bad of shape as some of my colleagues I'm hearing today. But, pretty bad. And, we'll be right behind--

SENATOR GOPAL: So, how much did you -- are you losing this year?

MR. FEDER: Sorry?

SENATOR GOPAL: How much are you losing this year?

MR. FEDER: In State aid?

SENATOR GOPAL: State aid.

MR. FEDER: This year, \$1.4; last year, \$4. But the difference is, I believe you heard Mike Citta talk about the idea of the stabilization aid

that was not replenished, is a gap, and then the 2% cap gap between what you're allowed to raise and how much you need to roll over. Add those together, we're at minus \$6.2.

SENATOR GOPAL: OK.

And, what's your enrollment gone down the last five years?

MR. FEDER: I shared that with you last time we talked. It's about 10% over seven years.

SENATOR GOPAL: Which is how many students?

MR. FEDER: For us, it was about 900 students out of about 9,000 -- 8,900, 8,800.

SENATOR GOPAL: Losing those 900 students, were you able to cut any costs?

MR. FEDER: It is absolutely the reason we're probably not in the same situation as somebody else. But the downside -- I have a 1,700-unit construction project that started online this month. Not started being built; 1,700 new units are being built in South Brunswick--

SENATOR GOPAL: Oh, I see what you're saying--

MR. FEDER: --they're going to produce--

SENATOR GOPAL: Got it--

MR. FEDER: --somewhere around 1,200 students.

SENATOR GOPAL: Got it.

So -- but the 900 -- you lost 900 students. Did you sell buildings? Did you close anything? Did you have space--

MR. FEDER: We reduced staff.

SENATOR GOPAL: You reduced staff.

MR. FEDER: We reduced staff to match the reductions.

SENATOR GOPAL: Has your classroom size gone up?

MR. FEDER: The classroom size next year will be average in the 25 to 27 range.

SENATOR GOPAL: Has that been consistent throughout the--

MR. FEDER: No, it's now higher. We have to raise it every year.

SENATOR GOPAL: You're raising it every year, but even though the student population has gone down 900 students.

MR. FEDER: Yes, because the money doesn't coincide with the loss of students. It is not equal loss; we lose more money than we lose a value of students each year.

SENATOR GOPAL: Got it.

And, how would you resolve that, in an ideal world?

MR. FEDER: So, the big deal is the five-year rolling average. We are doing something where you are not using part of-- So, again, the reason we're here is to, what can we do going forward? I don't want to really talk too much about the past, as you said; I agree with that.

We're using a formula that's using information that does not correlate to tax. That doesn't make sense to me. I understand the purpose of it, and I don't think the purpose was to not correlate. But when you merge the 2% and you merge the way we're using this and every year rerunning the formula, rerunning these numbers, it's causing these wild swings that we're all hearing in these districts, and it's also not -- it's not directed at the students in the seats.

In Long Branch, because the shoreline on Pier Village is growing and becoming more valuable, what does that have to do with the students?

When a warehouse sells in South Brunswick, there's nothing to do with the students. It doesn't give me more money; it doesn't do anything except for the state running the formula and taking more money -- which is, I don't believe, the intent of all this. But, it is an unfortunate byproduct that is happening with the every year rollover.

So, I would add to the suggestion that Sue Young provided. The five-year-- I know there's a bill out there in the Assembly, 942, to do that. I don't know that you're going to re-run the formula this year, but going forward, that's a big one.

I heard things about the transportation aid for preschool. It's so expensive to bus preschoolers, and we have to bus, each year, more and more of them. It's very expensive, and that money is coming out of the operations budget, because you can't legally come out of it. But, yet--

SENATOR GOPAL: When you say it's so expensive, is that just because of the bus companies that are out there? Are you doing it in-house?

MR. FEDER: Half and half; we're a half-and-half district.

But it's so expensive because preschoolers need aides; preschoolers need different seating; you can't--

SENATOR GOPAL: Hasn't it always been that way?

MR. FEDER: We have only started with the preschool expansion where we had to bus children the last two years. So, again--

SENATOR GOPAL: You got money from the State?

MR. FEDER: Well, what I was going to finish saying is, I don't want to say too much about that. I'm very happy with \$5.2 million. So, I'll move on.

SENATOR GOPAL: (laughter)

(audience laughter)

MR. FEDER: Turn the page.

For sp. ed., obviously fully funding is going to be a big deal for the-- You don't need me to tell you that; you've heard that already today.

And, moving forward, if you are going to form a committee -- senators, assembly, bipartisan. We just need bipartisan, everyone working together. This is a commonly problem; this is not a Democrat or a Republican problem; this is everybody.

And, please include the people on the ground and, of course, the experts who were brought here today. I hope that is the plan, because I think we'd all work together really well and I think we'd be able to accomplish a lot in-- We'll never be perfect, but the wild swings are really-- We can't plan, and you've heard that already, but the not being able to plan is--

SENATOR GOPAL: Got it--

MR. FEDER: --it's a morale killer.

SENATOR GOPAL: Bipartisan. Which party do you want? I'm just joking with you.

MR. FEDER: Listen, I'm a Jet fan, so, listen--

(audience laughter)

MR. FEDER: I have to leave my \$6 million cuts and then go home and then be a Jet fan. So, this is really tough for me.

But, listen, thank you, guys, so much.

SENATOR GOPAL: Thank you.

MR. FEDER: If you have questions, we'll take them, but I appreciate the time.

SENATOR GOPAL: Thank you.

We'll hold-- We'll do all three of you, and then see if anyone has any questions.

Thank you.

Go ahead.

KARA L. HUBER: All right, I'm a first timer here, so.

My name is Kara Huber; I am the School Business Administrator for Lenape Regional High School District.

I was prepared to go on about all of the same exact details that you have already heard about, and I do not want to belabor the fact; I do not want to repeat. I support New Jersey School Board's recommendation; New Jersey (indiscernible); all of the other superintendents' recommendations. For us specifically, S2 is supposed to cut about \$6.8 million with a differential of enrollment.

So, we were expecting a State aid cut of \$337,000 to \$350,000 if I increased it based on the per-pupil calculations. And, unfortunately, we were hit with a cut of \$4.69 million. So, this was obviously earth shattering for us. We were not expecting it. We had planned each and every year for our projected cuts. So this, obviously, is the reason why I am here.

But, I do just want to say, you've heard it all. You know that the volatility of the formula, the five-year average -- I would say even a six-year average, the present formula talks about a six-year average when it comes to -- or six-year growth calculation when it comes to enrollment -- maybe utilize that number for consistency purposes in the calculation.

But, I would only want to add our gratitude for starting real and meaningful conversations about improving the way our State supports education. And, I would be willing to assist in any way possible.

Thank you.

SENATOR GOPAL: Thank you.

APRIL MILLER: Hi, my name is April Miller.

I represent Pitman Public School District's Board of Education, and have the privilege of serving as their President. We are located in Gloucester County, and we are a preschool-through-12th-grade district. And, we have about 9,000 residents in our community.

Our district was an S2 district, and we saw those hold-harmless aid or adjustment-aid reductions and anticipated those. What we didn't anticipate -- much like others have spoken to -- is the equalization valuation increase. We've seen an equalization valuation increase of 40% in two years. That's driven our equalization aid down dramatically. So, I think a five-year average would be advantageous to adjust for the market challenges that districts like ours have faced.

Additionally, I would recommend a coefficient, because we know that in certain communities the median income comparative to the increase in their home prices is a huge difference. So, for Cape May, for example, from 2010 until 2022, they saw home prices increase 69%, whereas their wages only increased 38%.

So, when we talk about that equalization valuation being an indicator of district wealth, I think that it is a false equivalency because we have to respect that, in New Jersey, the rate of our income that we pay towards our home prices is higher than other areas of the country. And, even when the formula was created, it has rapidly expanded. So, whether that coefficient is county-based or municipality-based, depending upon the

demographics, that could be an additional adjustment factor for the district wealth to be associated accurately.

We have also had, much like other districts, challenges with students who aren't represented accurately on the census because there's a five-year lookback period for the growth-rate calculation. We were a district that was previously in declining enrollment, and we are now seeing a bump, a return of those students. Suburban districts lost tons of kids during COVID who are now returning to our schools, and unfortunately, that five-year growth calculation means that our adequacy budget is not based upon the actual number of students who we have enrolled.

So, our current enrollment -- and, not just the special-education portion -- would be about a 5% bump comparative in our adequacy budget, comparative to what is on roll versus the State funding formula. And, then, additionally, there would be an additional 6% if we actually had an accurate representation of our special-education students who are classified.

So, I think that there is an opportunity to treat those deficiencies in the funding formula's estimates versus actual enrollment, kind of like we do extraordinary aid, with a spring audit of what numbers of students were actually enrolled comparative to the number of students that were calculated in the school funding formula.

SENATOR GOPAL: Thank you.

Any questions, Senators?

Sir, of course.

MR. FEDER: Just, in the immediate-- Obviously, the funding formula for the future is awesome. In the immediate, I heard one thing today that I'd like to reinforce.

In looking at any-- If there's any stabilization coming, to look at a two-year average, possibly, or the last two years, not just the one year.

Thank you.

SENATOR GOPAL: You got it.

Senator Zwicker and I are introducing a bill on Monday, and I'll talk to him about that; sure.

Thank you, guys.

We've got seven more school districts. I'm joking, we're all done with that.

Last but not least, the Education Law Center.

DANIELLE FARRIE, Ph.D.: Good afternoon.

Thank you for the opportunity to share ELC's recommendations for improving the SFRA.

So, first and foremost, we believe the SFRA is an excellent formula--

SENATOR GOPAL: Sorry, can you introduce yourself?

MS. FARRIE: Oh, I'm sorry.

I am Danielle Farrie, the Research Director.

We believe that SFRA is an excellent formula that follows the core principles of fairness and equity. The SFRA is a standards-linked formula that accounts for differences in cost associated with different types of students, and also accounts for differences in school districts' ability to raise local taxes.

So, while the bones of the formula are solid, it's obvious that some formula elements need to be updated, and it's critical to note that when the Supreme Court signed off on the constitutionality of the SFRA, their

acceptance was contingent on the State's commitment to review the formula every three years and make adjustments as necessary.

The failure to adequately review the formula has led to an unsustainable position that we're in now, and many school districts do not feel like they're getting the support that they need, as you have obviously heard today. And, the volatility in State aid has created a set of winners and losers, and districts can't easily predict which side of the fence they're going to be on.

Some of these issues are pretty easy to address, so I'll start there. And, many of these recommendations have already been stated, so I'll try to be brief.

Districts need immediate notification of the amount of stabilization aid that they're going to receive in the next school year before they're required to finalize their budgets and before they cancel programs and lay off staff. We propose distributing stabilization aid so that no district loses more than 1% of their total operating budget. This will prevent significant cuts to programs and staff and would cost approximately \$65 million for the upcoming budget.

Second, allow districts to go beyond the 2% property tax cap. I won't delve into that anymore.

Third, something that has not mentioned today -- has not been mentioned yet -- is the need to extend the S2 waivers around municipal overburden. So, S2 provided districts that were highly taxed with a waiver from State aid cuts. Without these waivers, some school districts will be forced to significantly raise their already high taxes or cut programs further below a constitutional level. So, that needs to be fixed for the FY26 budget.

And, then, finally, to prevent year-to-year volatility in formula aid, build in both a ceiling and a floor for State aid going forward. This would provide districts with the predictability they need, and is a tactic that is used in many other school-funding formulas around the country.

So, to turn to the harder issues. The 2026 Educational Adequacy Report. So, the SFRA *must* be reviewed every three years. Prior reports have updated the underlying cost of the formula while failing to consider whether their inputs themselves are adequate. These surface-level reviews have left the SFRA out of step with current curriculum in New Jersey, and also best practices.

I included with my testimony a report from ELC on the EAR process and the detail. It details which components of the formula should be reviewed; how they should be updated; and why. We strongly recommend that the Legislature include a \$1-2 million appropriation in the FY25 budget. This will allow the DOE to consult with the finance experts and support a robust community-engagement effort, which is also critical to making sure that the formula is responsive to students' and families' needs.

Special-ed. census funding has been spoken about, so I'll skip right over that one, but just say we concur; it needs to be changed.

State and local share of the adequacy budget. So, much of the volatility in the formula in recent years is driven by these changing expectations for how much of a district's funding comes from State versus local revenue, and understanding the complicated interplay of these factors requires a clear understanding of the adequacy budget calculation in SFRA. So, the adequacy budget is the amount required by law to provide all students with a constitutionally required thorough and efficient education. The

adequacy budget defines the base cost for general-ed. students and weights for educating students from particular subgroups. I know you have heard this all already today, but every year, the adequacy budget for every school is calculated by applying those base costs and weights to the district's individual student population.

The adequacy budget is then wealth equalized, meaning that the responsibility for funding it is shared between State and local revenue sources. The local fair share formula determines how much of the adequacy budget should be funded through local revenue, and then the rest is filled in with State aid. A unique feature of the SFRA is that the amount of State aid that is available to support the adequacy budget is set by statute.

Over the years as adequacy budgets have increased, the State share has become progressively smaller while the local share has grown. In 2009, 38% of the adequacy budget was State funded; by 2025, that number has gone down to 33%. That may not sound like a lot, but if the adequacy budget was still funded at a 38% state share, that would mean an additional \$1.3 billion in State aid, and therefore \$1.3 billion less required from local taxpayers.

Between 2009 and 2025, the number of districts who have received no State support for their adequacy budget will have gone from 28% to 48%. The State's middle-income districts are receiving roughly the same amount of State aid as they were entitled to in 2009, but are expected to raise \$1.4 billion more in local taxes. These fluctuations in State share are a feature of the SFRA, not a bug, and to create more stability and predictability, they need to be addressed.

So, we recommend first that the Legislature commission a study of the local fair share formula. This was intended when the SFRA was first put in place, but was subsequently removed from the law.

Two, increase the amount of State aid available to support adequacy budgets. This will bring the State share back up and provide more equalization aid, as was referred to earlier, to distribute across districts around the state.

And, then, three, allow the State share to be fixed so that as adequacy grows, the State support grows with it and we don't get into this position we're in now where as education costs increase, the burden of funding those costs is just increasingly falling to local taxpayers.

These issues are complex, but they are solvable. School districts have waited 15 years for full funding of State aid; now that we are, hopefully, about to achieve that goal, we need to make sure that the SFRA reflects realistic costs and is structured so that all districts have the capacity to fully fund their schools, both in terms of State and local dollars.

SENATOR GOPAL: Thank you very much.

Any questions? (no response)

If you could just go back to-- If you could go back-- Have you been here the whole time?

MS. FARRIE: Yes.

SENATOR GOPAL: Is there anything that you or the Education Law Center has heard in the last four hours that you strongly disagree with?

MS. FARRIE: Well. (laughter)

(audience laughter)

MS. FARRIE: I will stick to the formula.

I think that -- no, I mean not -- there's maybe tiny little things. But, I think the one thing that is really important is the idea that superintendents have reflected-- The local fair share formula is looking at districts, property wealth, and income, and then expecting them to then act on those changes in a way that is just unrealistic both politically and, now, also legally, because of the State aid cap.

I think, though, the one thing that maybe I would push back a little bit on is districts are in different positions relative to their local fair share, right? Some districts are taxing way above it, and they're losing State aid. And, there may be issues around right sizing their budget, around those costs, but they're already spinning at adequacy. A bigger concern is the districts that are below adequacy. Some of those districts are being expected to raise their local share and they have maybe traditionally been a lower tax district and not necessarily putting in as much as they could have. Partially because of the law, partially because of whatever other reasons.

We have to treat those districts differently. Some districts who are being asked to increase their local share are already heavily taxed. They have high tax rates. So, there should be a different way to treat districts who are already heavily taxed compared to districts that maybe are taxing at far below the state average.

So, there needs to be, I think, a more broad set of tools that allow districts to address those local capacity issues. I think the idea of bringing educational adequacy aid back is an interesting one, and reasonable; a way to determine whether districts are sort of doing as much as we can expect them to do given their population versus districts that could conceivably increase their tax rate. I mean, we've seen examples of how given flexibility, districts

can do a lot. Like Jersey City, Asbury Park -- they have really done a lot to increase their local contribution to schools given the flexibility from the tax cap. But not all districts are able to do that. So, there are other urban districts that are well below their local fair share; already have extremely high tax rates; and can't possibly make up the difference.

SENATOR GOPAL: Got it.

Obviously, we have a new Education Commissioner, so I don't think he's going to be offended by this question. Do you see anything in the last several years that DOE could have done better in this process?

MS. FARRIE: You know, there's one really simple solution. I think there's a lot of confusion from superintendents around which elements of the formula are being fully funded, because there is an inconsistency in the formula calculations, and some of the State aid summaries that are distributed, they don't match reality.

And, I think the one really simple fix-- Districts are still receiving adjustment aid on their State aid notices. But, adjustment aid is gone; that was the whole point of S2. There is no more adjustment aid. But, they just haven't moved -- correctly moved the funding around in those categories. And, I think that's sort of another very simple fix.

SENATOR GOPAL: Seems concerning, no?

MS. FARRIE: I think it's concerning because the superintendents are looking at pieces of paper that don't seem to make rational sense to them, and it's hard for them to understand what's going on.

SENATOR GOPAL: Yes, it was a rhetorical question.

MS. FARRIE: No, I know. (laughter)

I know.

And, then, I think the issue with the Educational Adequacy Report is the biggest one. It's been 15 years; we can't just keep updating the inputs of the formula to reflect salary increases and inflation and expect that is going to give districts what they need to update to standards from essentially 20 years ago at this point.

SENATOR GOPAL: I asked the Superintendent of Millville earlier, is there ever-- Is there a defined bar of what is the base of what school districts are expected? What is, out of our 600 school districts-- Is there a State expectation on how many music programs they should have; how many art programs they should have; how many sports teams they should have? If a school district that's gaining funding decides they want to add a new sports team, is that the State's obligation? Is that the local school district's obligation? Is there any parameters as far as-- We've got 600 districts that I mentioned earlier, and they're all doing something different on mental health. We have NJ4S; we have school-based youth service programs; we have some school districts that have social workers on site; we have other school districts that contract with a third party.

What are the -- does SFRA -- I don't think -- addresses any of this? But, how do you have a school funding formula where we don't know the basis of what is-- We always talk about a thorough and efficient education, but what does that mean as far as the State's responsibility to fund it versus the local districts, and what are those expectations?

MS. FARRIE: So, I think there's two things.

One, a good school-funding formula has to balance sort of flexibility and predictability with adequacy. Districts need the flexibility to be able to spend their money on the programs that they want most. In many

states, they have -- instead of this type of formula that we have -- they have formulas that are overwhelmingly categorical aids. Meaning you get a pot of money for a bunch of different programs. So, one for mental health; one for arts programs; one for this; one for that. And, then, they're restricted in how they spend that money.

That doesn't work for districts. They need flexibility to spend it on what they need.

SENATOR GOPAL: What about the first part of what you said?

MS. FARRIE: Yes, so the way that the formula was designed was based on model school districts where experts were brought together and asked to staff the schools with the appropriate staffing and resources and supplies to deliver New Jersey's standards.

So, you can actually go to the last adequacy report, and it will show you the models. And, so, you can see, for an elementary district, this is the number of classroom teachers; this is the number of support staff; counselors; social workers; maintenance; everything.

SENATOR GOPAL: And, I'm sure my friends at the school boards would say every district is incredibly different; you can't do that.

MS. FARRIE: Well, you do have to figure out one kind of common way to fund schools. So, there does have to be *a* balance. I mean, there has to be one common way that we figure out what sort of the base-per-pupil is. Obviously the formula tries to address differences in districts by giving different amounts of funding for students in different categories. So, providing more funding for students who are learning English, or who are at risk. It certainly can't account for all of the differences--

SENATOR GOPAL: Sure--

MS. FARRIE: --otherwise there wouldn't be a State funding formula.

SENATOR GOPAL: But we do, right now, have situations where we have two neighboring school districts, and one has almost three times the amount of music programs, a secondary lacrosse program, and they're gaining more State funding than the one that doesn't. They've been over the last 10 years -- not just paying for an extra field or whatever; they've made investments into their district and now the State is now, essentially, taking over that burden when their neighboring districts don't have anything.

MS. FARRIE: There-- It's very hard to sort of overcome the inequities that have been built into the state over decades.

So, we are, after 15 years, finally implementing the school-funding formula at the levels that were originally intended. If the formula had been followed when it was first put in place in 2008, all of those imbalances would have been addressed within a few years. The fact that some districts have the ability to go above and beyond by raising taxes on their community members to put programs in place is certainly a question that can be-- We can ask that question, about whether that's fair, but we don't currently have any caps on the amount of local-- I mean we have annual caps, but we don't say that districts are not able to go too far above what their local fair share is.

So, I think that addressing that formula itself would go a long way. But, I don't think that a State formula can sort of solve all of those issues.

SENATOR GOPAL: Any states out there that you see that you think do it incredibly well?

MS. FARRIE: Well, we used to say us. (laughter)

California is doing a good job right now. Wisconsin, generally. I'm trying to think of places that are more similar to us.

You know, it's difficult. There's not very many places around the country that are doing a good job. In general, New Jersey tends to sort of rise to the top in terms of how adequate our funding is. We are struggling with equity right now because of--

SENATOR GOPAL: We still have the most segregated school districts in the country.

MS. FARRIE: Yes, that is true. (laughter)

SENATOR GOPAL: Any questions -- Senator Turner, go ahead.

SENATOR TURNER: Yes.

I'd like to thank everyone for coming here today and providing us with such excellent ideas. And, I think we've heard a lot about what the needs are.

And, I'm just going to commend our Chair for bringing us together today, because it's long overdue; it's been a long time coming. And, hopefully, we can address the needs for a fairer funding formula.

But, I think we're missing what the real elephant in the room is. And, that is how we fund education. I think we use the most unfair formula of all when we see that 50% to 60% of property taxes fund the schools. And, that is unfair, because there are so many people who own homes -- particularly those on fixed incomes. They cannot afford to stay in their homes now because of how high the taxes are. And, as a result of that, that's one of the reasons New Jersey has the highest property taxes in the country.

Now, do you know any other states' way of funding the schools outside of being so heavily reliant on property taxes?

MS. FARRIE: Most states do rely on property taxes.

SENATOR TURNER: But, as heavily as we do, 50 to 60%?

MS. FARRIE: Probably not, probably not. Probably not.

But, there are sort of-- There are some examples of other places.

I'll say there is some benefit to relying on property taxes, because they're slightly more stable than income. So, you could have annual fluctuations in income that really-- I know all we've been hearing about is fluctuations and property taxes, but income during a recession can really bottom out and then really cause big problems at the State level in terms of funding available for education.

There are other options within a property tax-funded system that could be more equitable, in terms of regionalizing the tax base and not just saying what you have in your town belongs to you, and if you are a wealthier town that has easier capacity to raise taxes, perhaps *some* percentage of that gets shared within the region instead. So, kind of redistributing property taxes so that they're not so confined to municipal borders, is one option.

Many states levy a property tax, but it is not local, it is State. So the State essentially collects that property tax and then redistributes it among school districts.

SENATOR TURNER: Because I know in some cases when the public votes on school budgets, it's the senior citizens who vote them down because they can't afford to continue paying higher and higher taxes. And, it's turning people -- not just seniors, but middle-income people as well -- against the schools.

And, I think we need to do a better job of funding the schools and not being as heavily reliant on property taxes, because that has nothing to do with one's ability to pay for education.

MS. FARRIE: Right. And, I think that -- just to sort of repeat what I said in my testimony -- if the State increased its share of the funding that was available to fund the adequacy budget, then that would alleviate -- that would essentially be property tax relief, because you're saying instead of relying on individual districts to raise whatever portion they need to fund their schools, it would come from the larger pot of statewide equalization aid. And, we have seen that proportion over the past 15 years, like I said, decline from 38% to--

SENATOR GOPAL: Where did that source of revenue come from?

MS. FARRIE: Well, income tax. (laughter)

Yes, I mean, this is the fundamental question, though, right? We all-- We sit here and you guys have heard about how districts don't have enough money for the programs that they need, they're going to lose (indiscernible) funding and lose grants that they've been relying on for mental health and other projects.

Generally the consensus is that the formula perhaps does not provide enough funding for districts. Districts also feel like they're being overwhelmed in terms of how much they're expected to raise locally. So, there's only one other answer to that question, so we can't just -- I mean, the State is the only other person who is responsible for funding our schools. And, so, if we think that the locals are being asked to do too much, property taxes are too high, but also that the students in the schools need better

resources and better programs. The only answer to that question is to provide more money from the State.

SENATOR GOPAL: Thank you.

Senator Corrado.

SENATOR CORRADO: Chairman, I want to apologize -- and to everybody here -- for being late. We had competing committees today and I couldn't split myself in two.

But I will go back and listen to the testimony.

And, I have heard from a number of school board members, as well as superintendents -- and I'm glad that we're having this discussion, because I think it's important.

One of the questions -- and, I apologize if I missed it -- when you were talking about the burden on local school boards, did you talk about, also, the impact of the property taxes when you're paying for your local school as well as a county school? And, that's probably addressed more to the county vocational schools, because I know there's a disparity -- depending on where you live in this state -- on how they're funded as well.

MS. FARRIE: So, the county vo-techs also get a local fair share that the county is expected to contribute. Most of the counties are woefully underfunding their local share. That has become a burden -- I think -- on the regular districts, because the county vocational schools are now levying tuition onto the local school districts, so the school district is now required to spend tuition funding out of their budget for students who are not included in their budget. These are full-time vo-tech students who are counted as residents of the vo-tech district.

So, that is creating an additional pressure on local school districts to basically sort of supplement the lack of county taxes going to the county vocational schools with their own school budget.

SENATOR CORRADO: And, I heard somebody touch on before about actually counting in the accurate number of students.

I know there is an issue with students in the special-needs programs, with developmental disabilities, where they continue on past the age of 18. And, they're not counted in as being in the school system. That's what I've been told, and I think that's something that needs to be addressed, because it's literally a hole. They're still at the school, they're still getting the services, they're still getting educated, but they don't exist when you count the number. And, that impacts the funding as well.

MS. FARRIE: Yes, I think that's-- I'm actually not entirely confident in the answer of the technicality of whether those students are counted as residents of the district.

But, for sure, the census formula is not going to provide funding for anyone that is beyond the average statewide rate.

SENATOR CORRADO: And, again, if anyone-- Please feel free to reach out to us, we're looking forward to continuing this conversation.

I agree with what Senator Turner said. We can't just keep funding it through our property taxes.

So, thank you.

SENATOR GOPAL: Thanks.

Did you go already?

SENATOR POLISTINA: No, I did not.

SENATOR GOPAL: Sorry, Senator.

SENATOR POLISTINA: Thank you; can I go?

I wholeheartedly agree with Senator Turner's comments as well, so we all do. It's-- The way we do this has got to be changed.

I'm curious -- specific to Atlantic City, just to use a specific example -- because I'm trying to understand this in my mind. So, Atlantic City's adequacy budget last year was \$145 million. They did the math, and they said that the local share can be \$30 million, so they -- State aid -- and, it's rough numbers; \$115 million. So, \$115 State aid, \$30 local, \$145 adequacy budget is what it was supposed to be. And, then, the budget was \$227 million.

And then, this year -- even though they were able to fund all that additional money locally -- they're getting another \$9 million. So, I guess there is no consideration from prior years how much the local share was and the potential impact on the next year's funding?

MS. FARRIE: I want to make sure I understand your question.

SENATOR POLISTINA: So, \$145 -- so the State has gone through their math, they say that Atlantic City's adequacy budget is \$145 million.

MS. FARRIE: Yes.

SENATOR POLISTINA: And, then they do the income and the real estate and whatever they do, and they say the local share is \$30 million.

MS. FARRIE: Yes.

SENATOR POLSTIINA: So--

MS. FARRIE: What is their levy? What is their--

SENATOR POLISTINA: So, then, their budget, (indiscernible) that they prepare is \$227 million.

MS. FARRIE: I think what's happening there is that-- So, during the economic crisis when Atlantic City's bottom fell out, their ability to raise local taxes just got kind of wiped out. So, the State had been providing Atlantic City with a supplemental aid to offset those losses, because the formula kind of didn't catch up to it, and I think what's happening is that the formula is essentially saying, "Atlantic City, you only need to raise \$30 million in local taxes," but the city has been raising above that for a long time.

So, they are not reducing their local levy, but they are essentially just raising more so there's a larger local share than what's required. I mean, this is what happens in most high-income district around the state. They are told that they need to raise, you know, X dollars for adequacy, but they don't spend at adequacy -- they spend far above adequacy. So, they supplement with additional revenue.

And, I imagine that's what is happening in Atlantic City, that they're not reducing their tax levy -- that they're still able to -- it may be a high tax rate on the residents, but they are still maintaining that school levy and not basically doing property tax relief to compensate.

SENATOR POLISTINA: They are.

So, the question then becomes -- they did that last year, they raised more than what was needed for the adequacy budget. How is that not considered, in future year's State aid calculations? Because clearly, if their adequacy was \$145 and they're spending \$227, they're raising it locally, other districts are getting significant cuts. Why are they still getting all this additional money? What is going on where certain districts like that are getting even more money than what they need, clearly, because their budget

is \$227 when their adequacy is only \$145. How does it not consider the fact that they were able to do that in prior years?

MS. FARRIE: So, I think there's two things.

One is, I would sort of still question whether they're spending more than they need; whether the adequacy budget is accurately reflecting the cost of educating such a high poverty population in that town with a sort of lack of general community resources. It's not *just* that the students are poor, but it's a depressed city.

So, is the adequacy calculation of \$100 and whatever you said -- \$185 -- is that an accurate reflection of what the schools actually need to operate in order to serve their students?

But then, the second question of, "Should a district's State aid be taken away from them just because they are raising more taxes on the local community?" is a little bit, I think, a more difficult one, but one that is certainly complicated. I don't-- I think that the goal of the formula is to create this level of fairness to attempt to distribute the tax burden across property in a way that everybody kind of is treated the same. So, once you start treating some places differently, then it gets a little bit more complicated.

SENATOR POLISTINA: So, I understand, the adequacy budget that is calculated by the State, that goes through all the waiting and number of students. You're saying that that may be inaccurate and that may not be reflective of what the community needs to provide for an efficient education?

MS. FARRIE: I think that's why we need an in-depth adequacy report to go through what the resources actually are, especially in these communities of, you know--

SENATOR POLISTINA: OK--

MS. FARRIE: -- significant poverty.

SENATOR GOPAL: And, for clarity -- just on Senator Polistina's point, because that is pretty alarming for the residents there -- but what -- there is nothing in the formula that's taken into consideration, cost of vendors, procurement, as far as administrative costs? None of that is -- right?

MS. FARRIE: There are district-wide costs in the formula. The district-wide cost of maintenance and--

SENATOR GOPAL: What about ratio--

MS. FARRIE: --administration--

SENATOR GOPAL: What about ratio of administrators to teachers, things like that?

MS. FARRIE: Yes, it's--

SENATOR GOPAL: --is that all--

MS. FARRIE: Yes, it sets the number of administrators--

SENATOR GOPAL: Oh, it does; OK--

MS. FARRIE: --based on the school, yes.

SENATOR GOPAL: So, that is all in the formula? And that affects their state aid?

MS. FARRIE: Correct.

SENATOR GOPAL: Any other questions from the Committee?

(no response)

Thank you very much.

MS. FARRIE: Thank you.

SENATOR GOPAL: Thank you, everyone.

I just-- There are a number of folks who sent in written testimonies. And, I'm not going to read them, but I do want to thank-- The Superintendent of Hillsboro submitted a very good and thorough testimony, as did a number of Board of Ed. members from Piscataway, Evesham, and a number of other places. So, if you guys don't mind just taking a look at all those.

Thank you, all.

I think this was really good. We made a lot of progress. We've got the next couple of months to get our work done and try to create -- amend -- the current funding formula as we move forward to make sure that there is more clarity, more transparency, and hopefully we're in a place a year from now where people don't have as many questions on why their money went up or down.

So, thanks everyone.

(MEETING CONCLUDED)